BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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Application of California-American Water Company (U210W) to Obtain Approval of an Updated Cost Cap for the Monterey Peninsula Water Supply Project and Updated Ratemaking Framework.	Application _____ (Filed ____, 2026)

APPLICATION OF CALIFORNIA-AMERICAN WATER COMPANY (U210W) TO OBTAIN APPROVAL OF AN UPDATED COST CAP FOR THE MONTEREY PENINSULA WATER SUPPLY PROJECT AND UPDATED RATEMAKING FRAMEWORK

Cathy Hongola-Baptista
Nicholas A. Subias
California-American Water Company
550 California Street, Suite 650
San Francisco, CA 94104
(415) 293-3023
cathy.hongola-baptista@amwater.com

Lori Anne Dolqueist
Matt Menezes
Nossaman LLP
50 California Street
34th Floor
San Francisco, CA 94111
(415) 398-3600
ldolqueist@nossaman.com

Attorneys for California-American Water Company

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I. INTRODUCTION

Pursuant to Section 454 of the Public Utilities Code, Articles 2 and 3 of the Rules of Practice Procedure of the California Public Utilities Commission ("Commission") and Decision (D.) 18-09-017, California-American Water Company ("California American Water") hereby files this application to obtain approval of an updated cost cap and the updated ratemaking framework for the Monterey Peninsula Water Supply Project ("MPWSP").[1] California American Water is currently working to construct the MPWSP in phases, beginning with a 4.8 million gallons per day ("mgd") desalination plant, to be expanded to a 6.4 mgd plant when certain conditions are met.[2]

[1] Although D.18-09-017 contemplated a petition for modification to address updated costs, given the time that has elapsed since that decision, California American Water believes this separate application provides greater transparency and efficiency. In particular, the application process provides more opportunity for interested parties to provide input than might be available with a petition for modification. *See* D.18-09-017, dated September 13, 2018 ("D.18-09-017"), pp. 133-135, 196; CPUC Rule 16.4(f).

[2] In June 2026, the City of Marina, Marina Coast Water District, and Monterey Peninsula Water Management District filed a complaint (C.26-06-021) alleging that California American Water's phased construction of the MPWSP violates D.18-09-017 and the Public Utilities Code. In its answer, California

The Commission has already determined that the MPWSP is necessary to meet the long-term water supply needs of California American Water's Monterey service area in D.18-09-017 and concluded again in D.25-08-006 that California American Water will face a supply deficit.[3] California American Water is not asking the Commission to revisit the results of those decisions. Since California American Water developed its cost estimates for the MPWSP nearly a decade ago, however, the landscape for building major infrastructure projects has shifted significantly. Costs have increased since the project's conception due to higher labor and material prices, inflation, and increased legal and permitting expenses. California American Water has evaluated available options to offset costs, including grants, loans, bonds, and alternative financing arrangements like securitization. Every element of the ratemaking treatment California American Water proposes for the updated cost cap, the regulatory mechanism for each financing source, and the rate design used to translate the resulting revenue requirement into Monterey service area rates, is drawn from, builds upon, and implements the MPWSP framework the Commission already approved.

California American Water remains committed to ensuring the Monterey Peninsula has a reliable water supply into the future and is taking steps to pursue alternative sources of financing to minimize the costs and protect affordability for our customers. More than a decade ago, California American Water committed to extraordinary financing measures to mitigate the effects of the project costs on its customers, which were adopted by the Commission in D.18-09-

American Water explained that the Complaint is inconsistent with prior decisions involving the MPWSP, mischaracterizes the actions of other regulatory bodies, and otherwise fails to set forth any violation of a rule of law or Commission decision. California American Water also filed a motion to dismiss the complaint, which remains pending. The Scoping Memo for C.26-06-021 contemplated a separate proceeding to address revisions to forecasted costs and cost caps. C.26-06-021, Assigned Commissioner's Scoping Memo and Ruling, September 1, 2026, p. 3.

[3] D.18-09-017, p. 126; D.25-08-006, dated August 14, 2025 ("D.25-08-006"), p. 3.

017. California American Water continues to honor this commitment, and its updated financing plan is estimated to reduce the impact on customers by hundreds of millions of dollars over the life of the project. Instead of conventional utility financing, California American Water evaluated multiple low-cost financing options, including securitized water rate relief bonds, grants, State Revolving Fund (□SRF□) financing, private activity bonds, and the use of short-term debt to reduce allowance for funds used during construction (□AFUDC□). These measures go well beyond typical utility financing and are expected to deliver substantial savings to customers

The MPWSP remains vital to the long-term viability of the water supply in that region. Without a new drought-proof water source, the Peninsula would remain dependent on restricted Carmel River pumping and limited and variable groundwater, which cannot reliably meet demand during drought years. The MPWSP provides customers with a drought-resilient water supply that would increase overall reliability and reduce reliance on conservation measures. Therefore, California American Water respectfully urges the Commission to approve the updated cost cap and the updated ratemaking framework for the MPWSP.

Specifically, California American Water requests the following relief:

- That the Commission find that it is reasonable to increase the cost cap for the MPWSP desalination project costs from $239.2 million to $825 million (both excluding AFUDC).
- That the Commission modify Attachment A to Resolution W-5211 to:
    - update the cost cap;
    - update the framework□s figures and assumptions, including operations and maintenance cost estimates and financing options;

- limit MPWSP-related increases for Customer Assistance Program (□CAP□) customers to ten dollars a month and approve the Desalination CAP Program;
- create a layered rate structure for Monterey service area customers consisting of a desalination revenue requirement layered on top of the existing revenue requirement;
- make the effective date of the rates to collect the first-year revenue requirement for the MPWSP the later of 30 days after filing or the in-service date, subject to refund after Commission review of the Tier 2 advice letter required by D.18-09-017;
- authorize filing a semi-annual Consumption Adjustment Mechanism to reflect the most recent 12 months of consumption, rather than waiting for the annual adjustment; and
- authorize California American Water to file a petition to modify the decision in this proceeding or separate application to update the cost estimate for the MPWSP when it expands the desalination plant to 6.4 mgd.

- That the Commission find that the desalination project rate components are separate charges and not part of the □water chages□ on which California American Water collects the Monterey Peninsula Water Management District (□MPWMD□) user fee.

II. BACKGROUND

A. Water Use Constraints

California American Water has been working to address Monterey□s long-term water supply constraints for more than thirty years. The Monterey Peninsula currently receives most of its water from the Carmel River. The State Water Resources Control Board (□SWRCB□) has

issued a series of orders requiring California American Water to find sources alternative to the Carmel River to provide service to its customers, and to drastically reduce its Carmel River diversions. In 1995, the SWRCB issued Order WR 95-10, in which it concluded that although California American Water had been diverting an average of 14,106 acre-feet per year (□afy□) from the Carmel River, it had a legal right to only 3,376 afy from the Carmel River system.

In 2009, the SWRCB adopted Order WR 2009-0060, a Cease and Desist Order requiring California American Water to undertake additional measures to reduce diversions from the Carmel River, including prohibiting new service connections, and to terminate all such diversions no later than December 31, 2016. In 2016, the SWRCB adopted Order WR 2016-0016, which partially superseded Orders WR 95-10 and WR 2009-0060. Order WR 2016-0016 extended the date by which California American Water must terminate all unlawful diversions from the Carmel River from December 31, 2016, to December 31, 2021.

SWRCB Order WR 95-10 directed California American Water to maximize use of the Seaside Groundwater Basin for the purpose of serving existing connections, honoring existing allocations, and reducing diversions from the Carmel River to the greatest practicable extent. In 2006, however, the Monterey County Superior Court issued a final decision adjudicating the water rights of various parties that use groundwater from the Seaside Basin.[4] The court□s decision established physical limitations to various users□ water allocations, including those of California American Water, to reduce the drawdown of the aquifer and prevent additional seawater intrusion.

In October 2025, Monterey Peninsula Water Management District (□MPWMD□) filed an application with the SWRCB requesting that the SWRCB lift the limitations on new service

[4] *California American Water v. City of Seaside et al*., Super. Ct. Monterey County, 2006, No. M66343.

connections and increases of use at existing connections. The SWRCB is currently considering this matter, with public comment and briefing in November 2026. If the SWRCB removes the limitations on new service connections and increases of use at existing connections, California American Water expects customer demand to increase.

B. Commission Proceedings Addressing Water Supply

After the SWRCB issued Order WR 95-10, California American Water initially pursued water from MPWMD's proposed New Los Padres Dam. When MPWMD could not secure public funding, California American Water filed Application 97-03-052 for the Carmel River Dam. The Legislature then directed the Commission to identify a long-term water supply contingency plan to replace the 10,730 acre-feet of water from the Carmel River.[5] The Commission hired consultants to assist in the development of the water supply alternative, commonly referred to as "Plan B," in an August 2002 report.

In 2003, California American Water amended its application to seek a Certificate of Public Convenience and Necessity ("CPCN") to construct a desalination facility with aquifer storage and recovery to replace the Carmel River Dam. In D.03-09-022, the Commission designated itself as the lead agency for environmental review, resolved ratemaking, and dismissed the Carmel River Dam application without prejudice. It also approved a memorandum account to track all costs related to the development of a long-term water supply solution for the Monterey service area.

On September 20, 2004, California American Water filed Application 04-09-019, seeking a CPCN for the Coastal Water Project, which proposed a desalination plant at Moss Landing,

[5] Keeley, Assem. Bill No. 1182 (Stats. 1998), Ch. 797.

and related ratemaking mechanisms. The Commission reviewed that project, and as alternatives the North Marina Project and the Regional Desalination Project, each of which also proposed desalination plants.[6] In D.10-12-016, it approved the Regional Desalination Project, its water purchase agreement, and joint implementation by California American Water, Marina Coast Water District (□MCWD□), and the Monterey County Water Resources Agency (□MCWRA□).

Implementation problems rendered the Regional Desalination Project unviable. In September 2011, California American Water terminated the water purchase agreement and related agreements after MCWRA repudiated them based on an alleged conflict involving Stephen Collins, an MCWRA board member hired by an MCWD consultant.

In 2012, California American Water filed Application 12-04-019 with the Commission, seeking approval of the MPWSP. In its application, California American Water proposed a three-pronged approach to replace the water supply reductions ordered by the SWRCB: (1) desalination, (2) groundwater replenishment[7], and (3) aquifer storage and recovery (□ASR□)[8]. California American Water sought approval of either a 9.6 mgd production capacity desalination plant and associated facilities, or a reduced 6.4 mgd production capacity desalination plant combined with a water purchase agreement for 3,500 afy of product water from the Pure Water Monterey (□PWM□) recycled water project.

As part of that proceeding, in 2016, the Commission authorized California American Water to enter into a water purchase agreement for 3,500 afy of product water from the PWM

6 The Commission discussed the alternative projects in D.10-12-016, pp. 37-44.

7 The □groundwater replenishment□ component is now known as Pure Water Monterey.

8 Under the joint ASR program between California American Water and MPWMD, California American Water may divert excess Carmel River water as available during the wet winter months and treat and deliver the water for storage in the Seaside Groundwater Basin ASR for use during the summer, depending on the availability of excess Carmel River water based on in-stream flow requirements, permit requirements, and water rights.

project and to construct facilities necessary to maximize the use of that water.[9] The PWM project treats wastewater and injects the treated water into the Seaside Groundwater Basin aquifer for subsequent extraction for potable use. Monterey One Water (□M1W□, previously named the Monterey Regional Water Pollution Control Agency) operates the wastewater treatment plant and sells the treated groundwater to MPWMD, which subsequently sells the water to California American Water to serve its customers.[10]

The Commission approved the MPWSP with a 6.4 mgd desalination plant in D.18-09-017 and provided a lengthy and detailed discussion of the history of water supply issues in Monterey in its decision. When it approved the MPWSP, the Commission found that, even with the water from the PWM project, desalination is necessary to ensure that California American Water operates in compliance with SWRCB orders, as well as required reductions to other water supply sources such as the Seaside Basin.[11] The Commission found that the MPWSP was □the most feasible alternative that provides a viable solution to the water constraints on the Monterey Peninsula.□[12] In that decision, the Commission established a project cost cap and adopted a financing framework designed to reduce customer costs by using the lowest-cost funding available before relying on California American Water□s traditional utility financing. Specifically, D.18-09-017 set a $279.1 million cap (excluding allowance for funds used during construction (□AFUDC□)) for MPWSP project costs.[13] The $279.1 million included $39.9

[9] D.16-09-021, dated September 15, 2016 (□D.16-09-021□), p. 54.

[10] D.16-09-021, Appendix C.

[11] D.18-09-017, p. 169, FOF 24.

[12] D.18-09-017, pp. 181-82, FOF 115.

[13] In A.12-04-019, the Commission distinguished between the MPWSP □Phase 1□ project costs (D.18-09-017), which include the desalination plant, intake wells, conveyance and associated facilities and the MPWSP □Phase 2□ project costs (D.16.09-021), which include the Monterey Pipeline and Pump Station.

million of "Cal-Am Only Facilities" and excluded the $50.3 million previously authorized for the Monterey Pipeline and Pump Station.[14] The financing framework called for available grants and low-cost government loans, together with securitized water rate relief bonds, to fund eligible project costs.[15] California American Water would finance the remaining costs with debt and equity. In D.19-01-051, the Commission denied applications for rehearing of D.18-09-017.

Subsequently, in D.22-12-001, the Commission authorized California American Water to enter into an amended and restated water purchase agreement with the MPWMD and M1W for additional water from the expansion of the PWM project. In D.22-12-001 and D.25-05-007, the Commission also authorized cost recovery for certain facilities that had previously been treated as "Cal-Am Only Facilities" but would be used and useful for the PWM expansion project, independent of desalination. More recently, in D.25-08-006, the Commission approved the updated water demand and supply estimates for California American Water's Monterey service area. In that decision, the Commission forecasted a water supply shortfall of 2,528 acre-feet per year by 2050[16] under normal water-year conditions. A shortfall could occur earlier due to drought conditions. Earlier this year, the Commission denied applications for rehearing of D.25-08-006.

C. MPWSP Implementation

Since 2018, California American Water has worked diligently to proceed with the desalination component of the MPWSP and has expended considerable resources to obtain the necessary discretionary approvals from a wide range of government agencies.

[14] D.18-09-017, p. 135, n. 363, p. 184, FOF 135, p. 196, COL 20.

[15] D.18-09-017, pp. 143-45, p. 189, FOF 171, pp. 195-96, 206, COL 18-19, 89.

[16] D.25-08-006, p. 51.

a) County of Monterey

During the Commission's processing of Application 12-04-019, California American Water applied to the County of Monterey ("County") for a combined development permit ("County Permit") to authorize the construction and operation of the desalination facility component of the MPWSP, located on inland property owned by California American Water in an unincorporated area of the County. On July 15, 2019, the County Board of Supervisors approved the County Permit, subject to conditions of approval designed to ensure consistency with the County's General Plan and zoning ordinance and that the MPWSP "will not have an adverse effect on the health, safety, and welfare of persons either residing or working in the neighborhood."[17] In approving the County Permit, the County relied on the Environmental Impact Report/Environmental Impact Statement ("EIR/EIS") certified by the Commission in 2018 and confirmed that the County was not required to conduct supplemental environmental review.[18] The Commission issued a Notice to Proceed ("NTP") on September 14, 2025, allowing for site preparation and grading on the desalination plant site, and on May 29, 2026, allowing for construction of the functional components of the desalination plant.[19] Construction has commenced and remains ongoing.

b) Coastal Development Permit

After receiving a CPCN for the MPWSP, California American Water applied to the California Coastal Commission ("CCC") for Coastal Development Permits ("CDPs") to construct and operate a slant well field, water transmission pipelines, and related coastal-zone infrastructure supporting the inland desalination facility. On November 17, 2022, the CCC

[17] Attachment C, (County Resolution, without exhibits), pp. 4, 11.

[18] *Id*. at pp. 13-33.

[19] Attachments D and E (NTP-5a and NTP-5b).

approved the CDPs subject to 20 Special Conditions intended to minimize, to the extent feasible, potential MPWSP impacts to coastal resources in compliance with the Coastal Act.[20] The CDPs require phased construction: an initial 4.8 mgd project, followed by expansion to 6.4 mgd if specified conditions are met.[21] The CCC found that the PWM expansion would not meet anticipated demand and that the "no action" alternative would leave Monterey customers without adequate water supplies.[22] The CCC approved the phased project, concluding that "there are no less environmentally damaging feasible alternatives or mitigation measures. Therefore, the proposed Project is consistent with CEQA."[23] The CCC further concluded that "the desalination Project is necessary to meet longer term supply and demand needs, both to secure a reliable source of water and to help the region undertake long-term planning that is dependent on water supply needs. Thus, a denial of the Project would adversely affect the public welfare."[24]

c) State Lands Commission Lease

In 2014, the California State Lands Commission ("State Lands Commission") granted California American Water a General Lease – Right-of-Way Use to construct and operate an exploratory test slant well assessing the feasibility of a subsurface intake system for the MPWSP. The lease has been extended several times and now expires in December 2027. In June 2023, California American Water applied for a lease to construct and operate four new subsurface slant wells and convert the existing test slant well for the first phase of the MPWSP desalination project.

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[20] Attachment A, (CDP Final Findings), pp. 1, 12-40.

[21] *Id.* at p. 14.

[22] *Id*. at pp. 156-57.

[23] *Id.* at p. 165.

[24] Attachment A, (CDP Final Findings), p. 163.

The State Lands Commission approved the requested lease three years later at its June 23, 2026, meeting. The State Lands Commission Staff Report noted that the CCC had approved phased construction of the Project approved in D.18-09-017.[25] The Staff Report further stated, "On issues of water supply and demand, and groundwater, [State Lands] Commission staff relied on the expertise, information, and determinations reached by the CPUC, SWRCB, and [the CCC]'s independent hydrogeologist."[26] The Staff Report concluded that, with the conditions described in the report, issuance of the lease would not substantially interfere with Public Trust needs and values at this location, at this time, or for the term of the proposed lease, and would be in the best interests of the State.

d) Other Approvals Obtained

In addition to the aforementioned approvals, California American Water has obtained discretionary approvals for the desalination component of the MPWSP from various other federal, state, and local agencies. These include, but are not limited to:

- Easement agreements from the Transportation Agency for Monterey County ("TAMC") to allow construction and permanent installation of the MPWSP's transmission pipelines within the TAMC's right-of-way.
- Incidental take permit from the California Department of Fish and Wildlife for activities associated with the construction of the desalination plant and pipelines that may result in the incidental take of covered species.

[25] *Id*. at pp. 22-23.

[26] Attachment B, pp. 22-23.

- Biological Opinion from the U.S. Fish and Wildlife Service pursuant to the federal Endangered Species Act to support the Monterey Bay National Marine Sanctuary's issuance of approvals for the MPWSP.

e) Remaining Approvals

Before California American Water can build and fully operate the MPWSP, additional discretionary approvals and entitlements must still be obtained. For instance, California American Water must obtain a National Pollutant Discharge Elimination System permit from the California Central Coast Regional Water Quality Control Board to allow the discharge of desalination brine through M1W's existing outfall into Monterey Bay, as well as a determination that the MPWSP uses the best available site, design, technology, and mitigation measures feasible to minimize marine life mortality under California Water Code Section 13142.5(b). In addition, M1W and California American Water must obtain a CDP from the CCC and authorization from the State Lands Commission to make improvements to M1W's outfall to accommodate the MPWSP's brine discharge. Moreover, California American Water must execute a lease agreement with M1W for the use of the outfall for the brine discharge. Further, Special Condition 12 of the CDPs for the MPWSP requires California American Water to obtain CCC approval of a Groundwater Monitoring and Remedial Measures Plan in the form of an amendment to those CDPs.[27] Finally, California American Water must obtain the Monterey Bay National Marine Sanctuary's authorization of the discharge of desalination brine into Monterey Bay, as well as a special use permit for the presence of a pipeline transporting seawater to a desalination facility. California American Water also will need various other permits or approvals from governmental agencies for construction and operation of the MPWSP, such as

[27] See Attachment A (CDP Findings) at p. 31.

ministerial building, grading and encroachment permits. California American Water has been working closely with the above-referenced agencies to obtain the required approvals.

D. MPWSP Construction

The desalination plant is the treatment and operations center of the MPWSP. Its primary purpose is to convert seawater into high-quality potable water that meets all state and federal drinking water standards. Pretreatment filtration removes suspended solids and organic matter before reverse osmosis separates dissolved salts and minerals. The resulting purified water undergoes post-treatment to stabilize water chemistry and ensure compatibility with the regional distribution system. The concentrated brine byproduct is conveyed separately for disposal.

The plant will include potable water and brine storage tanks or ponds, chemical storage and feed systems, electrical facilities, standby power generation, supervisory control and data acquisition (□SCADA□) systems, maintenance facilities, and an administrative building. Dedicated pump stations will deliver finished water to the distribution system and convey brine to the existing M1W ocean outfall (disposal) location. Five slant wells extending diagonally underground toward Monterey Bay from the former CEMEX sand mine will draw seawater to the plant. California American Water will build four new wells and convert the existing test slant well into the fifth production well. Marine sediments naturally filter the seawater, reducing contact with marine life and avoiding concerns associated with open-water intakes. A pipeline network will carry seawater to the plant, deliver treated water to Castroville and California American Water□s Monterey distribution system, and transport brine to the outfall for discharge into the ocean.

The project remains on schedule to begin operating in December 2029. Plant design is complete, and construction, starting with site preparation, began in August 2026, allowing time

to install the complex structural, mechanical, electrical, and treatment systems. Pipeline construction is planned for 2027–2028, with the main connection to California American Water's service area targeted for completion by year-end 2028. Slant well construction is planned from October 2027 through 2029. Because the threatened snowy plover nests from March through September, drilling may occur only from October through February. This schedule avoids premature investment while leaving sufficient time to drill, test, equip, and commission the wells before the December 2029 start date. California American Water is coordinating planning, advance purchases, contractors, and schedules so the wells, pipelines, and plant move forward together. This coordination is essential to deliver drinking water from the plant to customers by the end of 2029.

III. RATEMAKING APPROVALS

In D.18-09-017, the Commission did not adopt the 2013 Comprehensive Settlement Agreement ("Comprehensive Settlement") submitted in the underlying proceeding but did approve its general financing and ratemaking framework with conditions. The Commission noted that no party opposed the Comprehensive Settlement's ratemaking provisions, which set the basic structure for recovering the portion of MPWSP costs included in rate base.[28] It directed California American Water to consult with Commission Water Division staff and the parties, then file a Tier 3 advice letter proposing specific adjustments.[29] California American Water filed Advice Letter ("AL") 1220 on December 31, 2018, and supplemental AL 1220-A on September 10, 2019. In Resolution W-5211, the Commission approved the revised financing and

[28] D.18-09-017, p. 144.

[29] D.18-09-017, p. 145.

ratemaking framework and established the MPWSP Phase 1 Project Cost Memorandum Account (□PCMA□) and the MPWSP Operations and Maintenance Memorandum Account (□MOMMA□).

California American Water uses the PCMA to record all MPWSP desalination project construction costs, including AFUDC and about $20 million in short-term debt used to finance AFUDC. California American Water reports activity in the account quarterly. The testimony supporting this application includes detailed support for past and projected capital costs, including AFUDC, to support the requested increase in the cost cap.

The MOMMA tracks the difference between the operations and maintenance (□O&M□) costs included in rates through the post-completion Tier 2 advice letter described below and the plant□s actual O&M costs. The Commission will review those differences for reasonableness and incorporate approved amounts into California American Water□s ongoing revenue requirement in the first general rate case filed after one year of commercial operation.

This application seeks approval to update the current ratemaking framework. Most of the proposed updates to the financing and ratemaking framework approved in D.18-09-017 and Resolution W-5211 are numerical updates that reflect current circumstances and newly available low-cost financing sources. California American Water has updated Attachment A to Resolution W-5211 to reflect the updated operations and maintenance (□O&M□) estimate, the reduced amount of SRF financing, current authorized cost of capital inputs, a grant from the Department of Water Resources (□DWR□), tax-exempt private activity bonds, and a Water Infrastructure Finance and Innovation Act (□WIFIA□) loan as a contingency. California American Water made additional modifications to implement the low-income customer protections in Public Utilities Code Section 849(j) and Special Condition 16 of the CDP, which limits project-related increases for Customer Assistance Program (□CAP□) customers to ten dollars a month. These updates do

not change the ratemaking methodology, structure, or allocation of risk the Commission already approved. The Direct Testimony of Jonathan Morse (Section V and Attachment 1) describes each change section by section.

California American Water also makes two additional requests. First, consistent with D.18-09-017,[30] California American Water will file a Tier 2 advice letter for the first-year revenue requirement at least 60 days before the in-service date. California American Water requests that the resulting rates take effect on the later of 30 days after filing or the in-service date, subject to refund, similar to the interim rate approach used in water general rate cases.[31] Second, for the first two years after the desalination base rate increment takes effect, California American Water requests authority to file a semi-annual Consumption Adjustment Mechanism to reflect the most recent 12 months of consumption, rather than waiting for the annual adjustment. Both requests address timing, not cost. They allow rates to start when service starts and to track unusually uncertain sales in the first years. Approving them now in this proceeding avoids the need for separate requests when the facilities begin operations.

The Direct Testimony of Bahman Pourtaherian provides the rate design used to translate the resulting revenue requirement into Monterey service area rates. California American Water has included the estimated bill impact as Attachment G to this application.

IV. FINANCING UPDATES

As noted above, in D.18-09-017, the Commission declined to adopt the Comprehensive Settlement but did adopt its framework with respect to ratemaking and financing for the MPWSP. The Commission found the structure and framework of the financing provisions

30 D.18-09-017, Ordering Paragraph 30, p. 212.

31 Pub. Util. Code § 455.2.

reasonable because the approach provides flexibility in implementation regardless of the final costs, size, grants, or other financial elements that may be utilized for completion of the MPWSP.[32]

In preparing this filing, California American Water thoroughly evaluated low-cost financing options in light of increased construction costs. The evaluation considered timing, all-in cost of funds, availability, program limits, eligibility requirements, consistency with D.18-09-017 and Resolution W-5211 (including effects on California American Water's capital structure and credit), and overall customer rate impact.

As discussed in detail in the Direct Testimony of Tricia N. Sinopole, California American Water's base case financing plan includes: (1) securitized water rate relief bonds funding up to 50 percent of construction costs; (2) a $10 million Department of Water Resources grant; (3) $50 million in SRF financing; and (4) the remaining costs financed with 57 percent equity and 43 percent long-term debt, consistent with California American Water's authorized capital structure. Within the long-term debt component, the plan assumes $150 million of tax-exempt private activity bonds ("PABs"), issued through the California Pollution Control Financing Authority ("CPCFA") with an allocation from the California Debt Limit Allocation Committee, with the balance provided as American Water Capital Corp. ("AWCC") long-term debt. California American Water will also continue to use approximately $20 million in short-term debt during construction to reduce AFUDC, consistent with D.18-09-017. If securitization is not available or not economical, a federal Water Infrastructure Finance and Innovation Act loan, which may be available for up to 49 percent of eligible project costs at U.S. Treasury rates, serves as a possible alternative.

[32] D.18-09-017, pp. 139, 143, 189, FOF 171.

Per Public Utilities Code § 849, water rate relief bonds may be issued by a "financing entity," which includes the utility, a subsidiary or affiliate, or an authorized public financing entity. A financing order establishes a dedicated water supply charge on customer bills pledged to repay the bonds. Because the bonds are secured by this dedicated, Commission-authorized charge rather than the utility's general credit, they can achieve very high credit ratings and correspondingly low interest rates. In addition, the securitized costs are recovered without a shareholder return on the securitized amount. Together, these features are expected to produce significant savings for customers compared to conventional utility financing.

The $10 million DWR grant has already been awarded and will directly offset MPWSP costs that would otherwise require financing. SRF loans remain the lowest-cost debt available to the MPWSP, and California American Water's financing plan reflects SRF funding to its full available capacity, although the $50 million is lower than previously contemplated. Tax-exempt PABs issued through CPCFA with a CDLAC allocation offer a meaningful interest rate benefit relative to taxable AWCC debt for the long-term debt component of the plan, subject to the statewide volume cap and CDLAC's competitive allocation process.

California American Water is actively pursuing all available options. California American Water recently submitted an SRF funding application to the SWRCB and a letter of interest to the Environmental Protection Agency ("EPA") for a WIFIA loan to preserve that option. Through AWCC, California American Water also submitted a request to CPCFA for an inducement resolution and plans to submit a request to CDLAC for a tax-exempt PAB allocation. California American Water will be filing a financing application by the end of October 2026 with a request to, among other items, authorize debt associated with the SRF financing. California American Water anticipates filing additional Commission applications for a financing

order authorizing issuance of water rate relief bonds under Section 849 of the Public Utilities Code. If California American Water pursues a WIFIA loan, the company will separately seek Commission authorization.

V. UPDATED COST ESTIMATES

A. Updated Capital Costs

In this proceeding, California American Water is seeking Commission approval of updated costs associated with implementing the desalination facilities, including a revised project cost estimate and related approvals. As described in the testimony supporting this application, the facilities remain focused on the desalination plant, intake wells, source-water and product-water pipelines, brine management infrastructure, and associated appurtenant facilities necessary to produce and deliver a new drought-proof supply of potable water for the Monterey Peninsula. The Direct Testimony of Lacy Carothers provides a detailed description of these facilities.

D.18-09-017 authorized a seawater reverse osmosis desalination facility as part of the MPWSP.[33] The currently proposed 4.8 mgd facilities are not a different project from the one approved in D.18-09-017. Rather, they are the initial phase of the authorized 6.4 mgd desalination facility and preserve the ability to achieve the full authorized capacity through future expansion. The desalination plant, intake facilities, conveyance pipelines, and related infrastructure being constructed for the initial 4.8 mgd desalination plant are integral components of the ultimate 6.4 mgd project. The engineering distinction between the 4.8 mgd facility and the 6.4 mgd facility is principally one of capacity and size, not treatment technology. The same

[33] D.18-09-017, Appendix C, p. C-5, Appendix F, pp. 10-11.

overall treatment approach□pret reatment, reverse osmosis desalination, and post-treatment conditioning and disinfection□remains unchanged.

The 4.8 mgd desalination facility continues to support the fundamental objectives underlying the Commission□s approval of the MPWSP when operated as part of the project's integrated water supply portfolio, which includes water from the PWM project, ASR, and existing system facilities. It provides a new drought-resilient potable water supply that reduces reliance on Carmel River diversions and groundwater pumping, thereby supporting compliance with the Carmel River SWRCB and Seaside Groundwater Basin production constraints. It also remains integrated with the broader MPWSP strategy, including PWM and ASR operations, which together support basin replenishment objectives and long-term water supply reliability.

In D.18-09-017, as discussed above, the Commission established a cost cap of $239.2 million for desalination facilities, in 2017 dollars, excluding AFUDC. From project inception through June 30, 2026, California American Water has incurred $182 million in project costs, excluding AFUDC. California American Water has tracked these costs in the PCMA. The costs include those incurred by California American Water for tangible utility plant including materials, supplies, labor, services and other items consumed or employed in the construction and installation of utility plant, and the cost of preliminary studies, plans, surveys, engineering, supervision, and general expenses. Where applicable, California American Water included costs for contract work, labor by California American Water employees, materials and supplies, transportation (for California American Water employees, materials and supplies, purchased equipment, other work equipment), casualty insurance or self-insurance, permits in connection with construction work, engineering and supervision, general administration capitalized, engineering services, and applicable property taxes. California American Water will continue to

track project costs in the PCMA while this application is pending. California American Water will seek to recover these costs consistent with the processes established in D.18-09-017 and Resolution W-5211, subject to any modifications adopted in this proceeding.

The current estimated cost to complete the 4.8 mgd operational phase of the MPWSP is $825 million, excluding AFUDC, in escalated 2030 dollars.

The original cost caps were based on the information and market conditions available in 2017. Nearly a decade passed before construction authorization and implementation, and industry-wide construction costs rose substantially during that period. Those increases affected labor, fuel, concrete, steel, electrical equipment, piping, treatment equipment, and other critical project inputs. As a result, facilities that could have been constructed within the original caps at 2017 prices now cost substantially more to build in 2026 and through 2029.

The updated estimate also accounts for project requirements that were not reflected in the original cost caps. Since 2017, permitting, environmental review, and project development have identified additional compliance and construction obligations, including permit conditions, environmental monitoring and mitigation measures, legal and regulatory requirements, and project labor agreement (□PLA□) obligations. These are necessary components of constructing the Project, and their associated costs reasonably form part of the current estimate.

Moreover, the Project has progressed from preliminary planning assumptions to detailed designs informed by extensive engineering, environmental review, and permitting work. That process produced a more complete understanding of the facilities, materials, labor, and regulatory measures required for successful construction and operation. The current estimate is therefore more comprehensive than the earlier planning-level estimate because it reflects both present market conditions and the Project□s substantially developed scope.

Viewed in this context, the increase is reasonable and is not attributable to any single factor. It reflects the cumulative effect of nearly a decade of construction inflation, requirements identified through permitting and environmental review, PLA obligations, increased legal and regulatory compliance costs, and specialized construction needs associated with the Project□s intake and source well facilities. Because these factors materially changed both the cost environment and the defined scope between 2017 and 2026, the current estimate provides a reasonable and supportable measure of the cost to construct the Project as now designed and required.

Moreover, during the project delay, California American Water actively pursued cost-control, value-engineering, procurement, and financing strategies to limit construction-cost escalation without compromising the project□s long-term water-supplyobjectives. Rather than pause development during permitting, the company continued to reduce initial capital needs, improve constructability, sequence work efficiently, and pursue lower-cost financing.

California American Water also worked with regulators and project consultants to refine facility designs, reduce environmental impacts, and improve constructability. The company refined the wellfield layout, reduced the project footprint, revised portions of the pipeline design, and incorporated tunneling and trenchless construction where appropriate. These changes supported permitting and reduced the likelihood of costly redesign, disputes, and construction disruption.

California American Water further controlled costs by advancing engineering while regulatory reviews were underway. It progressed preliminary engineering, final design, phased-configuration redesign, permitting packages, and issued-for-construction documents rather than

waiting for every permit before resuming work. This maintained project readiness and avoided additional delay and escalation after major approvals were issued.

Ongoing project management, permitting support, contractor coordination, and preconstruction planning positioned the project to proceed promptly upon authorization. That continuity reduced the risk that remobilization, lost design knowledge, or additional schedule slippage would add further costs.

California American Water also pursued state and federal grants, loans, bond funding, and other lower-cost financing alternatives to offset rising construction costs. By evaluating financing structures designed to reduce borrowing expense, the company sought to lower the total cost of project delivery and mitigate future customer impacts.

California American Water therefore did not passively accept escalating costs during the permitting period. It took concrete steps to reduce initial capital expenditures, avoid redesign and delay, manage construction risk, preserve efficient project delivery, and lower financing expense. Through project phasing, design optimization, continued engineering, coordinated design-build implementation, and pursuit of lower-cost funding, the company sought to contain project and customer costs while preserving a long-term, drought-resistant water supply for the Monterey Peninsula.

Further information regarding the history of the project and the updated cost estimate is provided in the Direct Testimony of Lacy Carothers. Information regarding construction project estimation and cost increases is provided in the Direct Testimony of Dr. William Ibbs.

California American Water therefore requests that the Commission approve an updated cost cap of $825 million, excluding AFUDC, escalated to 2030 dollars. This updated cost cap will allow California American Water to complete construction and make the MPWSP

operational, while still providing customer protections and an incentive for California American Water to control costs. In particular, although the cost cap would be increased, the Commission and interested parties would still have the opportunity to review the actual final costs for reasonableness. This cost cap would be subject to the same conditions as the cost cap that the Commission approved in D.18-09-017.

B. Operations and Maintenance Costs

California American Water has also provided updated estimates of O&M costs as part of this application. These updated costs are necessary to update the MPWSP□s customer bill impact analyses. California American Water is not seeking a determination of the reasonableness of the updated O&M costs in this application, which will be addressed through the mechanisms set forth in D.18-09-017 and Resolution W-5211.

California American Water originally estimated $11.6 million in O&M costs for the MPWSP.[34] The updated estimated O&M costs are $14.85 million. California American Water□s updated O&M cost estimates are provided in this application for information purposes only. The updated O&M cost estimate differs from the previous estimate due to general cost escalation and inflation since 2017, updated unit costs for energy, chemicals, and other operating cost categories reflecting current market conditions, refinements to the plant design, including incorporation of energy recovery systems and high-efficiency pumping equipment, reorganization and refinement of O&M cost categories, revised assumptions regarding initial plant capacity and production phasing, and incorporation of operating experience and lessons learned from other desalination

[34] Resolution W-5211, p. 6.

facilities. Collectively, these updates result in a more current and detailed estimate of the anticipated costs to operate and maintain the proposed desalination facility.

The updated estimate assumes a startup year in 2029, during which production is estimated to be equivalent to 1 mgd across the entire year, with production in subsequent years assumed to be equivalent to 4.2 mgd. The updated estimate therefore reflects both the lower production levels expected during and shortly after startup and the plant□s initial 4.8 mgd design capacity, which is lower than the 6.4 mgd design capacity addressed in the prior estimates. While certain O&M cost categories vary directly with the volume of water produced, which will be lower during the 2029 startup year and at the initial capacity, many other O&M cost categories are largely fixed and do not decrease proportionally with lower production or reduced plant capacity.

California American Water has incorporated several measures to reduce O&M costs. The plant design includes energy recovery devices on the reverse osmosis system that recover 95 to 98 percent of the hydraulic energy from the high-pressure concentrate stream, reducing net energy consumption by 30 to 40 percent compared to older reverse osmosis system designs without energy recovery. The plant also employs variable frequency drive motors and high-efficiency pumps throughout the source water, reverse osmosis, and product water systems. California American Water plans to initiate a power cost study addressing options for supplying power to the desalination plant, including potential use of power from a landfill gas site. Maintenance costs are expected to be lower during the first full year of operation due to applicable contractor and supplier warranties, with maintenance responsibilities during that period generally limited to scheduled maintenance and routine repairs. California American

Water is also pursuing bulk chemical storage where appropriate to allow for lower pricing compared to drums and intermediate bulk containers.

A detailed discussion of the updated O&M costs is provided in the Direct Testimony of David Pezzini and the accompanying technical memorandum.

VI. CALIFORNIA ENVIRONMENTAL QUALITY ACT

In this application, California American Water is seeking approval of updated cost cap and an updated ratemaking framework for the MPWSP. No additional CEQA review is required.

On September 13, 2018, acting as the CEQA lead agency, the Commission certified the EIR/EIS for the MPWSP. When an EIR already has been prepared for a project, CEQA prohibits further environmental review unless a specific trigger is satisfied: (1) substantial changes to the project have been made; (2) substantial changes have occurred with respect to the circumstances under which the project will be undertaken; or (3) new information of substantial importance exists that could result in new significant effects.[35] These limitations on subsequent CEQA review are "designed to balance CEQA's central purpose of promoting consideration of the environmental consequences of public decisions with interests in finality and efficiency."[36]

Here, none of those triggers have been satisfied. The entirety of the MPWSP, including phased implementation, was fully analyzed in the Commission's EIR/EIS and the CCC's Staff Report.[37] In June 2026, the State Lands Commission determined that no additional CEQA review was required when it considered the lease for the slant well network infrastructure

[35] 14 Cal. Code Regs., § 15162(a).

[36] *Friends of the College of San Mateo Gardens v. San Mateo County Community College Dist.* (2016) 1 Cal.5th 937, 949.

[37] The CCC Staff Report is the functional equivalent of an EIR under its certified regulatory program. See Pub. Resources Code, § 21080.5(a); *Ross v. Cal. Coastal Com.* (2011) 199 Cal.App.4th 900, 930–933.

required for the initial 4.8 mgd phase of the MPWSP.[38] Similarly, Commission staff recently confirmed that "[t]he MPWSP has not changed in a manner that affects the EIR/EIS's validity, or that requires preparation of an addendum, supplemental or subsequent CEQA document."[39]

Further, updated cost and financing information does not constitute significant new information that requires additional CEQA review. New information is not considered "substantial" unless it would result in new significant environmental impacts or a substantial increase in the severity of a previously identified significant impact.[40] "An economic . . . change by itself shall not be considered a significant effect on the environment."[41] Thus, absent a physical change in the environment, updated cost information related to the Project does not require the Commission to conduct additional CEQA review.

VII. REQUIRED INFORMATION

A. Applicant Information

California American Water's legal name is California-American Water Company. California American Water, a California corporation organized under the laws of the State of California on December 7, 1965, is a Class A public utility water and wastewater company regulated by the Commission. California American Water provides regulated water and/or wastewater utility services in parts of Los Angeles, Madera, Merced, Monterey, Placer, Sacramento, San Diego, Santa Clara, Sonoma, Ventura, and Yolo counties. California American Water's principal place of business is 700 Riverpoint Drive, West Sacramento, California.

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[38] See State Lands Commission, Environmental Memorandum (May 2026), p. 2.

[39] See Attachment F, April 2, 2026, letter from Commission Staff to California American Water, p. 2.

[40] *Ibid.*; see also *Friends of the College of San Mateo Gardens*, *supra*, 1 Cal.5th at p. 957.

[41] *City of Hayward v. Trustees of Cal. State Univ.* (2016) 242 Cal.App.4th 833, 843; see also *Porterville Citizens for Responsible Hillside Development v. City of Porterville* (2007) 157 Cal.App.4th 885, 903 ("CEQA is not an economic protection statute").

California American Water filed a certified copy of its articles of incorporation with the Commission on January 6, 1966, in Application 48170. California American Water filed a certified copy of an amendment to its articles of incorporation with the Commission on November 30, 1989, in Application 89-11-036. California American Water filed a certified copy of a further amendment to its articles of incorporation with the Commission on February 28, 2002, in Application 02-02-030. California American Water filed a certified copy of an additional amendment to its articles of incorporation with the Commission on April 3, 2017, in Application 17-04-003. Since the filing of A.17-04-003, California American Water has not subsequently amended its articles of incorporation.

None of the persons described in Section 2 of General Order 104-A has a material financial interests in any transaction involving the purchase of materials or equipment or the contracting, arranging, or paying for construction, maintenance work, or service of any kind of which the Company has been a party during the period subsequent to the filing of California American Water□s last Annual Rpeort with this Commission or to which California American Water proposed to become a party at the conclusion of the year covered by said Annual Report.

B. Notice

California American Water requests that copies of all communications and correspondence regarding this application be sent to:

Cathy Hongola-Baptista
California American Water
550 California Street, Suite 650
San Francisco, CA 94104
(415) 293-3023
cathy.hongola-baptista@amwater.com

With copies sent to:

Lori Anne Dolqueist

Nossaman LLP
50 California Street 34th Floor
San Francisco, CA 94111
(415) 398-3600
ldolqueist@nossaman.com

C. Categorization

The Commission should categorize this proceeding as rate setting.

D. Need for Hearings

Potentially, there may be factual disputes on material issues, which will necessitate hearings. California American Water intends to introduce the following evidentiary items in support of the application: (1) this application and attachments; (2) prepared witness qualifications and direct testimony to support the reasonableness of California American Water□s requests; and (3) prepared and oral rebuttal testimony and related exhibits to support California American Water□s specific requests.

E. Issues

The issues raised in this application are:

(1) whether the updated cost estimates for the MPWSP are reasonable;

(2) whether the updated cost cap is reasonable; and

(3) whether the updated ratemaking framework is reasonable.

F. Safety Considerations

This application furthers the Commission□s safety interests by ensuring that California American Water has adequate supply to continue to provide safe and reliable water service to its Monterey service area customers.

G. Environmental and Social Justice Action Plan

This application furthers the Commission□s Environmental and Social Justice (□ESJ□) Action Plan by improving access to high-quality water for California American Water□s Monterey service area customers, including those who are part of ESJ communities. Approval of this application may also help California American Water avoid rationing in its Monterey service area, which would have a severe economic impact on the Monterey Peninsula, including ESJ communities.

H. Proposed Schedule

California American Water proposes the following schedule:

Application Filed	October 23, 2026
Protest and Responses to the Application	30 days after notice in Daily Calendar
Reply to Protests or Responses	40 days after notice in Daily Calendar
Prehearing Conference	Within 60 days of application filing
Scoping Memo	30 days or less after prehearing conference
Intervenor Testimony	60 days after Scoping Memo issued
Applicant□s Rebuttal Testimony	30 days after Intervenor Testimony served
Evidentiary Hearings	45 days after Rebuttal Testimony served
Concurrent Opening Briefs Due	30 days after close of evidentiary hearings
Concurrent Reply Briefs Due	15 days after Opening Briefs filed
Proposed Decision	90 days after Reply Briefs filed
Comments on Proposed Decision Due	20 days after Proposed Decision issued
Reply Comments on Proposed Decision Due	25 days after Proposed Decision issued
Final Decision	30 Days after Proposed Decision issued

VIII. SERVICE AND PROPOSED NOTICE TO CUSTOMERS

California American Water will serve a copy of the application consistent with Rule 3.2(b) and upon the service list as reflected in Attachment H, which includes parties listed on the official service list for original authorization of the MPWSP in proceeding A.12-04-019, with courtesy copies to A.21-11-024 and to C.26-06-021.

Consistent with Rule 3.2(b), and within twenty days of the filing of the Application, California American Water will cause to be published once, in a newspaper of general circulation in the area served, a notice of the general terms of the proposed increases. California American Water provided draft customer notices, included as Attachment I, to the Public Advisors Office. The customer notices take two forms: customers in the Monterey service area will receive a notice describing the Project-related charges and the resulting bill impacts for CAP and non-CAP customers. Customers in all other California American Water service areas will receive a notice describing the Desalination CAP surcharge addition, which would apply to non-CAP customers in every service area. California American Water will send notice of the Application to its customers consistent with Rule 3.2(d).

IX. SUPPORTING DOCUMENTS

In support of this application, California American Water will rely on the material herein and attachments to the application. California American Water will also provide written and oral direct and rebuttal testimony in support of its requests.

A. Attachments

The following attachments are included with this application:

- Attachment A: Coastal Development Permit Final Findings
- Attachment B: State Lands Commission Staff Report

- Attachment C: 2019 County Resolution
- Attachment D: Notice to Proceed 5-a
- Attachment E: Notice to Proceed 5-b
- Attachment F: CEQA Reaffirmation Letter
- Attachment G: Bill Impact Summary
- Attachment H: Certificate of Service
- Attachment I: Proposed Customer Notices
- Attachment J: Financial Information and Summary of Earnings

B. Testimony

- Direct Testimony of Lacy Carothers
- Direct Testimony of Dr. William Ibbs
- Direct Testimony of Jonathan Morse
- Direct Testimony of David Pezzini
- Direct Testimony of Bahman Pourtaherian
- Direct Testimony of Tricia N. Sinopole

X. CONCLUSION

For the reasons discussed above, California American Water requests that the Commission approve the updated cost cap and the updated ratemaking framework for the Monterey Peninsula Water Supply Project.

October 23, 2026

Respectfully submitted,

By: /s/ *Lori Anne Dolqueist*
Lori Anne Dolqueist

Cathy Hongola-Baptista
Nicholas A. Subias
California American Water
550 California Street, Suite 650
San Francisco, CA 94104
(415) 293-3023
cathy.hongola-baptista@amwater.com

Lori Anne Dolqueist
Matt Menezes
Nossaman LLP
50 California Street
34th Floor
San Francisco, CA 94111
(415) 398-3600
ldolqueist@nossaman.com

Attorneys for California-American Water Company

VERIFICATION

I am an officer of the applicant corporation herein and am authorized to make this verification on its behalf. The statements in the foregoing document are true of my own knowledge, except as to matters which are therein stated on information or belief, and as to those matters, I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on October 23, 2026 at Sacramento, CA.

/s/ Lacy Carothers
Vice President, Engineering
California-American Water Company

ATTACHMENT A

CALIFORNIA COASTAL COMMISSION
455 MARKET STREET, SUITE 228
SAN FRANCISCO, CA 94105-2219
VOICE (415) 904- 5200
FAX (415) 904-5400
TDD (415) 597-5885
WWW.COASTAL.CA.GOV

Appeal Filed:	May 22, 2019
49th Day:	Waived
Permit Filed:	September 1, 2022
180th Day:	February 28, 2023
Staff:	T. Luster-SF
Staff Report:	November 4, 2022
Hearing Date:	November 17, 2022 (Th7a &Th8a)

Commission Vote on De Novo Appeal: 7-3
Commission Vote on CDP: 8-2

FINAL ADOPTED FINDINGS
DE NOVO APPEAL HEARING
and
CONSOLIDATED COASTAL DEVELOPMENT PERMIT

Appeal No:	**A-3-MRA-19-0034**
Local Government:	City of Marina
Decision:	Approval with Conditions
Application No.:	**9-20-0603**
Applicant:	**California American Water Company**
Appellants:	**California American Water Company, Brian LeNeve, Castroville Community Services District, and Commissioners Howell and Uranga**
Project Location:	Wellfield at the site of the CEMEX, Incorporated sand mining facility in the City of Marina, Monterey County, and pipelines and associated infrastructure within the Cities of Marina and Seaside, the County of Monterey, and the Commission's retained jurisdiction.
Project Description:	Construct and operate a slant well field, associated water transmission pipelines and related infrastructure within the coastal zone to support a proposed desalination facility located inland of the coastal zone.
Commission Action:	Approval with Conditions of De Novo Permit and Approval with Conditions of Regular Permit

SUMMARY OF COMMISSION ACTION

The California-American Water Company ("Cal-Am") is proposing to construct and operate desalination components of its overall Monterey Peninsula Water Supply Project ("MPWSP") that would consist of a desalination facility, a well field, water transmission pipelines, pump station, and other related infrastructure (the "Project"). The proposed Project would provide potable water for customers in Cal-Am's service area in the Monterey Peninsula region, which has experienced decades of water shortages resulting from drought, of groundwater sources, seawater intrusion, proposed supply projects not being completed, and other causes. The Monterey Peninsula region faces unique water supply challenges that are likely to be exacerbated by climate change.

Cal-Am began planning efforts for additional water supply sources more than 20 years ago, with this current MPWSP Project being developed over the past decade. The MPWSP is meant to address longstanding water supply constraints in the region and to provide an alternative water supply for Cal-Am to rely on instead of its overwithdrawal of water from the Carmel River, which the State Water Resources Control Board ordered to be stopped by December 2021.

The overall MPWSP involves several major components – including the Pure Water recycling project, an aquifer storage and recovery ("ASR") project, and a desalination facility. The desalination components of the MPWSP would be located both within and outside the coastal zone. The desalination components within the coastal zone and subject to this Commission review are the proposed desalination facility's source water wells, which would extract water from beneath the Monterey Bay seafloor and sections of various proposed pipelines that would distribute water throughout the Project to Cal-Am's ratepayers in the Monterey Peninsula area distribution system and to the City of Castroville. The proposed Project would be located in several coastal zone jurisdictions and the Commission is conducting a consolidated permit review for those components within the certified Local Coastal Program ("LCP") jurisdictions of the City of Seaside and the County of Monterey, as well as within the Commission's retained jurisdiction in an area of deferred certification within the County, and for components seaward of the mean high tide line. The Commission is also considering multiple appeals of the City of Marina's denial of a CDP application for the well field and portions of two of the pipelines within the City's certified LCP jurisdiction.

Cal-Am is proposing phased construction of the Project. It seeks authorization to construct a smaller initial phase of the Project that would produce 4.8 million gallons per day ("mgd") per year. Construction of the full sale of the Project at 6.4 mgd per year would occur in a second phase only if Cal-Am can demonstrate a need for the additional water supply and demonstrate that the first phase has been operating in a manner that is protective of local groundwater supplies and nearby wetlands. At the Project's maximum build-out, it would include up to six new slant wells to be located within a Cal-Am easement in part of the CEMEX sand mining facility near the Monterey Bay shoreline in the City of Marina. The Project would also include conversion of a test slant

well to a permanent well on the same site, as well as four main pipelines, with part of each in the coastal zone. The desalination facility itself would be constructed inland of the coastal zone and would discharge processed saline brine to an existing outfall operated by the regional wastewater treatment agency, Monterey One Water ("M1W"). This outfall line would need to be modified in order to discharge the brine.

The proposed Project has a controversial history involving multiple agency reviews, spawning at least 10 lawsuits, including several against the California Public Utilities Commission, and raising significant environmental justice concerns. The Commission is not the first agency to review whether the Project should be constructed, nor will it have the final say on the issue, as several other agencies are concurrently and independently reviewing the Project, including the CPUC and the State Water Resources Control Board. Some issues within the Commission's review jurisdiction overlap with issues under consideration by other agencies, but the Commission's determination on those overlapping issues does not legally bind the other agencies (and vice versa).

This is the Project's third scheduled hearing before the Commission. The first was in November 2019, when the Commission took no action but directed Cal-Am and staff to provide additional information and answers to a number of Commissioner questions before bringing the matter back for consideration. Staff scheduled another hearing for September 2020, which did not proceed because Cal-Am withdrew its permit application shortly before the hearing date (and the de novo appeal was continued). Staff's recommendation at that time was that the Commission should deny the proposed Project, as staff had identified a feasible and less environmentally alternative to the Project – i.e., an expansion of the existing Pure Water project (the "Pure Water Expansion").

After September 2020, Cal-Am made several Project modifications to address some of the previously identified concerns. As noted, Cal-Am now proposes a phased construction where the first phase has a smaller Project footprint. This phased approach would reduce ESHA impacts and potential impacts to groundwater in the initial phase (and permanently if the second phase is not constructed). Another significant development since 2020 is that after Commission staff identified the Pure Water Expansion as a feasible alternative in 2020, a CPUC proceeding was initiated, which is ongoing and in which no party disputes approval of the Pure Water Expansion project. In September 2022, the CPUC issued a proposed decision to approve the Pure Water Expansion based on near-term supply and demand estimates. As part of that proceeding, the CPUC will also consider longer term supply and demand estimates and whether additional water supplies will be needed beyond what the Pure Water Expansion will provide. Staff believes that the updated water demand and supply estimates and projections reasonably demonstrate that Cal-Am's Project is likely to be needed at some point during the current 20-year planning period for future demand and supplies.

The proposed Project raises extremely difficult and complex coastal resource issues, particularly regarding the Project's substantial impacts to environmentally sensitive habitat areas ("ESHA"), potential impacts to area wetlands, and potential groundwater impacts to aquifers that are a source of drinking water for the City of Marina and the Marina Coast Water District. The Project also involves the most significant environmental justice concerns the Commission has considered since it adopted an Environmental Justice Policy in 2019.

The record contains competing views regarding groundwater impacts, water demand and supply projections, potential wetland impacts, and the rights to, and availability of, source water for the Project. The communities affected by the Project, along with the elected Board members of the various water districts, are divided about the Project. As discussed in the Findings below, Commission staff believes that uncertainty surrounding these issues can be addressed through a number of prior-to-issuance conditions.

One of the most significant changes from 2020 is the increased pressure from the historic drought for new sources of water in a region already struggling with longstanding, critical water shortages. The three-year period ending in August 2022 was the driest in all of California history, according to data from the National Oceanic and Atmospheric Administration.[1] As described in these recommended Findings, it is reasonable to project that water from Cal-Am's Project will be needed as part of the area's water portfolio within the next 20 years while the Pure Water Expansion provides a feasible and less environmentally damaging alternative to Cal-Am's Project in the near term. Commission staff concludes that the Project is needed in the longer term. Ultimately, the CPUC will determine the longer-term supply and demand estimates after extensive testimony and evidence on this issue, which bears on whether the CPUC would approve the Project. Furthermore, without CPUC approval, the Project cannot proceed. Thus, the Commission's approval is conditioned on final CPUC approval for construction of the Project based on CPUC's findings of supply and demand. Moreover, if the Project does not begin construction within five years, Cal-Am must seek an extension through Executive Director approval or, if necessary, an amended CDP application through which the Commission may review any changed circumstances affecting the Project.

Coastal Act/Local Coastal Program Environmental Issues & Analysis
Key issues, and staff's analysis in support of its recommendation, are provided in these Findings and are summarized below.

Environmental Justice: As noted above, the Project raises the most significant environmental justice issues the Commission has had to address since the 2019 adoption of the Commission's environmental justice policy. At both its reduced 4.8 mgd scale and its full 6.4 mgd scale, the Project would result in the most costly water of any

[1] See NOAA National Centers for Environmental information, Climate at a Glance: Statewide Time Series, Precipitation, published October 2022 (retrieved Nov. 1, 2022), available at https://www.ncei.noaa.gov/access/monitoring/climate-at-a-glance/statewide/time-series/4/pcp/36/8/1895-2022?base_prd=true&begbas

of the desalination projects the Commission has considered recently and would involve locating some of the Project components in a community that has a long history of having a disproportionate share of industrial facilities and uses. Staff conducted in-depth analyses of these issues and identified several communities of concern that would be affected by Cal-Am's proposed Project – including the cities of Marina, Seaside, Sand City and Castroville. Overall, the analysis shows that Cal-Am's Project creates several serious environmental justice issues.

The Project's well field and some of its pipelines would be sited within the City of Marina, which is not in Cal-Am's service area but would be burdened with many of the adverse coastal resource impacts discussed herein. Marina is already disproportionately affected by other industrial uses, including a regional landfill, regional composting facility, regional sewage plant, a municipal airport, a contaminated site listed on the U.S. EPA's national priorities list, and the former CEMEX sand mining facility, which has ceased its operations. Cal-Am retains an easement over portions of the former CEMEX site, which Cal-Am proposes to use for parts of the Project. As part of settlement agreements between Cemex and the Commission, State Lands Commission, and the City of Marina, areas of the former CEMEX site not used by Cal-Am would be available for habitat restoration and public access to the shoreline. Additionally, the City and the Marina Coast Water District, which provides water to City residents, are deeply concerned that the Project would adversely affect the groundwater aquifers that the District relies on.

Cal-Am modified its Project in several ways to address some of the City and District concerns, including agreeing to a smaller footprint and phasing. The Applicant belatedly increased its public outreach efforts and offered the City a range of proposed benefits from a public access plan to tax benefits, which were largely rejected by a City that continues to oppose the Project. This includes $3 million to use for any of several enhancements or amenities the City may want to develop for its residents. Cal-Am has also modified its proposed wells so they will extend as far as feasible seaward and thereby reduce any potential impacts to the City's and District's groundwater resources. Several recommended Special Conditions also address these concerns – for example, **Special Condition 11** would require Cal-Am to construct its wells to extend as far seaward as feasible to reduce their potential groundwater impacts. **Special Condition 12** would require Cal-Am to develop a comprehensive monitoring and reporting program to detect any potential groundwater impacts its Project would cause and identify measures it would implement before those impacts occur.

Within Cal-Am's service area, there are significant concerns about how the cost of water from the Project will affect low-income ratepayers. According to Cal-Am, water from the Project is expected to increase rates by $47 to $50 per month, which would substantially raise water rates for low-income ratepayers throughout the service area, who worry that the cost of water could eventually push them out of their moderately priced coastal communities. Cal-Am offers several rate assistance programs for low-income ratepayers; however, staff found that several of the programs have eligibility requirements that create a barrier to access, have not reached all low-income

customers, and do not provide enough relief to offset the ongoing rate increases. In response, Cal-Am offered to submit proposals to the CPUC to offset the costs of the Project for low-income rate payers and to expand the eligibility requirements for the discount offered by its Customer Assistance Program In addition, Cal-Am proposed adding $500,000 to a United Way Hardship Fund and a cost cap that would limit any cost increases resulting from the Project to no more than $10 per month after commencement of water delivery service until it implements any CPUC-approved rate relief programs that effectively cap rate increases to no more than $10 per month for low income ratepayers. **Special Condition 16** reflects measures to effectuate Cal-Am's proposals regarding low-income ratepayer relief. This special condition also requires that Cal-Am provide an annual report to the Commission that discusses the implementation of these measures.

Under the Project, Cal-Am will provide discounted water to Castroville, a community of concern on the brink of collapse, according to the manager of the local water district, because its water supply from the underlying Salinas Valley Groundwater Basin has been diminished due to several decades of agricultural over-pumping resulting in increased levels of seawater intrusion. Per Basin requirements, Cal-Am is required to return the same volume of groundwater to the Basin that its Project would remove from beneath the CEMEX site, and Cal-Am would provide that water at a very low rate meant to keep Castroville's water rates affordable. That benefit would come at the expense of Cal-Am's customers, though any impacts are meant to be offset by the measures identified above that would benefit Cal-Am's lower income ratepayers.

This Project affects several environmental justice communities in the region. While the Project provides a benefit to the Monterey Peninsula by providing a secure water source and helps to avoid future overwithdrawal of water from Carmel River, it will disproportionately burden low-income ratepayers in the service area and residents in the City of Marina. Cal-Am proposed a number of measures to help offset costs to low-income ratepayers and provide community benefits for the City of Marina. These proposed measures by Cal-Am and additional conditions imposed by the Commission help to offset adverse impacts and ensure accountability. Even so some environmental justice issues related to the Project remain contentious.

Tribal Consultation

Staff consulted with representatives of Tribes with interests in the Project area, several of which have provided correspondence or have stated their interest or concerns about the Project, as described in Section IV.J below. In partial recognition of some of the concerns expressed, **Special Condition 18** is meant to ensure proper recognition and treatment of any Tribal cultural resources that may be discovered during Project activities.

Terrestrial ESHA
The Project will have adverse effects on ESHA. Its construction and operation would directly or indirectly result in several dozen acres of both temporary and permanent impacts to terrestrial ESHA, most of it consisting of relatively rare coastal dune habitat. Cal-Am has modified its proposal in several ways to avoid or reduce some of the previously expected impacts – most notably through its recent revision that would install several sections of the Project's pipelines using tunneling techniques rather than trenching, which will reduce surface ESHA impacts by up to several acres, and also through its recently proposed Project phasing, which would reduce the initial ESHA impacts at the Project's well field by about one-half acre. Many of the expected impacts are addressed through several Special Conditions that would require verification of expected Project impacts before and during construction, submittal of revised mitigation plans that fully address these impacts and provide ongoing monitoring and remediation, and other protective measures. However, even with these Special Conditions, the Project would not be fully consistent with several Coastal Act and LCP policies that do not allow the type of disturbance and loss of ESHA that would result from Cal-Am's Project. As described in Section IV.E of the Findings, staff recommends that the Commission find the proposed Project does not conform to those policies but that it apply the "override" provisions of Coastal Act Section 30260 to address these nonconformities.

Groundwater Resources
Much of the controversy surrounding Cal-Am's Project relates to whether its source water intake wells near the coast would adversely affect groundwater within the aquifers that provide the City of Marina's water supply and whether it would increase the rate of seawater intrusion in the area. Despite a lengthy process before and during the Project's CEQA review that included installing and operating a test well, collecting several years' worth of data, and developing various groundwater models, the City of Marina and others have maintained that there will be adverse effects. As part of the Commission's earlier review, staff hired an independent hydrogeologist to review some of this data and modeling and to recommend additional data collection and modeling to help reduce the levels of uncertainty about these and other potential effects. This independent review concluded that the Project would have limited to negligible effects on the rate of seawater intrusion in the area and that the groundwater "capture area" of the Project's wells would likely not extend to near the City's wells; however, it also identified two new likely effects – groundwater drawdown in areas that could potentially adversely affect nearby wetlands, and a likelihood that Cal-Am would need to return more water to the groundwater basin than had been previously considered. These are further described in the Findings and addressed through several recommended Special Conditions, including **Special Conditions 11** and **12** requiring the Project's wells to withdraw water from as far seaward as is feasible and requiring a comprehensive monitoring plan to detect potential effects on groundwater. Cal-Am's Project will also rely on the final determination of a lawsuit filed by the City of Marina regarding the amount of groundwater that can be extracted from the Project's well field site. **Special Condition 1** requires Cal-Am, prior to issuance of the CDP, to submit resolution of that

issue to the Executive Director and to submit a complete application to amend its Project if warranted.

Coastal Hazards
Cal-Am's proposed well field would be located several hundred feet inland of the shoreline, but in an area where relatively high rates of coastal erosion could endanger the wells. Projections based on the Commission's current sea level rise guidance documents show the wells could be affected by coastal erosion within the next 40 years or so and that the well heads could be buried due to the inland movement of the adjacent sand dunes by about 2040 to 2050. However, Cal-Am estimates that its wells would operate for only 20 to 25 years before they would need to be relocated due to the decreased water yields they experience as they operate. While this necessary relocation would allow the wells to avoid the expected coastal erosion and dune recession during their initial 20 to 25 years of operation, it is unclear where they could be relocated to avoid these hazards during their next cycle of operations. Cal-Am does not have legal interest in possible sites further inland, and while the wells could be moved to nearby locations parallel to the existing line of wells, that would put them at risk of coastal erosion and dune recession during the next 20-to 25-year operating cycle. **Special Condition 6** addresses these concerns by limiting the term of this CDP to no more than 25 years and requiring Cal-Am to submit a complete CDP application before the end of that term to propose relocation, rehabilitation, or removal of the wells.

Wetlands
After the Commission's November 2019 hearing, concerns emerged that Cal-Am's pumping of groundwater could result in drawdowns beneath several dozen acres of nearby wetlands and vernal ponds. While Cal-Am's CEQA review acknowledged some amount of drawdown would occur beneath these areas, it also asserted that the drawdown would not adversely affect the wetlands because they were not hydraulically connected to groundwater. However, the City of Marina and others maintain that some of these areas are dependent on the underlying groundwater. Moreover, the Commission's July 2020 independent hydrogeologic review shows groundwater elevations decreasing by as much as about four feet beneath some of these wetlands and vernal ponds. If they are connected to groundwater, this amount of drawdown could cause adverse effects to up to several dozen acres of these important habitat areas.

Cal-Am submitted its own analyses contending that its drawdowns would not affect these areas, but also recommended that additional field data and analysis be conducted to confirm this contention. **Special Condition 13** would require Cal-Am to conduct extensive monitoring and reporting that is sufficient to detect potential effects its Project may cause in those areas before they occur. With that requirement, staff believe the Project may be found consistent with relevant Coastal Act wetland and ESHA policies and LCP ESHA policies.

Coastal-Dependent Override Provision
As discussed above, staff is recommending that the proposed Project be found inconsistent with Coastal Act and LCP provisions regarding the protection of ESHA. Generally, if a project is inconsistent with LCP or Coastal Act policies, and the inconsistencies cannot be addressed by requiring mitigation or alternatives, the Commission must deny a project. However, because Cal-Am's proposed Project is a coastal-dependent industrial facility, the Commission may consider approving it despite its nonconformity with provisions of the Coastal Act and LCP.

Coastal Act Section 30260, which is incorporated into the City of Marina's LCP, provides that the Commission may approve a CDP for a coastal-dependent industrial facility that is otherwise inconsistent with other Coastal Act Chapter 3 policies if it meets a three-part test: 1) alternative locations are infeasible or more environmentally damaging; 2) denial of the permit would adversely affect the public welfare; and, 3) the project's adverse environmental effects are mitigated to the maximum extent feasible. Application of the Section 30260 override provision is discretionary: if a project meets these three criteria, the Commission *may* approve the project, but is not required to do so. Conversely, if a project fails to meet one or more of the criteria, the Commission may not approve it.

Staff recommends that the Commission finds that there is no current alternative that can provide a reliable supply of water in the longer-term. Although the Pure Water Expansion is expected to meet demand in the near term, based on updated supply and demand estimates, the Pure Water Expansion project alone is likely inadequate to meet demand over the next twenty years. For that reason, denial of the Project would adversely affect the public welfare. Staff's recommended Findings recognize the need for long-term planning to address the region's critical water supply constraints and has conditioned this approval in ways that allow the Commission to evaluate any changed circumstances in the future (including any feasible alternatives that may emerge in the future) if the Project's construction timeline becomes too remote. Finally, through the imposition of a number of conditions, staff believes the Project's impacts have been mitigated to the maximum extent feasible.

Commission Action
The Commission approved, as described herein, the findings and the special conditions for Coastal Development Permit No. A-3-MRA-19-0034 and Coastal Development Permit No. 9-20-0603.

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I. ADOPTED MOTIONS & RESOLUTIONS

A. DETERMINATION FOR APPEAL A-3-MRA-19-0034

On November 17, 2022, by a vote of 7-3, the Coastal Commission approved Coastal Development Permit Application No. A-3-MRA-19-0034 as conditioned herein and adopted the following resolution:

Resolution

> The Commission hereby approves Coastal Development Permit Application No. A-3-MRA-19-0034 and adopts the findings set forth below on grounds that the development as conditioned will be in conformity with the Certified Local Coastal Plan and the public access and recreation policies of Chapter 3 of the Coastal Act. Approval of the permit complies with the California Environmental Quality Act because either 1) feasible mitigation measures and/or alternatives have been incorporated to substantially lessen any significant adverse effects of the development on the environment, or 2) there are no further feasible mitigation measures or alternatives that will substantially lessen any significant adverse impacts of the development on the environment.

B. DETERMINATION FOR CDP 9-20-0603

On November 17, 2022, by a vote of 8-2, the Coastal Commission approved Coastal Development Permit Application No. 9-20-0603 as conditioned herein and adopted the following resolution:

Resolution

> The Commission hereby approves a coastal development permit for the proposed development and adopts the findings set forth below on grounds that the development as conditioned will be in conformity with the policies of Chapter 3 of the Coastal Act and will not prejudice the ability of the local government having jurisdiction over the area to prepare a Local Coastal Program conforming to the provisions of Chapter 3. Approval of the permit complies with the California Environmental Quality Act because either 1) feasible mitigation measures and/or alternatives have been incorporated to substantially lessen any significant adverse effects of the development on the environment, or 2) there are no further feasible mitigation measures or alternatives that would substantially lessen any significant adverse impacts of the development on the environment.

II. STANDARD CONDITIONS

This permit is granted subject to the following standard conditions:

1. **Notice of Receipt and Acknowledgment.** The permit is not valid and development shall not commence until a copy of the permit, signed by the permittee or authorized agent, acknowledging receipt of the permit and acceptance of the terms and conditions, is returned to the Commission office.

2. **Expiration.** If development has not commenced, the permit will expire five years from the date on which the Commission voted on the application. Development shall be pursued in a diligent manner and completed in a reasonable period of time. Application for an extension of the permit must be made prior to the expiration date.

3. **Interpretation.** Any questions of intent or interpretation of any condition will be resolved by the Executive Director or the Commission.

4. **Assignment.** The permit may be assigned to any qualified person, provided assignee files with the Commission an affidavit accepting all terms and conditions of the permit.

5. **Terms and Conditions Run with the Land.** These terms and conditions shall be perpetual, and it is the intention of the Commission and the permittee to bind all future owners and possessors of the subject property to the terms and conditions.

III. SPECIAL CONDITIONS

This permit is granted subject to the following special conditions:

1. **Other Permits and Approvals.** PRIOR TO ISSUANCE OF THIS PERMIT, the Applicant shall submit documentation from the following entities of final approvals, permits, and determinations required for the proposed Project or documentation from those entities that no further permits or approvals are required:

   Local –
   - **Monterey One Water ("M1W"):** Coastal Commission permit authorization for construction of modifications to the existing M1W ocean outfall to accommodate discharges from desalination operations.
   - **Monterey County:** encroachment permit(s) for construction of Project pipelines within the coastal zone and within County jurisdiction.
   - **Cities of Marina, Seaside, and Sand City:** encroachment permit(s) for construction and operation of Project pipelines within the coastal zone and within the jurisdiction of these entities.
   - **Transportation Agency of Monterey County ("TAMC"):** approvals necessary for construction and operation of Project pipelines within TAMC rights-of-way.

   State –
   - **State Lands Commission:** lease(s) of state tidelands for continued use of the Project's existing test well and of new proposed wells beneath state tidelands.
   - **Central Coast Regional Water Quality Control Board:** a National Pollution Discharge Elimination System ("NPDES") Permit allowing the discharge of effluent through the M1W outfall and approval to modify that outfall to allow the discharge.

- **California Public Utilities Commission ("CPUC"):** completion of the CPUC's pending proceeding (A.21-11-024) of water supply and demand estimates for the Monterey Peninsula Water Supply Project (MPWSP) with a determination that there is projected demand for additional water supply beyond the Pure Water Project Expansion (i.e., the project that would increase the capacity of the previously CPUC-approved Pure Water project from 3,500 AFY to 5,750 AFY) by or before 2050 and a showing that Cal-Am has authorization from the CPUC to proceed with the Project.

Federal –

- **Monterey Bay National Marine Sanctuary:** authorization from the Sanctuary to allow discharges into Sanctuary waters and drilling and disturbance of submerged lands within the Sanctuary. This is to include any necessary Biological Opinions from the U.S. Fish and Wildlife Service and the National Marine Fisheries Service or confirmation from the Sanctuary that those Opinions are not required.

Other –

- **Other landowners:** authorization from any other landowners within the coastal zone on whose property the Applicant would conduct Project-related construction activities.
- **Legal:** (1) a final judgment or other final disposition of the entirety of the pending action entitled *City of Marina v. RMC Lonestar, et al.*, Monterey County Superior Court No. 20CV001387 (in which the trial court has referred various issues to the Administrative Hearings Office of the State Water Resources Control Board ("SWRCB") for determination), Cal-Am shall provide proof of such judgment or disposition to the Executive Director. This permit shall not be issued if that judgment or disposition demonstrates that (a) the Applicant does not have, and cannot feasibly obtain, water rights (to the extent applicable) for the Project or (b) Cal-Am's Project would cause harm to any aquifer that is a source of drinking water to the City of Marina or the Marina Coast Water District.

  (2) Alternatively, prior to such a final judgment or other final disposition, Cal-Am may submit the SWRCB's adopted order in the above-referenced SWRCB proceeding to the Commission in an application for an amended coastal development permit to remove the requirement in the preceding paragraph. The Executive Director shall reject such amendment application unless the SWRCB's adopted order demonstrates, based on reasonable evidentiary findings, that (a) Cal-Am has, or can feasibly obtain, water rights (to the extent applicable) for the Project and (b) Cal-Am's Project would not cause harm to any aquifer that is a source of drinking water to the City of Marina or the Marina Coast Water District.

If any of these approvals or determinations result in changes to the proposed Project that are not evaluated in this CDP, the Applicant submit a complete application to amend this permit unless the Executive Director determines that an amendment is not necessary.

2. **Project Phasing.** This permit authorizes construction and operation of Phase I of the Project. To obtain authorization for construction and operation of Phase II, the Applicant shall submit an application for an amendment to this permit that includes all of the following:
   a) Authorization from the CPUC for the 6.4 mgd facility and any other required approvals.
   b) A detailed description of the proposed development associated with Phase II.
   c) An assessment of coastal resource effects from Phase II, including whether there are any changed circumstances from what was analyzed as part of this CDP review.
   d) Confirmation that the Applicant has submitted all required monitoring reports for the Phase I Project.

   The Applicant shall not begin operation of Phase II until the following criteria have been met:
   - Phase I has been in full operation for a minimum of two years; and
   - All required monitoring reports have been submitted, including the Groundwater Monitoring Report, Wetland Monitoring Report, etc., for a minimum two-year period, to demonstrate that the Project's Phase I has not caused any significant adverse effect on local groundwater supplies for the City of Marina and Marina Coast Water District, wetlands or other coastal resources.

3. **Construction Best Management Practices.** PRIOR TO STARTING CONSTRUCTION ACTIVITIES, the Applicant shall provide, for Executive Director review and approval, Construction Plans that address construction methods and Best Management Practices ("BMPs") of all project components and that include the following:
   a) Construction areas: site plans showing the location of all construction areas, staging areas, fueling areas, and construction access corridors. The areas within which construction activities and/or staging are to take place are to be minimized to the extent feasible to reduce potential impacts to coastal resources.
   b) Construction BMPs: the Plans shall identify the type and location of all erosion control and water quality BMPs that will be implemented during construction to protect coastal water quality. Silt fences, straw wattles, filtration equipment, and other similar materials are to be installed and maintained around the perimeter of all construction areas to prevent construction-related runoff and sediment from discharging directly into storm drains or coastal waters. The Plans shall identify all measures that will be used to keep the construction areas physically separate from public recreational use areas, such as using signage, temporary fencing, or other measures to delineate construction areas. The Plans are to also describe all measures that will be implemented to reduce the effects of construction noise and lighting of areas outside the delineated construction areas.
   c) Equipment BMPs. Equipment fueling, washing, and maintenance shall take place at a designated hard-surfaced area where any leaks or spills can be contained

and collected. All equipment shall be inspected at least daily to identify any leaks or potential leaks promptly. Any fueling and maintenance of mobile equipment conducted on site shall take place at designated areas located at least 100 feet from coastal waters, drainage courses, and storm drain inlets, if feasible (unless those inlets are blocked to protect against fuel spills). Fueling and maintenance areas shall be designed to fully contain any spills of fuel, oil, or other contaminants. Equipment that cannot be feasibly relocated to a designated fueling and maintenance area may be fueled and maintained in other areas of the site, provided that procedures are implemented to fully contain any potential spills.

d) Good Housekeeping BMPs. The Plans shall describe good construction housekeeping controls and procedures that will be implemented, including cleaning up all leaks, drips, and other spills immediately, keeping materials covered and out of the rain, covering exposed piles of soil and wastes, disposing of all wastes properly, placing trash receptacles on site and covering open trash receptacles during wet weather, and removing all construction debris from the site at least daily.
e) Construction timing: The Plans are to provide a construction schedule identifying the expected duration of construction and the hours and days construction is expected to occur.
f) Construction Coordinators. The Plans shall identify one or more designated construction coordinators at each construction site as the point of contact during construction should questions arise regarding the construction (in case of both regular inquiries and emergencies). The Plan shall provide coordinators contact information, including, at minimum, an email address and a telephone number that will be made available 24 hours a day for the duration of construction and that shall be conspicuously posted at the job site where such contact information is readily visible from areas accessible to the public. The Plan shall require that the coordinators record all complaints received regarding construction activities, including the nature of the complaints, contact information where available (e.g., name, phone number, and email address) and shall require the coordinator to investigate complaints and take remedial action, if necessary, within 24 hours of receipt of the complaint or inquiry. All complaints and all actions taken in response shall be summarized and provided to the Executive Director upon request.

Copies of the approved Plans and of the signed CDP shall be maintained at the appropriate construction site(s) and be available to project personnel and the interested public upon request. All project personnel shall be briefed on the content and meaning of the CDP and the approved Plans prior to their start on project activities.

The Applicant shall implement development in accordance with this condition and the approved Construction Plans. Minor adjustments to the above requirements, as well as to the Executive Director approved Plan, which do not require a CDP amendment or a new CDP (as determined by the Executive Director), may be

allowed by the Executive Director if such adjustments: (1) are deemed reasonable and necessary; and (2) do not adversely impact coastal resources.

4. **Spill Prevention and Response Plan.** PRIOR TO THE START OF CONSTRUCTION ACTIVITIES, the Applicant shall submit, for Executive Director review and approval, Project-specific Spill Prevention and Response Plans that address potential spills or releases of hazardous materials during both project construction and project operations. The Plans shall identify worst-case spill scenarios and demonstrate that adequate spill response equipment will be available. The Plans also shall include preventative measures that will be implemented to avoid spills and measures that will be implemented should spills occur. The Plans shall specify responsibilities of contractors and project personnel. The Plans shall identify the location of all on- and off-site spill response equipment (including sorbent materials, booms, etc.) that will be available in the event of a spill, and the protocols and expected response times for deployment. The Plans are to clearly identify responsibilities of project personnel and contractors in the event of a spill and shall include necessary contact information for responsible personnel and involved emergency response agencies (e.g., Fire Department, U.S. Coast Guard, etc.).

5. **Closures for Species Protection.** Any construction activities at the Project well field or near the beach for outfall modifications shall occur outside of Western snowy plover breeding and nesting season (March 1 through September 30 of any year), unless authorized by the U.S. Fish and Wildlife Service ("USFWS"). Any construction activities within 30 feet of habitat known to be used by Smith's blue butterfly shall occur outside of the annual butterfly flight season (June 1 to September 15 of any year) unless authorized by the USFWS. All Project maintenance and repair activities shall occur outside these closure periods to the extent feasible.

   If the USFWS authorizations require any changes to the project as approved herein, the Applicant shall submit a complete application to amend this permit and receive approval from the Commission for those changes, unless the Executive Director determines no amendment is necessary.

6. **Permit Term.** This coastal development permit authorizes the approved project slant wells and associated components to be installed and remain on the Applicant's property within the CEMEX site for a period of 25 years, or until January 1, 2050, whichever occurs first. After such time, the authorization for the continuation and/or retention of these project elements shall cease, unless an extension of the permit term is approved, as set forth below.

   No later than two years prior to the end of this permit term, the Permittee shall apply for a new coastal development permit or amendment to this permit to remove, relocate, or rehabilitate these project elements and to restore all areas of the site that will no longer be used for these project elements, or to modify this term of

authorization. This application shall include, at a minimum, the most recent sea level rise projections for the project location, the most recent coastal erosion rates for the location, and the then-current location of site features, including the mean high tide line, foredunes, existing habitat types, and presence of any known or potential sensitive species using the site's habitat types. The application shall also identify and address changed circumstances and/or unanticipated impacts that have occurred or are reasonably expected to occur during the next 25-year period regarding environmental impacts and coastal hazards, including but not limited to ongoing sea level rise projections and changed projections of known and potential coastal hazards. It shall also describe any changes to coastal resources including those resulting from public access or modifications to site habitat types. Provided the Permittee submits a complete application by this date, the termination date for this permit shall be automatically extended until the time the Commission acts on the new or amended coastal development permit application.

Failure to obtain a new or amended coastal development permit authorizing removal of and/or an additional term to retain the project elements shall cause this development to be in violation of the terms and conditions of this coastal development permit.

7. **Pre-Construction Biological Surveys and Monitoring During Construction.** The Permittee shall enlist one or more qualified biologists acceptable to the Executive Director, to conduct sensitive species pre-construction surveys and to monitor the project site during all construction activities per the following:

   a) **Pre-Construction Biological Surveys.** PRIOR TO COMMENCEMENT OF ANY CONSTRUCTION ACTIVITIES IN SPECIFIED WORK AREAS, Protocol-level surveys shall be conducted for any species that have been previously documented in the work area, its buffers, or within 0.5-mile, and could be reasonably expected on the basis of other known factors (e.g., habitat suitability). Surveys shall be conducted to at least 100 feet beyond the specified work areas. In the event that the biologist(s) reports finding any sensitive wildlife (within three days or less of intended construction for a specified work area) or plant species (within the preceding bloom season) during the pre-construction surveys, the Permittee shall delay work, implement any pre-approved mitigation measures, and promptly notify the Executive Director as well as CDFW and/or USFWS, as applicable. Project activities may commence upon written approval from the Executive Director, following any necessary consultation with CDFW and/or USFWS. Surveys and mitigating measures shall additionally:
      i. For western snowy plover, nesting surveys shall be informed by the cumulative and trending record of habitat use from recent years and extend out to 500 feet from the work area.
      ii. For legless lizards, use a triple-pass method where hand rakes are passed through the upper three inches of soil below the current vegetation layer in areas of appropriate habitat, and each sequential pass should demonstrably locate progressively fewer animals. The first pass shall

occur in the early morning, when the species is most readily captured, and an overnight period of no soil disturbance shall be allowed before the second pass. If no animals are found during the second pass, they may be assumed absent and no third pass shall be required. If animals are found during the first or second passes, a third pass shall be required.

iii. For all nesting birds, other than western snowy plover and burrowing owls, surveys shall be completed no more than 72 hours prior to the commencement of construction activities and provide for a minimum of 300-ft buffers for non-raptor species and 500-ft buffers for raptor species, unless determined less may be acceptable during consultation with CDFW and/or USFWS, as appropriate. At a minimum, buffers shall not be reduced below 50 feet or 250 feet for non-raptors and raptors, respectively, and noise shall not exceed 65 dBA at any sensitive receptor site. Noise barriers and visual screens may be considered, in consultation with the Executive Director.

iv. For American badgers, surveys shall include areas along the pipeline alignments in vegetation communities where burrows have been previously recorded, including the various scrubs.

v. For Monterey dusky-footed woodrats, surveys shall extend out to 100 feet from the specified work area.

vi. Include the Executive Director in all relevant natural resource consultations and provide all survey results and supporting documentation, including submissions to other agencies.

b) **Biological Monitoring During Construction.** PRIOR TO COMMENCEMENT OF CONSTRUCTION EACH DAY, the biologist(s) shall inspect the active project areas to ensure that the day's activities will not result in impacts to sensitive species or encroach on established buffers. The biologist(s) shall document the results of each daily pre-construction survey; the Permittee shall retain and make these available upon request. Construction activities may not commence until any sensitive wildlife species have the left the project area and its vicinity and/or any sensitive plant species have been sufficiently protected or salvaged in accordance with the approved final Habitat Mitigation and Monitoring Plan, pursuant to **Special Condition 10**. In the event that the biologist(s) determines that any sensitive species exhibit reproductive or nesting behavior, the Permittee shall cease work and promptly notify the Executive Director as well as CDFW and/or USFWS, as applicable; construction activities may only resume upon written approval of the Executive Director. If impacts or injury occur to sensitive species, the Permittee shall notify the Executive Director as well as CDFW and/or USFWS and will be advised of the appropriate action or mitigation to be taken.

The biologist(s) shall possess the authority to halt work to prevent any breach in permit compliance from occurring, or if any unforeseen sensitive habitat issues arise and until they are satisfied that the issue has been resolved. The biologist(s) shall immediately notify the Executive Director if development

activities outside of this permit occur and document any incidents requiring the stoppage of work.

8. **Construction Impact Validation and Compensatory Mitigation Ratios for Habitat.** NO LESS THAN 90 DAYS PRIOR TO THE COMMENCEMENT OF CONSTRUCTION IN ANY SPECIFIED WORK AREA, the Permittee shall submit baseline surveys documenting, at a minimum: the physical extent and acreage of all habitats within proposed impact areas; each vegetation community's native species diversity, native species cover, invasive species cover, and the relative cover of dominant native vegetation species; and the vegetation community's age classes and/or size structure distributions. Surveys shall be conducted during the late spring/early summer season when most plant species are blooming and readily identifiable, unless otherwise proposed with clear justification, for review and approval by the Executive Director. Existing records and documentation shall be considered in conjunction with the new data to establish as comprehensive a baseline as possible. Any sensitive species detections not previously documented in submitted materials shall be clearly reported, including with annotations identifying occurrences as new, and shall be additionally submitted to CDFW and/or USFWS, as appropriate, and to the California Natural Diversity Database (CNDDB). Photos shall be taken from designated points across the survey area, at spacings and perspectives sufficient to represent existing conditions and support impact evaluations. In addition, post-construction surveys, final impact assessments, and compensatory mitigation requirements shall follow as:

   a) **Post-Construction Surveys.** For each habitat, post-construction surveys shall document, at a minimum, the physical extent and acreage of all impacted habitats, and the activities that occurred within the area, including any vegetation clearance, mortality, or other significant reduction in vegetation cover due to project activities (e.g., pruning), or ground disturbance. Post-construction surveys shall be completed within 90 days of completion of construction activities in a specified work area and for impacts anticipated to be potentially characterized as temporary, additionally document, at a minimum: the dates of initial and final project-related disturbance to the habitat; each vegetation community's native species diversity, native species cover, invasive species cover, and the relative cover of dominant native vegetation species; the vegetation community's age classes and/or size structure distributions; and, photos from the designated points used for pre-construction surveys, to support impact evaluations.

      Impact Validation Report. A final report comparing the extent and nature of impacts as estimated by the Permittee in the submitted materials with those actually observed following construction shall be submitted within 30 days of post-construction survey completion, for Executive Director review and approval. The observed impacts, once approved, shall form the basis of the compensatory mitigation obligation. If the observed impacts are significantly greater than what has been assessed as part of the Commission's authorization, a permit amendment will be required to address the discrepancy, unless determined

unnecessary by the Executive Director. Any such differences between estimated and observed impacts shall require revision or supplement to the HMMP pursuant to **Special Condition 10**.

b) **Temporary Impacts.** Short-term temporary impacts are those that are fully restored within 12 months of initial construction activity disturbance, and long-term temporary impacts are those that may occur for up to a 24-month period from the initial disturbance but require no more than 12 months following the conclusion of construction activity to fully recover. Any impacts that do not meet these timing parameters, significantly disturb the ground (e.g., trenching), or fail to recover vegetation communities to equal or better condition in terms of native diversity, native species cover, the relative cover of dominant native vegetation species, and vegetation community age classes and/or size structure distributions shall be considered permanent and mitigated for pursuant to sub-section C of this condition. Any impacts determined to qualify as temporary shall be mitigated for at a minimum of 1:1 (short-term) or 1.5:1 (long-term) ratio, and comply with the following terms:

   i. **On-Site Mitigation.** No less than 1:1 of the mitigation shall occur in-kind and on-site, where temporary impacts are observed.

   ii. **Off-Site Mitigation.** For long-term temporary impacts, the balance (0.5:1) shall occur as in-kind mitigation unless no feasible option is available and a clear nexus is identified, subject to Executive Director review and approval. The balance of mitigation acreage shall occur within the geography specified for all compensatory mitigation in **Special Condition 10 [HMMP]** and where it can be protected in perpetuity.

   iii. **Invasive Species Treatments.** All California Invasive Plant Council (Cal-IPC) -listed species will be removed from temporarily impacted ESHA such that species ranked “high” shall not exceed a total of 1% cover and all ranked invasives shall not exceed a total of 5% cover. If this cannot be achieved by hand, for any herbicide proposed for potential use, the following information shall be provided prior to its use, for review and approval by the Executive Director: rationale for why herbicide(s) would constitute the least environmentally damaging alternative and detail on the specific product(s) that would be used, including certification by the California Department of Pesticide Regulation and allowance for the intended application.

   iv. **Revegetation Requirements.** Any revegetation intended to address temporary impacts shall include, at a minimum, replanting with locally and genetically appropriate native species. Documentation of all plant material sources shall be provided.

   v. **Restoration Report.** Within 30 days of completion of any active restoration work, the Permittee shall submit a post-restoration report documenting the areas where revegetation and invasive species treatments have occurred.

   vi. **Final Short-term Temporary Impact Survey.** Within twelve months of the initial disturbance, the Permittee shall conduct a survey that describes

whether areas (physical extents and acreages) identified as short-term temporarily-impacted have returned to their pre-impact condition (or better) by comparison with the baseline condition for each vegetation community, including native species diversity, native species cover, the relative cover of dominant native vegetation species, and the vegetation community's age classes and/or size structure distributions. Invasive species cover shall also be described. The survey shall be detailed in a report, to be submitted by the Permittee within 30 days of final survey completion, for Executive Director review and approval. If the survey demonstrates impacts persist or any revegetation effort has been unsuccessful, in part or in whole, any remaining impacts are, by definition, permanent, and shall be mitigated accordingly and shall require revision or supplement to the HMMP pursuant to **Special Condition 10**. Digital copies of the survey data and associated metadata shall be provided with the reports.

vii. **Final Long-term Temporary Impact Survey.** Within twelve months of the conclusion of disturbance, the Permittee shall conduct a survey that describes whether areas (physical extents and acreages) identified as long-term temporarily-impacted have been returned to their pre-impact condition (or better) by comparison with the baseline condition for each vegetation community, including native species diversity, native species cover, the relative cover of dominant native vegetation species, and the vegetation community's age classes and/or size structure distributions. Invasive species cover shall also be described. The survey shall be detailed in a report, to be submitted by the Permittee within 30 days of final survey completion, for Executive Director review and approval. If the survey demonstrates impacts persist or any revegetation effort has been unsuccessful, in part or in whole, any remaining impacts are, by definition, permanent, and shall be mitigated accordingly and shall require revision or supplement to the HMMP, pursuant to **Special Condition 10**. Digital copies of the survey data and associated metadata shall be provided with the reports.

c) **Permanent Impacts**. All impacts failing to qualify as temporary for any of the above cited reasons shall be recognized as permanent and mitigated for, consistent with the following:

i. A minimum ratio of 3:1 for ESHA impacts, where this base ratio assumes compensation as habitat creation or substantial restoration. Alternatively, enhancement or preservation strategies may be proposed at no less than double or triple the base ratio, respectively. No net loss of dune habitat(s) shall be assured by provision of a minimum 1:1 as habitat creation for the total acreage where permanent development will be located (e.g., the slant well pads and access road infrastructure); any remaining balance may be addressed through the various mitigation strategies, with adjustments to the discounted ratio, as described above (e.g., 2:1 may be

satisfied via creation or substantial restoration, or as 4:1 via enhancement, or as 6:1 via preservation).

ii. All habitat mitigation for permanent impacts, and the 0.5:1 fraction for long-term temporary impacts not addressed in place, shall occur within areas that are or will be protected, as consistent with **Special Condition 9**.

iii. Mitigation requirements for particular species impacts, as may be required by other agencies, may be folded into those for ESHA but may not conflict with or otherwise replace the requirements of this permit, and alternatively, may necessitate additional acreage or other requirements.

9. **Dune Habitat and Open Space Protection.** PRIOR TO THE START OF CONSTRUCTION, the Permittee shall submit to the Executive Director for review and approval evidence of existing deed restriction(s) or documentation irrevocably dedicating habitat and open space conservation easement(s) in perpetuity, consistent with the following terms:

a) **Objective.** Existing restriction(s) and/or conservation easement(s) shall provide for the protection, creation and/or improvement of dune habitat in the subject area(s). At a minimum, the 1:1 dune habitat creation requirement in **Special Condition 8** **[Construction Impact Validation and Compensatory Mitigation Ratios for Habitat]** shall be satisfied by the establishment of new protections over previously unprotected lands and activities necessary to restore natural dune processes at the site(s). Outside the TAMC corridor, any additional areas supporting compensatory mitigation shall be afforded the comparable protections, whether existing or established by necessity of this permit.

b) **Allowable Uses and Development.** No development, as defined in Section 30106 of the Coastal Act, shall occur within the easement area(s) except for those consistent with ESHA (e.g., restoration activities, nature study, and low impact recreation).

c) **Recordation.** Conservation easement(s) shall be recorded free of prior liens and any other encumbrances that the Executive Director determines may affect the interest being conveyed and shall include formal legal descriptions of the entirety of the parcel, a metes and bounds legal description and graphic depiction, prepared by a licensed surveyor based on an on-site inspection, drawn to scale and approved by the Executive Director, of the dedicated easement area(s). Such easement(s) shall run with the land, binding successors and assigns of the Permittee and the landowner and indicate that the restrictions on the use of the land shall be in effect upon recording and remain as covenants, conditions, and restrictions running with the land in perpetuity.

d) **Dedication.** The Permittee may dedicate dune habitat and open space conservation easement(s) to another public entity, including State Parks or another land management entity, upon approval of the Executive Director.

e) **Deadline.** The Executive Director may extend the deadline if they determine that the Permittee has been diligently pursuing the conservation easement, and that the Permittee has demonstrated good cause for any identified delays.

10. **Habitat Mitigation and Monitoring Plan.** PRIOR TO PERMIT ISSUANCE, the Permittee shall submit two copies of a final Habitat Mitigation and Monitoring Plan (HMMP) prepared by a qualified restoration ecologist to the Executive Director for review and written approval. Impact acreages, which shall be the basis of compensatory mitigation requirements, are estimated in the materials submitted on October 24, 2022 and shall be finalized per **Special Condition 8**.

a) **Compensatory Mitigation Options.** Compensatory mitigation requirements for habitat impacts may be satisfied by any of the following three alternatives, or combination thereof, with the exception of the dune creation requirement to achieve no net loss of dune acreage, which must be fulfilled on lands not yet protected and contribute significantly to the restoration of coastal dune processes:

i. **Protection and Improvement of Unprotected Lands.** Priority shall be given to acquiring lands that presently support or would appropriately support dune and dune-associated habitat(s), including foredunes, dune scrub, and mixed chapparal, following habitat improvement activities may be acquired or otherwise moved into protection from future development threats (e.g., conservation easement), for the purposes of habitat conservation. Such lands may be of singular or multiple nature, include sites of variable habitat condition, and involve acquisition, restoration or enhancement activities as part or all of the compensation due for habitat impacts and losses associated with the permitted project. Newly protected but unimproved lands will qualify as preservation whereas protected and improved lands may qualify for credit as creation, if approved by the Executive Director.

ii. **Improvement of Protected Lands.** Lands that presently support or would support dune and dune-associated habitat(s), including foredunes, dune scrub, and mixed chapparal, following habitat improvement activities, and which occur on lands already protected for the purposes of habitat conservation, may be restored or enhanced with agreement and coordination with the landowner and Executive Director. In such case, the landowner may specify the acreage available and terms of agreement between the Permittee and landowner. Land already obligated to other regulatory requirements, including but not limited to prior Commission decisions, legal obligation, and Habitat Conservation Plans, shall not be considered available as compensation for this project unless the work would demonstrably exceed those obligations and provide mitigation determined by the Executive Director to be not otherwise available. The landowner shall be included in all discussions concerning site restoration priorities, goals and objectives, methods, maintenance, etc. The Executive

Director shall review and approve any tentative agreement between the Permittee and landowner prior to execution, to ensure that all terms are consistent with the requirements of this and other Special Conditions.

iii. **In-Lieu Fees.** A fee of $250,000 per acre of required restoration shall be assessed and paid into an interest-bearing account to be established and managed by a government or non-governmental organization as approved by the Executive Director, for the sole purpose of financing dune and dune-associated habitat protection, restoration, and related activities in the region not otherwise already provided for. If a suitable account to accept and administer in-lieu fee funds for dune and dune-associated habitat in the region does not already exist, the Permittee shall be responsible for facilitating the development and initiation of such an account, including through the provision of funds to establish the account. Any additional costs associated with administering the prescribed fees for habitat benefit shall be the responsibility of the Permittee. For each year between the time of Commission approval and the payment of any in-lieu fees, the cost per acre shall be adjusted by any increase in the consumer price index applicable to the Monterey region. All of the habitat-directed funds and any accrued interest shall be used as consistent with the above stated purposes, in consultation with the Executive Director.

NO LESS THAN 90 DAYS PRIOR TO PERMIT ISSUANCE, if insufficient acreage has been secured by the Permittee for either protection or improvement, the balance shall be assessed as a non-refundable in-lieu fee per the terms above. Evidence of all fees having been received into an approved account shall be provided PRIOR TO PERMIT ISSUANCE.

Any and all lands that would be protected and/or improved shall occur within the coastal zone, in dune and dune-associated habitats situated between the southern boundary of the Salinas River and northern boundary of the City of Monterey, and west of Highway 1. Any in-lieu fees that would be paid as compensation shall be applied to the protection and improvement of dune and dune-associated habitats in this same geography. Any and all lands that would support compensatory mitigation requirements, including those that would be protected or improved using in-lieu fees, shall be subject to the requirements of **Special Condition 9** with the sole exception being for temporary impacts that would be restored on-site and in-kind within the TAMC corridor.

b) **Plan Components.** The final HMMP shall include, at a minimum, each of the following components and may necessarily be structured to address multiple mitigation sites:

i. **Introduction.** Description of the HMMP purpose including an overview of the proposed project associated with the HMMP; a summary of impacts for which the HMMP is intended to mitigate; identification of the general mitigation strategies to be used; the proposed on-site and off-site

mitigation locations; and the mitigation areas intended to compensate for each affected resource.

ii. **Mitigation Goals and Objectives.** Statement of mitigation goals, including the desired habitat type(s), major vegetation components, and sensitive species and wildlife support functions; description of the desired habitat with rationale, to be based on a high functioning reference site where feasible and alternatively, derived from literature describing either the site's historic conditions or "typical" regional habitat conditions; specific, actionable objectives to support stated goals; and a detailed timeline laying out all major activities including any outstanding preliminary work such as surveys, site preparation, mitigation implementation including revegetation activities, interim and final monitoring periods, etc.

iii. **Description of Existing Habitat(s).** Separate sections describing each of the impacted native habitat types including coastal dune, coastal scrub, and mixed chaparral habitat; final figures, maps, and related information depicting existing ecological resources; and specification of impacts for which the HMMP is intended to mitigate.

iv. **Design Plans and Construction Methods.** Specification of final mitigation site design and construction methods consistent with identified goals and objectives, including but not limited to:

1. **Mitigation Design**. Detailed plans showing final topography, vegetation, and any other significant features characteristic of the intended habitat; and how these connect to the surrounding environment.
2. **Site Preparation.** Methods and plans for salvage of any plant and/or seed material (including collection from impact areas, storage, relocation, and/or reestablishment); salvage of any topsoils to be stock-piled and reused in the mitigation area; any demolition, debris removal, grading, decompaction, soil amendment, or other substrate-affecting activities; erosion control measures; and treatment of invasive species.
3. **Best Management Practices.** Detailed list of all BMPs that will be implemented as part of project implementation, including triggers for further or remedial action.
4. **Revegetation Plans.** Details on plant palettes; stocks and seed mixes; material sourcing including verification of local and genetically appropriate nature; any proposed irrigation including rationale, method, and schedule; and provisions for removal of any temporary infrastructure following plant establishment.

v. **As-Built Report.** Provision that eight (8) weeks following completion of mitigation site construction and revegetation activities, an as-built report summarizing mitigation activities to-date, a description of consistency with approved plans, documentation of acreage treated, maps and descriptions any temporary infrastructure installed, photos taken from fixed points, and a description of consistency with all terms and conditions, to be submitted to the Executive Director for review and approval.

vi. **Invasive Species Control.** Provision for continued control of all California Invasive Plant Council-listed species and description of monitoring and control methods. If any herbicide is proposed for potential use, rationale for why it would constitute the least environmentally damaging alternative and detail on the specific product(s) that would be used, including its certification by the California Department of Pesticide Regulation and allowance for the intended application.

vii. **Monitoring Plan.** Detailed plan for quantitatively monitoring the condition and progress of the mitigation site during both the initial mitigation phase as well as over the long-term at reduced frequency and intensity; performance relative to set criteria, as informed by robust sampling and statistics; triggers for adaptive management action; and reporting. Specifically:

1. **Monitoring Frequency.** During the initial phase of no less than five (5) years or three (3) years following cessation of all remedial measures except weeding, whichever is longer, quantitative monitoring at least once per year during the period of rapid plant growth and flowering, generally in spring or early summer, unless a clear rationale for otherwise is fully presented. Following the determination that success criteria have been met, long-term monitoring to inform maintenance and adaptive management shall occur at a frequency of no less than five (5) years.
2. **Success Criteria.** Final success criteria supported by interim criteria, the latter of which are intended to serve as benchmarks and guide adaptive management, whereas the former will enable measure of mitigation success. Criteria shall have a clear empirical basis (i.e., reference sites and/or published technical literature appropriate for the local area) and generally include representativeness of target vegetation communities (e.g., species composition, cover, structure, diversity, and presence of major structure-producing and habitat-defining species); physical parameters such as topography, bare substrate, and hydrology; and target wildlife support functions or usage. Criteria may be fixed values where there is a strong empirical basis, but, where feasible, should be relative to high-functioning reference sites in order to account for environmental variability. Reference sites should be located within the geography identified in subsection (a) of this condition and be similar to the mitigation site with regard to soil type, aspect, slope, and other relevant abiotic characteristics, and shall be identified, sampled, and quantitatively described as a component of the monitoring plan. Invasive species ranked by the Cal-IPC as “high” shall not exceed a total of 1% cover, and all ranked invasives shall not exceed a total of 5% cover.
3. **Performance Assessment.** Methods for judging mitigation success shall include supporting rationale for their selection and be specified in terms of the type(s) of comparison, including whether relative to fixed criteria or reference sites; identification of any reference sites that will

be used; test(s) of similarity; specification of the maximum allowable difference or effect size between the mitigation value and the reference value for each success criterion; and where statistical tests will be employed, statistical power analyses to document that the planned sample sizes will provide adequate power to detect maximum allowable differences. For such a test, alpha must equal beta; these values are typically 0.10 or 0.20, depending on the expected natural variability of the variables of interest.

4. **Sampling Design.** The field sampling program shall be designed in conjunction with the success criteria and selected methods of assessment. The sampling design and methods shall provide sufficient detail to enable an independent scientist to duplicate them, including a description of the randomized placement of sampling units, sampling unit size, planned number of samples, etc.

viii. **Reporting.** Monitoring of and reporting on the mitigation site shall occur annually for no less than five (5) years, and for at least three (3) years following the conclusion of all remediation and maintenance activities other than weeding, whichever is later. All reports shall be prepared by a qualified restoration ecologist and be submitted to the Executive Director for review and approval, no later than December 31st of each year. Raw data and associated metadata shall be delivered with all reports (in digital format).

1. **Annual Monitoring.** Beginning the year after the mitigation project has been installed, annual monitoring reports shall be due each year, including photos taken from fixed points; assessment relative to interim success criteria; a work plan for the subsequent year; and specific recommendations to adaptively manage the effort and facilitate mitigation success. Once a monitoring report is approved by the Executive Director, recommendations identified in the report shall become prescriptive unless otherwise advised in writing.
2. **Final Annual Monitoring Report.** A final monitoring report shall be submitted at the conclusion of all mitigation efforts, no sooner than five (5) years following mitigation implementation and summarize all prior reports; provide a detailed timeline of the overall progress and success; and include sufficient detail to evaluate comprehensive mitigation compliance with the specified goals, objectives, and success criteria set forth in the approved HMMP.
3. **Long-Term Monitoring Reports**. Associated with the long-term monitoring, reports shall be provided to summarize results, document any management actions that have been taken on the mitigation site, and any recommendations for management action going forward.

ix. **Long-Term Maintenance and Adaptive Management.** If a long-term monitoring report indicates that there has been substantial decline in the condition of the mitigation site, adaptive management shall be implemented to resolve this issue(s) to the extent feasible.

x. **Provision for Possible Further Action.**

1. **Impact Validation.** If final post-construction impact validation surveys or temporary impact performance assessments pursuant to **Special Condition 8** indicate that additional compensatory mitigation is necessary, in part or in whole, the Permittee shall submit within 90 days a revised or supplemental HMMP to compensate for those increases relative to the original estimates. The revised or supplemental HMMP(s) shall be prepared by a qualified restoration ecologist approved by the Executive Director and shall specify plans to compensate for the additional acreage consistent with all requirements of this Special Condition, to be reviewed and approved by the Executive Director. The revised HMMP may be processed administratively by the Executive Director, unless the Executive Director determines that an amendment to the original CDP is necessary.
2. **Non-performance.** If the final annual monitoring report indicates that the mitigation effort has been unsuccessful, in part or in whole, based on the approved success criteria, the Permittee shall submit within 90 days a revised or supplemental HMMP to compensate for those portions of the original program which did not meet the approved success criteria. The revised or supplemental HMMP(s) shall be prepared by a qualified restoration ecologist approved by the Executive Director and shall specify measures to remediate those portions of the original approved HMMP that have failed or have not been implemented in conformance with the original approved HMMP. These measures, and any subsequent measures necessary to carry out the approved revised or supplemental HMMP, shall be carried out in coordination with the direction of the Executive Director until the approved revised or supplemental HMMP is established to the Executive Director's satisfaction. The revised HMMP may be processed administratively by the Executive Director, unless the Executive Director determines that an amendment to the original CDP is necessary.

xi. **Partnering Agencies and/or Subcontractors.** The Permittee remains responsible for meeting all CDP terms and conditions, including funding of the full cost and implementing all measures to minimize and fully mitigate project impacts to coastal dune, coastal scrub, and mixed chaparral habitat. If the Permittee elects to enter into a binding agreement with a third-party agency or land management entity to carry out all or a portion of these HMMP requirements, the Permittee shall submit draft agreement provisions to the Executive Director for review and approval prior to finalizing any such agreements.

xii. **Consistency.** The Permittee or the approved third-party entity shall undertake development in accordance with the approved HMMP. The Executive Director may approve minor adjustments to these terms if the Executive Director determines that the adjustments (1) are de minimis in

nature and scope, (2) are reasonable and necessary, (3) do not adversely impact coastal resources, and (4) do not legally require an amendment.

11. **Groundwater Protection.** The Applicant shall install the Project's slant wells to extend at least 1,000 feet seaward of the proposed well head locations and shall screen the wells so they extract water as far seaward as is feasible and without penetrating the 400-Foot Aquifer. Any proposed changes to this approved installation must be reported to the Executive Director for a determination as to whether those changes would require an amendment to this permit.

12. **Monitoring and Remedial Measures to Protect Groundwater.** PRIOR TO ISSUANCE OF THIS PERMIT, the Applicant shall provide, for Commission review and approval, a Groundwater Monitoring Plan intended to ensure the Project's source water pumping does not adversely affect the aquifers that are a source of drinking water to the City of Marina and the Marina Coast Water District. The Plan shall be developed in consultation with the Marina Coast Water District and shall include the following:

a) A detailed description, including maps and diagrams of area aquifers, including those the Applicant would rely upon for the Project's source water and those relied upon by the City and Water District for drinking water. The description shall identify all known existing monitoring or production wells screened within each aquifer. It shall also identify any known existing groundwater monitoring (water level and water quality) that is currently occurring and the availability of the data.

b) A narrative characterization of all known sources affecting these aquifers (e.g., existing withdrawals for municipal or agricultural purposes, precipitation rates, seasonal variations, inputs or outputs from surface water features, etc.) and the extent of any known existing contamination sources (e.g., locations and rate of seawater intrusion, contaminant plumes, etc.). It shall also describe the known or expected degree that these sources affect the aquifers.

c) A comprehensive groundwater monitoring program designed to assess how the Project's proposed source water pumping could affect the quality and availability of freshwater within the aquifers relied upon by the City and Water District as sources of drinking water. This program shall include the following components:

i. Statement of monitoring goals to ensure that the monitoring will adequately identify the percentage of seawater extracted by the Project, will detect any change in the rate of seawater intrusion that the Project might induce, and will provide sufficient time to modify Project operations if monitoring identifies potential harm to the aquifers from those operations.

ii. A description of monitoring and other measures that will be implemented to establish baseline conditions. This shall include identification of proposed well locations and methods to be used to collect data, existing data to be used, measures to ensure the baseline conditions are sufficient to identify changes that occur from seasonal and water year type variations. Baseline data shall be collected for at least one year before Project pumping begins.

iii. A description of monitoring methods and frequency to be implemented during Project operations, including the locations and depths of existing or proposed monitoring wells, methods of data collection and review (including frequency of data review), data management and storage, and intended purpose of the data being collected, and shall describe the analyses to be conducted to determine whether adverse effects are likely to occur. All monitoring data collected by the Applicant pursuant to this permit shall be publicly available and posted on the Applicant's website in a clear and conspicuous manner. Monitoring frequency should be adequate to characterize relevant scales of variability and should be conducted continuously for at least the first two years. If continuous monitoring is not feasible, the Plan shall include a justification explaining why.

iv. Proposed thresholds or criteria for total dissolved solids and any other relevant water quality constituents as well as groundwater levels that will be used to indicate or predict potential harm to local groundwater supplies consistent with monitoring goals described in (a). The criteria or thresholds will be established through an appropriate statistical analysis prepared by the Applicant, and the analysis shall identify the methods to evaluate any statistically significant deviations from the baseline data. The Plan shall include a justification for each proposed threshold.

v. A description of model validation to be conducted. This shall include methods to incorporate the above-referenced baseline data and subsequent operational data into the Project's modeling to assess the ability of the model to accurately predict groundwater conditions and identify what, if any, changes can be made to improve its reliability. Model validation shall also incorporate available and relevant Aerial Electromagnetic survey data and modeling into the proposed model validation, as appropriate.

vi. A description of data analyses to be performed to assess impacts to local aquifers including a comparison of monitoring results to baseline conditions and the thresholds described above. If this involves updated groundwater modeling, provide a description of the proposed models, proposed statistical analyses to be conducted, and how monitoring data will be used. As part of the statistical evaluation, the monitoring data collected will be used to evaluate statistically significant deviations from monitoring criteria or thresholds compared to background levels.

vii. Proposed remedial measures and operational controls that could be implemented should any of the above thresholds be reached. Remedial

measures for thresholds indicating a lower level of concern may include further in-depth studies to investigate why a particular threshold has been reached. The proposed remedial measures shall include procedures for immediate notification to the Executive Director if Applicant discovers any exceedance of a threshold or criteria established pursuant to this Special Condition. Other remedial measures may include, but are not limited to, reduced or no pumping from one or more wells, repair and maintenance of existing intake or groundwater supply wells, relocation or redrilling of intake wells, groundwater recharge or similar projects implemented in partnership with affected water supply providers, providing water to affected users, or other measures to address groundwater quality or supply concerns. All remedial measures shall include timelines for implementation and reporting requirements to the Executive Director.

viii. Annual reporting: The Plan shall include a provision for annual reporting of groundwater monitoring results. The annual report shall be submitted to the Executive Director as well as posted on a publicly accessible website and shall include annual results as well as results from previous years. The report shall also discuss comparison of annual data and/or multi-year data (if appropriate) to the thresholds identified in subsection (d), a discussion of planned remedial measures and the success of any previously implemented remedial measures, and an overall assessment of achievement of the monitoring goals set out in subsection (a).

d) The Applicant shall provide the funding necessary to allow the Executive Director to hire one or more independent third-party reviewers to evaluate the proposed Plan and to recommend to the Commission any changes to the Plan necessary to ensure it is adequately protective of the aquifers used by the City and Water District. The Applicant shall apply for and obtain the Commission's approval of the Plan in the form of an amendment to this permit. If, after approval of the Plan, new information becomes available to the Applicant demonstrating that less stringent criteria (e.g., Total Dissolved Solids, salinity concentrations, etc.) does not adversely affect sources of drinking water in the relevant aquifers, the Applicant may seek a further amendment to this permit unless the Executive Director determines that an amendment is not needed.

13. **Wetlands and Vernal Pond Adaptive Management Program.** PRIOR TO PERMIT ISSUANCE, the Applicant shall submit a Wetlands and Vernal Pond Adaptive Management Program (Program), for review and approval by the Executive Director. The Applicant shall provide the funding necessary to allow the Executive Director to hire one or more independent third-party reviewers to evaluate the proposed Program and to recommend any changes to the Program necessary to ensure that it will protect against adverse impacts to area wetlands and vernal ponds. The Program shall provide for data collection and monitoring of the wetlands and vernal ponds within, at a minimum, the Project's drawdown zone plus a buffer area extending a distance of at least 50% beyond the edge of

the drawdown zone. The Program shall provide data collection annually for no less than two (2) years immediately prior to operations and the first five (5) years following commencement of operations, and shall include, at a minimum, each of the following components:

a) Introduction. Description of the Program purpose including an overview of the anticipated drawdown zone (e.g., extent, nature, levels of certainty); an overview of the general types of wetlands and vernal ponds present; the subsurface features that may influence hydrologic connections to wetlands and vernal ponds in the drawdown zone; and the general monitoring approach.

b) Description of Existing Wetlands and Vernal Ponds. For each wetland or vernal pond within the drawdown zone and buffer area, a detailed description of current conditions (e.g., extent, hydrology, associated biological resources, etc.) and a summary of any and all past findings available, including those from the City of Marina's *Coastal/Vernal Pond Comprehensive Management Plan* (prepared for the City of Marina by The Habitat Restoration Group, dated February 15, 1994) and the *Biological Resource and Groundwater Dependency Analysis of Marina Vernal Ponds* (prepared for the City of Marina by WRA, dated July 30, 2020). If there is evidence that wetland and/or vernal pond areas outside the above specified monitoring area could be affected by pumping, these wetland and/or vernal pond areas shall also be included in the Program.

c) Reference Sites. To the extent feasible, appropriate reference sites shall be identified, for vernal ponds and all other wetland types within the monitoring area.

d) Monitoring Plan. A detailed plan for qualitatively and quantitatively monitoring the condition of each wetland or vernal pond, including reference sites, to establish a baseline as well as document any potential adverse effects. Data collected pursuant to Special Condition 13 shall be used in conjunction with resource-specific metrics, including, at a minimum:
    i. Frequency. In order to evaluate variation in resource condition and the temporal patterns potentially affecting such, including seasonal and interannual patterns, hydrologic conditions shall be monitored continuously through the use of sensors, at a resolution sufficient detect any project-associated operational influences. Parameters that cannot be monitored continuously shall be alternatively evaluated at least four times per year (quarterly), as guided by anticipated drawdown patterns and seasonal dynamics.
    ii. Parameters. For each wetland or vernal pond, sampling shall include, at a minimum, the following parameters:
        a. Spatial extent, consistent with the definition of wetlands in the Coastal Act and Commission's regulations;
        b. Depth of surface water, depth of saturation, and depth to groundwater;

c. Hydroperiods (including duration and timing as might be sufficient to support sensitive wildlife, such as fairy shrimp or amphibious species, as well as migrating avian species dependent on wetland availability);
d. Characterization of potential hydrologic inputs other than groundwater, including estimates of volumes, timing, and frequency;
e. Water temperature, salinity, and dissolved oxygen;
f. Characterization of vegetation communities and their relative extents and conditions (e.g., stressed, healthy);
g. Root zone depth;
h. Rare or otherwise sensitive plant and wildlife species.

iii. Remote-Sensing. Along with on-the-ground monitoring efforts and *in situ* instrumentation, remote-sensing tools such as aerial imagery shall be used to help inform conditions from a landscape perspective.

iv. Wetland Delineations. Wetland delineations shall be completed no less than annually, during the period(s) that resources are determined to be most likely susceptible to drawdown impacts, as supported by a clearly articulated rationale, including evidence from hydrogeologic and geophysical modeling results.

v. Impact Assessment. Methods for evaluating adverse effects on wetlands and vernal ponds from drawdown operations shall be clearly specified and include supporting rationale for their selection. These shall be specified in terms of the type(s) of comparison(s), including any statistical analyses and the details thereof; specification of the maximum allowable difference or effect size between the subject site value and the reference value for each parameter; and, sources and magnitudes of uncertainty.

vi. Sampling Design. The field sampling program shall be designed in conjunction with the selected methods of assessment. The sampling design and methods shall provide sufficient detail to enable an independent scientist to duplicate them, including siting and programming of any *in situ* instrumentation, identification of survey areas and wetland sampling points, interpretive use of remote-sensing products, etc.

vii. Reporting. Annual monitoring results shall be submitted to the Executive Director for review and approval by December 31 of each year. Each report shall include a summary of previous monitoring years' findings and discussion of any trends or patterns observed. All data and associated metadata shall be delivered with all reports (in digital format).

viii. Final Monitoring. Subject to the Executive Director's review and approval, if at the end of the data collection period, the monitoring results clearly demonstrate that there is no connection between the Project's pumping and any of the wetlands and/or vernal ponds within the Project's drawdown zone, buffer area, and any additional areas that have been monitored as part of the Program, the Permittee's requirements under the Wetland and Vernal Pond Adaptive Management Program will be satisfied.

e) Adaptive Management. If at any time during the five (5) years of supplemental data collection following commencement of the Project's pumping, whether or

not Phase 2 of the Project has been implemented, data or results suggest that the Project may be having an adverse effect on any wetlands or vernal ponds, adaptive management actions shall be proposed. Prior to any adaptive management implementation, the Permittee shall provide a detailed explanation of the observed effect(s) and proposal of adaptive management action, supported by a clear rationale and anticipated benefit of the action, for review and written approval by the Executive Director. The submission may be part of an annual report or a standalone product, if timing otherwise necessitates. If monitoring results are inconclusive, the Permittee shall submit a revised Monitoring Plan extending the monitoring period for review and approval by the Executive Director.

f) Provision for Possible Further Action. If at any time during the five (5) years of supplemental data collection following commencement of the Project's pumping, whether or not Phase 2 of the Project has been implemented, data or results suggest that there is a connection between the Project's pumping and the wetlands and/or vernal ponds within the Project's drawdown and buffer zones that results in adverse effects on the wetlands and/or vernal ponds, or any additional areas that have been monitored, the Permittee shall cease or reduce the Project's pumping sufficiently to end these adverse effects and shall develop a Wetland Resiliency, Enhancement, Restoration, and Monitoring Plan (Plan) to address any, and all, prior and future impacts. The Permittee shall apply for and obtain the Commission's approval of the Plan in the form of an amendment to this permit and shall remain at the reduced or eliminated Project operations until receiving such approval.

g) Partnering Agencies and/or Subcontractors. The Permittee remains responsible for meeting all CDP terms and conditions, including funding of the full cost and implementing all measures to monitor wetlands and vernal ponds in the specified area(s), and adaptive management of Project operations or otherwise mitigating measures to address any adverse effects that may occur as a result of the Project. If the Permittee elects to enter into a binding agreement with a third-party agency or land management entity to carry out all or a portion of these wetland and vernal pond requirements, the Permittee shall submit draft agreement provisions to the Executive Director for review and approval prior to finalizing any such agreements.

h) Consistency. The Permittee or the approved third-party entity shall undertake development in accordance with the approved Program. The Executive Director may approve minor adjustments to these terms if the Executive Director determines that the adjustments (1) are de minimis in nature and scope, (2) are reasonable and necessary, (3) do not adversely impact coastal resources, and (4) do not legally require an amendment.

14. **No Future Shoreline Protective Device.**

a) By acceptance of this permit, the Applicant agrees, on behalf of itself and all other successors and assigns, that no shoreline protective device(s) shall be constructed to protect the wellheads and related development approved pursuant to Coastal Development Permit No. A-3-MRA-19-0034 in the event

that the development is threatened with damage or destruction from flooding, waves, erosion, storm conditions, sea level rise, or other natural hazards in the future. By acceptance of this permit, the Applicant acknowledges that the project is new construction for which there is no right to construct shoreline protective devices, and hereby waives, on behalf of itself and all successors and assigns, any rights to construct such devices that may exist under applicable law.

b) By acceptance of this permit, the Applicant further agrees, on behalf of itself and all successors and assigns, that the landowner(s) shall remove the development authorized by this permit if: (a) any government agency has ordered that the structures are not to be occupied due to coastal hazards, or if any public agency requires the structures to be removed; (b) essential services to the site can no longer feasibly be maintained (e.g., utilities, roads); (c) the development is no longer located on private property due to the migration of the public trust boundary; (d) removal is required pursuant to LCP policies for sea level rise adaptation planning; or (e) the development would require a shoreline protective device to prevent a-d above.

c) In the event that portions of the development fall to the beach before they are removed, the landowner(s) shall remove all recoverable debris associated with the development from the beach and/or ocean and lawfully dispose of the material in an approved disposal site. Such removal shall require a coastal development permit. Prior to removal, the Applicant shall submit two copies of a Removal Plan to the Executive Director for review and written approval. The Removal Plan shall clearly describe the manner in which such development is to be removed and the affected area restored so as to best protect coastal resources, including the beach and Pacific Ocean.

15.A. **Liability for Costs and Attorneys' Fees.** BY ACCEPTANCE OF THIS COASTAL DEVELOPMENT PERMIT, the Applicant agrees to reimburse the California Coastal Commission in full for all Coastal Commission costs and attorneys' fees including (1) those charged by the Office of the Attorney General, and (2) any court costs and attorneys' fees that the Coastal Commission may be required by a court to pay, which the Coastal Commission may incur in connection with the defense of any action brought by a party other than the Applicant against the Coastal Commission, its officers, employees, agents, successors and assigns challenging the approval, issuance, and implementation of this CDP. The Coastal Commission retains complete authority to conduct and direct the defense of any such action against the Coastal Commission.

15.B. **Assumption of Risk, Waiver of Liability, and Indemnity.** By acceptance of this permit, the Applicant acknowledges and agrees (i) that the site may be subject to hazards from tsunami, storm waves, surges, and erosion; (ii) to assume the risks to the Applicant and the property that is the subject of this permit of injury and damage from such hazards in connection with this permitted development; (iii) to

unconditionally waive any claim of damage or liability against the Commission, its officers, agents, and employees for injury or damage from such hazards; and (iv) to indemnify and hold harmless the Commission, its officers, agents, and employees with respect to the Commission's approval of the project against any and all liability, claims, demands, damages, costs (including costs and fees incurred in defense of such claims), expenses, and amounts paid in settlement arising from any injury or damage due to such hazards.

16. Low-income ratepayer relief. The Applicant shall prepare and implement a low-income ratepayer relief program, inclusive of the following components, to offset the costs of the Project construction and operations on low-income customers in the service area:

a) PRIOR TO ISSUANCE OF THE PERMIT, the Applicant shall submit a low-income ratepayer relief program plan and implementation strategy that includes baseline information on the number of low-income ratepayers in the district, both in single-residential and multifamily units, that qualify as low-income according to the definition in AB 1550 and those who are eligible for the Applicant's Customer Assistance Program. The plan shall include current enrollment rates for the Applicant's existing income relief programs and the number that do not currently receive assistance. The plan will also include an outreach strategy including a timeline to enroll qualified ratepayers in its Customer Assistance Program. The plan shall explore options to offset the increased costs of desalinated water on low-income ratepayers identified through AB 1550 that are not currently eligible for rate assistance. This may include the Applicant working with the CPUC or independent of its approval to create new programs or expand income eligibility of existing programs, as detailed in subsection (b) and (c). The Plan shall also provide for annual reporting on the status and success of these programs, consistent with Special Condition 16.

b) PRIOR TO ANY INCREASE IN RATES RELATED TO THE DESALINATION FACILITY TAKING EFFECT, the Applicant shall implement the following:
   i. A $500,000 grant to the United Way Hardship fund and proposal to continue funding the United Way Hardship fund in perpetuity.
   ii. A $10 cap on rate increases per month for ratepayers enrolled in its Customer Assistance Program. The cap shall be in place for the duration of the Project. Annual reporting required here and under Special Condition 16 must demonstrate how the $10 cap is being met.

c) The Applicant shall submit an annual report to the Executive Director that describes and provides the status of all Project-related measures meant to reduce Project costs to low-income ratepayers. These shall include, but are not limited to:
   - All measures taken to enroll additional ratepayers into the Applicant's Customer Assistance and Low-Income Ratepayer Assistance programs, including the number and percentage of customers enrolled.

- All measures implemented to provide low- or no-cost purchase and installation of low-flow water fixtures (e.g., sink and bath faucets, showerheads, toilets, etc.), including the number of each type of fixture installed.
- The status of all requested or required CPUC proceedings meant to reduce costs to low-income ratepayers.
- All measures implemented to ensure that once deliveries of desalinated water from the Project start, ratepayers enrolled in these programs are subject to a rate increase of no more than $10.00 per month for any costs associated with the delivery of desalinated water from the Project after start of those water deliveries until Cal-Am implements any CPUC-approved rate relief programs that effectively cap rate increases to no more than $10 per month for such customers.
- A description of outreach activities to low-income ratepayers to inform them of the cost-saving measures.

17. **Community Engagement and Public Access Plans and Implementation**. PRIOR TO ISSUANCE OF THE COASTAL DEVELOPMENT PERMIT, the Applicant shall submit, for review and approval by the Executive Director, a Community Engagement Plan that ensures residents and representatives of the City of Marina will be equitably engaged in development of a revised Public Access and Amenities Plan.

    The Community Engagement Plan shall be developed by a neutral third party selected and approved by the Executive Director in consultation with the City of Marina. The Plan shall describe how the Applicant will provide opportunities for Marina community members to identify public access priorities and projects for the benefit of Marina residents. It shall:

    a) Describe a community engagement strategy using community-centered and culturally relevant engagement and outreach methods (e.g., communication with multiple forms of media and in relevant languages, various methods to participate, such as in person meetings, online options, mail-in surveys, etc.) Materials developed to implement the Plan shall be provided in plain language to prevent cultural or educational barriers from preventing or reducing public participation.

    b) Includes a schedule and agendas for at least five community workshops within the City to allow community input on preferred public access opportunities and improvements. Workshops shall be noticed at least one month in advance and shall include benefits to ensure maximum participation, such as free parking, childcare options, refreshments, translation services, and others.

    c) Provide for neutral third-party facilitation of the workshops described in (b).

Upon Executive Director approval of the Plan, the Applicant shall implement it as approved to prepare a Public Access and Amenities Plan based on preferences expressed in the Community Engagement Plan. This Access Plan shall include two components: a Public Access and Amenities Plan for the City of Marina and a Plan describing how the Applicant's project site will be connected into the larger planning effort for the CEMEX site. The Plan shall include:

- A description of all access amenities to be provided.
- Identification of all reviews, permits, and approvals that may be needed to implement these amenities.
- A proposed schedule to complete implementation, which shall ensure amenities are provided within five years of issuance of this permit, unless otherwise approved by the Executive Director.
- Identification of any needed deed restriction or other legal instrument to implement public access or amenities within the Applicant's easement.
- The Applicant will provide three million dollars as funding to implement the elements of this Plan for improving public access, public facilities, recreational opportunities, and restoration within the City of Marina, and the Applicant's Plan will describe the process by which the funds are distributed for implementation of the Plan.
- The Plan shall describe the process for Cal-Am's funding of one full-time staff person at the City of Marina with appropriate professional credentials to provide technical oversight regarding the elements of the plan on behalf of the City of Marina, and Cal-Am shall fully fund that position for a period of ten years.

This Public Access and Amenities Plan shall be submitted to the Executive Director for review and approval and shall be implemented as approved.

18. **Cultural Resource Monitoring During Construction.** Prior to construction, the Applicant (or its designee) shall retain a Cultural Resource Specialist ("CRS") that meets the minimum qualifications of the U.S. Secretary of Interior Guidelines (NPS 1983). Prior to construction, the Applicant (or its designee) shall additionally retain a minimum of one Native Monitor, including at least one monitor from each Tribal entity with documented ancestral ties to the area and that expresses an interest in monitoring, appointed consistent with the standards of the Native American Heritage Commission and the Native American most likely descendant (MLD) when State Law mandates identification of an MLD.

    The Applicant shall ensure that all Project personnel are trained by the CRS and Native Monitor on the appropriate identification of potential Tribal cultural resources that may be encountered and on the necessary measures to be implemented should they be encountered. Prior to their presence at any Project construction area, all Project personnel shall complete cultural sensitivity training by Tribal experts to understand and acknowledge the cultural and ancestral Tribal resources in the region and to ensure that the Native Monitor and Cultural Resource Specialist are treated respectfully during construction of the project.

The CRS and Native Monitor(s) shall be present during all ground disturbing activities, including excavations for pipeline trenches, well head installations and other actions that penetrate below native ground surface. The CRS, Native Monitor(s), and the Project Construction Manager shall have the authority to halt construction if previously unknown cultural resource sites or materials are encountered. In the event of unexpected cultural resource discovery, the Native Monitor(s) and CRS shall have the authority to redirect ground disturbance under consultation with the Construction Manager.

19. **Energy Minimization and Greenhouse Gas Reduction.** PRIOR TO THE START OF CONSTRUCTION ACTIVITIES, the Applicant shall submit, for Executive Director review and approval, an Energy Minimization and Greenhouse Gas Reduction Plan that provides the following:

    a) Identifies the expected annual amount of indirect greenhouse gas ("GHG") emissions resulting from the Project's electricity use during its initial year of operations, with provisions to update these expected emissions during each subsequent year of operations. These amounts shall be based each year on the electricity supplier's most recent emission factor for delivered electricity as reported to the California Air Resources Board ("CARB") and/or Climate Action Registry ("CAR") that identifies the tonnes of GHG emissions per megawatt of electricity generated.

    b) For all remaining indirect GHG emissions resulting from Project operations, the Plan shall provide for the Applicant to submit an annual report for each year of Project operations that will identify all measures the Applicant will implement to ensure that the Project operates as "net carbon neutral" on an annual basis. These measures shall minimize energy use and shall, to the maximum extent feasible, provide for onsite production of renewable energy and procurement of off-site renewable energy from within California. For any remaining GHG emissions from Project operations for which renewable production or procurement is not feasible, the Applicant shall purchase carbon offsets or Renewable Energy Credits through CARB or CAR or approved by a California Air Pollution Control District, with reductions achieved using these measures documented by these entities as being "real, permanent, quantifiable, verifiable, and enforceable," pursuant to CARB regulations. Each annual report shall be submitted for Executive Director review and approval within 90 days of the electricity supplier's annual documentation to CARB or CAR of its most recent emission factor for delivered electricity. The Applicant may purchase more than one year's worth of offsets or credits, if deemed prudent, to use in subsequent years, but at no time shall the Project be operating with its annual amount of indirect GHG emissions greater than its purchased offsets or credits for a given year.

    c) The Plan may also identify any on-site and Project-related measures the Applicant implements to avoid or reduce the Project's indirect GHG emissions –

for example, installation of a roof-mounted solar photovoltaic system, use of a fuel cell system, etc. - and describe the amount of emissions avoided through these measures.

20. Visual Resources. PRIOR TO CONSTRUCTION, the Applicant shall submit, for Executive Director review and approval, a Visual Elements Plan that illustrates all above-grade elements of Project components within the coastal zone. The Plan shall include drawings and illustrations of those components with proposed surface colors and treatments that ensure the Project features are compatible with, and blend in to, the surrounding habitats and other nearby coastal resources. All Project lighting shall be directed downward and inward to the extent feasible and as necessary for health and safety purposes. The Applicant shall construct these Project components as approved by the Executive Director.

IV. FINDINGS & DECLARATIONS

A. PROJECT DESCRIPTION, LOCATION, AND OBJECTIVES

California American Water Company ("Cal-Am") proposes to construct and operate desalination components of its overall Monterey Peninsula Water Supply Project ("MPWSP") that would consist of a desalination facility, a well field, water transmission pipelines, pump station, and other related infrastructure (the "Project"), and which would be consolidated with other water infrastructure serving the area, including a water recycling project (the "Pure Water" project and its expansion – the "Pure Water Expansion") and an Aquifer Storage and Recovery ("ASR") project. The proposed Project would provide up to 6,250 acre-feet per year, or about 6.4 million gallons per day ("mgd")[2] of potable water to its customers in the Monterey Peninsula area (see **Exhibit 1**). As described below, Cal-Am seeks authorization to construct a smaller initial phase of the Project that would produce about 5,372 acre-feet per year (which would be about 4.8 mgd). It proposes that construction of the full-scale Project during a second phase occur only if it can demonstrate a need for the additional water supply at a later date.

The desalination facility itself would be located outside the coastal zone at a site about two miles inland within the jurisdiction of Monterey County. As described below in Section IV.C – Jurisdiction and Consolidated Permit Review, these Findings include Commission consideration of several actions, including a consolidated CDP application for portions of the Project within the City of Seaside, the County of Monterey, and the Commission's retained jurisdiction within a portion of the County that does not have a certified Local Coastal Program ("LCP"), along with de novo review of an appeal of the City of Marina's decision to deny a CDP for portions of the Project within its certified LCP jurisdiction.

Project description

As described by Cal-Am and in the proposed Project's Final Environmental Impact Report/Environmental Impact Statement ("FEIR/FEIS") prepared by the California Public Utilities Commission ("CPUC") and Monterey Bay National Marine Sanctuary ("MBNMS"), the primary components of the proposed Project within the coastal zone include a well field that would be located at the site of the CEMEX sand mining facility on the shore of Monterey Bay within the City of Marina's LCP jurisdiction, several water transmission pipelines that would be located within the LCP jurisdictions of the Cities of Marina and Seaside and the County of Monterey, and an existing outfall that Cal-Am would modify, which is located within the City of Marina's LCP jurisdiction and the Commission's retained jurisdiction (see **Exhibit 2**). All of these main components would be located in whole or in part within environmentally sensitive habitat areas ("ESHA") or would result in effects on other coastal resources, as described in the Findings below.

[2] Water planning documents generally refer to water use as measured in acre-feet per year or in gallons per day. A million gallons per day equals about 1,100 acre-feet per year. In the Monterey area, which has one of the lowest rates of residential water use in the state, water use averages about 0.2 acre-feet per year, or under 200 gallons per day, for a single-family home.

The effects on ESHA are first described as they are presented in the Project's FEIR/FEIS, and then additionally detailed where significant changes have occurred due to changes in the Project as currently proposed.

Well field: For the full-scale 6.4 mgd Project, the well field would consist of about seven slant wells that would extract up to about 16 mgd of a mix of seawater from beneath the bay floor, intruded seawater from beneath the shoreline, and non-potable brackish water that includes a blend of seawater and freshwater from the underlying aquifer system. The proposed well field is within an approximately 30-acre easement Cal-Am purchased within the CEMEX sand mining facility, which is located in an extensive area of coastal dunes along the shoreline of Monterey Bay in the northern portion of the City of Marina (see **Exhibit 3**). Parts of the site were previously used for sand mining since 1906. Although the site has long been disturbed by mining activities, it continues to provide significant areas of sensitive habitat.

The full-scale Project would include five fenced well pads, with each well pad containing from one to three wells. Each well pad would include a concrete pad, an enclosure for electrical equipment, mechanical piping, and a rip-rap basin for disposing of pumped water during maintenance activities. Each would be within a graded area of between about 5,200 and 6,000 square feet. The well field would also include two surge tanks. The overall developed area for these components would total up to just under an acre within the CEMEX site. The well field would also include about 2,000 linear feet of graded access road providing access to each well pad from the existing CEMEX access road.

In October 2022, Cal-Am modified its Project to propose a "phased" approach that would initially provide about 4.8 mgd of water in the first phase and then, if certain conditions are met and approval is granted, could be expanded in the second phase to provide the previously proposed full amount of 6.4 mgd.[3] This proposed first phase would require construction of just two well pads, would allow for a shorter access road, and would reduce the initially required pumping volumes by about a third. As part of this "phased" proposal, Cal-Am also modified the design of these first two well pads to initially accommodate two slant wells and could accommodate a third well during the Project's second phase (i.e., without constructing an additional well pad) if hydrogeologic monitoring during the first phase indicated one or both well pads could accommodate the additional well. This would allow the reduced Project footprint and reduced impacts to continue into the second phase and would allow more flexibility in how the Project might be expanded in the second phase to address identified water demands at that time. If the third well could not be accommodated at either well pad, Cal-Am would construct up to the five well pads as described in the full Project proposal.

[3] See October 5, 2022 letter from Cal-Am. The proposed 4.8 and 6.4 mgd volumes are based on the modular nature of the desalination facility's "treatment trains," each of which is designed to produce about 1.6 mgd of potable water. Under this phased approach, Cal-Am would initially operate using three trains and then add a fourth under the second phase.

As part of this "phased" proposal, Cal-Am proposes to construct and operate a Project second phase if it can demonstrate a need for the full scale of the Project in the future. Further, although Cal-Am is currently seeking authorization for just this first phase of construction and operation, it requested that the Commission evaluate the full-scale proposed Project for consistency with the Coastal Act and relevant LCPs – i.e., that the evaluation address the full scope of ESHA impacts that could occur, the full suite of potential groundwater impacts, and other relevant issues. The Commission agrees that it is appropriate to evaluate those issues associated with the full scale of the Project in this review.

There is a great deal of uncertainty about if and when the Project's Phase II would be needed and what, if any, changed conditions may occur that would affect the analysis under the Coastal Act and the LCPs by the time of any Phase II of this Project. Part of this uncertainty may be addressed by the CPUC when it completes its proceeding to determine Cal-Am's reasonably expected water demand and supply projections during the current water planning period (i.e., until about 2050) (see CPUC Proceeding A-21-11-024, which is expected to be completed sometime in 2023). **Special Condition 1** requires Cal-Am to submit that final determination and to modify its Project accordingly to conform to that determination. However, the uncertainty about when Phase II might occur also limits the Commission's ability in this current review to adequately evaluate Project impacts that might occur at an unknown future date and to assess what feasible and less environmentally damaging alternatives might be available. Therefore, **Special Condition 2** acknowledges this remaining uncertainty by requiring Cal-Am to submit a complete application to amend this permit if it seeks to expand authorization of the Project to Phase II.

Desalination facility: Cal-Am would transport water from the well field through a proposed Source Water Pipeline to its desalination facility, which would be located outside the coastal zone and adjacent to a regional wastewater treatment facility operated by Monterey One Water ("M1W," formerly the Monterey Regional Water Pollution Control Agency). Cal-Am would treat the source water from the well field to create two main streams of potable water – the majority would be sent several miles south in new and existing pipelines to Cal-Am's customers in the Monterey Peninsula area, and up to several hundred acre-feet per year could be sent several miles north to the community of Castroville.[4] At the full scale of the Project, the facility would also create an approximately 10 mgd brine discharge that would be routed to an existing ocean outfall currently used by the wastewater treatment facility. With the recently proposed phased Project approach, Cal-Am would still construct the facility and pipeline

[4] Part of the potable water would also be sent north through a new pipeline to the City of Castroville pursuant to a Settlement Agreement that ensures any "non-seawater" – i.e., the proportion of water the slant wells remove from the aquifer that is not fully seawater – is returned to the groundwater basin. This project component is described in more detail below.

system to accommodate the potential full-scale facility but would operate them at about two-thirds capacity until the second phase might be needed.

Water delivery pipelines: As shown in **Exhibit 2**, the proposed Project includes four new pipelines within the coastal zone:

- The Source Water Pipeline would deliver water from the well field to the desalination facility. It would start at the CEMEX site within the City of Marina's LCP jurisdiction, and then enter the County's LCP jurisdiction as it continues east along Lapis Road and Del Monte Boulevard, then Charles Benson Road. A total of 5,365 linear feet of this 42-inch pipeline would be within the County's coastal zone.
- The Desalination Water Pipeline would be constructed along part of the same route as the Source Water Pipeline. Starting at the desalination facility outside of the coastal zone, it would run west along Charles Benson Road and then follow the same alignment as the Source Water Pipeline along Del Monte Boulevard and Lapis Road and continue further south to the City of Marina. About 7,207 linear feet of this pipeline would be within the coastal zone.
- The Transmission Main Pipeline would connect to the Desalination Water Pipeline to transport water further south to an existing pipeline in the City of Seaside that Cal-Am would rely on to transport the water to its customers in the Monterey Peninsula area.[5] Several thousand feet of this Transmission Main Pipeline would be within the coastal zone.
- The Castroville Pipeline would connect to the Desalination Water Pipeline at Lapis Road and run to the north until it leaves the coastal zone. A portion of the pipeline would be attached to the Monte Road Bridge to cross the Salinas River. This location is just outside the coastal zone, though construction would occur within the coastal zone.[6]

As noted above, Cal-Am would install pipelines that could accommodate its full proposed 6.4 mgd capacity for any future second phase but would initially operate the pipelines at about two-thirds of that capacity in the first phase.

Many of the proposed pipeline routes would be through environmentally sensitive habitat areas ("ESHA"). In October 2022, in response to Commission staff concerns about the scope of the Project's impacts on ESHA and the potential to reduce those impacts, Cal-Am modified its proposed pipeline routes to avoid some areas of ESHA and modified its installation methods to identify several areas where it would reduce

[5] A dispute exists over whether Cal-Am currently has approval to use this existing pipeline. The pipeline's majority owner, the Marina Coast Water District, has determined that the pipeline does not have sufficient capacity for Cal-Am's proposed use, though Cal-Am disagrees with that determination and asserts that it has the authority to use the pipeline. This issue is described further in the Assessment of Alternatives in Section IV.O below.

[6] The coastal zone boundary runs along the centerline of the bridge, and the pipeline would be installed inland of the boundary.

impacts by using various tunneling techniques instead of trenching to reduce surface impacts to ESHA.

Outfall modifications: Cal-Am would direct its brine discharge from the desalination facility through an outfall owned by M1W, a public agency in Monterey County. The outfall is currently used to discharge treated wastewater from Monterey One's regional wastewater treatment facility in northern Monterey County to about 11,000 feet offshore in Monterey Bay. The outfall terminates at a diffuser that is about 1,000 feet long and that has over 100 ports through which the discharge reaches ocean waters. Cal-Am is expected to be required to modify the diffuser system so that its discharge conforms to Ocean Plan requirements.[7] Those modifications are expected to include Cal-Am replacing the existing end gate of the outfall, installing monitoring buoys anchored to the seafloor to obtain baseline and operational data related to water quality and biological resources in the area of the discharge. Cal-Am must also install, prior to starting desalination facility operations, about 20 corrosion-resistant clamps within the nearshore portion of the outfall to replace existing clamps that would not provide sufficient protection to the outfall from the desalination brine. This installation would involve work on the beach and placement of fill in coastal waters.

Additionally, Cal-Am must install an approximately two-mile long liner within the existing wastewater outfall to protect the outfall from the corrosive effects of the desalination brine. Although Cal-Am does not seek authorization for the liner in this present Commission action, it is appropriate for the Commission to review those proposed outfall modifications necessitated by the desalination operations for issues under the Coastal Act and relevant LCPs. On that issue, the CPUC included the outfall modification component as a required mitigation measure in its FEIR/FEIS and analyzed the foreseeable impacts of an earlier version of the liner installation work, which would have involved several excavations along the pipeline route within sensitive habitat areas.

Cal-Am did not include the outfall modification work in its CDP application, as it does not own the ocean outfall or hold the existing outfall CDP, and was relying on an agreement it was developing with M1W to identify which entity would fund the work, apply for needed permits, and install the liner. Cal-Am informed Commission staff that Cal-Am and M1W had reached agreement on a 95% design for the proposed liner and for the associated brine mixing structure that would be built at the facility; however, that agreement has since expired. That design is substantially similar to the version evaluated in the FEIR/FEIS and would have similar impacts. However, the agreement between Cal-Am and M1W has expired and M1W is now considering whether to implement this design or an alternative approach that would combine the liner installation work for the desalination facility with an outfall relocation/rehabilitation project that M1W had planned previously to undertake as a separate and independent

[7] The Regional Water Quality Control Board is reviewing Cal-Am's proposed project to determine whether it would be consistent with Ocean Plan requirements applicable to seawater desalination facilities. See Section IV.J of these Findings.

project. If the outfall liner work and relocation project proceeds as a combined project, it could involve more extensive repair or replacement of most of the outfall located on the upland portions of the coastal zone as a result of the outfall relocation component. This combined project has not yet been designed or gone through environmental review or permitting and will require M1W and Cal-Am to develop an agreement on how to implement the project.[8] That combined outfall liner work and relocation project will likely require an amendment to the CDP that M1W received from the Commission for initial construction and operation of the outfall.

Special Condition 1 addresses this issue by requiring Cal-Am, prior to issuance of this coastal development permit, to provide documentation that the outfall liner needed for its proposed desalination facility has received all necessary approvals for use of the M1W outfall. If, however, Cal-Am and M1W do not agree on pursuing the outfall liner work and relocation project as a combined project, the two projects would proceed separately and likely require separate CDPs. In any event, because Cal-Am's proposed desalination facility necessitates the outfall liner work (but not M1W's independently planned outfall relocation), Commission staff has reviewed the impacts from the outfall liner.[9]

Ratepayer Assistance. As part of this Project, Cal-Am is proposing low-income ratepayer assistance.[10] During the duration of this permit, Cal-Am will cap any rate increases resulting from the Project to $10 per month for customers who qualify for Cal-Am's existing Customer Assistance Program until it implements any CPUC-approved rate relief programs that effectively cap rate increases to no more than $10 per month for such customers. To that end, Cal-Am proposes to pursue CPUC approval of one or more rate relief programs to offset the costs of the Project on low-income ratepayers enrolled in the Customer Assistance Program and to expand eligibility requirements for the discount offered by its Customer Assistance Program. This could include, for example, include approval to expand the discount offered by its existing Customer Assistance Program from 30-50%, to expand eligibility requirements to include region-specific income guidelines, or to expand a multi-family rate assistance pilot program in Monterey. Additionally, and separate from its proposals to the CPUC, Cal-Am will offer free installation of low-flow water fixtures for low-income customers in single-family or multi-family residences to help contribute to conservation efforts. Finally, Cal-Am proposes to contribute $500,000 to a United Way Hardship Fund. Cal-Am will also

[8] This may also require approval or involvement by the Marina Coast Water District, which has an existing agreement with Monterey One Water giving it the priority right to discharge brine through the outfall. See February 12, 2010 Outfall Agreement between Monterey Regional Water Pollution Control Agency (now Monterey One Water) and Marina Coast Water District.

[9] If the outfall liner work proceeds as a combination project with Monterey One Water's planned outfall relocation project, Cal-Am's desalination project will not materially affect the relocation component of a combined project. Thus, Commission staff is not reviewing the outfall relocation for purposes of this present CDP application and appeal.

[10] Cal-Am's original proposal regarding ratepayer assistance is included as Exhibit 4. That proposal was subsequently modified, as reflected herein.

evaluate measures to avoid water shutoffs for low income ratepayers. Special Condition 16 reflects measures to effectuate these ratepayer assistance proposals.

Project timing
Initial construction for the Project's first phase would occur over an approximately two-year period. Cal-Am anticipates that its desalination facility would have an operating life of about 60 years (until about 2085), though its slant wells would have expected operational lives of 20 to 25 years, at which point Cal-Am anticipates evaluating both updated coastal hazard conditions and whether the wells need to be rehabilitated or relocated to continue supplying source water for its facility. Coastal resource issues related to the slant wells' expected operating life are described below in Section IV.H of these Findings.

Project objectives
The Project's primary purpose is to provide Cal-Am a source of water to serve its customers' current and future demands while reducing Cal-Am's reliance on water from the Carmel River.

As stated in the FEIR/FEIS, the primary objectives for the MPWSP are:

1) Develop water supplies for Cal-Am's Monterey District service area to replace existing Carmel River diversions in excess of Cal-Am's legal entitlement of 3,376 acre-feet per year, in accordance with SWRCB Orders 95-10 and 2016-0016;
2) Develop water supplies to enable Cal-Am to reduce pumping from the Seaside Groundwater Basin from approximately 4,000 to 1,474 acre-feet per year, consistent with adjudication of the groundwater basin, natural yield, and improvement of groundwater quality;
3) Provide water supplies to allow Cal-Am to meet its obligation to pay back the Seaside Groundwater Basin by approximately 700 acre-feet per year over 25 years as established by the Seaside Groundwater Basin Watermaster;
4) Develop a reliable water supply for the Cal-Am Monterey District service area, accounting for the peak month demand of existing customers;
5) Develop a reliable water supply that meets fire flow requirements for public safety;
6) Provide sufficient water supplies to serve existing vacant legal lots of record;
7) Accommodate tourism demand under recovered economic conditions;
8) Minimize energy requirements and greenhouse gas emissions per unit of water delivered; and
9) Minimize Project costs and associated water rate increases.

The FEIR/FEIS also included the following secondary objectives for the MPWSP:

1) Locate key Project facilities in areas that are protected against predicted future sea-level rise in a manner that maximizes efficiency for construction and operation and minimizes environmental impacts;

2) Provide sufficient conveyance capacity to accommodate supplemental water supplies that may be developed at some point in the future to meet build out demand in accordance with adopted General Plans; and
3) Improve the ability to convey water to the Monterey Peninsula cities by improving the existing interconnections at satellite water systems and by providing additional pressure to move water over the Segunda Grade.

B. PROJECT BACKGROUND

This section discusses two main components of the area's history and background relevant to the proposed Project – a recent history of water issues in the Monterey area and background on the site of Cal-Am's proposed well field at the CEMEX sand mining facility. It refers to several entities involved in the area's relatively complex water management and delivery systems, including the following, whose jurisdictions are illustrated in **Exhibit 5**:

- **California-American Water Company ("Cal-Am"):** Cal-Am is a private, investor-owned company that supplies water for areas on and near the Monterey Peninsula. Its service area includes the Cities of Monterey, Seaside, Sand City, Carmel-by-the-Sea, and Del Rey Oaks, and nearby portions of Monterey County. Cal-Am's rates are regulated by the California Public Utilities Commission ("CPUC"). There is a pending CPUC proceeding that will determine if there is a need for Cal-Am's desalination facility based on longer term water supply and demand estimates.
- **Monterey Peninsula Water Management District ("MPWMD"):** MPWMD is a public agency whose main functions are to augment the regional water supply through integrated management of surface and ground water, conservation, and water reuse and reclamation. MPWMD's service area overlaps Cal-Am's to a large degree and includes areas within the Cities of Carmel-by-the-Sea, Del Ray Oaks, Monterey, Pacific Grove, Seaside, and Sand City, along with other nearby areas. For purposes of these Findings, one of MPWMD's important functions is to assist Cal-Am in developing a legal water supply.[11]
- **Monterey One Water ("M1W"):** M1W is a regional, public agency primarily involved with collection, conveyance, and treatment of wastewater within its service area, which includes much of the region between Moss Landing to the north, Pacific Grove to the west, and Salinas to the east. For purposes of these Findings, one of M1W's important roles is its management of the Pure Water project, which provides the foundation for the Pure Water Expansion that the Commission has identified as a near-term feasible alternative to Cal-Am's proposed Project.
- **Marina Coast Water District ("MCWD"):** MCWD provides potable water to about 35,000 people in and near the City of Marina. Over the next several

[11] See MPWMD's website at https://www.mpwmd.net (accessed August 6, 2020).

> decades, it is projected to serve about twice that number of people, due to the expected development of the nearby former Fort Ord Army Base. MCWD obtains its water from wells within the Salinas Valley Groundwater Basin, the same aquifer system that Cal-Am would use as the source for its proposed well field.

Other involved entities include the Castroville Community Services District ("CCSD"), which provides water, sewer, and other services to the community of Castroville in northern Monterey County. The CCSD relies primarily on wells withdrawing water from the Salinas Valley Groundwater Basin. The CCSD is outside of Cal-Am's service area but would be involved in Cal-Am's proposed Project because it would receive potable water from Cal-Am based on a CPUC-approved Return Water Agreement among Cal-Am and other entities within the Salinas Valley Groundwater Basin. This is more fully described below.

Recent History of Water Issues in Monterey Area

The Monterey area has had long-standing difficulties and constraints with its water supply. The area has no imported water sources local supplies have sometimes been insufficient to provide the expected amount of water. Over the past several decades, a number of water supply projects have been proposed, but for various reasons not all have been completed.

Cal-Am has provided water to the Monterey Peninsula area since 1966. Its primary source of water has been a series of wells along the Carmel River that draw water from the aquifer underlying the river. Cal-Am also shares a network of wells in the Seaside Groundwater Basin with other water users.

In 1995, the State Water Resources Control Board ("State Water Board" or "SWRCB") issued a cease-and-desist order (Order 95-10)[12] that substantially reduced the amount of water Cal-Am was able to legally withdraw from the Carmel River. Cal-Am had previously been pumping an annual average of about 10,370 acre-feet per year from the river, but the State Water Board determined that Cal-Am had a legal right to withdraw no more than 3,376 acre-feet annually. The State Water Board's Order required Cal-Am to take any of several steps to address this issue – obtain the necessary appropriative rights, obtain water from other sources that would allow it to reduce its use of Carmel River water, and/or obtain water from other entities that have the rights to use Carmel River water. The Order also directed Cal-Am to reduce its Carmel River Basin water use in part by maximizing its use of water from the Seaside Groundwater Basin.

Around the same time, the Monterey Peninsula Water Management District (MPWMD) proposed constructing a new dam on the Carmel River; however, local voters rejected

[12] See State Water Resources Control Board, Order No. WR 95-10, Order on Four Complaints Filed Against the California-American Water Company, Carmel River, Monterey County, July 6, 1995.

the dam's financing plan and the dam was not built. Shortly thereafter, two species in the Carmel River watershed were listed as "threatened" under the federal Endangered Species Act – the red-legged frog in 1996 and the steelhead trout in 1997, which severely limited any future consideration of dams on the river.

In 1998, state legislation directed the CPUC to develop a water supply plan for the Monterey Peninsula that did not include a dam.[13] In 2009, the State Water Board issued a second cease and desist order with a deadline of December 31, 2016 for compliance, which the SWRCB subsequently extended to December 31, 2021, for the exceedances of diversions from the Carmel River. In 2013, Cal-Am and other stakeholders proposed the initial version of the currently proposed Project. In April 2013, Cal-Am filed an application with the CPUC for the MPWSP, which included the Project's slant wells that would be located at the CEMEX site, a desalination facility to be located about two miles inland adjacent to a regional wastewater treatment facility, pipelines, and the other related facilities needed to produce and deliver water to Cal-Am's service area on the Monterey Peninsula. The CPUC, in conjunction with the Monterey Bay National Marine Sanctuary, prepared a joint Environmental Impact Review/Environmental Impact Statement ("FEIR/FEIS") to meet requirements of the California Environmental Quality Act and National Environmental Policy Act. In September 2018, the CPUC certified the FEIR/FEIS and issued its Certificate of Public Convenience and Necessity for the proposed Project.[14]

The decision required Cal-Am to construct a smaller desalination facility than it had initially proposed – a 6.4 mgd facility instead of an originally proposed 9.6 mgd facility – and to purchase water from the Pure Water project, a water recycling and aquifer recovery and storage project that was being developed by two public water agencies, the Monterey Peninsula Regional Water District and M1W. The Pure Water project is now operating and is providing about 3,500 acre-feet per year to be used by Cal-Am or stored in the Seaside Basin aquifer for future use. Despite ongoing drought conditions, it produced during its most recent reporting year (July 2021 – June 2022) 3,673 acre-feet, or 173 acre-feet more than expected. It is more thoroughly described below in Section IV.O – Assessment of Alternatives. The Pure Water project also serves as the base project for the Pure Water Expansion project, which the CPUC is currently considering as an additional water source for Cal-Am to use and is also described in Section IV.O below.

After the 2018 CPUC decision certifying the FEIR/FEIS and issuing a certificate of public convenience and necessity for the proposed desalination Project, Cal-Am then

[13] AB 1182 required the CPUC to consult with Cal-Am and a number of affected parties to prepare a contingency water supply plan that did not rely on a new dam.

[14] CPUC No. A-12-04-019, Decision Approving a Modified Monterey Peninsula Water Supply Project, Adopting Settlement Agreements, Issuing Certificate of Public Convenience and Necessity and Certifying Combined Environmental Report, Decision, September 13, 2018, as modified and affirmed in D. 19-01-051 (February 5, 2019).

submitted two CDP applications: one to the City of Marina for Project components proposed within the City's coastal zone, and another, consolidated CDP application for components of the proposed Project within the Commission's retained jurisdiction and those within the coastal zone of the County of Monterey and the City of Seaside. In March 2019, the City denied Cal-Am's request for a permit and Cal-Am and others appealed that decision to the Commission. In November 2019, the Commission found substantial issue existed with respect to the appeal but continued both the de novo appeal and the consolidated permit review until a subsequent hearing scheduled for September 17, 2020. The staff report for that hearing had recommended the Commission deny Cal-Am's permit, in part due to staff concluding that there was a feasible and less environmentally damaging alternative that would provide sufficient water for Cal-Am's customers. This was based in part on Commission staff having updated water use data and demand projections that was not available as part of the CPUC's review and 2018 decision approving the 6.4 mgd desalination Project. Shortly before that September 2020 Commission hearing, Cal-Am withdrew its CDP application, but resubmitted it in November 2020 and modified it in October 2022 to include the proposed phased construction approach. That is the application the Commission is considering for the present action.

Background and history of the CEMEX sand mining facility: As noted above, the location of Cal-Am's proposed well field has been used for sand mining for over a century, most recently by its current owner, CEMEX. The site includes sedimentation ponds, sand mining equipment and related infrastructure, accessways, and stockpile areas, some of which have remained in relatively the same location for several decades and some of which have moved within the site due to changing production levels, shifts in the surrounding dunes, changes in sand delivery to the site from the Bay, and other factors. In the mid-1980s, the Monterey Peninsula Water Pollution Control Agency (now M1W) constructed the outfall Cal-Am proposes to now use along the southern portion of the CEMEX site.

In addition, violations of the Coastal Act and/or City of Marina LCP exist on the subject property including, but not limited to, unpermitted development with adverse effects on ESHA and coastal waters. These violations took place both prior to and during Cal-Am's interest and involvement in the property. With this application, Cal-Am is not proposing to resolve these violations. These prior violations at the site are the subject of Settlement Agreements reached in 2017 between CEMEX and the Coastal Commission, State Lands Commission and the City of Marina. The Settlement Agreement between CEMEX and the Coastal Commission required, among other things, that CEMEX stop sand mining by December 31, 2020, to conduct certain reclamation activities, to transfer the property to a non-profit or government entity with a deed restriction that ensures protection of the site for public access, open space, and habitat, and to provide such protections until the transfer has been effectuated. The anticipated restoration activities have not yet been completed but are underway in some areas, and the property transfer has not yet occurred, though the future uses anticipated at the site are restoration, low-impact passive recreation, public access, and public education, consistent with the terms of the Settlement Agreement.

The Settlement Agreement also recognized then-existing legal rights at the site, which included a recorded easement and option for Cal-Am to use and eventually purchase or acquire an easement over the approximately 30-acre area on which it planned to build the well field, along with a 30-foot-wide easement within and along the CEMEX access road for the Source Water Pipeline. In 2018, Cal-Am exercised this option to obtain a permanent 30-acre easement and the access easement as the proposed location the well field.

More recently, other alleged violations have been discovered on the CEMEX site, in a portion distinct from the Cal-Am easement, and those are the subject of an active enforcement investigation.

C. JURISDICTION AND CONSOLIDATED PERMIT REVIEW

Project components would be located in several local jurisdictions both within and outside of the coastal zone, as well as within the Commission's retained permit jurisdiction. As noted above, the desalination facility and segments of the water transmission pipelines would be located outside the coastal zone within the County of Monterey's jurisdiction. The pipelines would be located within the certified LCP jurisdictions of Monterey County and the Cities of Seaside and Marina, and within an area of deferred certification where the Commission has permit jurisdiction. The Project's proposed well field would be located largely within the City of Marina's LCP jurisdiction, while those subsurface portions of the wells that extend seaward beyond the mean high tide line, along with modifications to the existing outfall, would be within the Commission's retained permit jurisdiction. All Project components within the coastal zone and outside the City of Marina are being evaluated herein pursuant to consolidated permit review, as provided by Coastal Act Section 30601.3. The standard of review for these components is Chapter 3 of the Coastal Act.

The other Project components that are within the City of Marina's LCP jurisdiction are evaluated herein pursuant to appeals of the City's decision denying Cal-Am's CDP application to construct and operate slant wells, a water transmission pipeline, and associated infrastructure that would be located within the City's LCP jurisdiction.[15] On November 14, 2019, the Commission found that substantial issue existed with respect to these appeals. The standard of review for these Project components is the City's certified LCP, which consists of its Local Coastal Land Use Plan (LCLUP) and its Local Coastal Program Implementation Plan (LCPIP). The relevant policies and measures of these documents are codified in Chapter 17.41 of the City's Municipal Code under "Coastal Zoning" and are implemented through requirements and development standards identified in the Ordinance. In addition, the Commission analyzes whether

[15] On March 7, 2019, the City's Planning Department denied Cal-Am's CDP application. Cal-Am appealed the decision to the City Council, but then withdrew that appeal and instead appealed directly to the Commission. On May 13, 2019, the City issued its Final Local Action Notice, which started a 10-working day appeal period, during which the Commission received five valid appeals. Pursuant to Coastal Acct Section 30621, the Commission must hear an appeal within 49 days of the date an appeal is filed, unless the Applicant waives that 49-day period, which Cal-Am did on May 30, 2019.

Project components located between the first public road and the sea are consistent with the public access and recreation policies of the Coastal Act.

Scope of review: Cal-Am and some other commenters have questioned the Coastal Commission's jurisdiction to analyze, as part of its Coastal Act review, water rights, water supply and demand, the public need for the Project, and some related issues. Cal-Am asserted that "only the CPUC has the authority to make binding determinations as to the levels of supply and demand within Cal-Am's service area." It also asserted that "the issue of water rights is not for the Commission to decide," and that the Commission should defer to the State Water Board on questions related to water rights and water quality. As explained below, the Commission, CPUC, and State Water Board all have separate, but sometimes overlapping roles, with regard to Cal-Am's proposed Project.

The Commission has the authority and duty to analyze whether aspects of the Project within the coastal zone are consistent with the Coastal Act and/or the City of Marina's LCP. As a responsible agency under CEQA, the Commission must also consider the FEIR/FEIS certified by the CPUC, analyze the environmental effects of the portions of the Project within the coastal zone, and consider whether there are feasible mitigation measures or alternatives available that would lessen or avoid any such significant impacts.[16] As part of its Coastal Act review in this case, the Commission must consider whether the Project will have groundwater effects, whether there are feasible alternatives to the Project, whether denial of the Project would adversely affect the public welfare, and whether the Project would cause an unequal distribution of environmental burdens. (See Coastal Act §§ 30231, 30233, 30260, 30604(h).) To make these findings—and particularly the public welfare and feasibility findings—the Commission needs to consider whether the Project's full water supply is needed and whether an alternative water supply project is feasible and would provide sufficient water. It also must consider whether there are uncertainties regarding Cal-Am's water rights or other authorizations that the Commission should address.

In analyzing these issues, the Commission should consider, and may rely on, information and conclusions reached by the CPUC and on advice provided by the State Water Board. The CPUC has exclusive jurisdiction to set rates for regulated water utilities. The CPUC has expertise in water supply and demand issues as well as the fairness of water customers' rates, but the Commission retains authority to review the Project for need and to evaluate environmental justice issues.

The Commission's review of Cal-Am's current proposal is being done concurrently with a CPUC proceeding that addresses, among other issues, water supply and demand

[16] The Commission need not create a separate document to carry out its CEQA obligations; rather, the Commission uses its certified regulatory program in lieu of needing to adopt a separate environmental impact report or other CEQA document. (See Pub. Res. Code § 21080.5; 14 Cal Code Regs. § 15251(c).) Thus, the analysis in these Findings satisfies any CEQA obligations the Commission has.

estimates for Cal-Am's service area through 2050 (see CPUC Proceeding No. 21-11-024). An overview of the pending CPUC proceeding is summarized below:

- After Cal-Am withdrew its Project application to the Commission in 2020, MPWMD filed a complaint with the CPUC against Cal-Am and requested that the CPUC order Cal-Am to enter into an amended water purchase agreement for the Pure Water Expansion project. Ultimately, the CPUC dismissed that complaint as premature but ordered Cal-Am to file an application to the CPUC to update Cal-Am's overall Monterey Peninsula Water Supply Project plan.

- Cal-Am subsequently filed an application in 2021 with the CPUC to request CPUC approval of (1) an amended water purchase agreement for the Pure Water Expansion Project, (2) updated supply and demand estimates for the Monterey Peninsula Water Supply Project plan, and (3) cost recovery. The CPUC phased the proceeding as follows: (1) Phase 1 addresses whether CPUC approval of the Amended Water Purchase Agreement for the Pure Water Expansion project is reasonable, prudent, and in the public interest based on near-term supply and demand estimates (among other factors); and (2) Phase 2 addresses longer-term supply and demand estimates to evaluate any need for additional water supply beyond the Pure Water Expansion project. The CPUC also indicated that a third phase may be warranted. but the CPUC has not yet specified the issues for that third phase. It seems likely, however, that if there is a third phase, the CPUC would consider, among other things, the timing and size of the proposed desalination Project.

- In Phase 1 of the CPUC proceeding, no parties disputed approval of the Amended Water Purchase Agreement for the Pure Water Expansion project. On September 30, 2022, the administrative law judge issued a proposed decision in Phase 1 to authorize Cal-Am to enter into the Amended Water Purchase Agreement for the Pure Water Expansion project.

- The parties to the CPUC proceeding are currently litigating Phase 2 issues – namely, long-term supply and demand estimates for the region. The parties have presented a range of projections for the CPUC to consider, and the CPUC is likely to issue a decision on Phase 2 issues by the first half of 2023 at the earliest. Several parties to the CPUC, including Cal-Am, have provided their projections to the Commission to consider as part of this Commission proceeding.

Although the Commission considers the need for Cal-Am's proposed Project in the context of the "public welfare" element of Section 30260 of the Coastal Act, which is a necessary component of its review, it recognizes that the CPUC will reach a decision on longer-term supply and demand estimates after extensive testimony, evidence, and briefing on this issue. The Commission also recognizes that, unlike with Cal-Am's 2020 CDP application, the CPUC and the Commission are reviewing the same sets of supply and demand figures to evaluate the need for the Project. Moreover, Cal-Am's Project

cannot proceed without CPUC approval. The Commission is therefore requiring through **Special Condition 1** that its approval of this consolidated coastal development permit and its de novo approval of the coastal development is subject to a final adjudication of the issues in the current CPUC proceeding. **Special Condition 2** additionally requires Cal-Am to submit an application to amend this permit if it proposes to construct and operate Phase II of the Project. It also requires Cal-Am, as part of that application, to include the CPUC's approval of Phase II. This is further detailed in Section IV.O below.

Regarding the State Water Board, the Coastal Act prescribes some limits on the Commission's jurisdiction vis-à-vis the State Water Board, stating that the Commission may not act in a manner that conflicts with any determination by the State or a Regional Water Board "in matters relating to water quality or the administration of water rights." (Coastal Act § 30412(b).) Similar to the above, the Regional Water Board and State Water Board are in the midst of reviewing Cal-Am's Project's conformity to water quality standards and an analysis of issues related to water rights, respectively. Regarding water quality considerations, the Regional Board is expected to review an application from M1W to accommodate Cal-Am's effluent flows into the M1W outfall. Some of the modeling work has been done to determine how the Cal-Am brine effluent can be discharged in a manner consistent with the state's Water Code and Ocean Plan. Currently available results show that the discharge can meet those requirements if Cal-Am or M1W make the structural changes to the outfall described in the Project description above and in Section IV.K – Protection of Marine Life and Water Quality. The Commission is evaluating the effects of those structural changes on coastal resources; however, because the Regional Board cannot approve Cal-Am's discharge unless it is consistent with relevant Water Code and Ocean Plan requirements, the Commission is deferring to the Regional Board on matters related to the water quality components of the discharge, such as effluent limits and the extent of dilution zones, over which the Regional Board has controlling authority. The Commission's action here therefore complies with the above provision of Section 30412(b), as it does not impose a conflicting water quality limit on Cal-Am's Project.

In addition, the State Water Board's Administrative Hearings Office ("AHO") has a pending proceeding regarding Cal-Am's Project to decide various issues relating to water rights – namely, whether Cal-Am's withdrawals of a mix of groundwater and seawater from beneath the CEMEX site and beneath state tidelands would be subject to several of the state's water rights provisions.[17] The AHO is conducting this proceeding after the trial court in a pending lawsuit referred various issues to the AHO to resolve pursuant to Cal. Water Code § 2000.[18] That lawsuit, which was filed by the City of

[17] SWRCB November 17, 2021 Assignment of Court Reference in *City of Marina, et al. v. RMC Lonestar, et al.*, Monterey County Superior Court No. 20CV001387.

[18] *City of Marina v. RMC Lonestar, et al.*, Monterey County Superior Court No. 20CV001387 (Complaint filed May 11, 2020). On October 7, 2021, the trial court referred various issues to the SWRCB to determine. In the prior CPUC proceeding where the CPUC certified the FEIR/FEIS and issued a

Marina and others, challenges Cal-Am's ability to withdraw more than 500 acre-feet per year of groundwater from the proposed well field location. After the AHO's referee issues a proposed report and provides it to the SWRCB for consideration, the SWRCB will issue its final report and the SWRCB will send the report to the trial court to guide an adjudication of the case. The SWRCB's order is not binding on the trial court.[19] The Board's and court's adjudication of these matters could affect whether Cal-Am can conduct its pumping operations at this location, and if so, how much water it can extract, among other related issues.

As with the above examples, the AHO is in the midst of its proceeding, with a decision expected sometime in 2023, and parties to that proceeding have submitted documents from that proceeding for the Commission to consider as part of its evaluation of Cal-Am's CDP application and appeal. And – as with the above example, the Commission is acknowledging that the State Water Board (along with the courts) has primary responsibility to resolve water rights issues. Therefore, the Commission is imposing **Special Condition 1**, which requires Cal-Am to submit a final determination on these matters to demonstrate that it has, or can feasibly obtain, water rights for the Project. Therefore, the Commission's decision does not conflict with the above-referenced provision of Coastal Act Section 30412(b).

Other Agency Approvals & Consultations

The Project would be additionally subject to discretionary permits and approvals, including the following:

- **Monterey One Water:** Cal-Am will need to obtain authorization from M1W for connection to, and use of, the agency's ocean outfall, and, if required M1W will need to obtain authorization under the Coastal Act for modifications to the ocean outfall.
- **Monterey County:** Cal-Am obtained an encroachment permit from the County for construction of its pipelines within County jurisdiction. It also received a use permit from the County that allowed Cal-Am to start construction of the desalination facility; however, that permit has been stayed by the County Superior Court.
- **State Lands Commission:** Cal-Am will need to obtain two state tidelands leases from the State Lands Commission – a new or extended lease for its existing test slant well at the CEMEX site that Cal-Am proposes to make a permanent well, and a new lease for the other proposed slant wells. The current lease for the test well expires in December 2022 and Cal-Am has not yet submitted a lease application for the other wells.
- **Central Coast Regional Water Quality Control Board ("Regional Water Board"):** Cal-Am will need to obtain a National Pollution Discharge Elimination System

certificate of public convenience and necessity for the desalination facility, the SWRCB issued an advisory opinion determining that it was reasonably foreseeable that Cal-Am had a path forward to obtain the necessary water rights. FEIR/FEIS, Appendix B2 (SWRCB letter to CPUC dated July 13, 2013). In the current litigation and AHO proceeding, the City of Marina asserts that new evidence, which was not available at the time that SWRCB issued its advisory opinion in 2013, supports the City's claims.

[19] See Water Code § 2019.

("NPDES") Permit allowing it to discharge brine through the MRWPCA outfall and to modify that outfall to allow the discharge. Cal-Am will also need to obtain approval from the Regional Water Board to ensure Cal-Am's use of groundwater from the Salinas Groundwater Basin is consistent with the Regional Water Board's adopted Basin Plan.

- **California Public Utilities Commission:** As discussed above, the CPUC is conducting a proceeding that will affect whether the CPUC will approve the Cal-Am's Project, including its size and timing.
- **California Department of Transportation ("CalTrans"):** Cal-Am has obtained encroachment permits from CalTrans for the segments of its pipelines that would be constructed within CalTrans rights-of-way.
- **Transportation Agency of Monterey County ("TAMC"):** TAMC has approved an Easement Purchase Agreement with Cal-Am for portions of the pipelines within TAMC rights-of-way.
- **Monterey Bay National Marine Sanctuary:** The Sanctuary has not yet issued a Record of Decision for its Final Environmental Impact Statement, though Cal-Am will also be subject to authorization from the Sanctuary to allow discharges into Sanctuary waters and drilling and disturbance of submerged lands within the Sanctuary.[20] The Sanctuary's consideration will likely involve review by the U.S. Fish and Wildlife Service and the National Marine Fisheries Service to ensure protection of species that may be affected by the Project.
- **Other landowners:** Cal-Am is negotiating with several private landowners along sections of its proposed pipeline routes, several of whom have stated that they would not consider providing approval until after the Coastal Commission's decision on the proposed Project.

Special Condition 1 requires Cal-Am, prior to permit issuance, to provide documentation from these agencies showing that it has received all necessary permits and approvals for its Project. Because of the number of approvals still required and the uncertainty about the timing and extent of some of these reviews, the general two-year permit expiration period in **Standard Condition 2** is modified to allow five years until permit expiration.

D. Findings on CDP Determination and De Novo Hearing

For portions of the proposed Project within the City of Marina's LCP jurisdiction that raised substantial issue, the Commission now reviews that portion of the Project de novo (as continued hearing from the originally scheduled September 17, 2020 hearing). Cal-Am has also applied for a consolidated CDP for portions of its proposed Project within the Commission's retained jurisdiction and within the certified LCP jurisdictions of the City of Seaside and the County of Monterey. The findings below address all portions of the Project within these jurisdictions, using the Coastal Act as the standard of review for those Project components within the Commission's consolidated permit

[20] The Sanctuary also served as lead agency under the National Environmental Policy Act ("NEPA") for the project's Environmental Impact Statement.

jurisdiction and using the City of Marina's certified LCP and Coastal Act public access and recreation policies as the standard of review for Project components within the City's LCP jurisdiction.

E. Environmentally Sensitive Habitat Areas – Terrestrial

Coastal Act Section 30240 states:

> (a) Environmentally sensitive habitat areas shall be protected against any significant disruption of habitat values, and only uses dependent on those resources shall be allowed within those areas.
> (b) Development in areas adjacent to environmentally sensitive habitat areas and parks and recreation areas shall be sited and designed to prevent impacts which would significantly degrade those areas, and shall be compatible with the continuance of those habitat and recreation areas.

Coastal Act Section 30107.5 states:

> Environmentally sensitive area" means any area in which plant or animal life or their habitats are either rare or especially valuable because of their special nature or role in an ecosystem and which could be easily disturbed or degraded by human activities and developments.

Relevant City of Marina LCP Provisions

LCLUP Policy 19:

> Promote reclamation and protection of native dune habitat and vegetation.

LCLUP Policy 25:

> Protect the habitat of recognized rare and endangered species found in the Coastal dune area.

LCLUP Policy 26:

> Regulate development in areas adjacent to recognized rare and endangered species or their habitats so that they will not threaten continuation of the species or its habitat.

LCLUP Policy 41:

> Give priority to coastal-dependent development on or near the shoreline and to ensure environmental effects are mitigated to the greatest extent possible.

LCLUP Exhibit A states:

> **Primary habitat.** This term includes all of the environmentally sensitive habitat areas in Marina. These are as follows:
>
> 1. Habitat for all identified plant and animal species which are rare, endangered, threatened, or are necessary for the survival of an endangered species. These species will be collectively referred to as "rare and endangered." …

3. All native dune vegetation, where such vegetation is extensive enough to perform the special role of stabilizing Marina's natural sand dune formations.
4. Areas otherwise defined as secondary habitat that have an especially valuable role in an ecosystem for sensitive plant or animal life, as determined by one or more qualified biologists approved by the City. [Resolution No. 2001-118 (October 16, 2001); approved by CCC November 14, 2001]

Secondary habitat. This term refers to areas adjacent to primary habitat areas within which development must be sited and designed to prevent impacts which would significantly degrade the primary habitat. The secondary habitat area will be presumed to include the following, subject to more precise determination upon individual site investigation:

1. The potential/known localities of rare and endangered plant species as shown on LUP p. 71 ("Disturbed Vegetation" map).
2. The potential wildlife habitats as shown on LUP p. 75 ("Potential Wildlife" map).
3. Any area within 100 feet of the landward boundary of a wetland primary habitat area.

Rare and endangered species. This term will apply to those plant and animal species which are rare, endangered, threatened or are necessary for the survival of such species. The Environmental Analysis Report prepared for the Marina Local Coastal Program identified such species in the dune habitat areas. While future scientific studies may result in addition or deletion of species, the list presently includes:

1. Smith's Blue Butterfly **(**Shijimiaeoides enoptes smithi**)**[21]
2. Globose Dune Beetle **(**Coelus globosus**)**
3. Black Legless Lizard **(**Anniella pulchra nigra**)**
4. Salinas Kangaroo Rat **(**Dipodomys heermanni goldmani**)**
5. Seaside Painted Cup **(**Castilleja latifolia ssp. latifolia**)**
6. Monterey Spine Flower **(**Chorizanthe pungens var. pungens**)**
7. Eastwood's Ericameria **(**Ericameria fasciculate**)** [sic][22]
8. Coast Wallflower **(**Erysimum ammophilum**)**
9. Menzies' Wallflower **(**Erysimum menziesii**)**
10. Coastal Dunes Milk Vetch **(**Astragalus tener var. titi**)**
11. Dune Gilia **(**Gilia tenuiflora var. arenaria**)**
12. Wild Buckwheat **(**Eriogonum latifolium**)***
13. Wild Buckwheat **(**Eriogonum parvifolium**)***
14. Bush Lupine **(**Lupinus ssp.**)+**

* only within the range of Smith's Blue Butterfly.
\+ only within the range of the Black Legless Lizard.

[21] This name has been updated since publication of the LCP – it is now *Euphilotes enoptes smithi*.

[22] The correct spelling is *Ericameria fasciculata*.

LCLUP Habitat Protection Policies include:

> Before any use or change in use, areas identified as potential habitat for rare and endangered plant or animal species shall be investigated by one or more qualified biologist(s) to determine the physical extent of the primary habitat areas for the specific rare and endangered plants and animals on that site.
>
> Primary habitat areas shall be protected and preserved against any significant disruption of habitat values and only uses dependent on those resources shall be allowed within those areas. All development must be sited and designed so as not to interfere with the natural functions of such habitat areas. Management and enhancement opportunities should be incorporated into use or development proposals; potential impacts shall be fully mitigated, including the assurance of long-term mitigation and maintenance of habitat through the use of appropriate acreage replacement/restoration ratios for any unavoidable direct impacts to habitat areas.
>
> Potential secondary or support habitat areas to the primary habitats identified on the site should also be defined. Secondary habitat investigation should include identification of the role and importance of the secondary area to the primary habitat area and should stress the impact of use or development in the secondary area on the primary habitat. All development in this area must be designed to prevent significant adverse impacts on the primary habitat areas. In concert with State law, City ordinances shall require environmental review and appropriate mitigation of identified impacts for all development in the Coastal Zone, including the assurance of long-term mitigation and maintenance of habitat through the use of appropriate acreage replacement/restoration ratios for any unavoidable direct impacts to habitat areas.
>
> Available evidence indicates that dune vegetation is more resilient than previously thought, and areas damaged by illegal use or negligence shall be considered restorable and eligible for restoration.
>
> Where habitats of rare and endangered species are located on any parcel, owners and/or operators shall, at such time that development is proposed, develop and execute a Management Plan which will protect identified rare and endangered plant and animal communities. Each plan shall be drawn up by a qualified biologist(s) in co-operation with the property owner/developer.

LCLIP Regulations for Coastal Conservation and Development District Policy (b)(2)

> Regulations for coastal conservation and development uses shall be specified in the Coastal Development Permit. The permit-issuing body may approve Permit applications if the following factors, where relevant, are found to apply: …
> b. Development is limited to already-disturbed areas.
> c. Rare and endangered plant and animal habitats are adequately protected
> d. Grading and roadway construction are the minimum necessary for the development. …

g. All significant adverse environmental effects are either avoided or adequately mitigated.

ESHA within the City of Marina
Cal-Am's proposed well field and a portion of its Source Water Pipeline would be located on a 30-acre easement and an access easement within the CEMEX site in the City of Marina (see **Exhibit 3**). The Commission's 2014 Findings regarding Cal-Am's test well project at this same location determined that this area consisted of Environmentally Sensitive Habitat Area ("ESHA"). Similarly, a July 2017 site visit by the Commission's ecologist concluded with a recommendation that the full site be considered ESHA and more recent surveys conducted pursuant to the CPUC's CEQA review confirmed the continuing presence of several special-status species within the proposed well field.

ESHA determination under the LCP: The City's LCP establishes two types of habitats – "primary" and "secondary" – and describes the different levels of required habitat protection and allowable uses in each. The LCP states that primary habitat "includes all of the environmentally sensitive habitat areas in Marina" and defines it as being the "potential locale for rare and endangered plan [sic] and animal species and identified, at the time of development, by a qualified biologist as supporting rare and endangered plant and animal species." The LCP further states that "primary habitat areas shall be protected and preserved against any significant disruption of habitat values and only uses dependent on those resources shall be allowed within those areas." The LCP's "primary habitat" definition and its related provisions are similar to the Coastal Act's definition of ESHA, which is "any area in which plant or animal life or their habitats are either rare or especially valuable because of their special nature or role in an ecosystem and which could be easily disturbed or degraded by human activities and developments."[23] The LCP's use limitations in those primary habitat areas are also similar to the Coastal Act's, in that both allow only those uses that are dependent on the habitat resources. Because the LCP's policies derive from the authority of the Coastal Act, we read its policies regarding primary habitat to be consistent with those of the Coastal Act.[24]

The LCP's other category – secondary habitat – is defined as those areas "adjacent to primary habitat on which the primary habitat area is dependent or from which the primary area can be influenced by drainage, erosion, human, equestrian or vehicle use or other factors." The LCP requires that direct and potential impacts to both primary and secondary habitat be fully mitigated. While the LCP includes maps of areas presumed to be primary or secondary habitat, it notes that the actual determination of

[23] See Coastal Act Section 30107.5.

[24] The LCP derives its statutory authority from the Coastal Act, and all of its provisions, including the policies above, must be read consistent with and understood to conform to the Coastal Act as a matter of law (McAllister v. California Coastal Commission (2009) 169 Cal.App.4th 912, 931).

habitat type and category for a particular location must be based on a site-specific biological study.[25]

For several reasons, the area of coastal dune habitat where the proposed well field would be located is considered an area of primary habitat, and therefore ESHA. First, and as detailed below, although it would be in a previously disturbed area of the CEMEX site that consists largely of compacted and sparsely vegetated sand dunes, it nonetheless provides habitat for at least three threatened or endangered species, as described below. Additionally, a number of other special-status species are known to exist or have the potential to exist within the footprint or in adjacent areas of the dunes, and multiple sensitive native vegetation communities occur. The presence of these special-status species reinforces that the Project footprint includes primary habitat qualifying as ESHA. However, it would also arguably qualify on the basis of sensitive vegetation communities being present and the overall habitat type, dunes, as being rare.[26]

This type of dune habitat is easily disturbed by human activity. Nonetheless, even though this area is disturbed, degraded dune habitat located where key coastal processes are still at work generally has the ability to restore itself or be restored given the dynamic natural environmental processes shaping the landscape and the persistence of well-adapted native seed banks. The proposed well field area consists of the same substrate as the rest of the dune habitat and is contiguous to less disturbed or

[25] The LCLUP policies regarding Rare and Endangered Species – Habitat Protection includes the following statement: "In Marina's Coastal Zone, the foredune, dune and grassy inland areas all contain potential habitat for rare and endangered plants and animals. The precise range for each plant and animal is not known because intensive site-specific study throughout the area was not financially possible. However, the potential for various rare and endangered habitats has been identified and mapped (see Environmental Capability section) to provide a guide to the locations where more intensive study is required. Because site-specific study is needed in many areas before any development can take place the following policies apply to all of the areas indicated on the map or meeting the definitions of Exhibit "A" as being potential habitats for rare and endangered plants and animals."

[26] Global (G) and State (S) Level 1 communities or species are identified as "critically imperiled = at very high risk of extinction due to extreme rarity (often <5 populations), very steep declines, or other factors". Global (G) and State (S) Level 2 communities and species are identified as "imperiled = at high risk of extinction or elimination due to restricted range, few populations or occurrences (often < 20), steep declines, severe threats, or other factors. Global (G) and State (S) Level 3 communities and species are identified as "vulnerable = at moderate risk of extinction due to a restricted range, relatively few populations (often <80), recent and widespread declines, or other factors". CDFW defines natural communities, animals, and plants with a global or state ranking of 1, 2, or 3 as rare and the CCC typically finds these to qualify as ESHA. CCC also typically considers plant and animal species listed by the federal and state endangered species acts (ESA and CESA, respectively) and/or identified under other special status categories (e.g., California Species of Special Concern) and/or identified by the California Native Plant Society (CNPS) as '1B' and '2' plant species as constituting ESHA. CNPS species identified as '3' or '4', and species recognized by other authorities as sensitive, may also qualify, depending on the specifics of the geography and situation. In addition to a basis on rarity, the CCC may also recognize habitat as ESHA on the basis of being 'especially valuable' for its 'special role' or 'special nature' rather than on the basis of rarity. In this case, examples of why the habitats in the Project area qualify as ESHA include overlap among all of the above.

undisturbed areas. Barring ongoing disturbance or development, the well field site would soon be colonized by dune biota, either from the adjacent areas or from buried seed stock. In fact, this has been observed in other areas of the parcel as CEMEX scaled-back its operations in preparation for closure – native dune species have appeared where they have been neither planted nor seeded during reclamation activities, instead appearing following the removal of invasive species and cessation of ongoing development activities. The presence of the above-noted threatened or endangered species in the Project area provides further evidence that this degraded and historically manipulated area still provides valuable coastal dune habitat, may recover in terms of quality and extent, and could likely support other rare or threatened species if not further disturbed.

Further, the City's LCP acknowledges that disturbed dune habitat is resilient and relatively easy to restore.[27] The LCP also requires that the reclamation and protection of native dune habitat be promoted, and that habitat for rare and endangered species, such as this dune habitat, be protected (see LUP Policies 19 and 25). The Commission, too, has previously found that even degraded dunes can provide habitat for rare and threatened dune species and that degraded dune areas can constitute ESHA.[28] Thus, interpreting the LCP's definition of primary habitat consistent with the Coastal Act, the Commission finds that the coastal dune area in which the well head portions of the Project would be located constitutes ESHA and meets the description of primary habitat under the LCP.

As noted above, the LCP limits uses within primary habitat to those dependent on the resources,[29] and any development within those areas is limited to that which is sited and designed to not interfere with the natural functions of the habitat. The LCP also requires that all adverse effects in primary habitat be fully mitigated. Although the Project is proposed to be located in portions of the CEMEX site that have been subject to disturbance, the entire area in which the well field would be located is primary habitat and ESHA under the LCP. The Project is not a resource-dependent use, so it cannot be approved consistent with the LCP's habitat protection policies. Importantly, the FEIR/FEIS identified the Project's inconsistency with these LCP provisions as a significant and unavoidable impact.[30]

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[27] See the fourth paragraph of the LCLUP Habitat Protection Policies.

[28] See, for example, Commission actions in the Asilomar Dunes system (including Youssef (CDP 3-11-068) and Goins (CDP 3-11-020)), MBARI (CDP A-3-MCO-17-0068), Oceano Dunes (CDP 4-82-300 Review in 2021), City of Grover Beach LCP Amendment 1-12, Part 1 (Grover Beach Lodge), Koligian (Commission denial of CDP application A-3-PSB-10-062), and California Department of Parks and Recreation (CDP 3-11-003).

[29] LCLUP Habitat Protection Policy Paragraph 2.

[30] See FEIR/FEIS, Section 4.6 – Terrestrial Biological Resources.

Site background and habitat characteristics: The CEMEX site largely consists of central foredune habitat, which is one of the most important, vulnerable, and geographically constrained environmentally sensitive habitat types in California. In the 2010 update to the status of the state's natural communities, CDFW assigned central foredune habitat the highest rarity ranking as "critically imperiled", this qualifying it as ESHA.[31] Dunes form only under certain conditions where adequate sand supply and appropriate wind energy and direction allow. They are a dynamic habitat subject to extremes of physical disturbance, drying, and salt spray. The winds and shifting sands in dune habitat can cause the habitat characteristics and the species at any given location to change on a relatively short or shifting timescale, so a particular area of dune habitat may have relatively higher or lower resource values over time. The changing and often harsh conditions found in coastal dune habitat support plant and animal species that have evolved strategies adapted to these conditions – for example, many dune plants have seeds that can remain dormant for extended periods of time until conditions allow for them to germinate. Many of the plant and animal species adapted to these geographically constrained and relatively harsh conditions have become uncommon and are considered rare, endangered, or have a similar special status. It follows that assemblages of such unique species make for unique communities, and the dune-associated vegetation communities, as described in the Manual of California Vegetation, are also generally considered rare by CDFW.[32] At the same time, the ability of these various resources to withstand such challenging conditions or to remain dormant for long periods allows dune habitat, even severely disturbed dune habitat, to either be restored or to restore itself relatively easily. The habitat values in dune areas are therefore best understood in terms of the overall complex of dunes of which they are a part, and the Commission has typically found coastal dune habitat to be ESHA even when it is disturbed, due to its rarity, its important ecosystem functions, and its support of sensitive species and communities.[33]

Despite more than 100 years of active sand mining, the coastal dune habitat at the CEMEX site provides habitat for over two dozen sensitive species, including several listed as endangered or threatened. The habitat within and adjacent to Cal-Am's proposed well field and pipeline route also includes large areas of central dune scrub, which also qualifies as ESHA in part due to its CDFW ranking,[34] and which includes a

[31] CDFW ranks this habitat type as G1 S1.2, which makes it "critically imperiled" both globally and within the state.

[32] For example, the dune mat vegetation (Abronia latifolia-Ambrosia chamissonis herbaceous alliance) present is ranked G3 S3, indicating that it is considered "vulnerable" both globally and within California, and qualifies as a sensitive natural community.

[33] This has been the Commission's approach to dune protection at other locations, for example, in the Asilomar Dunes area in Pacific Grove and the in the Del Monte Forest as well as sites like the Oceano Dunes State Vehicular Recreation Area.

[34] CDFW considered central dune scrub habitat as "imperiled" with rankings of G2 S2.2 in its 2010 update to the status of the state's natural communities.

number of sensitive plants and animals that have evolved and adapted to the desiccating, salt-laden winds and nutrient poor soils of this area. Several sensitive vegetation communities are also part of the central dune scrub, including silver dune lupin-mock heather scrub (Lupinus chamissonis-Ericameria ericoides shrubland alliance), which is ranked G3 S3 and considered ”vulnerable”. Between 2012 and 2016, consultants for Cal-Am and the CPUC conducted several biological surveys of the site.[35] These biological investigations, along with a 2017 site visit by the Commission's ecologist, identified several special-status plant and animal species present within or adjacent to the Project area.[36] More recently, surveys conducted in 2019 identified the continued presence of most of these species and added more records of their occurrences as well as a few additional sensitive species.

Species present on the site that are listed as threatened or endangered include:

- **Monterey spineflower** (*Chorizanthe pungens* var. *pungens*), an annual herb listed as federally-threatened under the Endangered Species Act (ESA). It also has a California Rare Plant Rank of 1B.2. It has been observed extensively throughout the CEMEX site, including the proposed well field area.
- **Smith's blue butterfly** (*Euphilotes enoptes smithi*), a federally-endangered species, also ranked by CDFW as S1, is obligate to two host plant species throughout its life cycle – coast buckwheat (*Eriogonum latifolium*) and seacliff buckwheat (*E. parvifolium*) – that grow in these coastal dunes. While the butterfly's flight season is only from mid-June to early September each year, larvae consume the plants' flowers and seeds and pupate directly on or beneath the plants, where they overwinter until the following flight season. The surveys identified both the butterfly and both species of buckwheat within the CEMEX site, including along the access road where Cal-Am's Source Water Pipeline would be built.
- **Western snowy plover** (*Charadrius nivosus nivosus*), is listed as threatened under the federal ESA and is considered a California Species of Special Concern by the CDFW, which ranks it as S2.[37] The shoreline along the CEMEX site is within designated critical habitat for the species and much of the site provides nesting, roosting, or foraging habitat. Nests are most common in the sparsely

[35] See survey dates and findings in Section 4.6 – Terrestrial Biological Resources of the project's Draft FEIR/FEIS.

[36] Along with direct observation during site visits, the presence of sensitive species was supported by historical documentation describing the presence of various sensitive species and communities at the site.

[37] CDFW's Species of Special Concern List includes a “NatureServe“ ranking system used by a network of agencies around the world. It assigns each listed species a level of risk based on both its Global abundance, where applicable, and its risk at the state level. Rankings include such categories as ”critically imperiled,“ “vulnerable,“ ”apparently secure,” and others. The S2 category for Western snowy plovers indicates the species is “at high risk of extirpation in the state due to restricted range, few populations or occurrences, steep declines, severe threats, or other factors,“

> vegetated beach and shore-most foredunes but have also been found further inland where the well field would be located and where they may become more common as shores continue to erode and succumb to sea level rise.

The site also serves as habitat for many other special-status species, including several plants on California's Rare Plant Inventory. The sand-loving wallflower (*Erysimum ammophilum*) is eligible for state listing and is considered rare, with a moderate to high degree and immediacy of extirpation (California Rare Plant Rating [CRPR] of 1B.2). It has been observed within the proposed well field area. The site also includes ocean bluff milkvetch (*Astragalus nuttallii* var. *nuttallii*; CRPR 4.2) and branching beach aster (*Corethrogyne leucophylla*; CRPR 3.2), which are included on the California Rare Plant Inventory as species of concern. Other special-status species are known to occupy nearby areas or have the potential to occur at the Project site, though they were not identified within the Project footprint during these surveys. Plant species include the federally-endangered Robust spineflower (*Chorizanthe robusta* var. *robusta*; CRPR 1B.1), the state- and federally-endangered Menzies' wallflower (*Erysimum menziesii*; CRPR 1B.1), the federally-endangered and state-threatened Sand gilia (*Gilia tenuiflora* ssp*. arenaria*; CRPR 1B.2), and the state-endangered Seaside bird's-beak (*Cordylanthus rigidus* var. *littoralis*; CRPR 1B.1). Two reptiles – the California legless lizard (*Anniella pulchra*; S2) and the coast horned lizard (*Phrynosoma coronatum* - S3), which are considered Species of Special Concern, were also documented during the 2019 surveys. Most recently, Cal-Am reported occurrences of Peninsula coast range shoulderband snail (*Helminthoglypta nickliniana awania* – S1), globose dune beetle (*Coelus globosus* – G1G2/S1S2), and American badger [burrows] (*Taxidea taxus* – S3; CDFW SSC).[38] Several sensitive bird species have also been documented using the area, including Bryant's savannah sparrow *(Passerculus sanwichensis alaudinus* - CA Species of Special Concern) and California horned lark *(Eermophila alpestris actia* - CDFW Watch List).

Native plants found within the dune scrub areas include California sagebrush (*Artemisia californica*), coast buckwheat (*Eriogonum latifolium*), deerweed (*Acmispon glaber*), California lilac (*Ceanothus* spp.), mock heather (*Ericameria ericoides*), silver dune lupine (*Lupinus chamissonis*), and sandmat manzanita (*Arctostaphylos pumila*; CRPR 1B.2). The site also includes many native foredune species, such as beach evening primrose (*Camissonia cheiranthifolia*), yellow sand verbena (*Abronia latifolia*) and beach bur (*Ambrosia chamissonis*). The access road to the CEMEX site has adjacent stands of Coyote Brush Scrub (*Baccharis pilularis* Shrubland Alliance), which is not considered a rare plant community at the alliance level but several vegetation associations within it can meet that designation.[39] Ongoing sand mining and processing operations appear to

[38] As stated in Cal-Am's proposed Habitat Mitigation and Monitoring Plan, June 2020.

[39] Vegetation communities are generally classified by the repeating patterns observed across a landscape, those patterns being described by the composition of plant species and reflecting the effects of local environmental conditions. The category of alliance is presently the most typical level of such classification used but at a more refined level are associations – one alliance can have many

have contributed to invasive vegetative species dominating several areas within the CEMEX site, particularly iceplant (*Carpobrotus* spp.). In some areas, a thick cover of iceplant has helped prevent establishment or re-establishment of native species; however, as disturbance is removed and reclamation and restoration activities proceed in certain areas of the CEMEX site under the terms of the CEMEX settlement agreement, the cover of invasives is declining, and the cover of natives due to restoration and native seedbank release is reportedly increasing.

Location and impacts of Project components within ESHA: Cal-Am's well field would be located on an area of this coastal dune habitat immediately landward of the foredunes that separate the well sites from the shoreline. This habitat had been disturbed during earlier sand mining activities at CEMEX when used for stockpile storage. The mining activities are now confined to a much smaller area and are scheduled to end this year, pursuant to provisions of 2017 Settlement Agreements between CEMEX and the Coastal Commission, State Lands Commission, and the City of Marina (Order CCC-17-CD-02").

The Settlement Agreement between the Coastal Commission and Cemex ("Settlement Agreement") required CEMEX to stop sand mining by December 31, 2020, to conduct certain reclamation activities, and transfer the property to a non-profit or government entity with a deed restriction that ensures protection of the site for public access, open space, and habitat. The anticipated restoration activities have not yet been completed but are underway in some areas, and the property transfer has not yet occurred, though the future uses anticipated at the site are restoration, low-impact passive recreation, public access, and public education.

The Settlement Agreement also recognized existing legal rights at the site, which included a recorded easement and option for Cal-Am to use and eventually purchase or acquire an easement over the approximately 30-acre area on which it planned to build the well field, along with a 30-foot-wide easement within and along the CEMEX access road for the Source Water Pipeline. In 2018, Cal-Am exercised this option to obtain a permanent 30-acre easement and the access easement.

Within this 30-acre easement, the Project would disturb about nine acres during construction of up to five separate well pads, an access road, and part of the Source Water Pipeline, which would continue inland along the easement. The proposed phased Project would reduce this somewhat, due to a reduction in the number of initially planned well pads and a shorter access road. Cal-Am also recently determined it could reduce impacts along the pipeline route within CEMEX by routing the pipeline within the road rather than adjacent to it within ESHA. Cal-Am expects that several of these disturbed acres – those that would be used for staging and materials storage – would be restored within five years after construction is complete. The Commission generally

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associations, each of these reflecting nuances that may be specific to a geography or narrower set of environmental conditions. CDFW describes and evaluates both alliances and their associations and determines which should rank as sensitive in the state; lists are updated biannually with new vegetation communities at both alliance and association levels and refinements to existing community ranks.

considers impacts to be temporary only where 1) the proposed activities do not include significant ground disturbance such as grading, trenching, or others that would kill vegetation, disrupt native seedbanks, alter topography or soil horizons, etc.; 2) the native vegetation is recovered to a comparable age class/size structure relative to pre-construction conditions within either a) 12 months of initial disturbance (I.e. short-term temporary), or b) 12 months following the conclusion of disturbance, if the disturbance has extended over no more than a 24-month period (I.e. long-term temporary). Anything failing to meet any of these criteria is, by default, considered to have a permanent adverse effect on the ecosystem. Due to the type of proposed activities and the expected five-year recovery period, Cal-Am's impacts here would not be considered temporary. Additionally, the expected need to conduct maintenance at the well sites every few years would result in ongoing impacts to about six of these acres, which could lead to ongoing disturbance during the expected recovery periods. Further, there would likely be more future losses due to the need to relocate the wells after their expected 20- to 25-year operating lives or due to sea level rise and coastal erosion.

Based on the presence of sensitive habitat areas (and coastal waters) within or adjacent to most of the Project's footprint, **Special Condition 3** requires Cal-Am to implement extensive and protective construction "best management practices" to avoid and minimize actual and potential impacts, and **Special Condition 4** requires Cal-Am to develop and implement a Spill Prevention and Response Plan to prevent spills to the extent possible and to respond appropriately if they do occur.

Various Project construction impacts are further detailed below:

- **Well and access road construction:** This work would involve use of heavy equipment, including drill rigs and motor vehicles, that would cause crushing of native vegetation, soil compaction, disturbance of seed banks within the work site noise effects, and potential for fuel spills. Each well site would be developed within a graded area of a few thousand square feet and would include concrete pads, electrical equipment, and other similar Project components. Cal-Am would grade, but not pave, a road to allow access to the well sites. As noted above, the Commission typically considers significant ground disturbance such as grading and compaction to have lasting effects on the ecosystem and thus, characterizes these impacts as permanent even if a foreign surface would not be evident. In this case, though the road would not be paved, it would be used regularly and thus, be subject to not only the initial ground disturbing activities but also ongoing operational impacts that would adversely affect any dune species that might begin to reestablish, precluding any (natural or facilitated) restoration to healthy habitat.

  Additionally, because the drilling work for each well needs to be done continuously, Cal-Am would need to time its well field construction activities to avoid disturbing nearby Western snowy plovers during their breeding and nesting season (which runs from March 1 to September 30 of any year). **Special Condition 5** requires Cal-Am to conduct its well field construction outside this period, unless otherwise authorized by the USFWS, with such authorizations potentially requiring an amendment to this

permit..[40] Smith's blue butterflies similarly stand to be subjected to disturbance and impacts across all stages of their life history (larvae, pupae and adult) given their obligation to their sessile host plants, and **Special Condition 5** similarly requires Cal-Am to conduct all construction activities that would occur within 30 feet of its habitat outside its flight period between June 1 and September 15 of any year.

Spoils from well drilling: Cal-Am expects to remove about 1,000 cubic yards of spoils during well drilling and its CDP application had initially proposed spreading the spoils evenly in an approximately two-inch thick layer throughout eight nearby acres of ESHA. However, Commission staff identified this activity as an avoidable impact and recommended that Cal-Am consider transporting the spoils offsite to an appropriate disposal location. Cal-Am's June 30, 2020 letter to Commission staff modified these spoils spreading approach and confirmed that Cal-Am would dispose of these spoils at the nearby Monterey Peninsula Landfill. This would represent a de minimus reduction in the Landfill's capacity, as Cal-Am has calculated the 1,000 cubic yards as being less than two one-thousandth of one percent of the Landfill's remaining capacity. This modification would require additional truck trips, though Cal-Am estimates no more than one trip every two to three days during the expected seven-month well construction period, for a total of between 70 and 105 total trips. With the proposed phasing of the Project, the initial impacts resulting from the volume of spoils and number of truck trips would be reduced by up to about 60-70%.

- **Maintaining or relocating well sites:** Cal-Am anticipates having to conduct maintenance at the well sites about every five years and that the area of disturbance – for access, staging, presence of construction equipment, etc. – would total about six acres for each event. This is the same area that would be significantly disturbed and characterized as a permanent impact during the initial construction phase. And even if the latter were not the case, although each maintenance event could be considered relatively short-term, the overall effect would be ongoing, re-disturbance of the area that would prevent adequate restoration and natural community successional processes from occurring between events, which would represent a greater than temporary adverse effect to these areas of habitat. The phased Project would result in reduced initial impacts due to the maintenance occurring at just two well pads rather that six for the undetermined period where Cal-Am would rely on just Phase 1 of its Project.

  At some point in the future, Cal-Am may need to relocate or rehabilitate its wells due to the effects of climate change or once the wells reach the end of their service life. This could result in additional adverse impacts to ESHA. As the nearby shoreline erodes inland, the beach and foredunes at the CEMEX site would also move inland

[40] The FEIR/FEIS provides that well construction should be conducted during non-breeding season unless otherwise allowed by the U.S. Fish and Wildlife Service. It presumes, though, that construction will occur during that season and includes a number of mitigation measures such as conducting nesting surveys, providing visual barriers between construction and any nests, etc.

and would be expected to maintain approximately the same profile as they now have. In response to a study done early during the CPUC's CEQA review that showed coastal erosion likely affecting the proposed well sites during their operating life, Cal-Am located them several hundred feet further inland than initially proposed. However, because that study was based on earlier versions of state guidance and science on sea level rise, Commission staff requested that Cal-Am provide an updated study using currently applicable guidance and projections. This more recent study, which Cal-Am provided in October 2019, showed that the well sites would likely be protected from the direct effects of coastal erosion over their proposed 25-year operating life, though it also showed that those well sites could be buried by the inland recession of the foredunes occurring in response to erosion and sea level rise. In recognition of these hazards, and as described in Section IV.H – Coastal Hazards, **Special Condition 6** limits the permit term to no more than 25 years and requires Cal-Am to seek authorization from the Commission to relocate, rehabilitate, or extend the permit term. Because Cal-Am's site is surrounded by ESHA, it is likely that moving the wells will result in additional impacts to ESHA. These impacts would be assessed and addressed if and when Cal-Am seeks authorization from the Commission to move the wells.

- **ESHA Impacts from Pipeline Construction:** As noted above, Cal-Am would construct a Source Water Pipeline from the well field to the desalination facility and a Desalination Water Pipeline from the desalination facility to its Transmission Main Pipeline to the south. Most of the pipelines would be installed using conventional open trench methods, which due to equipment access, sidecasting or stockpiling of soil, and other factors, would result in a larger area being affected than just the width of the pipeline trenches. These pipelines include components within and outside of the City of Marina and are described in more detail below:
- **Source Water Pipeline:** About 5,365 linear feet of this pipeline would be within the County's coastal zone, including sections along the easternmost portion of the CEMEX access road, and along Lapis Road, Del Monte Boulevard, and part of Charles Benson Road. Pipeline construction along the CEMEX access road and Lapis Road would be within areas of disturbed coastal dune habitat and has the potential to disturb several special-status species, including Monterey spineflower, branching beach aster, ocean bluff milkvetch, and coast buckwheat. The FEIR/FEIS identifies ESHA impacts of up to 11.8 acres during construction, though some of these overlap with areas within the City of Marina's LCP jurisdiction.

- **Desalination Water Pipeline:** About 7,207 linear feet of this pipeline would be within the County's coastal zone, including sections along Charles Benson Road, Del Monte Boulevard, and Lapis Road, where it would enter the City of Marina. The route traverses areas of disturbed coastal dunes, including areas of central dune scrub and coyote brush scrub as well as ruderal habitat and developed areas. The FEIR/FEIS notes that pipeline construction could adversely affect at least three special-status species observed along the route – Monterey spineflower, Kellog's

horkelia,[41] and coast buckwheat. The FEIR/FEIS identifies construction impacts of up to 16.9 acres of ESHA, though similar to the Source Water Pipeline above, some of this would occur within the City of Marina's LCP jurisdiction. The FEIR/FEIS also states that the Source Water and the Desalinated Water pipelines could potentially impact about 0.2 acres of this Smith's blue butterfly habitat, which it notes would be a significant adverse effect.

- **Transmission Main Pipeline:** Several thousand linear feet of this pipeline would be located within the coastal zone, including about 320 linear feet within the City of Seaside and 1,290 linear feet bordering the Fort Ord Dunes State Park in the Commission's retained jurisdiction. It would traverse areas of coastal dune that include stands of central dune scrub, coyote brush scrub, coast live oak woodland, and northern coastal scrub, including some areas previously identified by the Commission as ESHA. Within the City of Seaside, the habitat along the route includes relatively small and discontinuous areas of coyote brush scrub, silver dune lupine-mock heather scrub, and Monterey pine woodland, along with areas of landscape plantings and ruderal vegetation. Construction could adversely affect a number of special-status species observed along the route, including sandmat manzanita, the federally threatened Monterey spineflower, Menzies' wallflower, Kellogg's horkelia, Monterey Coast paintbrush, branching beach aster, south coast branching phacelia, Michael's rein orchid, and Monterey ceanothus.[42] The FEIR/FEIS identifies pipeline construction as resulting in up to about 5.4 acres of ESHA impacts (including some within the City of Marina).[43]

- **Castroville Pipeline:** A short segment of this pipeline would be located within the County's coastal zone. Most of the area traversed by the pipeline consists of agricultural land, non-native grassland, developed areas, and ruderal habitat, though it also includes areas of central dune habitat and coyote brush scrub. The FEIR/FEIS notes that construction could adversely affect Monterey spineflower and branch beach aster and could result in construction impacts to about 0.4 acres of ESHA.

As part of pipeline installation, Cal-Am would establish several construction staging areas identified in the FEIR/FEIS as covering a total of 6.6 acres, though Cal-Am's recent Project modifications have reduced that area to some degree. Most of these areas are paved and along active rights-of-ways but are adjacent to areas that have the

[41] Kellog's horkelia (*Horkelia cuneata* var. *sericea*) has a California Native Plant Society Rare Plant Ranking of 1B.1, meaning that it is rare throughout its range and seriously threatened.

[42] Monterey Coast paintbrush (Castilleja latifolia ssp. latifolia) has a California Rare Plant Ranking (CRPR) of 4.3; south coast branching phacelia (Phacelia ramosissima var. austrolitoralis) ranks 3.2; Michael's rein orchid (Piperia michaelii) ranks 4.2; and Monterey ceanothus (Ceanothus rigidus) ranks 4.2. These species are currently either on the California Native Plant Society's Review or Watch Lists.

[43] The FEIR/FEIS also describes an optional alignment for this Transmission Main Pipeline that would affect up to 5.7 acres of ESHA.

potential to provide habitat for special-status species, though they have not yet been described as ESHA.

The actual area of direct and indirect impact would likely be less than described above. This impact estimate is reduced from the 2020 estimate. In October 2022, in response to questions by Commission staff, Cal-Am determined that it could reduce surface impacts to ESHA by up to about 8.6 acres by installing pipelines in some areas using tunneling techniques instead of trenching. Cal-Am estimates impacts that would qualify as long-term temporary (i.e., not be subject to ground disturbance, significant vegetation loss, and to be able to be restored within 12 months following construction) to be approximately 14.7 acres and those that would qualify as permanent (or require more than 12 months to recover to a pre-construction condition) to be 7.5 acres. The actual extent and nature of ESHA impacts would be determined through additional field surveys comparing conditions shortly before and following Project implementation.

Avoidance, Minimization and Mitigation of Impacts

The FEIR/FEIS includes a number of mitigation measures meant to avoid or reduce some of these known or potential impacts to ESHA (see **Exhibit 6**). They include several commonly required measures, such as requiring the presence of one or more qualified biologists to oversee implementation of protective measures, conducting environmental awareness training and education to construction personnel, conducting pre-construction surveys and ongoing monitoring, and numerous best management practices. They also include Mitigation Measure 4.6-1n that requires Cal-Am to submit, prior to construction, a comprehensive Habitat Mitigation and Monitoring Plan ("HMMP") that describes Cal-Am's proposed mitigation, including providing mitigation success criteria, implementation plans, maintenance, monitoring, and reporting plans, and contingency measures needed to address restoration and compensatory mitigation on all sensitive habitats and species affected by the Project. It also anticipates that Cal-Am would coordinate with several resource agencies (including staff of the Commission, California Department of Fish and Wildlife, Regional Water Quality Control Board, U.S. Army Corps of Engineers, and U.S. Fish and Wildlife Service) to determine the full suite of mitigation measures that would ultimately be needed.

The mitigation measures included in the FEIR/FEIS are critical in reducing the impacts associated with the Project. Thus, the Commission imposes **Special Condition 7**, which codifies the mitigation measures from the FEIR/FEIS and refines several details to ensure consistency with the Commission's practice. Pre-construction biological surveys, including buffer areas surrounding the Project work site, would help to ensure that any sensitive wildlife or plant species detected, is avoided where feasible, and salvaged or safely relocated where possible. The approved biologist(s) would also have the ability to delay construction in order to avoid immediate impacts and consult with the appropriate agencies (i.e., CDFW and/or USFWS) including the Executive Director. During construction, the biologist(s) would be responsible for inspecting work areas ahead of construction each day, documenting their observations, ensuring that any necessary buffers are observed and clearly delineated, salvaging and/or relocating sensitive species in accordance with pre-approved measures, stopping work if there is

imminent threat to a sensitive species or other need to consult with any agencies (e.g., USFWS or CDFW), and notifying the Executive Director of any consultation, impacts or injury to sensitive species, or development activities observed outside the scope of the permit. Refinements to the mitigation measures include broader consideration of western snowy plover nesting habitat use from prior years and wider buffers reflecting the species' highly sensitive nature,[44] guidance on the legless lizard survey methods that should be used, further specifications for nesting birds, including survey windows nearer the commencement of construction, standard and minimum buffers, and limits on noise at nest sites,[45] requirements to survey for American badgers in habitats beyond those originally specified in the FEIR/FEIS,[46] larger buffers for Monterey dusky-footed woodrat middens, which are considered ESHA,[47] and inclusion of the Executive Director in all natural resource agency consultations as well as provision of all survey results and supporting documentation.

To address the additional need for habitat mitigation, Cal-Am submitted a Habitat Mitigation and Monitoring Plan ("HMMP") in June 2020 that relied heavily on anticipated opportunities to restore portions of the CEMEX site and provided three options by which to implement such restoration, including direct restoration, funded restoration, and the contribution of funds towards CEMEX parcel acquisition following the terms of the CEMEX settlement agreement. However, several concerns have arisen that will require Cal-Am to also consider mitigation options outside the CEMEX site. These concerns include the net loss of dune habitat that would occur, the concentration of mitigation effort in one area while Project impacts would be distributed throughout a much broader region, and ongoing negotiations concerning the CEMEX Settlement Agreement. More specifically, the full scope of final implementation of the Cemex Settlement Agreement and resolution of the underlying violation is undetermined at this point in time. Thus, it is unclear what, if any, mitigation opportunities will remain at the CEMEX site once the

[44] For highly sensitive bird species, such as western snowy plovers, a 500-foot buffer (rather than the proposed 300-foot buffer) is recommended during their nesting period.

[45] Consistent with prior Commission approvals, noise levels would be maintained below 65 dBA or less at nest sites, which is approximately equivalent to that of a busy restaurant. Above these levels, noise can interfere with conspecific communications such as that between parent and chick or alert calls signaling the presence of other imminent threats; elevate stress hormone levels that compromise overall animal physiology; scare or startle animals, leading to nest evacuation or even abandonment, rending unfledged young vulnerable to predation or harsh environmental conditions (e.g., extreme cold or heat); and so forth.

[46] In the FEIR/FEIS, American badger habitat was identified as agricultural and grazing lands, and non-native grasslands; however, Cal-Am's 2019 surveys from across the Project site have since identified badger burrows within the pipeline corridor at multiple points, including within various types of dune scrub habitats.

[47] Dusky-footed woodrat middens are generally recognized as ESHA under the 'especially valuable habitat' portion of the definition because these are typically large, complex structures that support multiple generations of the species, persisting in some cases for as much as decades. The proposed mitigation measures in the FEIR/FEIS would limit buffers to 50 feet; however, the Commission generally applies the 100-foot buffer used for most ESHA.

Agreement is fully implemented. To address these concerns, Cal-Am has worked in recent months to identify potential alternative mitigation options and while none have yet formally come together, several appear to be feasible or are even making significant progress towards partially resolving anticipated mitigation requirements. The options span dune ecosystems within the coastal zone, between the northern border of the CEMEX site and the southern border of Sand City and include potential private land acquisitions as well as restoration on publicly owned lands. Importantly, after investigating and reviewing alternative mitigation options, Commission staff is confident that that there is sufficient acreage available in the appropriate geography and within appropriate ecosystems to accommodate anticipated mitigation requirements for this Project with or without use of the CEMEX site.

In order to validate estimates of habitat impacted by the Project, **Special Condition 8** requires Cal-Am to conduct pre-construction surveys to document the condition of ESHA during the preceding late spring to early summer period (when most species are in bloom and most readily identifiable) including the physical extent and acreage of all habitats within proposed impact areas as well as metrics such as native species diversity, native species cover, invasive species cover, and vegetation community age class and/or size structure distributions, and photos, to compare against conditions following conclusion of construction. Existing records and documentation would be considered in conjunction with the new data, enabling a more comprehensive analysis for less apparent seedbanks and rare species occurrences. The timing of the pre-construction surveys would also allow for the detection of any recovery or other differences due to the termination of CEMEX operations and progress in reclamation activities, as the ecosystem may present differently. The post-construction surveys would reevaluate all of the same variables and additionally document dates of initial disturbance and disturbance cessation, and areas of significant ground disturbance (e.g., trenching), vegetation mortality and cover losses due to pruning, trampling, heavy equipment use, etc. to aid in the determination of impact nature, whether qualifying as temporary or permanent. For areas anticipated to be classified as temporarily impacted, another survey would be required prior to the conclusion of the allowed recovery period (e.g., within 12 months of initial disturbance for short-term and within 12 months of disturbance conclusion for long-term) to verify that the habitat has in fact recovered and if and where it has not, impacts would be reclassified as permanent. Invasive species would also be treated in all temporarily impacted ESHA in order to facilitate recovery.

Special Condition 8 also establishes base mitigation ratios for the various impact characterizations, providing for 1:1 where impacts would be considered of short-term temporary nature, a minimum 1.5:1 where they would be considered long-term temporary to account for the additional temporal loss of ecological functions, and a minimum 3:1 where impacts would be considered permanent. These minimum base ratios assume that compensation would take the form of habitat creation or substantial restoration but allow for the alternative strategies of enhancement and preservation to be used at double or triple the base ratios, respectively (e.g., for an acre of permanent impacts, three acres could be substantially restored, six acres could be enhanced, or nine acres could be preserved). Thus, there is a framework that recognizes the range of

mitigation options that may be ultimately secured while ensuring that there would be meaningful compensation for the Project's impacts; similar strategies have been used in other recent Commission decisions.[48] Additionally, in this case, because there would be a net loss of 1.9 acres of dune habitat to the permanent Project features such as the well pads and service roads, Cal-Am would be required to ensure a minimum 1:1 of the permanent impact mitigation requirement for that portion take the form of habitat creation. This could be achieved through the removal of existing unprotected dune habitat from future development opportunities and the restoration of essential dune processes (e.g., beach-dune connectivity). Outside of the TAMC right-of-way corridor, all mitigation for permanent impacts, and the added 0.5:1 fraction for long-term temporary impacts would be required to occur within areas that are or would be protected in perpetuity, and as consistent with **Special Condition 9**. For temporary impact mitigation, habitat would be addressed in-place and in-kind. Although some of these areas within the TAMC right-of-way corridor could remain susceptible to future development efforts, mitigation located in these areas could be assessed as part of future CDPs in those areas.

Although Cal-Am has previously submitted a HMMP, it was developed with a specific focus on the CEMEX parcel. Since this determination and in response to staff requests for alternative mitigation site options and more extensive mapping, Cal-Am has submitted assorted materials intended to update the existing HMMP. However, because the nature of modifications that would be necessary is extensive, both due to the changes in mitigation site availability and inadequate details such as success criteria, and that the inherent complexity of both past and expected plans is substantial, **Special Condition 10** would require Cal-Am to submit a new HMMP prior to permit issuance. It is expected that Cal-Am may be able to reuse still-relevant portions from the prior plan, but must also include more detailed information on mitigation goals, restoration objectives, and site specific conditions; reference conditions with supporting rationale; plan sets; invasive species control; success criteria and performance assessment methods; sampling designs and monitoring schedules; as-built, interim, and final reporting; provisions for possible further action, should any part of the mitigation effort fail to succeed; and, maintenance of responsibility even when working through partnerships. In addition, the HMMP would require provisions for the long-term monitoring of the mitigation site(s) and complete restoration of the developed footprint supporting infrastructure when the wells and any associated development comes to the end of its operational life.

With alternative mitigation options still being pursued but not finalized, **Special Condition 10** importantly provides for three options by which compensatory mitigation for habitat impacts could be implemented. In all cases, the options would be limited to Project-associated habitats (i.e., primarily foredunes and dune scrubs, but also maritime chaparral, etc.) in the coastal zone between the southern boundary of the Salinas River and the northern boundary of the City of Monterey, and west of Highway 1. This spatial

[48]For example, CA Department of Transportation (CDP 2-20-0282) at Gleason Beach, Sonoma County, and Federal Highway Administration (CD-0001-21) at Santa Cruz County.

focus ensures that comparable ecosystems under the Commission's jurisdiction would benefit directly from mitigation efforts. **Special Condition 10** also ensures that any and all lands used for mitigation, apart from where temporary impacts would be mitigated in-place and in-kind within the TAMC corridor, would be protected in perpetuity.

The first mitigation option under **Special Condition 10** would allow for Cal-Am to protect and potentially improve currently unprotected lands, effectively removing them from future development threats and providing for more habitat than might otherwise exist. This approach would be required, at a minimum and as part of a significant contribution to restoring coastal dune processes, as creation of dune habitat to ensure no net loss due to the Project's permanent footprint, presently estimated as 1.9 acres. For example, the protection of remaining gaps among otherwise conserved areas might enable broader restoration efforts, or the removal of legacy materials such as roadbeds or revetments could restore beach-dune connectivity where those processes have been lost. Beyond the minimum requirement to compensate for no net loss of dune habitat, additional acreage could be moved into protection and would be eligible for preservation credit if unimproved; if improvements would be proposed in addition to new protections, the mitigation may alternatively qualify the lands for enhancement or restoration credit, based on standards typically applied for these thresholds.[49]

Special Condition 10 also allows for a second mitigation option where lands already protected from development could be improved, either through enhancement or substantial restoration efforts, and whether implemented by Cal-Am, the landowner, or an agreed-upon third party. This option would necessarily occur in coordination with the landowner, allow for landowner specification of available acreage and terms of agreement with Cal-Am, and ensure landowner involvement in all discussions concerning site restoration priorities, goals and objectives, methods, maintenance, etc. Land already obligated to existing regulatory or legal requirements would generally be considered unavailable as compensation for Cal-Am's Project and the Executive Director would review and approve any tentative agreement between Cal-Am and a landowner prior to its execution, to ensure that all terms would be consistent with the requirements of this and other special conditions. If Cal-Am decides to pursue mitigation at the CEMEX site under this option, it would also need to demonstrate that proposed restoration work goes above and beyond what is expected from the Settlement Agreement.

A third mitigation option under **Special Condition 10** would assess an in-lieu fee of $250,000 per acre of required restoration with an annual adjustment per consumer price index beginning one year after Commission approval and continuing until all fees are paid. The in-lieu fee amount of $250,000 per acre of required restoration is based upon a range of examples from other permits, practices, and published literature. For example, elsewhere in Monterey County, in the Asilomar Dunes of Pacific Grove, an in-

[49] For example, see the Ecology staff technical memo provided as Exhibit 24 in the staff report for California Department of Transportation (CDP 2-20-0282) at Gleason Beach, Sonoma County.

lieu fee program has been used for dune habitat and most recently, in 2018 (Smith CDP 3-18-0286), applied a fee of $2 per square foot. This is approximately equal to $87,000 per acre, and if that amount is then adjusted for consumer price index would be approximately $102,000 per acre today. Another example from a small project in San Mateo County (Caltrans 2-22-0192-W) included a proposal with budget that, if simply scaled-up, would create and restore dunes at a cost of approximately $740,000 per acre. Published literature for large complex projects involving dunes in California suggests a starting point of $1,000,000 per acre.[50] Conversations with experienced dune restoration practitioners in southern California have indicated that a relatively simple project can readily cost somewhere between $100,000-$250,000 per acre and that up to $1,000,000 per acre is reasonable for complex or significantly degraded sites requiring significant engineering effort for components such as grading topography or removing contaminated materials. Because the existing restoration opportunities in the region are as variable as these examples, a fee assessment of $250,000 per acre is considered reasonable and could likely afford significant improvements to local dune ecosystems.

Fees would be deposited into an interest-bearing account established and managed by a government or non-governmental organization as approved by the Executive Director, with the sole purpose of financing dune habitat protection, restoration, and related activities in the southern Monterey Bay region. Should such an account not already exist, Cal-Am would be responsible for facilitating its development and initiation and covering the costs associated with administering the fees. The in-lieu fee option may be elected by Cal-Am for any fraction of mitigation acreage due except the required habitat creation to assure no net loss. The in-lieu fee option should be viewed as the last resort mitigation option and should be selected by Cal-Am only if neither of the other two options is feasible. If, at no less than 90 days prior to anticipated permit issuance, Cal-Am has failed to secure sufficient acreage to mitigate for Project impacts to habitat, the prescribed fee will be assessed for any outstanding acreage and evidence of all fees having been paid into an approved account would be required prior to permit issuance. The mitigation measures and Special Conditions described above will ensure that impacts to ESHA are avoided, minimized, and mitigated to the maximum extent feasible. Nonetheless, the Project remains inconsistent with Coastal Act and LCP provisions requiring that development in ESHA be dependent on the habitat resources within the ESHA, as neither the well field nor pipeline components are dependent on those resources. Therefore, the Project may only be approved if it meets the requirements of Coastal Act Section 30260, as discussed below in Section P (Coastal-Dependent Industrial Facility Override).

Additional Project impacts

Another aspect of the Project is the required modification of the existing outfall the Project would use to discharge its effluent into Monterey Bay. These modifications would include replacement of some clamps on the existing outfall line, which is

[50] PG King. C Nelsen, JE Dugan, DM Hubbard, KL Martin, RT Battalio. 2018. Valuing beach ecosystems in an age of retreat. Shore and Beach 86(4): 45-59.

necessary to protect from corrosion. The clamp replacement is included as a mitigation measure required by the FEIR/FEIS and must occur before Cal-Am begins its facility operations. This work is proposed to occur during the treatment facility's low flow period in the summer, when most of its discharge is treated and used for agricultural irrigation. However, this would coincide with the Western snowy plover breeding and nesting season and would occur within the plover's critical habitat area on the beach. As described in the FEIR/FEIS, the installation work would likely require heavy equipment on the beach and foredune area, excavation of some amount of beach and dune habitat, installation of temporary fencing to protect the work area, and other activities that would result in temporary noise, disturbance, and occupancy of this critical habitat area for a six- to eight-week period during a critical time period for the species. The activities could disturb approximately a half-acre between the dunes and the beach. The FEIR/FEIS concluded that although activities associated with the clamp replacement could temporarily impact ESHA, impacts would be mitigated to a less than significant level through the implementation of mitigation measures identified in the FEIR/FEIS. However, such activities in dune habitat would be considered permanent due to their ground-disturbing nature and would not conform to Coastal Act Section 30240 (if the work is done in the Commission's retained jurisdiction) or LCP provisions that mirror that Section (for any work in the City's permitting jurisdiction) because it would be non-resource-dependent activity occurring in ESHA. For portions that would occur on the beach, Coastal Act Section 30230 would instead apply, requiring the protection of biological productivity and species of special biological significance, such as the plover.

A Project component that is not part of Cal-Am's current CDP application is the liner that must be installed within the existing ocean outfall pipeline to prevent the desalination facility discharge from corroding the outfall line (see description in Section III.I). The liner is included as one of the mitigation measures required by the FEIR/FEIS and must be installed before Cal-Am begins its facility operations.[51] Pursuant to an agreement between Cal-Am and M1W, the operator of the wastewater treatment plant, the liner is to be installed by M1W; however, neither entity has committed to a final design or applied for the needed permits for this work. As described above, this proposed work is not authorized under this permit although the impacts are considered to provide a comprehensive review of the Project. This outfall work will require a subsequent amendment of a CDP the Commission issued to M1W.

The preliminary analysis provided in the FEIR/FEIS anticipates that part of the liner installation would be done from the beach (and at or near the boundary between the City of Marina's LCP jurisdiction and the Commission's retained jurisdiction) and within areas of ESHA further inland within the CEMEX site and the City's LCP jurisdiction. Draft information provided by Cal-Am shows that work inland of the beach could require digging access pits at two sites along the outfall route within the City of Marina that

[51] The FEIR/FEIS imposed Mitigation Measure 4.13-5b requiring Cal-Am to install the liner to protect the outfall from corrosion. It required Cal-Am to include the proposed liner in its CDP application, described some of the potential impacts that might occur during installation, and noted that the work would be subject to other mitigation measures meant to reduce impacts to terrestrial biological resources.

consist of ESHA. As with the clamp replacement, work is proposed to occur during the treatment facility's low flow period in the summer, when most of its discharge is treated and used for agricultural irrigation. The excavation pit at each access point would be located directly above the outfall pipe and would not exceed a size of 12 feet by 25 feet. Soils would be stockpiled within the existing outfall right-of-way, which also constitutes ESHA, and topsoil would be stored in a separate pile for use in restoration following installation. This work, including access routes for heavy equipment to reach these sites, could result in direct adverse effects to up to about five acres of dune-associated ESHA. Because the work would again need to occur during low-flow times for the wastewater plant, this too would need to happen in late summer, during Western snowy plover breeding and nesting, and potentially within the plover's critical habitat area on the beach. The installation work would likely require heavy equipment on the beach and foredune area, excavation of some amount of beach and dune habitat, installation of temporary fencing to protect the work area, and other activities that would result in noise, disturbance, and occupancy of this critical habitat area during a critical time period for the species. Similar to ESHA impacts described above, the FEIR/FEIS concluded that implementation of CEQA-required mitigation measures would avoid or reduce potential impacts associated with the installation of the outfall liner, though they would also be subject to the avoidance, minimization, and compensatory mitigation measures similar to those imposed through the Special Conditions of this CDP. Nonetheless, these activities would not conform to Coastal Act Section 30240 or LCP provisions that mirror that Section for the dune portion because they would be non-resource-dependent activity that would occur in ESHA. And again, for portions that would occur on the beach, Coastal Act Section 30230 would apply.

Conclusion for Appeal
Based on the discussion above, the Commission finds that the Project, as proposed, does not conform to provisions of Habitat Protection policies in the City's LCLUP, including LCLUP Policies 25, 26, and 41 and those requiring that only uses dependent on habitat resources be allowed within primary habitat areas.

Conclusion for Consolidated CDP
Based on the discussion above, the Commission finds that the Project, as proposed, does not conform to the Coastal Act's ESHA policies.

However, because the Project is considered a coastal-dependent industrial facility, the Commission has the discretion to apply the three tests of Coastal Act Section 30260 and approve the Project notwithstanding its inconsistencies with Coastal Act and LCP provisions (see Section IV.P).

F. PROTECTION OF GROUNDWATER RESOURCES

Coastal Act Section 30231 states, in relevant part:

> The biological productivity and the quality of coastal waters, streams, wetlands, estuaries, and lakes appropriate to maintain optimum populations of marine organisms and for the protection of human health shall be maintained and, where feasible, restored through, among other means, minimizing adverse effects of waste water discharges and entrainment, controlling runoff, **preventing depletion of ground water supplies** … [emphasis added]

Background and Analysis

The groundwater aquifer system in this region is complex and includes several "stacked" aquifers – e.g., the Dune Sands Aquifer, the 180-Foot Aquifer, and the 400-Foot Aquifer – that are partially connected and are experiencing various degrees of seawater intrusion. Studies done as part of the CEQA review for the Project as well as subsequent modeling studies undertaken by Cal-Am concluded that the proposed Project's well field would have relatively limited effects on nearby groundwater resources. However, other entities point to other studies to identify greater potential for adverse impacts to nearby groundwater resources. In particular, they maintain that other modeling shows an increased likelihood that Cal-Am would extract a higher than anticipated percentage of "non-seawater" (i.e., water that includes some proportion of fresh or brackish water from the inland aquifer systems) and would therefore be required to return more water to the basin than previously anticipated in the Project's Return Water Agreement.[52] This outcome could substantially increase the costs to Cal-Am's ratepayers (as described in Section IV.I – Environmental Justice and Section IV.O – Assessment of Alternatives. In addition, some commenters have expressed concern that the Project would adversely affect the water supply wells of the Marina Coast Water District, which are located about two miles from the Project's proposed well field. Neither the CPUC in certifying the FEIR/FEIS nor the Commission's independent hydrogeologist (as part of Commission's review in 2020) found evidence concluding that such impacts would occur; however, the Commission's independent hydrologist recommended additional studies to more fully characterize the Project's likely effects on groundwater. Additionally, a pending lawsuit filed in 2020 by the City of Marina) is challenging Cal-Am's ability to withdraw more than 500 acre-feet per year of

[52] As noted in the Project Description, a Return Water Agreement between Cal-Am and the Monterey County Water Resources Agency, which was approved by the CPUC , provides that Cal-Am would have to monitor the water extracted from its wells, determine the proportion that is not fully seawater (by calculating the salinity of its extracted water as compared to that of seawater), and then return that volume to the Basin at substantially reduced prices, in the form of potable water to be supplied to the Castroville Community Services District. See CPUC Final Decision 18-09-17, Appendix H – Return Water Settlement. The Return Water Agreement is not related to CEQA environmental impacts, however. As noted by the CPUC, the FEIR/FEIS concluded that "with or without any return water component, the project's groundwater resources impact would be less than significant." *In the Matter of the Application of California American Water Company for Approval of the Monterey Peninsula Water Supply Project, etc.*, CPUC No. A-12-04-019, at p. 115 (Order Denying Rehearing of Decision, dated Feb. 5, 2019) (citing FEIR/FEIS at pp. 4.4-66, 4.4- 67, 4.4-71 and 4.4-72).

groundwater from the proposed well field location.[53] In that lawsuit, the trial court referred a series of issues to the State Water Board's Administrative Hearing Office for determination pursuant to Cal. Water Code § 2000.[54] After the Administrative Hearing Office's referee issues a proposed report and provides it to the State Water Board for consideration, the State Water Board will issue its final report and the SWRCB will send the report to the trial court to guide an adjudication of the case.[55] There is a trial date of October 23, 2023 in the litigation, so a trial court decision is not expected until late 2023 at the earliest.

Although the Project's potential impacts to area groundwater have been extensively analyzed in connection with the CEQA review relating to the Project, operation of the slant test well at the former CEMEX site, by the Commission's independent hydrology expert, and other analyses; however, some degree of uncertainty remains. Therefore, staff believes it is appropriate to require several Special Conditions to require additional protections. As described below, the Special Conditions are necessary to ensure that Cal-Am can withdraw its proposed volumes of groundwater from this site, that it can operate its wells in a manner that avoids harm to aquifers that are a source of drinking water for the City of Marina and MCWD, and that it provides adequate monitoring and reporting to identify potential impacts to other nearby groundwater users before they occur.

The CPUC's CEQA review of the proposed Project included extensive groundwater modeling and monitoring data from a number of monitoring wells, including monitoring wells that Cal-Am installed as part of a test slant well. In 2014, the Commission approved Cal-Am's CDP for installation of a test slant well at the former CEMEX site and included a special condition requiring Cal-Am to install monitoring devices in at least four wells nearby on the CEMEX site and at least one offsite well. This monitoring was meant to provide baseline water data and Total Dissolved Solids levels in those wells before the start of pumping from the test well and to help identify potential impacts through monitoring during test well operations.[56]

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[53] *City of Marina, et al. v. RMC Lonestar, et al.*, Monterey County Superior Court No. 20CV001387 (complaint filed May 11, 2020).

[54] Under this provision, a court may refer to the SCRWB any or all issues in a lawsuit involving water rights to obtain SCRWB's determination; however, SCRWB's determination is not binding on the court.

[55] The SWRCB's determination is not binding on the trial court. Under Water Code section 2019, "[t]he report filed by the board is prima facie evidence of the physical facts therein found; but the court shall hear such evidence as may be offered by any party to rebut the report or the prima facie evidence."

[56] In litigation challenging the Commission's approval, the Court found that the Commission had not abused its discretion in relying on monitoring wells to evaluate the test well's potential impacts to groundwater supplies and water quality. *Marina Coast Water District v. Coastal Commission*, No. H042742, 2016 WL 6267909 (Cal. Ct. App. Oct. 26, 2016).

The CPUC's CEQA review included establishment of a Hydrologic Working Group ("HWG") to help develop these monitoring and modeling methods and to assess the resulting studies.[57] Those studies and pump tests at the test well identified a relatively limited "zone of influence" around Cal-Am's proposed well field, and the CEQA review concluded that Cal- Am's proposed extraction of groundwater from the 180-Foot Aquifer in this area would have less than significant effects with regards to groundwater depletion or recharge. These findings and conclusions were incorporated into the CPUC's FEIR/FEIS, which was published in 2018. The CPUC subsequently certified the FEIR/FEIS and authorized a Certificate of Public Convenience and Necessity for the MPWSP in 2018.[58]

In the CEQA review and the CPUC proceeding to certify the FEIR/FEIS, other interested parties presented additional studies and analyses which raised competing views about the type and extent of the likely effects that Cal-Am's intake wells would have on area groundwater supplies. Key areas of concern or disagreement included whether the data used in Cal-Am's modeling and monitoring studies were adequate to characterize conditions of the affected aquifers and the likely or potential effects of Cal-Am's water extractions from those aquifers, whether Cal-Am's proposed extractions would induce seawater intrusion or would remove greater volumes of "non-seawater" than predicted, or whether the Project's pumping would adversely affect any water in those aquifers that may be suitable to treat as fresh water or drinking water. In particular, the City of Marina and the Marina Coast Water District concluded that Cal-Am's proposed use of groundwater from this area would have substantially greater adverse effects than had been identified during the CEQA review and the CPUC proceeding to certify the FEIR/FEIS, including adverse effects on the groundwater the City and Water District rely upon for drinking water supplies.

Data adequacy: Some of the main reasons for disagreement among the studies were their use of different baseline standards, data collection methods, and modeling approaches. For example, Cal-Am's studies were focused in part on determining how much "non-seawater" Cal-Am's wells would extract – that is, what proportion of the water withdrawn through Cal-Am's wells would not be fully seawater but would include brackish or fresh water that could be useful or treatable groundwater within the Salinas Valley Groundwater Basin. As noted above, the Basin has a prohibition of exporting such water outside the Basin boundaries, and pursuant to the CPUC-approved Return Water Agreement, Cal-Am would return any such portion that is not considered seawater. Some of the criteria Cal-Am used were different than those used in other studies – for example, the concentrations of Total Dissolved Solids ("TDS") used to

[57] See documentation provided on Cal-Am's MPWSP website at https://www.watersupplyproject.org/test-well (accessed September 1, 2022). The HWG is comprised of two hydrogeologists working on behalf of Cal-Am and one each working for the Salinas Valley Water Coalition and the Monterey County Farm Bureau.

[58] CPUC No. A-12-04-019, Decision dated September 13, 2018, as modified and affirmed Feb. 5, 2019).

identify fresh water, brackish water, and seawater.[59] Some studies were based on entirely different data collection methods than those used by Cal-Am – for example, the City used an Airborne Electromagnetic ("AEM") survey to augment its hydrogeological data and modeling.[60] In addition, the City argued that a study published in 2018 ("AEM Study"), which used the AEM modeling, indicated that Cal-Am's wells would extract substantially greater volumes of "non-seawater" than had been projected.[61] A preliminary version of the AEM Study was submitted by MCWD following the close of the public comment period on the Draft EIR, and the final AEM Study was submitted after publication of the FEIR/FEIS. The FEIR/FEIS addressed the AEM Study in detail and concluded that its results were consistent with hydrogeologic data reviewed in the CEQA process: "The results showed a distribution of groundwater chemistry that is consistent with the findings of the HWG hydrogeologic investigation and generally consistent with the salinity mapping for the 180-Foot and 400-Foot Aquifers published by the MCWRA. The Stanford study also provides data to help interpolate between control points provided by the MPWSP monitoring network and confirms the work completed for the hydrogeologic investigation regarding the distribution of water quality in the MPWSP study area."[62] In the prior CPUC proceeding to certify the FEIR/FEIS, the City of Marina and MCWD filed a motion for a rehearing, arguing that that the FEIR/FEIS erred because it did not alter its characterization of the environmental baseline in light of the data in the AEM Study. In 2019, the CPUC denied the rehearing request.[63] Since then, the City of Marina has argued in the pending lawsuit against Cal-Am (for which there is a State Water Board reference proceeding underway) that a more recent 2020 AEM study published by the same authors as the 2018 study

[59] Cal-Am's modeling efforts characterized "fresh" water as having TDS concentrations lower than 500 milligrams per liter ("mg/l"), which is based on California's recommended drinking water objective of no greater than 500 mg/L (per California Code of Regulations, title 22, division 4, chapter 15, article 16, section 64449, Table 64449-B (Consumer Acceptance Contaminant Level Ranges). Others were based on "fresh" water having TDS concentrations of less than 3,000 mg/l, which is based on the State Water Board's Resolution 88-63 – Sources of Drinking Water that identifies groundwater at those concentrations as suitable for drinking water, if treated.

[60] AEM is a relatively new technique for determining various characteristics of groundwater and aquifers. Its approach is one of geophysics rather than hydrogeology, and therefore involves an entirely different approach than that used in previous Cal-Am monitoring and modeling work. As a result, it is difficult to compare the two.

[61] Knight, R. et al., *Interpretation of Hydrostratigraphy and Water Quality from AEM Data Collected in the Northern Salinas Valley, CA*, Geo Frameworks, Marina Coast Water District (March 2018).

[62] FEIR/FEIS, p. 4.4-36.

[63] CPUC No. A-12-04-019, at p. 115 (Order Denying Rehearing of Decision, dated Feb. 5, 2019). After the CPUC denied the re-hearing request, the City of Marina and MCWD filed a direct petition for a writ of review to the California Supreme Court, which did not grant review.

demonstrates that the desalination facility would adversely affect the aquifers that are a source of drinking water for the City of Marina and MCWD.[64]

Additionally, two recently published peer-reviewed papers contend that some of the modeling Cal-Am conducted provided results that could almost only have occurred due to errors or mis-application of the collected data.[65] Arguments regarding data corruption were previously presented several times to the CPUC, which rejected those arguments.[66] A party to the prior CPUC proceeding to certify the FEIR/FEIS (Water Plus) has renewed those arguments in an August 2022 petition to the CPUC to modify the CPUC's decision, and that petition is currently pending.

Some of these issues and areas of disagreement cannot be fully resolved without additional data collection and monitoring, and some will not be determined unless and until Cal-Am actually conducts pumping. Cal-Am does not need a permit or water right for its withdrawal of seawater. However, Cal-Am would need to obtain appropriative rights for its extraction of the "non-seawater" portion of the water it extracts. To obtain those rights, it would have to establish that its use of that water was not harming other existing lawful water users in the Basin.[67]

To reduce some of the existing uncertainties to determine whether the proposed Project would conform to the groundwater protection provision of Coastal Act Section 30231, Commission staff, as part of its prior review of the Project, contracted with an independent licensed hydrogeologist to review some of these studies and conclusions, to conduct additional analyses, and to reach independent conclusions about these issues. The initial review, prepared in November 2019,[68] concluded that there were several substantial remaining uncertainties about how Cal-Am's extraction of groundwater may affect the groundwater basin and the amount of potentially usable

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[64] Knight R., et al., Gottschalk et al., Using an Airborne Electromagnetic Method to Map Saltwater Intrusion in the Northern Salinas Valley, CA, 85 GEOPHYSICS B119-131 (July 2020).

[65] See Weitzman, R.A., Tuning a Model in Climatology and Calibrating One in Hydrogeology: An Informative Comparison, in American Journal of Theoretical and Applied Statistics, May 12, 2022, and Weitzman, R.A., From Divining Rods to Statistics: A Forensic Analysis of the Misuse of Statistics in the Estimation of Environmental Impact, in Chance, pages 18-20, November 17, 2021.

[66] See. e.g., CPUC No. D.18-09-017, Application of California-American Water Company for Approval of the Monterey Peninsula Water Supply Project and Authorization to Recover All Present and Future Costs in Rates, dated September 13, 2018 ("D.18-09-017"), Appendix J, CPUC Memorandum Re: Responses to Comments Received After Publication of MPWSP Final EIR/EIS, p. 2 ("Water Plus has provided no direct evidence to support the data tampering accusation. Rather, the evidence in the record (including but not limited to Final EIR/EIS Master Response 12: The North Marina Groundwater Model (v. 2016), and FEIR/FEIS Section 8.6.20) indicates that the data tampering accusations are false…").

[67] See FEIR/FEIS, Chapter 2 – Water Demand, Supplies, and Water Rights; see also SWRCB Letter to CPUC, dated July 13, 2013.

[68] See Weiss Associates, Independent Hydrogeological Review of Recent Data and Studies Related to California American Water's Proposed Monterey Regional Water Supply Project, November 1, 2019.

groundwater within the area. That review concluded that the prior HWG modeling did not adequately characterize some aspects of the underlying aquifers and some of Cal-Am's potential effects on those aquifers. It also concluded that although Cal-Am's proposed groundwater extraction would likely have limited to negligible effects on the rate of seawater intrusion in the area, it appeared that Cal-Am's wells could extract greater volumes of non-seawater than had been previously identified, which would increase the amount of water Cal-Am would need to return to the Basin pursuant to the Return Water Agreement. It also recommended that additional data collection and modeling were needed to further reduce the degree of uncertainty about expected impacts, although it also suggested that some of that uncertainty and potential impacts could be reduced by ensuring that the screened sections of Cal-Am's wells extended further seaward so they could extract a greater percentage of seawater from beneath Monterey Bay.

After the Commission's November 2019 hearing, Cal-Am agreed to fund some of these additional recommended analyses to allow for further reduction in uncertainties about the proposed Project's effects on groundwater and to better determine the amount of "non-seawater" likely to be extracted by Cal-Am's wells. Results of this review included the following conclusions:[69]

- The additional modeling suggests the amount of recharge into the aquifers – from precipitation, irrigation water percolating downward, etc. – would affect the percentage of seawater extracted by the wells. The previous modeling did not include this recharge component and showed that the wells would initially pump about 85-90% seawater and that the percentage would increase to about 96-99% after the first three years of operation. This updated modeling shows that the amount of seawater withdrawn would not reach that expected steady state of 96-99%, but rather would vary based on whether it was a wet or dry season, how much irrigation occurred, and other factors. As described below, this aquifer characteristic is likely to result in Cal-Am needing to return more water to the Salinas Valley Groundwater Basin during wet years, pursuant to the Return Water Agreement.
- This most recent modeling also concluded that the amount of seawater extracted would vary due to the direction and slope of the groundwater gradient; that is, an aquifer gradient from the shoreline to inland areas, which is currently the most common condition, would result in extraction of a higher percentage of seawater, while a flat gradient or shoreward gradient would result in extraction of a higher percentage of non-seawater. This latter condition could be developed through the upcoming implementation of the Salinas Valley Groundwater Management Plan; however, even with a flat or shoreward gradient, the modeling showed that it could take several decades to increase the percentage of non-seawater, due to the large volumes of seawater that have already intruded to inland areas of the aquifer system.

[69] See Independent Evaluation, Modification, and Use of the North Marina Groundwater Model to Estimate Potential Aquifer Impacts, July 2020, which was provided as Exhibit 12 of Commission staff's September 2020 staff report on Cal-Am's proposed project.

- The modeling determined that the "capture area" from which Cal-Am's wells could capture non-seawater from the upper Dune Sand Aquifer could cover up to about 2.5 square miles.
- The recent modeling also identified areas of expected groundwater drawdown beneath several nearby wetland and vernal pond areas. This is described further in Section IV.G of these Findings.

This second review also recommended that additional modeling be done to further evaluate and describe potential groundwater impacts. For example, some of these conclusions are derived from use of a "steady state" model rather than a "transient" model that incorporates more dynamic modeling aspects, such as relatively short-term aquifer changes that result from seasonal changes in rainfall or irrigation and can better account for the amount of groundwater storage in the aquifers. The review also includes several specific recommendations on various components of that transient model to help adequately capture some of the expected reduction in uncertainty.

In July 2020, the above-referenced Hydrogeologic Working Group (HWG) submitted a critique of this most recent review.[70] Although this critique identified several concerns related to this recent modeling, it concurred that the Commission's independent reviewer reached a reasonable conclusion that the amount of seawater in the water withdrawn from Cal-Am's well field would range from about 88 to 99% and would vary in response to precipitation, agricultural pumping rates further inland, and other considerations. In July 2022, Cal-Am provided an updated analysis by the HWG that described results of the HWG's implementation of the scope of work that Weiss had previously proposed in the June 2020 review. This more detailed evaluation included additional modeling with several changed parameters as suggested by Weiss and determined that the range of non-seawater extracted under some conditions could be substantially greater – up to about 20%. As noted above, the modeling done during Cal-Am's CEQA review concluded that Cal-Am's water withdrawal would reach a steady state of 96-99%. Pursuant to the above-referenced Return Water Agreement, this would result in Cal-Am needing to return no more than about 700 acre-feet of water per year to the Salinas Valley Groundwater Basin. The updated modeling, however, shows that during years with higher precipitation rates, lower inland pumping rates, or other reasonably foreseeable conditions, Cal-Am could be required to return substantially more water to the Basin.

From a perspective of protecting groundwater resources, the CPUC's requirement that Cal-Am return any non-seawater to the Basin as specified in the Return Water Agreement is meant to ensure that the Project does not conflict with the Basin's prohibition against groundwater being exported from the Basin. In addition, if any party was harmed by Cal-Am's pumping of larger than expected quantities of non-seawater, they could challenge Cal-Am's ability to obtain appropriative rights to that groundwater. This increased return water requirement could also affect Project feasibility and cost, as described in Section IV.I – Environmental Justice and Section IV.O – Assessment of

[70] Hydrogeologic Working Group Comments on Weiss Report, July 10, 2020.

Alternatives. Essentially, because any higher return water volumes could result in additional costs to Cal-Am that it might seek to cover through additional cost recovery requests to the CPUC, the increased need to return water could substantially increase the costs to members of disadvantaged communities and to all Cal-Am ratepayers. However, Cal-Am is prohibited from passing such additional costs onto ratepayers unless the CPUC were to modify its decision approving the Project.

To address concerns related to Coastal Act Section 30231's provision for protection of groundwater supplies, Cal-Am revised its Project to include several new components. It now plans to extend its slant wells to be at least 1,000 feet long so as to maximize the amount of seawater they extract. It also plans to build the Project in phases, so that an initially smaller Project will both require less pumping and allow opportunities to monitor for potential adverse effects before the full Projects implemented. Cal-Am also proposes some additional monitoring measures and has committed to hold public hearings to present its monitoring results.

Even with these recent commitments, there will still be uncertainty about the effects of Cal-Am's groundwater pumping from this location. To provide additional protection and avoid or minimize potential impacts, the Commission is imposing several Special Conditions. **Special Condition 1** requires, prior to permit issuance, that Cal-Am submit the final decision in the above-referenced litigation, which is expected to adjudicate Cal-Am's right to extract groundwater and identify the amount of groundwater Cal-Am would be able to extract from its Project site (among other issues). **Special Condition 11** requires Cal-Am to install its wells to reach at least 1,000 feet seaward, if feasible, and if during installation it is found to be infeasible, to submit a revised plan for Executive Director approval, or an amended CDP (if the Executive Director determines it is necessary), showing the revised installation and that identifies any expected changes in the proportion of seawater to be extracted. To provide further protection for other groundwater users in the Basin pursuant to Coastal Act Section 30231, **Special Condition 12** requires Cal-Am to submit a monitoring and reporting plan, which is to be reviewed by an independent third-party to be funded by Cal-Am, that identifies monitoring measures that Cal-Am will implement to provide an "early warning" of any depletion of groundwater supplies resulting from Cal-Am's water extractions and goes beyond the requirements of Applicant Proposed Measure 4.4-3 in the Final EIR/EIS. This is intended to identify any precursors to potential effects Cal-Am's pumping may have on nearby freshwater sources and on any increasing seawater intrusion that may affect other uses, and to avoid other similar concerns through the implementation of additional analysis and any necessary remedial action long before any potential harm could occur.

Conclusion

Even though there is uncertainty about the potential impacts Cal-Am's water extraction would have on other users in the Basin, the analyses and Special Conditions described above allow the Commission to determine the Project will be protective of groundwater resources and therefore consistent with the relevant provision of Coastal Act Section 30231.

G. Environmentally Sensitive Habitat Areas - Wetlands and Vernal Ponds

Section 30231 Biological productivity; water quality

> The biological productivity and the quality of coastal waters, streams, wetlands, estuaries, and lakes appropriate to maintain optimum populations of marine organisms and for the protection of human health shall be maintained and, where feasible, restored through, among other means, minimizing adverse effects of waste water discharges and entrainment, controlling runoff, preventing depletion of ground water supplies and substantial interference with surface waterflow, encouraging waste water reclamation, maintaining natural vegetation buffer areas that protect riparian habitats, and minimizing alteration of natural streams.

LCLUP Exhibit A states:

> **Primary habitat.** This term includes all of the environmentally sensitive habitat areas in Marina. These are as follows:
> 1. Habitat for all identified plant and animal species which are rare, endangered, threatened, or are necessary for the survival of an endangered species. These species will be collectively referred to as "rare and endangered."
> 2. Vernal ponds and their associated wetland vegetation. The Statewide Interpretive Guideline for Wetlands and Other Wet Environmentally Sensitive Habitat Areas (California Coastal Commission, February 14, 1981) contains technical criteria for establishing the inland boundary of wetland vegetation...
>
> **Secondary habitat.** This term refers to areas adjacent to primary habitat areas within which development must be sited and designed to prevent impacts which would significantly degrade the primary habitat. The secondary habitat area will be presumed to include the following, subject to more precise determination upon individual site investigation:
> 1. The potential/known localities of rare and endangered plant species as shown on LUP p. 71 ("Disturbed Vegetation" map).
> 2. The potential wildlife habitats as shown on LUP p. 75 ("Potential Wildlife" map).
> 3. Any area within 100 feet of the landward boundary of a wetland primary habitat area.
>
> **Rare and endangered species.** This term will apply to those plant and animal species which are rare, endangered, threatened or are necessary for the survival of such species. The Environmental Analysis Report prepared for the Marina Local Coastal Program identified such species in the dune habitat areas. While future scientific studies may result in addition or deletion of species, the list presently includes:
>
> 1. Smith's Blue Butterfly **(**Shijimiaeoides enoptes smithi**)**[71]

[71] This name has been updated since publication of the LCP – it is now Euphilotes enoptes smithi.

2. Globose Dune Beetle **(**Coelus globosus**)**
3. Black Legless Lizard **(**Anniella pulchra nigra**)**
4. Salinas Kangaroo Rat **(**Dipodomys heermanni goldmani**)**
5. Seaside Painted Cup **(**Castilleja latifolia ssp. Latifolia**)**
6. Monterey Spine Flower **(**Chorizanthe pungens var. pungens**)**
7. Eastwood's Ericameria **(**Ericameria fasciculate**)** [sic][72]
8. Coast Wallflower **(**Erysimum ammophilum**)**
9. Menzies' Wallflower **(**Erysimum menziesii**)**
10. Coastal Dunes Milk Vetch **(**Astragalus tener var. titi**)**
11. Dune Gilia **(**Gilia tenuiflora var. arenaria**)**
12. Wild Buckwheat **(**Eriogonum latifolium**)***
13. Wild Buckwheat **(**Eriogonum parvifolium**)***
14. Bush Lupine **(**Lupinus ssp.**)+**

* only within the range of Smith's Blue Butterfly.
+ only within the range of the Black Legless Lizard.

LCLUP Habitat Protection Policies include:

> Before any use or change in use, areas identified as potential habitat for rare and endangered plant or animal species shall be investigated by a qualified biologist to determine the physical extent of the primary habitat areas for the specific rare and endangered plants and animals on that site.
>
> Primary habitat areas shall be protected and preserved against any significant disruption of habitat values and only uses dependent on those resources shall be allowed within those areas. All development must be sited and designed so as not to interfere with the natural functions of such habitat areas. Management and enhancement opportunities should be incorporated into use or development proposals; potential impacts shall be fully mitigated, including the assurance of long-term mitigation and maintenance of habitat through the use of appropriate acreage replacement/restoration ratios for any unavoidable direct impacts to habitat areas.

LCP Policy 24 states:

> To protect and encourage the restoration of the vernal ponds to their original state and allow only those uses adjacent which will reinforce and conserve the unique habitat qualities of these ponds.

Cal-Am's Project has the potential to indirectly affect wetlands and vernal ponds in the surrounding area. Vernal ponds are generally considered wetlands for purposes of the Coastal Act; however, the City's LCP further specifies that vernal ponds and their associated wetland vegetation are a type of primary habitat and are thereby considered ESHA. Vernal ponds are relatively rare and often biologically important seasonal wetlands used during avian migration and amphibian breeding seasons. Further, since

[72] The correct spelling is Ericameria fasciculata.

the Project does not include direct impacts through fill or dredging of wetland areas that would be addressed under Section 30233 of the Coastal Act, indirect impacts to wetlands are assessed here under Section 30231 and the relevant LCP policies listed above.

The LCP and other City and County planning documents identify several areas within the expected groundwater drawdown zone of Cal-Am's well field as vernal ponds and wetlands, and data from the National Wetlands Inventory suggests the presence of several more (see **Exhibit 7**). Among the closest, approximately 1,000 feet from the nearest the well field, are several dozen acres on either side of Highway One south of Lapis Road, known as the Armstrong Ranch Ponds. They are within the County's coastal zone and are designated "Habitat Reserve and Other Open Space." This complex of vernal ponds is generally dry at the surface for part of the year and floods in the spring during periods of precipitation, though they are occupied year-round by marsh vegetation species. They also represent an important habitat feature for a number of avian species including sensitive California coast horned lark and loggerhead shrikes as well as other, particularly during migration season, and provide potential breeding habitat for any of several amphibian species as well as fairy shrimp. Other smaller biologically important vernal ponds are in the drawdown zone and within the City of Marina, though somewhat further from the well field. The FEIR/FEIS identified several vernal ponds and wetlands at and near the CEMEX site and near the various Project pipeline routes.

Potential Impacts

As described in the FEIR/FEIS, construction activities have the potential to result in runoff, dust, noise and disturbance to surrounding wetland areas, so it requires several mitigation measures meant to reduce these impacts to less than significant levels. Another potential indirect impact from the Project on surrounding wetlands could be from drawdown of groundwater levels resulting from Cal-Am's pumping from its well field. The FEIR/FEIS determined that although wetland areas were located within the drawdown zone of the pumps, these wetland areas were likely "hydrologically disconnected" from the underlying groundwater and would therefore not be affected by the pumping.

After the conclusion of the CEQA review, and after the Commission's November 2019 hearing, Commission staff received an April 2020 analysis provided by the City of Marina that described many of these wetland areas as "groundwater-dependent ecosystems" ("GDEs") and identified potential adverse effects due to the groundwater drawdown.[73] GDEs include various types of wetland areas with hydrology supported entirely or in part by underlying groundwater. They include permanent, seasonal, and temporary wetlands (including vernal ponds) that change in extent and depth in response to changes in underlying groundwater elevations.

[73] Formation Environmental, April 13, 2020. The analysis considers both freshwater and saltwater marsh as well as willow riparian forest habitats associated with the City's wetlands as groundwater-dependent and therefore vulnerable to draw-down from vegetation roots zones, reduces surface hydroperiods, etc.

The City's GDE review identified several previously unknown potential adverse effects on several nearby vernal ponds and other wetlands. It included data and analyses indicating that several of these areas do not appear to be the "perched" wetlands presumed during CEQA review but appear to be connected to the underlying groundwater within the shallow Dune Sands Aquifer that underlies this area. The GDE review described data collected from Cal-Am's monitoring wells closest to some of these areas during Cal-Am's approximately two-year pump test, which included about two dozen events where groundwater drawdown and recovery was correlated with the start and stop of pumping activities. At the Armstrong Ranch vernal pond complex, the City's review identified a relatively immediate groundwater drawdown/response of about one foot. The review also notes that the groundwater underlying these areas has variable salinity levels (from slightly brackish to nearly the same as seawater), suggesting it has sources other than the primarily fresh water that would be expected from precipitation. Additionally, it observes that the overlying habitat includes vegetation species adapted to this range of salinity variation.

Later, in June 2020, Commission staff received a report from the Commission's independent hydrogeologist that described additional groundwater modeling conducted in addition to that done previously as part of CEQA review and by Cal-Am (this report is more thoroughly described in Section IV.F of these Findings).[74] Part of the additional modeling was meant to identify expected groundwater drawdown levels beneath nearby vernal ponds and wetlands that could result from Cal-Am's longer-term pumping operations. This report identified such modeled drawdowns of between about two to four feet beneath the closest of these features – at the Armstrong Ranch Ponds – and attenuating at more distant features – for example, to just under one foot drawdown at the Lake Drive Pond within the City, which is about 1.6 miles from the Project well field. These drawdown levels appear to be fairly consistent with those the City identified in its above-referenced GDE review; for example, Cal-Am's test well pumping at about three mgd showed a one-foot drawdown at the Armstrong Ranch vernal pond complex, whereas modeling based on Cal-Am's initially proposed project that would have withdrawn about 16 mgd shows about a four-foot drawdown.

The City then provided a July 2020 report updating the 1994 CVCMP with a current assessment of hydrologic conditions and biological resources at six of the seven vernal ponds within or adjacent to its jurisdiction.[75] While the report did identify some limited changes to the ponds including new pockets of wetland vegetation supported by freshwater runoff and expanded willows, it also concluded that all six areas revisited have remained approximately as described in the original 1994 CVCMP. Importantly, it also determined that they should all be considered GDEs on the basis of a suite of ecological indicators accounting for source water quality, growth patterns, and

[74] Weiss Associates, July 10, 2020.

[75] See WRA Environmental Consultants, Biological Resource and Groundwater Dependency Analysis of Marina Vernal Ponds, prepared for City of Marina, July 30, 2020.

vegetation condition in summer months, and that as GDEs, these sensitive habitats would be vulnerable to any significant changes in groundwater levels.

Effects of drawdowns

These recent analyses, submitted by the City, although not comprehensive, suggest that changes in groundwater levels associated with drawdown from the proposed pumping could adversely affect the functions and values at up to several dozen acres of these vernal ponds and wetlands, primarily at the Armstrong Ranch Ponds, and possibly at other nearby wetlands. Because the City's analyses and those submitted by Cal-Am and its consultants diverge on key points, it is difficult to precisely determine the specific nature and magnitude of expected effects, if any, as they would vary by vegetation and wildlife species, by temporal changes in precipitation and natural variation in groundwater levels, by the location in the landscape of the wetland features, and various other factors and could not be definitively identified until after Project operations begin. Under the phased Project, potential effects are likely to be less, since Phase I would extract less water, but the differences have not yet been adequately quantified. The groundwater drawdowns could result in the following types of adverse effects:

- Reduction of surface water extent and depth
- Temporal losses of vernal pond functions and values, including shifts in the timing of surface flooding as well as reduced durations of flooding.
- Reduction of wetted area around the root zones of marsh or aquatic vegetation.
- Reduction in species diversity.
- Reduction in habitat resilience.

To address these concerns, Cal-Am has recently proposed developing an adaptive management program with two stages. In the first, Cal-Am would collect supplemental data and monitor vernal ponds and wetlands within the Project's drawdown zone during the first five years of operations. If the results of that effort showed that there was no connection between well operation and conditions at the wetlands and vernal ponds, no further action would be taken. However, if a connection was determined to exist, Cal-Am would move into a second phase, where it would develop a second plan that would evaluate and mitigate impacts, and potentially bring that plan back to the Commission for consideration. Given the many environmental factors that might reasonably affect vernal ponds and wetlands, including fluctuations in annual precipitation associated with drought or El Nino years, and the complex interactions among changing groundwater elevations and the presence and distribution of different species with variable responses to those changes, it would be difficult to monitor Project effects without adequate reference sites or baseline data for many of these areas. In addition, disagreement concerning the zone of potential drawdown influence exists. It would likewise be difficult to ensure adequate mitigation for any adverse effects, in part due to the potential extent of the effects – which could cover up to several dozen acres of wetlands and vernal ponds – and also due to the difficulty in identifying sites where creating or restoring wetland or vernal ponds could be successful and would not result in the conversion of other sensitive habitats.

To ensure the Project remains consistent with Coastal Act Section 30231 and LCP Habitat Protection Policies, **Special Condition 13** requires Cal-Am to develop a robust adaptive management program to detect any potential impacts the Project may have on the Project's expected drawdown area plus a buffer area extending a minimum of 50% of the distance from the pumping area to the edge of the drawdown zone to account for uncertainty in the zone of potential influence. The program would require a minimum of two years of monitoring immediately prior to Project operations, to provide some level of baseline to compare against, as well as identification and monitoring of reference sites appropriate for the different wetland types within the monitoring area. Monitoring parameters would address wetland geometry (I.e., horizontal extent as well as depths of surface water, saturation), characterization of hydrologic sources (i.e., groundwater and surface inputs), variability in water quality and hydroperiods, vegetation communities, and sensitive plant and animal species habitat and use. Remote-sensing methods would be used along with on-the-ground sampling efforts, and reports would be provided annually. Cal-Am would be required to provide for a third-party review, which would be selected by the Executive Director in consultation with the City of Marina, to aid in interpreting complex monitoring results. Should the results of this Stage 1 effort suggest that there is a connection between the Project's pumping and vernal ponds or other wetlands, Cal-Am would be required to return to the Commission for a permit amendment with a plan to continue monitoring and provide compensatory mitigation for any observed or future impacts.

Conclusion

With this protective **Special Condition 13**, the Project can be found consistent with the provisions of Coastal Act Section 30231 and the above-referenced provisions of the LCP requiring that "[p]rimary habitat areas [will] be protected and preserved against any significant disruption of habitat values," and that it will ensure the maintenance of the biological productivity and the quality of coastal wetlands.

H. COASTAL HAZARDS

Coastal Act Section 30253 states, in relevant part:

> New development shall do all of the following:
> (a) Minimize risks to life and property in areas of high geologic, flood, and fire hazard.
> (b)Assure stability and structural integrity, and neither create nor contribute significantly to erosion, geologic instability, or destruction of the site or surrounding area or in any way require the construction of protective devices that would substantially alter natural landforms along bluffs and cliffs…

The LCLUP states:

> Before development is permitted in the Coastal Zone, a geotechnical report appropriate to the specific proposal shall be prepared for that development in the dunes or in the vicinity of any vernal pond. The report shall include at least geologic and seismic stability, liquefaction potential, identification of an appropriate hazard setback to protect the economic life of structures, and specific recommendations on drainage, irrigation and mitigation of identified problems. Report contents shall comply with guidelines of the California Division of Mines and Geology.
> …
> No new development shall be permitted which will require the construction of shoreline protection structures unless such development is in accordance with the provisions of the “Small Boat Harbor” section of this Land Use Plan, or when such structures are necessary to serve coastal dependent uses (as defined in the Coastal Act) or to protect publicly owned beaches from erosion.

The LCLUP states:

> Tsunami Hazard: Tsunamis are seismic sea waves, often erroneously called “tidal waves.” Because of the height and depth of the Coastal dunes in Marina, inland areas are not within the tsunami hazard zone. The areas most subject to tsunami in Marina are the sandy beaches and dunes. With an adequate tsunami warning system, there is no significant tsunami threat to beach users. Since there is little development within the tsunami run-up zone, there is little present threat. Future development should not occur in the tsunami run-up zone (on the sandy beaches and foredune area).

The LCP’s North of Reservation Road Planning Area requires proposed development consider:

> Public safety and vulnerability to wave erosion.
>
> Tsunami and other coastal hazards.

The LCLIP states:

> **Standards for Coastal Protection Structures:** Except for a few facilities associated with sand mining, there currently is little capital investment to be threatened by erosion along Marina's shoreline. The face of the dunes is subject to wave erosion, so future development shall be placed beyond the area vulnerable both to wave erosion and tsunami hazard. This setback shall be great enough to protect the economic life of the proposed development (at least 50 years) and be east of the tsunami hazard zone. The exact extent of this setback shall be determined by a qualified geologist, selected from an approved list compiled and maintained by the City. Because of variation from site to site, the setback line shall be determined at the time development of a site or parcel is proposed.
>
> Protective structures are not recommended in Marina; however, if they should ever be necessary, standards shall be established to ensure that the type of protection, location, design and other factors are considered. In determining if it is suitable to issue a coastal permit for a shoreline structure, the following shall be addressed: (1) alternatives to a protective structure shall be determined and evaluated by appropriate specialists first; and (2) an EIR/EIS shall be required on the proposed structure. The EIR/EIS shall address specific issues of Local Coastal Land Use Plan concern, construction and maintenance. The environmental evaluation and mitigations shall be prepared by qualified specialists and shall address at a minimum the following specific issues and design considerations.

Coastal erosion and sea level rise

Background: The well field would be just inland of the actively eroding shoreline of Monterey Bay, with the existing test well located about 600 feet inland and the other proposed wells to be located about 800 feet inland. The Bay shoreline near Cal-Am's proposed well field has exhibited the highest annual erosion rates in the state, due in part to relatively high levels of wave energy and the easily erodible sand that makes up most of the Bay shoreline. The area has experienced, and will likely continue to experience, storm-driven erosion that results in losses of as much as 100 feet of beach during a single event. Erosion along this stretch of shoreline also results in the recession inland of the dune system located adjacent to the beach. As the beach erodes, the dune profile moves inland, though not necessarily at the same rate as the shoreline or with the same dune profile.

Along with the natural shoreline processes that drive coastal erosion in this area, a substantial additional contributor has been the sand mining that occurred at the CEMEX facility over many decades. CEMEX's removal of more than 100,000 cubic yards of sand annually from the nearshore area served to reduce the sand supply along the shoreline, thereby exacerbating the ongoing natural erosive processes. As detailed below, although the sand mining operations have ended, the shoreline is expected to continue having a relatively high erosion rate.

In recognition of the area's high erosion potential, the LCP requires that development be located inland of areas near the shoreline that are vulnerable to erosion. The FEIR/FEIS included an assessment of the effects of sea level rise and coastal erosion on the proposed well field and the most seaward sections of the Source Water Pipeline. Coastal erosion studies during early stages of the Project's environmental review showed that the then-proposed well field could be affected by coastal erosion expected during the Project's operating life. Cal-Am then relocated the proposed well heads about 400 feet further inland to their currently proposed location. For these new locations, the FEIR/FEIS modeled "stand-alone" expected erosion rates as well as those same rates when accompanied by 100-year storm events. It found that expected erosion by 2060 would remove about 300 feet of the beach and dune profile and that adding a 100-year storm event would remove an additional 130 feet for a total of 430 feet. This analysis showed that most of the well field would escape erosion until 2060, although the existing test well that Cal-Am proposes to convert to a permanent well would likely be affected sooner, as it is about 200 feet closer to the current shoreline than the other wells.

To address the anticipated erosion hazard, the FEIR/FEIS included a mitigation measure requiring Cal-Am to monitor the rate of coastal retreat and to determine, based on the identified and expected annual erosion rate, when there are no more than five years before the wells would become exposed due to erosion.[76] At that point, Cal-Am would be required to start the planning and permitting needed to abandon the wells in accordance with state well destruction requirements, and upon receipt of the necessary approvals, Cal-Am would remove the wells. As noted above, Cal-Am expects its wells to have useful lives of only about 20 to 25 years before they need to be relocated, so it does not expect that they would be affected by erosion.[77]

However, this CEQA analysis was done in 2016 and was based on sea level rise guidance and scenarios that have been superseded by more recent state and Commission guidance that anticipates more rapid, and greater, sea level rise.[78] For example, the projections used in the FEIR/FEIS anticipated sea level rise of 15 inches by 2040 and 28 inches by 2060, whereas the currently applicable projections for the Monterey Bay area anticipate a range of sea level rise in 2040 of between about 15 and 20 inches and a 2060 range of 31 and 46 inches (increases of up to 33% and 64%, respectively). The assessments were also done before completion of the CEMEX Settlement, which requires CEMEX to permanently stop its sand mining operations by the end of 2020, so they do not reflect what the expected erosion rates will be after CEMEX ceases removing large amounts of sand from this stretch of shoreline.

[76] See FEIR/FEIS Mitigation Measure 4.2-10.

[77] The limited operating life is due to wells such as these experiencing reduced yields due to a slow build-up of fine sediments in or near the screened intake portion of the well casing.

[78] See the Ocean Protection Council's State of California Sea-Level Rise Guidance 2018 Update and the Coastal Commission's 2018 Sea Level Rise Policy Guidance and November 7, 2018 Science Update.

Prior to the Commission's November 2019 hearing on the proposed Project, Commission staff requested that Cal-Am provide an updated assessment of expected sea level rise and coastal erosion based on current state guidance and projections and on-site conditions expected without sand mining. In response, Cal-Am provided an October 2, 2019 technical memorandum – "Updated Coastal Erosion Hazard Analysis for CalAm Monterey Peninsula Water Supply Project," prepared by AECOM. This technical memorandum assesses expected sea level rise and coastal erosion effects on Cal-Am's proposed well field and Source Water Pipeline using low, medium-high, and extreme risk aversion scenarios for the years 2040, 2060, and 2120. It includes the high GHG emission scenario for each to provide a more conservative assessment of expected effects. It also considers the effects of both a 100-year and 500-year storm event on site erosion to provide additional conservatism (i.e., projections that provide a greater margin of safety). To reflect the expected site conditions resulting from the closure of the CEMEX sand mining operations, it assumed a 60% reduction in the historical retreat rate along the stretch of shoreline.[79] For each of the several scenarios, the memorandum separately describes the expected effects on the test slant well, which Cal-Am proposes to convert to a long-term well for the Project and is located about 600 feet from the current shoreline, and on the rest of the well heads that would be constructed about 800 feet from the current shoreline.

The Commission's coastal engineer reviewed the FEIR/FEIS and Cal-Am assessments and prepared a technical memorandum describing that review and its conclusions (see **Exhibit 8**). The review concluded that under the above scenarios, both the test well site and the other well sites would likely be safe from erosion through 2040, that the test well site could be at risk by 2060, and that both the test well site and other well sites would likely be at risk by 2120.

Since then, however, California has developed a new principle calling for permitting agencies to consider, for planning purposes, an increase in sea level of 3.5 feet by 2050.[80] Compared to the Commission's above-referenced current sea level rise guidance, this would result in expected sea level rise projections occurring several years sooner than previously anticipated. For example, instead of reaching the above-referenced 31- to 46-inch range of increase by 2060, it would be expected by about 2045 to 2050. Commission staff requested Cal-Am provide additional analysis showing the expected site conditions under this most recent state guidance. Essentially, using these projections, the well field could be at risk by 2045 to 2050 instead of 2060.

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[79] This assumed 60% reduction is derived from studies and a sand budget analysis presented in two documents prepared, in part, to identify the effects of those mining operations on erosion along the Monterey Bay shoreline. See Environmental Science Associates and Phillip Williams and Associates, Evaluation of Erosion Mitigation Alternatives for Southern Monterey Bay, prepared for the Monterey Bay Sanctuary Foundation and the Southern Monterey Bay Coastal Erosion Working Group, May 30, 2012, and Young, Robert, An evaluation of the ongoing impacts of sand mining at the CEMEX Lapis Sand Plant in Marina, California on the Southern Monterey Bay Shoreline, 2017.

[80] See Ocean Protection Council, Strategic Plan to Protect California's Coast and Ocean 2020 – 2025, February 2020.

With the test well site at risk from these expected long-term erosion scenarios, the Project could include development in an area subject to wave erosion during the next 50 years. This presents some tension with LUP and IP policies that generally require setbacks adequate to protect new development for "the economic life of the proposed Project (at least 50 years)." The LUP has an exception to this policy allowing construction of shoreline protection structures when necessary to serve a coastal-dependent industry, which might apply to the test well portion of this project. However, Cal-Am is not proposing any such structures, and the LCP's standards for approving such structures require several analyses not included as part of the proposed project, including an assessment of alternatives to any such protective structure and review of any proposed protective structure through an Environmental Impact Report. Without an adequate setback to allow for 50 years of protection, and without these analyses being completed, the Project's well field component could be inconsistent with LCP policies related to coastal erosion unless there is a requirement to remove the test well when it becomes threatened. However, Mitigation Measure 4.2-10 in the FEIR/FEIS requires Cal-Am to monitor and remove the slant wells five years prior to any anticipated exposure. Thus, the Project is consistent with LCP policies related to coastal erosion because there is a requirement to remove the slant wells when they become threatened.

Cal-Am expects that its wells would operate for no more than 20 to 25 years and then need to be rehabilitated or relocated, which would presumably result in them avoiding coastal hazards related to erosion during the term of this permit. This would allow for conformity with the LCP's coastal hazards provision related to the expected economic life of the development. **Special Condition 6** is based on Cal-Am's characterization that the wells have an approximately 20- to 25-year economic life and limits the term of this permit for 25 years after installation or until January 1, 2050. This latter date is in recognition of the increased uncertainty about our current projections of sea level rise and climate change after 2050. **Special Condition 6** also requires Cal-Am to apply for a new or amended CDP to remove or relocate the wells at least two years before the end of this permit term. While this Special Condition removes the project's inconsistency with the LCP provision that specifies a 50-year economic life, it creates a different concern that Cal-Am's desalination facility may not be able to operate for its overall expected 60-year operating life since Cal-Am does not currently have a legal interest in locations further inland where Cal-Am might be able to relocate its wells. Additionally, much of that inland area is expected to be restored as a result of the above-referenced Settlement Agreement. A shorter operating life of the desalination facility may also create substantial changes in the Project's financing and water rates, since Cal-Am may seek to recover its costs in a much shorter time than the anticipated 60 years. These issues are described in more detail below and in Section IV.I – Assessment of Alternatives and in Section IV.O – Environmental Justice.

The Commission also considered whether the wells would be affected by expected dune recession at the well field location.[81] As noted above, the site's foredunes will recede inland as a consequence of shoreline erosion and at some point will occupy the same area as the well sites. The initial review, conducted in October 2019, concluded that the risk of this occurring would be low before 2040, but would increase thereafter. Additionally, dune height is likely to increase along with the increases in sea level – for example, as sea level elevates by its expected 15 to 20 inches by 2040, the dune face could experience a similar height increase and an inland migration of the profile. The issue of well site burial was examined not as a risk in itself, but since it could lead to the need for greater maintenance of the well heads and thus greater site disturbance. It is difficult to estimate exactly when these backshore adjustments would occur as there would very likely be a lag time between changes in sea level and changes to the beach and then changes to the back shore. With these uncertainties it is difficult to estimate when the dune profile might shift inland; however, the well sites have been located inland of and at a lower elevation than the dune crests, and inland migration of the profile could eventually cover the well sites. The review concluded that risk is low that any of the well sites could be buried by 2040 but that the risk would increase over time. Because of differences in the elevations of the well heads and variations in the dune profile – i.e., the dunes seaward of some well sites are higher or contain greater volumes of sand than those seaward of other well sites – the timing and amount of burial would likely vary among the well sites. The review concludes that the test well head would experience the greatest risk from dune erosion; however, since the more inland well field is 12 to 15 feet lower than the frontal dune, the well field might be more at risk from the inland shift of the dune profile.

Overall, no appreciable erosion risks are anticipated to occur at the test well or the well field areas by 2040. There are small risks to the test well site from storm-related erosion between 2040 and 2060. There are also small risks to the test well site and the well field site from possible sand burial that would be minimal through 2040. There is a small chance that the well field site might experience several feet of sand burial between 2040 and 2060. Beyond 2060, it becomes more likely that significant burial could occur. Again, however, this October 2019 review was completed before the state's adoption of the recent planning principle of expecting 3.5 feet of sea level rise by 2050, so any expected risks may happen several years sooner.

In June 2020, Cal-Am provided an updated analysis of expected dune recession that details the various mechanisms involved in this type of sand movement. It concluded that the primary mechanism – dune blowouts, which involves the wind being funneled through gaps in the dune and causing higher rates of erosion in and near those gaps – could result in two of the seven proposed well head sites being affected by sand burial within about 20 to 25 years. It also found, though, that this effect could be reduced or delayed through measures such as removal of invasive vegetation and re-establishment of native dune vegetation to stabilize the dunes, or by installing sand fences or elevating

[81] Neither the FEIR/FEIS nor the AECOM technical memorandum assessed risk from this hazard.

the well head sites, either of which would likely require additional CDP review and approval. Cal-Am also proposed a special condition that would include the "soft" measures above – removal of invasive species and re-establishment of native vegetation – along with annual monitoring of the dunes and well heads to identify the rate of dune recession. Once the identified rate of recession showed that the well heads could be buried within five years, Cal-Am would return to the Commission with any proposed development, such as sand fencing, elevating or relocating the wells, etc., for additional review and permitting.

Similar to the above coastal erosion scenarios, the risk to the wells from this erosive process of dune recession could create some tension regarding conformity to the LCP provision that requires identification of an adequate hazard setback to protect at least a 50-year economic life of the structures and specific recommendations to mitigate any identified problems. However, as noted above, after 25 years, the wells may need to be rehabilitated or relocated, depending on certain factors, including updated analysis of potential coastal hazards, reduced yields, or others. Importantly, and as noted above, Cal-Am does not have legal interest in property further inland, so it has no locations available yet to site the wells after this expected initial 25 years of operations. The above-referenced **Special Condition 6** addresses concerns about the hazards beyond this period. The 25-year permit term allows for conformity to the above-referenced LCP requirement that development include setbacks adequate to protect it during its expected operating life, but as noted above, this limited operating life raises concerns about whether Cal-Am would be able to operate its desalination facility for only 20-25 years instead of its proposed 60-year operating life (this is discussed further in Section IV.O – Assessment of Alternatives). Importantly, without **Special Condition 6**, the currently proposed locations would be inconsistent with the previously referenced FEIR/FEIS Project objective to "locate key project facilities in areas that are protected against predicted future sea-level rise in a manner that maximizes efficiency for construction and operation and minimizes environmental impacts," which is also described in Section IV.H below.

It is not clear that Cal-Am would be able to obtain the additional legal interest needed to move its wells further inland. However, the areas of CEMEX inland of Cal-Am's current proposed well sites are largely slated for reclamation and restoration as dune habitat. With this 25-year operating period and no alternative locations known to be available, future well sites and operations beyond that period would be considered speculative.

Regarding tsunami hazards, the LCP recognizes the area's high erosion potential and requires that development be located inland of areas near the shoreline that are vulnerable to tsunami runup. Cal-Am has proposed locating the well heads inland of the tsunami runup zone identified in the LCP and at an elevation of approximately 30 feet (NAVD88), which would be above the most recently identified maximum tsunami runup estimate of 18 feet, both now and under projections of several feet of sea level rise.[82]

[82] See Wood, et. al, Community Exposure to Tsunami Hazards in California: U.S. Geological Survey Scientific Investigations Report 2012–5222, 2013.

Finally, with the uncertainties involved with predicting the likelihood and extent of future hazards at this location, additional Special Conditions are necessary to ensure the proposed development does not adversely affect coastal resources. **Special Condition 14** requires that the wells and associated components be removed if damaged and prohibits the use of shoreline protection devices in the event the well field is subject to threatening erosion or other hazards during the term of this permit, and **Special Condition 15A** and 15B ensure that Cal-Am acknowledges the risks involved in siting its development at this location.,

Conclusion
With the above Special Conditions, the Commission finds that the Project would conform to relevant Coastal Act and LCP provisions regarding coastal hazards and the avoidance of risk from those hazards.

I. ENVIRONMENTAL JUSTICE

Coastal Act Section 30604(h) states:

> When acting on a coastal development permit, the issuing agency, or the Commission on appeal, may consider environmental justice, or the equitable distribution of environmental benefits throughout the state.

Section 30604(h) provides for the Commission to evaluate environmental justice considerations when making permit decisions. As defined in Section 30107.3 (a) of the Coastal Act, "environmental justice" means "the fair treatment and meaningful involvement of people of all races, cultures, incomes and national origins, with respect to the development, adoption, implementation, and enforcement of environmental laws, regulations, and policies."[83] Section 30107.3(b)(4) states that environmental justice includes, "[at] a minimum, the meaningful consideration of recommendations from populations and communities most impacted by pollution into environmental and land use decisions."[84]

In March 2019, the Commission adopted an environmental justice policy ("EJ Policy") to guide and inform its implementation of Section 30604(h) in a manner that is fully consistent with the standards in, and furthers the goals of, Chapter 3 of the Coastal Act and certified local coastal programs. The EJ Policy further articulates environmental justice as the following:

> The term 'environmental justice' is currently understood to include both substantive and procedural rights, meaning that in addition to the equitable distribution of environmental benefits, underserved communities also deserve equitable access to the process where significant environmental and land use decisions are made.

Ensuring access to the Commission's proceedings means making sure that those who are affected by proposed development have a meaningful and equitable opportunity to voice concerns in an open and transparent public process. Substantively, the EJ Policy describes how the Commission will work to ensure equitable access to the coast, support measures that protect existing affordable housing, and ensure that environmental justice communities are not disproportionately affected by climate change, water contamination, overuse, or diminished environmental services.

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[83] Coastal Act Section 30013, which provides that the Commission is to advance the principles of environmental justice and equality, references California Government Code section 65040.12(e), which defines "environmental justice" as "the fair treatment and meaningful involvement of people of all races, cultures, incomes, and national origins with respect to the development, adoption, implementation, and enforcement of environmental laws, regulations, and policies."

[84] Added by AB 1628 (Rivas), Chapter 360, Statutes of 2019.

The then-proposed Project was scheduled to come before the Commission in September 2020, but the Applicant withdrew the CDP application before the hearing, saying in public statements that they wanted additional time to address the environmental justice concerns from the City of Marina and water cost concerns from their customers before coming back to the Commission for review. Two years later, opponents of the Project continue to express procedural and substantive concerns about its impacts on communities of color and low-income communities located near the Project site in the City of Marina, as well as on Cal-Am service area ratepayers. Project proponents have pointed out the benefits to environmental justice communities outside of the service area, including the nearby community of Castroville. This section addresses these concerns in this section.

Identifying Communities of Concern

The Commission's EJ Policy was created to provide a framework to consider fair outcomes and requires staff to reach out to and include the voices of environmental justice community members[85] who have been historically marginalized in the governmental review process and whose households have been disproportionately burdened by environmental hazards often stemming from industrial development. The goal is to make sure these voices are thoughtfully considered by the Commission during the decision-making process.

To identify these communities, staff evaluated various quantitative and qualitative sources of information for the City of Marina, which is where the Project is located, and the nearby community of Castroville, which is an unincorporated area of Monterey County that would receive desalinated water as part of a CPUC-approved water rights settlement agreement (the Return Water Agreement). As such, the Castroville community will also be affected by the Project outcomes. As shown in **Exhibit 5**, Cal-Am's service area includes parts of unincorporated Monterey County, census designated places, such as Del Monte, and jurisdictions of Seaside, Sand City, Carmel-by-the-Sea, Del Rey Oaks, Pacific Grove, and Monterey. Quantitative indicators in the selected geographies were used to identify low-income communities either through the low-income definition from AB 1550 or at two times the federal poverty level.[86] This

[85] In this staff report, the terms "underserved communities" and "environmental justice communities" are used interchangeably with the term "communities of concern." All these terms refer to low-income communities, communities of color, and other populations with higher exposure and/or sensitivity to adverse project impacts due to historical marginalization, discriminatory land use practices, and/or less capacity to mitigate adverse impacts.

[86] AB 1550 identifies "Low-income communities" as census tracts with median household incomes at or below 80 percent of the statewide median income or with median household incomes at or below the threshold designated as low-income by HCD's State Income Limits adopted pursuant to Section 50093 of the Health and Safety Code. This measure provides a more specific measure of identifying low-income communities in California due to higher costs and wages in the state, which is not reflected by the Federal Poverty Level

includes limited English proficiency households[87], housing-burdened[88] households, population of color,[89] and communities with high exposure to pollutants, adverse environmental impacts or sensitivities to pollution according to CalEnviroScreen 4.0. The demographic and socioeconomic indicators establish a high number of communities of concern in four areas, all affected by the Project: Marina, Seaside, Sand City, and Castroville.

More than half the population in Castroville, Marina, and Seaside identifies as a person of color, and in Castroville approximately a quarter of households have limited English proficiency (see Table 1 below). Although all of the jurisdictions in Cal-Am's service area have individuals who are experiencing poverty[90] (Table 2), Castroville, Marina, Seaside, and Sand City have a much higher proportion of their population living under the poverty threshold (see Table 2). Additionally, the region has several housing-burdened communities, where low-income households are paying more than 50% of their household income towards housing and utilities (see **Exhibit 9**). Increasing utility rates for housing-burdened ratepayers would exacerbate these existing cost burdens.

[87] Households where no one over age 14 speaks English very well. Based on "linguistic isolation" indicator from CalEnviroScreen 4.0.

[88] The housing burden indicator from CalEnviroScreen 4.0 is the percent of households in a census tract that are both low income (making less than 80% of their county's median family income) and severely burdened by housing costs (paying greater than 50% of their income for housing costs).

[89] Population of color refers to anyone that identifies as Hispanic (of any race) and anyone who identifies as non-Hispanic but as a race other than white on the Census, such as Black or African American, Asian, or American Indian.

[90] In this staff report, the term "poverty" is defined as households or individuals with income below a threshold of twice the federal poverty level because California's cost of living is higher than many other parts of the country. This is the indicator for poverty in CalEnviroScreen 4.0.

Table 1: Demographic Characteristics

Geography	Total population	Population of color		Total Households	Limited English Proficiency Households	
		Population	%		Households	%
Cal-Am Service Area[91]						
Carmel-by-the-Sea	3,220	358	11%	1,909	0	0%
Del Monte Forest	4,204	884	21%	1,710	35	2%
Del Rey Oaks	1,592	451	28%	633	8	1%
Monterey (city)	30,218	9,866	33%	12,373	338	3%
Pacific Grove	15,090	3,922	26%	6,977	123	2%
Sand City	325	151	46%	162	10	6%
Seaside	32,366	21,136	65%	10,709	778	7%
Other Geographies						
Marina	22,359	13,918	62%	7,777	712	9%
Castroville CDP	7,515	6,170	82%	1,426	373	26%
Monterey County	439,035	280,156	64%	126,003	14579	11%
State of California	39,538,223	23,242,101	59%	13,103,114	1,134,348	9%

Source: U.S. Decennial Census 2020; U.S. Census Bureau 2016-2020 American Community Survey Data, 5-year estimate.

[91] Staff approximated Cal-Am's service area by including these cities and census designated places. The table does not depict some of the unincorporated areas of Monterey County part of the service area.

Table 2: Income Characteristics

Geography	Total population [92]	Poverty (individuals with income below 200% the federal poverty level)		Median household income
		Individuals	Percent	
Cal-Am Service Area[93]				
Carmel-by-the-Sea	3,220	367	10%	$101,696
Del Monte Forest CDP	4,204	231	6%	$143,750
Del Rey Oaks	1,592	190	13%	$101,458
Monterey (City)	30,218	4,771	18%	$80,908
Pacific Grove	15,090	1,924	13%	$89,088
Sand City	325	317	33%	$57,000
Seaside	32,366	10,250	31%	$68,399
Other Geographies				
Marina	22,359	6,622	31%	$73,115
Castroville CDP	7,515	3,067	48%	$66,839
Monterey County	439,035	136,649	33%	$76,943
State of California	39,538,223	11,344,790	29%	$78,672

Source: U.S. Census Bureau 2016-2020 American Community Survey Data, 5-year estimate.

In addition to gathering and evaluating quantitative information from online sources, Commission staff met with community members and leaders from or who work in Castroville, Marina, and the Monterey Peninsula communities of concern affected by the Project. In September 2019, staff traveled to the area to learn about the lived experiences of residents, and to corroborate quantitative information. Staff met with residents from Marina and Seaside, including subsistence fishers, single parents living in Section 8 (federally subsidized) housing, retirees on fixed incomes, recent immigrants caring for extended families, and head-of-household wage earners working multiple jobs to support their families. In early 2020, because COVID-19 travel restrictions made travel infeasible, staff conducted outreach by email and phone with Castroville residents including Community Services District staff, social justice advocates, a county representative, water experts, and other stakeholders. Staff continued and expanded outreach efforts in 2022 over the phone and via video conferencing when Cal-Am

[92] The total population in Table 2 does not include individuals for whom poverty status cannot be determined, which includes people living in institutional group quarters (i.e., prisons, nursing homes), college dormitories, military barracks, and living situations without conventional housing (and who are not in shelters). See U.S. Census Bureau for more information: https://www.census.gov/topics/income-poverty/poverty/guidance/poverty-measures.html

[93] Staff approximated Cal-Am's service area by including these cities and census designated places. The table does not depict some of the unincorporated areas of Monterey County part of the service area

resubmitted its Project proposal. Staff spoke with community members from Marina, Castroville, and the Monterey Peninsula.

The City of Marina is located eight miles north of Monterey, includes a modest downtown dotted with Asian and Mexican markets and family-owned restaurants. In limited English proficient households within this area, the top three non-English languages spoken include Spanish, Vietnamese, and Korean.[94] The city has a disproportionate amount of nearby industrial development that serves many areas in the region beyond Marina, including a regional landfill, regional composting facility, and regional sewage plant. Nearby Fort Ord is a contaminated site listed on the U.S. EPA's national priorities list.[95] Marina is also home to the former CEMEX sand mining facility, the last coastal sand mining operation in the country, which recently ceased sand mining operations pursuant to Coastal Commission Consent Order CCC-17-CD-02. While Marina has high concentration of industrial development compared to other coastal communities in the Monterey area, it is committed to public engagement, and many residents care deeply about the future of their town.

The Project would directly impact coastal resources and residents in Marina since the proposed slant well field is located within City limits at a site that could otherwise be fully set aside for public access, passive recreation, and coastal resource protection. Residents and City officials also have expressed concern that the Project may have an adverse effect on Marina's groundwater resources, by potentially lowering ground water tables, increasing saltwater intrusion into groundwater aquifers that are sources of drinking water, and impacting the City's wetland and vernal pond areas (addressed in Section IV.G). Further, many expressed deep frustration that although the Project would be located in their community, they receive all of the burdens and none of the benefits that other areas of the Monterey Peninsula and nearby communities would receive.

The City of Seaside is on the southern end of the Monterey Bay, similar in many ways to neighboring Marina, with a modest downtown and housing stock primarily consisting of relatively small, older homes, despite its proximity to the ocean. Just under two thirds of its residents are people of color, nearly a third of individuals experience poverty, and most census tracts in the jurisdiction are low-income communities per AB 1550. Seaside is home to the largest population of African American residents in the Project area or the region. Many Black soldiers came to Seaside for training at Fort Ord, and over time Seaside became a center for African American settlement.[96] Over the years, other people of color and Latino populations have settled in Seaside as well, fostering a

[94] American Community Survey 2015-2019.

[95] The U.S. EPA describes the National Priorities List (NPL) as sites of national priority among the known or threatened releases of hazardous substances and contaminants throughout the United States and its territories. The NPL guides the EPA in determining which sites warrant further investigations and potential remediation.

[96] https://www.blackpast.org/african-american-history/race-and-color-california-coastal-community-seaside-story/

majority people of color coastal community. Accommodation, food services, and retail are the largest employment sector,[97], which was part of why Seaside was hit hard economically by the military base closures in the 1990s. Seaside residents broadly indicate that they would be impacted by the Project's increased water rates. In addition to Seaside, many households in the Monterey Peninsula already experience housing burden, and the unhoused population has increased in the area. There is an increased need for more affordable housing in the region, but because of water restrictions, this kind of development has generally been significantly constrained.

Castroville is an agricultural area, known in part for artichoke production. Much of its economic activities center around agricultural support services, and many of its residents work directly or indirectly in agricultural production. Farms, farm stands, and restaurants specializing in locally produced food demonstrate the direct connection between growers and consumers. Castroville's population is majority people of color and nearly half the households live in poverty. Although Castroville is less than 3 miles from the coast, the community surrounded by three local highways in the region, agriculture, and private land and does not have any direct coastal access. While the community is small, it has high density of multifamily homes with a number of instances of many people living in close quarters.

The groundwater aquifer system beneath Castroville is the town's main source of drinking water and has been overdrafted by decades of intensive agricultural use. Since 2020, the water needs in this community have become increasingly desperate and the survival of the community is dependent on finding new sources of water, according to the general manager of the Castroville Community Services District (CCSD). Community leaders expressed the need for safe, reliable and affordable source of drinking water for the community amid current concerns from saltwater intrusion as two source wells have already been shut off. The CCSD was able to secure a long-term source of new water through a Return Water Agreement developed during the CPUC's review of Cal-Am's Project in a prior proceeding. Through this agreement, Cal-Am would return a portion of the water it extracts and exports from the Salinas Valley Groundwater Basin back into the Basin via pipeline in the form of reduced-cost potable water for the CCSD.[98] As a result, Castroville would benefit from the Project because the agreement will help to maintain existing water rates of approximately $42.50 per month and provide a secure source of water. Under the Return Water Agreement, additional deliveries toward the return water obligation may go to the Castroville Seawater Intrusion Project which provides recycled water and surface water in lieu of groundwater pumping for agricultural use in the Castroville area. [99]

[97] Data source from: https://datausa.io/profile/geo/seaside-ca#economy
[98] See CPUC Final Decision 18-09-17, Appendix H.

[99] CPUC No. A-12-04-019, Decision Adopting Settlement Agreements (Sept. 20, 2018), as modified and affirmed February 5, 2019.

The Project will directly affect each of the communities of concern identified in this section in different ways. As mentioned above, the town of Castroville will benefit from a new, secure source of water. The Project is sited within the City of Marina, although it will not receive any water and many of Marina's residents have raised concerns about potential impacts to groundwater, public access, and limiting opportunity for the community's future growth. In the service area, low-income ratepayers throughout the area, including Seaside, will be adversely impacted by water rates. And while there are additional communities of concern that may be affected by this Project indirectly, such as individuals who work in the agricultural industry throughout the Salinas Valley, this staff report is solely focused on those directly affected by the Project. Potential impacts to communities of concern identified above and the Commission's ability to mitigate those impacts warrant additional consideration pursuant to Section 30604(h) of the Coastal Act.

Environmental Justice Coastal Act Analysis

Procedural Concerns

The City of Marina and its residents expressed several procedural concerns regarding the Project. Marina residents said they felt largely excluded from the process prior to the 2020 hearing because they are not Cal-Am ratepayers. This was of particular concern since Marina would experience environmental burdens from the Project being sited in their community while receiving none of the Project benefits, Following Cal-Am's withdrawal in September 2020, executives held several meetings with Marina city officials in 2020 and 2021 but were unable to agree on any community benefits or to gain support for the Project. In mid-July 2022, shortly before Cal-Am submitted information to Commission staff to complete the CDP application, it met with staff to discuss renewed outreach to the environmental justice communities in the area. Cal-Am submitted a detailed outreach and engagement plan with regular updates, names of groups they would contact, and other outreach items. Beginning in August 2022, three months before the Commission's scheduled hearing, Cal-Am proposed and began conducting a total of 12 community meetings in Marina, Seaside, Sand City, Castroville and Salinas. According to Cal-Am, these meetings were advertised on social media, radio and their website. Following these meetings, Cal-Am answered community questions in writing, and then distributed a handout in English, Spanish, Vietnamese and Korean to event participants and posted it on their website.

Despite Cal-Am's efforts, many Marina and Seaside residents expressed frustration about Cal-Am's recent engagement efforts, with some describing them as last-minute and performative. Opponents of the Project, who attended the community sessions, said the events were largely a venue to promote the Project and not a genuine exchange with the community. Some meetings were advertised only days in advance, making it challenging for community members to make arrangements to attend, were at times difficult to find and, in at least one case, the wrong time was posted, as certain community members reported. Cal-Am and the City of Marina continue to remain very far apart.

In response to these concerns and to a request from the City of Marina for greater avenues for public engagement, the Commission agreed to several additional approaches to encourage the widest possible involvement from underserved members of the public in consideration of the current Project. The Commission created an FAQ on the Project in English and Spanish, sent an infographic about the Coastal Commission and how to participate in public meetings that the community could share, and regularly spoke with Marina officials to answer questions and provide guidance on how they could enable community members to testify from Marina City Hall. Cal-Am agreed to provide Spanish interpretation and translation services for the hearing, which will be available to anyone attending in person or over Zoom.

Substantive concerns
Quantitative and qualitative information, along with the lived experience of the community members, is key to understanding existing environmental justice burdens on a community and the potential for new development to inadvertently exacerbate those impacts. As part of the Commission's ongoing commitment to foster meaningful involvement consistent with 30107.3(a) and to increase outreach consistent with its Environmental Justice Policy, staff have engaged with community members and leaders in Marina, Castroville, Seaside and the service area since 2019. In interviews and during a tour of the Project location, residents from these communities shared various environmental concerns and community burdens, providing additional relevant information to consider.

The main substantive issues identified relate to three main areas: 1) increased costs for water, 2) benefits to Castroville's water supply through the Return Water Agreement, 3) environmental burdens that will contribute to cumulative impacts to the City of Marina, including groundwater impacts.

1) Water costs: One of the primary concerns staff heard is the disproportionate burden that low-income ratepayers in Cal-Am's service would experience due to increasing water rates from the construction and operation of the Project. Affordable water is critical for people on limited incomes and is a critical component in the state's Human Right to Water strategy that identifies access to safe, clean, and affordable drinking water as a public health imperative.[100] According to Cal-Am, the average single family customer in the Monterey service area will have a monthly rate increase of approximately $47 to $50 due to Project construction and operation costs once the Project is put into service.[101] This cost increase will occur in addition to any other general rate case increases or surcharges that Cal-Am already has applied for or received approval from the CPUC.

[100] See State Water Resources Control Board. Options for Implementation of a Low-Income Water Rate Assistance Program at https://www.waterboards.ca.gov/water_issues/programs/conservation_portal/assistance/docs/2019/draft_report_ab401.pdf

[101] Correspondence from Cal-Am to Tom Luster, dated October 27, 2022.

As a result of this Project, rates will increase for all customers in the service area, and higher bills resulting from the proposed desalination facility would disproportionately impact low-income ratepayers, including Seaside and Sand City which have the largest proportion of low-income households among the jurisdictions serviced by Cal-Am. Cal-Am has existing bill assistance programs, including a federal low-income household water assistance program (LIWAHP), a payment arrangement program to set up a payment plan if bills cannot be paid on time, hardship program with the United Way of Monterey County, and its Customer Assistance Program (CAP), which provides a monthly discount of 30% on the fixed service charge for eligible households.[102] Cal-Am reported that as of September 2022, they have enrolled approximately 3,700 customer accounts in their CAP program[103] Enrolled low-income customers in the CAP program have an average monthly bill of $65.74 in 2022 with the discount included. Additionally, they also applied for an increase in the discount its CAP offers for eligible customers, from 30% to 35%, which is still pending approval from the CPUC. While Cal-Am increased enrollment from 5% to 10% among single-family residential customers in the CAP, enrollment is still low. Income-burdened individuals that may qualify face several barriers to enroll and/or meet eligibility requirements.

The eligibility requirements themselves create barriers to access. The CAP program requires customers to be in an individually metered or flat-rate residential customer with the bill in the customer's name. However, many otherwise eligible ratepayers live in multi-family structures, where the water bill is in the name of a landlord or management company and not individually metered. Some landlords of single-family residences that rent to low-income tenants prefer to keep the water and sewer bill in their own name. In both cases, increases in utilities are passed through from the landlord to the tenants, without any options for the tenants to request assistance. While individuals may qualify as low-income based on the standards set by other state-administered assistance programs, they do not necessarily meet the eligibility criteria for Cal-Am's LIWAHP or CAP programs. For example, using an average household of three, state income limits set by Housing and Community Development (HCD) in 2022[104] identifies low-income households with a median household income of below $81,900 and very low-income households with a median income below $51,200 in Monterey County. The LIHWAP threshold for a household of three, however, is a monthly max income of $4,143 or $49,719 per year, which means there are households experiencing housing or rent burden that may not benefit from the program. Similarly, Cal-Am's CAP program income guidelines identifies that a household of three must have a total combined income of $46,060 to meet eligibility requirements.

[102] https://www.amwater.com/caaw/Customer-Service-Billing/customer-assistance-programs

[103] Correspondence from Cal-Am to Tom Luster, dated October 27, 2022.

[104] California Housing and Community Development State Income Limits for 2022 - https://www.hcd.ca.gov/docs/grants-and-funding/inc2k22.pdf

Staff heard from various ratepayers in the area to understand concerns with the Project. Some Seaside residents worry that the economic hardship caused by rate increases will eventually push them out of one of the few remaining affordable coastal communities. Customers voiced the great lengths they have taken to reduce water costs over the years, including using their dishwashers only to air dry dishes, flushing toilets only once a day, taking showers at municipal facilities instead of at home, not washing clothes often, removing gardens, or using graywater for irrigation -- but their bills have continued to increase. Some ratepayers expressed frustration with existing income assistance programs, including difficulty in applying for relief and finding application instructions as well as describing noticing barely any difference in their bills when discounts were applied through the CAP. Additionally, many residents shared with staff concerns regarding the impact of ongoing inflation and housing shortages as compounding pressures affecting the cost of living in the area.

For low-income households experiencing the burden of high housing costs, rampant inflation and economic insecurity, increased water rates could make it infeasible to continue living on the Monterey Peninsula. If an unintended, but foreseeable consequence of the Project is to displace existing residents from their homes in formerly affordable coastal communities, this raises a serious coastal access issue. Although coastal access is typically viewed through the lens of providing and protecting recreational infrastructure and other amenities for the public to visit and enjoy, viewing it through an environmental justice lens illustrates that an affordable cost of living is a fundamental part of coastal access for nearby residents. In this case, Seaside residents' coastal access hinges on their ability to economically survive in their communities. The Commission would not achieve maximum consistency with the Coastal Act's Chapter 3 public access policies if it only implemented these policies to protect the amenities that enhance visitor access to the coast without also considering how permitting decisions might negatively affect community-wide affordability for those living within the coastal zone. Historically, communities of color have been excluded from or driven out of coastal areas by intimidation, exclusionary lending practices, racist covenants, eminent domain, gentrification and other instruments. Because of this troubling history, it is incumbent on the Commission to scrutinize the Project with a focused perspective grounded in this wider context.

Cal-Am and some Project proponents have said this Project will create a new reliable water supply that will help lift the current building moratorium and enable developers to build much needed affordable housing. There has been an ongoing debate about whether the Pure Water Expansion recycled water project will be able to accommodate affordable and market rate housing needs, while also addressing other environmental concerns, including an affordable and reliable water supply and reducing reliance on the Carmel River.

In response to concerns expressed by its income-burdened ratepayers, Cal-Am said that the company "commits to the goal of completely offsetting cost impacts from the desalination facility to low-income customers." In a September 20, 2022 letter to Commission staff (see **Exhibit 4**), Cal-Am modified its proposed Project to include a number of benefits, including:

- Cal-Am will increase its contribution of up to $500,000 to the United Way Monterey's Hardship Benefit Program, which helps customers with impending water-shut offs, and that it would increase outreach to inform customers about the federal LIWAHP.
- Cal-Am will also seek approval from the CPUC for one or more of seven different proposals to achieve this goal of offsetting cost impacts to low-income customers. These proposals range from expanding participation to and increasing the Customer Assistance Program or CAP discount from 30% to 50%, to expanding existing programs to multi-family residences to eliminating bill impacts related to the cost of the proposed desalination facility.[105]

After staff raised concerns that the CPUC process could take years and may not result in an approval for their low-income rate relief plan, Cal-Am proposed to include in its Project two additional benefits (see October 27, 2022 letter and October 31, 2022 email from Cal-Am):

- First, Cal-Am would offer to all ratepayers enrolled in its Customer Assistance Program free installation of low-flow fixtures (sink and bathtub faucets, showerheads, and toilets) that met state efficiency standards.
- Second, Cal-Am would take steps to ensure that any ratepayers enrolled in that Program, once deliveries of desalinated water from the Project begin, would have a rate increase of no more than $10 per month for water provided by the Project for at least five years after those deliveries begin

Cal Am also recommended the Commission include a special condition requiring annual reporting on both these benefits, which is included as **Special Condition 16**.

While these proposals indicate that the applicant will take some measures to address cost burdens, the $10 cost cap for five years will not address the long-term impacts this Project will have on low-income ratepayers and there is no certainty the additional proposals will be approved by the CPUC during this time. Additionally, Cal-Am noted that as of July 2022, the United Way Hardship Benefit Program has already assisted 231 ratepayers with a total benefit payout of $136,209 (average $590 per customer) since it started in 2018. However, without updated cost and rate increase estimates, it is not clear if the additional $500,000 over the course of the Project will be enough to assist ratepayers who may experience financial hardship.

At the hearing, Cal-Am modified its proposal to provide a cap of $10 per month for customers who qualify for Cal-Am's Customer Assistance Program until it implements any CPUC-approved rate relief programs that effectively cap rate increases to no more

[105] Correspondence from Cal-Am to Tom Luster, dated October 19, 2022.

than $10 per month for such customers. To that end, Cal-Am proposes to pursue CPUC approval of one or more rate relief programs to offset the costs of the Project on low-income ratepayers enrolled in the Customer Assistance Program and to expand eligibility requirements for the discount offered by its Customer Assistance Program. Special Condition 16 reflects measures to effectuate these ratepayer assistance proposals.

2) **Return Water Agreement to Castroville Community Services District (CCSD)**
The Project is intended in part to provide up to about 690 acre-feet of potable water at a discounted price to Castroville, which would constitute a benefit to a community of concern. The cost of providing the water would be recovered through ratepayer fees in Cal-Am's service area. In order to address a prohibition against exporting groundwater from the Salinas Valley Groundwater Basin, Cal-Am agreed to provide potable water to Castroville at about $580 per acre-foot. The agreement also contemplates that return water in excess of that provided to Castroville would be directed to the Castroville Seawater Intrusion Program ("CSIP") at a cost of about $110 per acre-foot to help reduce seawater intrusion in the Basin. Without this Return Water Agreement, the Project could not be considered consistent with Basin management requirements, since it would export groundwater to communities throughout the Monterey Peninsula that are outside the Basin boundaries. The prices per acre-foot for Castroville and CSIP would be far less – i.e., no more than several hundred per acre-foot – compared to the $6,100 per acre-foot that Cal-Am's ratepayers are currently expected to pay for water from the Project.[106] This would keep Castroville's water rates at $42.50 per month, while providing a new source of water for affordable housing projects, agriculture, and other types of new development. Depending on the amount of water Cal-Am returns to the Basin, the agreement could partially replenish Castroville's over drafted groundwater basin that has been depleted in part by decades of agricultural pumping. It would also support a community that is in dire need of a reliable water supply.

However, as noted above, the City of Marina claims that recent groundwater modeling shows that the amount of water Cal-Am may need to return to the Basin could be substantially higher than anticipated in the Return Water Agreement. Instead of a relatively steady rate of up to about 700 acre-feet per year, Cal-Am may need to return up to two or three times that amount during years with higher recharge to the Basin.[107] This could represent about a third of its desalination facility's overall production volume and would likely result in substantially higher costs for Cal-Am or its customers to subsidize. If Cal-Am was to obtain CPUC approval of additional rate recovery for these increased expenses, it would represent an even greater burden on all of Cal-Am's ratepayers and especially members of communities of concern.

[106] As stated in CPUC Proposed Decision in Proceeding No. A-21-11-024 (modified October 31, 2022).

[107] As noted in Section IV.F above, the Hydrogeologic Working Group, which conducted the previous modeling, concurs that this range of potential return water requirements is reasonable.

In its decision approving the Return Water Agreement, the CPUC acknowledged that higher return water percentages could affect rates. To address this risk, it required Cal-Am's shareholders, not ratepayers, to pay excess costs if return water obligations exceeded certain percentages.[108] However, in that same decision, the CPUC acknowledged that return water amounts could vary and that the CPUC could revisit the issue, and Cal-Am's rates, in the future as necessary. This issue is addressed in part through **Special Condition 12**, which require Cal-Am to conduct comprehensive monitoring that will detect the amounts of groundwater subject to the Return Water Agreement provisions and to modify its operations if necessary to reduce any of several groundwater-related impacts.

In summary, Castroville residents would get a discounted rate on the desalinated water, providing an important benefit for the community experiencing a water crisis. The discount, however, could result in higher rates for Cal-Am ratepayers, including low-income ratepayers throughout the service area.

3) **Cumulative Environmental Impacts**
The Project will result in environmental impacts in the City of Marina's coastal zone that will increase the overall cumulative environmental burdens in the area. The City of Marina and many of its residents believe the Project will create environmental burdens for their community but provide no benefits. The Project's slant wells will be placed within the shuttered CEMEX sand mining property in Marina's coastal zone and would affect several acres of beach and dune habitat that currently supports a variety of rare or sensitive plant and animal species. Marina is already located near several industrial uses both within and outside of the coastal zone. According to CalEnviroScreen data, Marina ranks highly compared to other tracts in the state for groundwater threats, impaired water, solid waste, pesticides, and cleanup site (see Table 3 below and **Exhibit 9**). Within the coastal zone, industrial uses include the former CEMEX sand mining site. Some community members are concerned that access to the site would be partially lost due to limitations Cal-Am may impose around its well field (Section IV.M of these Findings provides a review of the Project's effects on public access). Although Marina has about four miles of shoreline, it currently has just two points of public access along that stretch of coast. While the Project's adverse effects on public access are likely to be relatively limited, they would affect Marina residents' ability to fully access this section of the coast. As part of its proposed benefits package, Cal-Am offered to provide access around its Project, but Marina officials said it preferred a cohesive network of trails, which they believed would be more achievable through restoration and access requirements under the 2017 Settlement Agreements to which CEMEX, the

[108] As the CPUC noted in that decision, "[i]t is reasonable to require Cal-Am shareholders, not ratepayers, to incur any and all costs for any unreasonable portion of the return water obligation that is greater than an average of approximately six percent (6%) between years 0-7; four percent (4%) between years 8-15; or 1.5% annually from year 16 forward. The Commission may also look at the reasonableness of the return water amount and costs to ratepayers at other times as necessary to ensure the return water obligation being met is reasonable and consistent with the estimates provided in the proceeding to support approval of the MPWSP." CPUC No. A-12-04-019 (Sept. 20, 2018).

Coastal Commission, the City of Marina and the State Lands Commission are collectively signatories.

Table 3: SB 535 Disadvantaged Community Census Tract 6053014102 (Marina) Selected CalEnviroScreen Indicators

Demographic Indicators	Percentile Relative to State
Linguistic Isolation	62[109]
Poverty	72
Unemployment	46
Housing Burden	68
Environmental Indicators	Percentile Relative to State
Pollution Burden	78
Pesticides	78
Drinking Water	61
Cleanups	81
Groundwater Threats	87
Impaired Water	95
Solid Waste	78

Outside of the coastal zone, existing industrial facilities near Marina include a regional wastewater treatment plant, the Marina Municipal Airport, and Monterey Regional Waste Management District facility, which includes a landfill, materials recovery facility, food and yard waste composting facilities, a landfill gas-to-energy conversion facility, and a hazardous waste collection site (see Figure 1, **Exhibit 9a**). Marina is also near the former Fort Ord military base, which is on the Superfund National Priorities List. While Cal-Am's slant wells will not result in the level of pollution as existing facilities, this Project would be one more industrial development in a community already dealing with the cumulative impacts of a disproportionate number of industrial facilities.

[109] The data for all indicators are from CalEnviroScreen 4.0 except linguistic isolation, which is from CalEnviroScreen 3.0 because it was unavailable for this tract in CalEnviroScreen 4.0.

The City of Marina and its residents also are concerned about the potential impacts of the proposed slant wells on their own aquifer and groundwater supply, as described in Section IV.F. The City has opposed the Project, due in part, to its view that impacts would be extensive enough to impact its current and future groundwater supply of drinking water and because officials believe it could require the construction of new water supply facilities. In certifying the FEIR/FEIS in 2018, the CPUC rejected that argument.[110] In 2020, the City filed a lawsuit against Cal-Am asserting these claims and that lawsuit is pending. In that case, the trial court referred a series of technical issues to the State Water Resources Control Board's Administrative Hearing Office, and that proceeding is also pending.

Based on what Cal-Am heard during community meetings held between August 2022 and October 2022, it modified its Project description to include a wide range of benefits to help off-set burdens to Marina. As described in letters from Cal-Am (see **Exhibit 10**), these include increased groundwater monitoring, property tax revenues, a public access plan, and habitat mitigation on the Cemex site, as well as an offer of $1 million in funding for improved public access, public facilities and recreational opportunities and restoration for the City, though it did not specify how this amount to help off-set impacts from the construction of the $419 million Project was determined. At the November 17, 2022 hearing, Cal-Am increased its offer to the City from $1 million to $3 million for implementation of these amenities.

City officials had issues with many of these proposals. They indicated that increased monitoring would not be necessary if not for the Project, and the economic benefits were vague and not guaranteed. In addition, Marina officials said the proposed public accessway could undermine the City's desire for a cohesive network of trails on the entire site. As noted above, there are Settlement Agreements in place which require that the Cemex property be sold to a public access agency (subject to the pre-existing easement on the site that Cemex previously recorded in favor of Cal-Am), which will eventually address the roughly 400-acre site. Finally, Cal-Am had also originally proposed a habitat mitigation and monitoring plan that proposed to restore 105 acres of habitat at the CEMEX site. Marina officials, however, pointed out that the Cemex property is already covered by a conservation easement and much of it was already being restored. As described previously, the full scope of final implementation of the Cemex Settlement Agreement and resolution of the underlying violation is undetermined at this point in time. Under **Special Condition 10**, if Cal-Am proposes any restoration work on the CEMEX site as mitigation for habitat impacts, it would have to demonstrate that this work is above and beyond any restoration and benefits that result from the CEMEX settlement.

[110] CPUC No. A-12-04-019, Decision Approving a Modified Monterey Peninsula Water Supply Project, Adopting Settlement Agreements, Issuing Certificate of Public Convenience and Necessity and Certifying Combined Environmental Report, Decision, September 13, 2018, as modified and affirmed in D. 19-01-051 (February 5, 2019).

Cal-Am also stated that they would be willing to revisit earlier benefits they offered following their 2020 withdrawal, which included annual payments based upon an agreed formula such as revenue generated by the Project, long-term funding for Western Snowy Plover protection, enhanced fire flows, potential optioning or selling Marina one or more source water wells and providing potable water on an emergency basis. For its part, Cal-Am officials said they tried to engage with Marina city officials more recently to get their input on all these potential benefits, but officials continue to oppose the Project and declined any discussions.

Nonetheless, to ensure that the benefits Cal-Am recently offered to Marina as part of its Project are implemented consistent with relevant Coastal Act and LCP provisions, **Special Condition 17** requires Cal-Am to submit, for Executive Director review and approval, a Public Access and Amenities Plan that will result in benefits to the City's residents. It requires first that Cal-Am provide a Community Engagement Plan describing measures Cal-Am will take to engage with representatives and residents of the City to develop the Public Access and Amenities Plan. The Community Engagement Plan is to increase accountability and ensure include outreach to various populations within Marina, provide a schedule for community meetings, and identify measures that will allow interested residents to participate. This Plan is to lead to development of the Public Access and Amenities Plan, which will identify the selected amenities to be implemented using Cal-Am's offer of $3 million and is to include an implementation plan to ensure the amenities are put in place for benefits of the City's residents. While this Special Condition is not expected to eliminate the burdens identified by the City and its residents, it will provide assurance that Cal-Am will provide benefits to the community based on the preferences of the residents with potential to be affected by the Project.

Conclusion

The Project has become extraordinarily controversial, involving some of the most significant environmental justice concerns the Commission has considered since it adopted an Environmental Justice Policy in 2019. There is a long history of government institutions not giving low-income communities and communities of color adequate consideration in the decision-making process, even when it comes to the welfare of their own communities. Here, a historic drought has swept across California, increasing pressure for new sources of water in a region already struggling with longstanding, critical water shortages. This has resulted in a project with range of benefits and burdens to nearby environmental justice communities that need affordable water but are also often the site of unwanted industrial development. Cal-Am said it has tried to resolve these concerns through increasing outreach to get greater input from nearby communities of concern. Cal-Am updated the Project description to include measures designed to alleviate impacts to low-income ratepayers, and they put together a package of benefits for Marina, which were largely rejected by the City. Further, Cal-Am's proposed changes and **Special Conditions 16** and **17** provide additional measures to offset adverse impacts and ensure accountability. Even so, these efforts have not resolved all the environmental justice issues related to this Project, which remain contentious.

J. TRIBAL CONSULTATION

The Commission in 2018 adopted a Tribal Consultation policy meant to help establish meaningful and respectful consultation with California's Tribal governments and representatives. The policy includes several guiding principles regarding communication with the Tribes, acknowledgment of Tribal interests and resources, and how to assess the effects Commission actions may affect Tribal interests.

During the Project's CEQA review, the CPUC requested information from the Native American Heritage Commission ("NAHC") regarding potential tribal cultural resources that the Project might affect. The NAHC did not identify any such resources, though provided a list of Native American contacts that might have additional information about such resources. The Project area is within the traditional lands of the Ohlone/Costanoan-Esselen Nation.

Commission staff initiated formal tribal consultation consistent with the Commission's Tribal Consultation Policy. Coastal Commission staff reached out to nine tribal representatives by email and telephone for the purpose of consultation and coordination. Staff received responses from two tribes and held consultation meetings via Zoom with representatives of the Indian Canyon Band of Costanoan Ohlone People and the Ohlone Costanoan Esselen Nation.

On October 3, 2022, staff met with cultural representative Kanyon Sayers-Roods from the Indian Canyon Band of Costanoan Ohlone People, whose ancestral lands are adjacent to the Project site. Indian Canyon is 15 miles south of Hollister, in the Gavilan mountain range. This area is the only federally recognized land between Sonoma and Santa Barbara, and the area has been sacred land for Ohlone/Costanoan people since time immemorial, according to the tribe's website. During the 1700 and 1800s, Indian Canyon served as a safe haven for the local indigenous peoples who traversed the territory to escape the Spanish Missions and remains a place where Indigenous peoples in need of land can go for ceremony.

During staff discussion, Sayers-Roods said she had not taken a position on the Project and had not heard from Cal-Am. She was broadly concerned about with desalination in general, particularly with regards to the impact on the ocean. Sayers-Roods said she wanted to learn more about potential brine discharge from the proposed Cal-Am facility and its potential impact to local marine ecology and culturally sensitive marine plants. She also requested that Cal-Am provide a list of community benefits, a land acknowledgement, access to traditional sacred lands, and ensure the protection of cultural resources for the tribes of the region. **Special Condition 18** requires Cal-Am to have approved monitors on site for any ground-disturbing activities that may affect Tribal cultural resources.

On October 7, 2022, staff met with Chairwoman Louise Miranda Ramirez of the Ohlone Costanoan Esselen Nation or OCEN, on whose ancestral land the Project is proposed for. Currently, the Nation represents over 600 enrolled tribal members of Esselen,

Carmeleno, Monterey Band, Rumsen, Chalon, Soledad Mission, San Carlos Mission (Carmel) and/or Costanoan Mission Indian descent from at least 19 villages from a contiguous region surrounding Monterey Bay, according to the Nation's website. Chairwoman Miranda Ramirez felt it was important to share that their tribe has proof of their genealogy and that each OCEN member must certify their genealogy to core families from Mission documents. In 1852, ancestors of the Nation were identified as the San Carlos Band at Carmel Mission and in 1906 the Chairwoman's great grandfather and family were identified as landless Indians from the Monterey Band of Monterey at the Sur Rancheria by Special Indian Agent C.E. Kelsey.

Chairwoman Miranda Ramirez said she is opposed to the Project and has deep concerns about Cal-Am due to an earlier experience with the company in 2020, when an archaeologist and two OCEN tribal monitors, Alexandria Casares and Michael Sandoval, were on-site during one of Cal-Am's construction projects in Pacific Grove. The Chairwoman said a Cal-Am supervisor announced to workers that they could not resume their work until "the Indian returns from the bathroom." The monitors immediately contacted the Chairwoman, who reached out to the City of Pacific Grove and requested an emergency meeting with Cal-Am about the remarks and offered free cultural sensitivity training. She stated that she did not hear back from Cal-Am until October 2022, when she received two phone calls and two emails from company representatives including the president and vice president of the company. In an October 25, 2022 email, a Cal-Am employee referenced the earlier incident, let the Chairwoman know that the Project would be coming before the Coastal Commission and asked if she would be open to discussing cultural training for all Cal-Am Project managers and contractors working on the project. The Chairwoman was offended. "They don't respect Native people, they didn't care about the process when we offered them a process," she said. "Now that they have a project, they want me (OCEN) on their side."

In response to the Chairwoman's statements, Cal-Am President Kevin Tilden sent a November 7, 2022 letter to Commissioners calling the 2020 incident "extremely concerning." He said the company conducted an internal investigation at the time and said the statements were not made by a Cal-Am employee but a contracted inspector, who was later removed from the Project. The day after the incident, he said the company held a mandatory half-day meeting where the Chairwoman conducted a sensitivity training. Mr. Tilden added that they have been trying to contact her since July 2022 to address any concerns she and the Nation may have about the proposed Project. In the Commission's subsequent consultation with the Chairwoman, she said that she stands by her statement that the supervisor was a Cal-Am employee. She indicated that she, not Cal-Am, called for the meeting after the 2020 incident and it was not a half day cultural sensitivity training, but a 20-minute talk with the workers about the Nation's history, the monitors, their role on site and the importance of being on the site. She said that she offered to give a cultural sensitivity training to all Cal Am employees but did not hear back from the company until recently.

Chairwoman Miranda Ramirez indicated the tribe's complete opposition to desalination and the Project. She said the CEMEX sand mining operation already degraded their ancestral land and they believe desalination is deeply destructive for the ocean and surrounding environments. The tribe's main concern is in relation to the brine and wastewater outfall into the ocean, in part because their tribal community members continue to practice traditional seaweed harvesting methods and fishing in this region. The Project area is also cited near an area that is sacred to the Nation because their ancestral remains are there. Historically, the Nation has lost access to coastal areas, which prevents them from practicing their cultural traditions, she said. While she does not want to see the Project approved, if it is allowed to move forward their Nation is interested in recovering any cultural resources and artifacts discovered, as well as gaining access to relevant archaeological reports and having Tribal monitors on site. **Special Condition 18** is meant to address this concern.

For its part, Cal-Am said they reached out to 27 tribal representatives and members to participate in an in-person meeting in Sand City on July 21, 2022, of which four attended. The company said participants expressed concern about the health of the Carmel River. In October, Cal-Am received letters of support from Pajaro Valley Ohlone Indian Council Chair Patrick Orosco and Chumash Tribal member Mary Anne Carbone. The identical letters say the signatories are tribal leaders "representing Monterey County's Native American Tribes." The Native American Heritage Commission does not include the Pajaro Valley Ohlone Indian Council Chair Orosco in its 2022 list of tribes and staff was unable to verity if he had permission to represent multiple tribes in the Monterey area. Carbone later clarified that she was representing Monterey's Chumash community members, not the tribe. Commission staff acknowledges and honors that the Chumash community in the area represents a broad and diverse array of tribal affiliations. Staff was unable to verify whether Carbone had permission to speak for other Chumash community members and defers to the individual tribal leaders to speak on behalf of their members.

K. PROTECTION OF MARINE LIFE AND COASTAL WATERS

Coastal Act Section 30230 states:

> Marine resources shall be maintained, enhanced, and, where feasible, restored. Special protection shall be given to areas and species of special biological or economic significance. Uses of the marine environment shall be carried out in a manner that will sustain the biological productivity of coastal waters and that will maintain healthy populations of all species of marine organisms adequate for long-term commercial, recreational, scientific, and educational purposes.

Coastal Act Section 30231 states:

> The biological productivity and the quality of coastal waters, streams, wetlands, estuaries, and lakes appropriate to maintain optimum populations of marine organisms and for the protection of human health shall be maintained and, where feasible, restored through, among other means, minimizing adverse effects of waste water discharges and entrainment, controlling runoff, preventing depletion of ground water supplies and substantial interference with surface waterflow, encouraging waste water reclamation, maintaining natural vegetation buffer areas that protect riparian habitats, and minimizing alteration of natural streams.

Coastal Act Section 30233 states, in relevant part:

> (a)The diking, filling, or dredging of open coastal waters, wetlands, estuaries, and lakes shall be permitted in accordance with other applicable provisions of this division, where there is no feasible less environmentally damaging alternative, and where feasible mitigation measures have been provided to minimize adverse environmental effects, and shall be limited to the following:
> (1) New or expanded port, energy, and coastal-dependent industrial facilities…

LCLUP Policy 16:

> To insure the protection of marine resources for long-term commercial, recreational, scientific and educational purposes.

LCLUP Policy 17:

> To insure protection and restoration of the ocean's water quality and biological productivity.

Intake effects
Cal-Am has specifically selected subsurface slant wells to obtain source water for its proposed desalination facility. The state's Ocean Plan includes provisions applicable to seawater desalination facilities that require, where feasible, that those facilities use wells or other types of subsurface intakes instead of open water intakes to avoid the adverse entrainment and impingement effects on marine life caused by open water intakes.[111] Staff of the Central Coast Regional Water Quality Control Board has determined that Cal-Am's proposed slant well system meets the Ocean Plan requirement that the proposed Project's intakes constitute the "best intake technology feasible to minimize the intake and mortality of all forms of marine life."[112]

Cal-Am's proposed slant wells would extend under coastal dunes and the beach to reach offshore about 200 feet beneath the Monterey Bay seafloor. From that location, they would extract primarily seawater from the underlying substrates. Cal-Am's hydrogeological modeling of the site and its proposed well operations show that the pumping would induce seawater to be drawn into the wells through the overlying sand and sediments. Due to the depth of the wells, the relatively large area from which they would induce this drawdown, and the maximum pumping rate of each well of about 2,500 gallons per minute, the seawater would be drawn through the seafloor at an essentially undetectable rate, so any effects that might occur to marine life in the overlying ocean water column or benthic habitat would be imperceptible.[113]

Discharge effects
Cal-Am would direct the brine and other effluent from its desalination facility through an existing outfall owned by M1W. The outfall is currently used to discharge treated wastewater from Monterey One's regional wastewater treatment facility in northern Monterey County to about 11,000 feet offshore in Monterey Bay. The outfall terminates at a diffuser that is about 1,000 feet long and that has over 100 ports through which the discharge reaches ocean waters.

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[111] Entrainment occurs when small organisms, such as plankton, fish eggs, larvae, etc., are pulled into an open-water intake. It results in essentially 100% mortality due to the organisms being subjected to filters and high pressures within the facility's pre-treatment or treatment systems. Impingement occurs when larger fish or other organisms are caught on an intake's screening system and are either killed or injured.

[112] See January 15, 2019 letter from John Robertson, Executive Officer of the Central Coast Regional Water Quality Control Board to Coastal Commission's Tom Luster regarding Cal-Am's conformity to Ocean Plan provisions Chapter III.M.2.b and III.M.2.d(1) and Water Code section 13142.5(b) regarding intakes.

[113] See State Water Resources Control Board, Water Quality Control Plan – Ocean Waters of California, revised 2019. Available at: https://www.waterboards.ca.gov/water_issues/programs/ocean/docs/oceanplan2019.pdf (accessed August 10, 2020).

Cal-Am would first route its effluent from its facility to an approximately three-million-gallon mixing tank to be built at the wastewater treatment facility where it would blend with treated wastewater before being discharged through the outfall. The rate of treated wastewater discharge through the outfall varies significantly over the course of a year – from close to zero gallons per day during the summer months when much of it is recycled to provide irrigation water for area agricultural operations during the growing season to up to about 17 mgd in the winter. With the desalination facility's expected production capacity of 6.4 mgd of potable water, it is expected to contribute about 10 mgd of brine to these discharge flows. During the facility's first production phase of 4.8 mgd, the effluent volumes would be about one-third less. Depending on the time of year, those volumes would represent anywhere from about one-third to 100% of the volume of combined desalination and wastewater effluent conveyed through the outfall.

The treatment facility's discharge is currently regulated through a National Pollutant Discharge Elimination System ("NPDES") permit that would need to be amended to allow Cal-Am to use the outfall for its discharge.[114] Regional Water Board staff is currently reviewing Cal-Am's proposed discharge to determine what requirements are needed to ensure that the characteristics of the combined discharges under the various flow regimes would meet water quality objectives and be protective of water quality and marine life. Regional Water Board staff is also reviewing what measures are needed for the discharge to be consistent with the state's Ocean Plan Amendment applicable to discharges from seawater desalination facilities.

In its CEQA review, the CPUC evaluated potential operational impacts on marine biological resources from discharge of brine generated at the proposed desalination facility. The FEIR/FEIS identified the potential impacts from elevated salinity or other constituents in the brine or from shear stress on plankton from discharged brine. It found that increased salinity would meet Ocean Plan water quality objectives at the edge of the brine mixing zone and would not affect marine habitat by reducing dissolved oxygen content (hypoxia). The FEIR/FEIS found that for certain other constituents in the brine for which there was not adequate data, it was appropriate to require monitoring as a conservative measure to be more protective. The FEIR/FEIS also concluded that any impacts due to shear stress caused by the brine discharge would be less than significant and noted that the Regional Board would be conducting a review to determine the Project's conformity to the state Ocean Plan provisions applicable to seawater desalination facilities. The FEIR/FEIS concluded that Project operation would not have substantial adverse effect on any marine biological resources including special-status species, would not cause a fish or marine wildlife population to drop below self-sustaining levels and would not interfere with the movement of any native marine resident or migratory fish or marine wildlife species.

[114] Order No. R3-2018-0017, approved on December 6, 2018 by the Central Coast Regional Water Quality Control Board, acknowledges that Monterey One Water anticipates discharging Cal-Am's brine waste through its outfall, but states that Monterey One Water will need to submit a new application for the Board's consideration and approval prior to any such discharge.

One potential requirement still being evaluated is whether Cal-Am or M1W would need to modify the outfall's existing diffuser to ensure that the expected salinity concentrations from both the stand-alone brine discharge and the combined brine and treatment plant discharges conform to the Ocean Plan standard that requires seawater desalination facility discharges into ocean waters not exceed two parts per thousand over natural background salinity levels as measured no further than 100 meters from the discharge points.[115] Modeling conducted to date shows that this distance would likely be much smaller for the Project, with the 100% brine discharge expected to meet this salinity standard just a few dozen feet from the discharge points, well within the allowable distance. However, Cal-Am or M1W may need to modify the diffusers so that the effluent is discharged at a higher angle to ensure that it does not contact the seafloor at times when it is more highly saline than ocean water so as to avoid impacts to benthic marine life in the area.

> The discharge would also be limited in its allowable concentrations of other constituents, such as metals, dissolved oxygen, and various contaminants. The FEIR/FEIS identified potential exceedances of several contaminants under certain operational scenarios and uncertainty about whether some constituents would meet the necessary Ocean Plan objectives.[116] In the CPUC's prior proceeding certifying the FEIR/FEIS and issuing a certificate of public convenience and necessity for the Project, the CPUC approved a settlement agreement (the "Brine Discharge Settlement") between Cal-Am and various other parties addressing future discharges into the marine environment from the desalination operations. That settlement agreement creates standards and conditions for the collection of water quality data to ensure compliance with defined water quality standards. It also requires mitigation and corrective action if the Project is not in compliance with salinity standards. The Brine Discharge Agreement was also addressed in the CPUC's CEQA review, and the CPUC found the settlement agreement to be consistent with the CEQA findings. The Regional Board review is expected to address these water quality-related aspects of the Project and to incorporate these monitoring data into its evaluation to ensure that the discharge is consistent with these requirements. To ensure the Project is consistent with the Ocean Plan, the CPUC imposed Mitigation Measures 4.3-4 and 4.3-5. Mitigation Measure 4.3-4 requires Cal-Am to implement a monitoring and reporting program that will ensure that operational discharges from the Project are in compliance with applicable Ocean Plan water quality objectives and salinity standards. As a further precaution, Mitigation Measure 4.3-5 prevents Cal-Am from discharging effluent into coastal waters until it can demonstrate that it has implemented outfall modifications, operational changes, or other measures to ensure compliance with Ocean Plan water quality

[115] Natural background salinity in ocean water generally ranges from about 30 to 35 parts per thousand.

[116] The FEIR/FEIS noted that under certain operating scenarios, the project could result in exceedances of water quality standards for ammonia and cyanide, along with possible exceedances for up to 10 other constituents of the brine discharge.

> objectives. Potential operational changes include modifying the treatment methods, treating the discharges before they are routed to the outfall, or augmenting the flows to increase dilution prior to discharge (although the Ocean Plan Amendment generally prohibits flow augmentation for seawater desalination discharges). Potential design changes include retrofitting the existing diffuser system to allow additional dilution of the discharge, which would involve adding one or more additional structures to the existing outfall. The FEIR/FEIS described these changes to the diffuser as the most effective and reasonable strategy for ensuring compliance. Some of these potential changes are internal to the treatment process, but others, such as potential outfall modification, could result in additional development. **Special Condition 1** requires Cal-Am to submit the Regional Board's final determination prior to issuance of this CDP. If the Regional Board requires Cal-Am to make any significant structural or operational changes, or identifies impacts requiring mitigation not evaluated under this review, **Special Condition 1** also requires Cal-Am to obtain authorization through a CDP amendment prior to issuance of the CDP.[117]

While it is unclear which of these structural changes might occur for purposes of NPDES and Ocean Plan compliance, M1W has already determined that the outfall must be modified in several specific ways to accommodate the relatively corrosive effluent from Cal-Am's facility. Along with requiring that a liner be installed along the upland portions of the outfall, M1W expects that new corrosion-resistant clamps will need to be installed. Although these clamps would be inside the outfall, installation would involve activities on the beach and possibly within coastal waters, with work expected to involve heavy equipment in those areas, including a generator, a 20-foot container box for equipment storage, a staging and work area, temporary fencing, and possibly excavation around the outfall's existing junction box on the beach. The work would also require installation of a bypass line that would reroute outfall flows around the junction box for the expected six- to eight- week work window. Should the work be implemented as described, **Special Condition 3** requires a number of Best Management Practices to avoid and minimize potential impacts to marine life and water quality – for example limitations on fueling equipment near coastal waters, minimizing the construction area needed to the extent feasible, and others. **Special Condition 4** provides that Cal-Am will develop a Spill Prevention and Response Plan to avoid and minimize the potential for spills or releases of hazardous materials and to ensure there is an adequate response if these events occur. Because this area is within known critical habitat used for breeding, nesting, and foraging by Western Snowy Plover, **Special Condition 5** prohibits construction activities during breeding and nesting season unless otherwise allowed by the U.S. Fish and Wildlife Service ("USFWS"), in which case, Cal-Am would need to seek an amendment of this coastal development permit if the USFWS approval results in changes to the Project not evaluated in this permit.

[117] Additionally, the project's FEIR/FEIS includes Mitigation Measure 4.3-5, which is meant to ensure that the discharge meets the relevant standards. This mitigation measure prevents Cal-Am from discharging brine into coastal waters until it can demonstrate that it has implemented any measures needed to ensure compliance.

Other expected inwater work is installation of several monitoring buoys offshore near the outfall diffusers that the Regional Board is likely to require to ensure the Project's discharge is conforming to Ocean Plan requirements. The monitoring to be conducted would establish baseline conditions prior to the start of the discharge and then provide data regarding conditions during Project operations. Cal-Am's currently proposed plan includes installing four buoys to be located at different distances from the outfall to measure salinity and other water quality parameters. The buoys would include a seafloor anchor, a package of sensors, floats, and other equipment, all of which would extend about ten feet above the seafloor. Cal-Am would also install a telemetry buoy consisting of a seafloor mooring, ballast chain, a cable riser, and necessary instrumentation, which would extend through the water column to the water surface. The buoy would transmit data from the other buoys to allow near real-time monitoring.

Any of these Project aspects – a potential diffuser retrofit, the expected buoy installation, or the clamp replacement – would involve placing fill in coastal waters in the form of new or modified structures. As discussed above, the outfall modifications necessary for the Project are not part of this CDP application because the outfall is the subject of a prior CDP issued to M1W, which operates the outfall. That CDP would need to be amended in the future; nonetheless, the Commission is evaluating the impacts of the outfall modifications in this review to be comprehensive.

Pursuant to Coastal Act Section 30233, any fill of coastal waters is allowed only if it meets a three-part test: 1) that there is no feasible less environmentally damaging alternative, 2) that feasible mitigation measures have been provided to minimize adverse environmental effects, and 3) that it be for certain specified purposes, including a new or expanded port, energy, or coastal-dependent industrial facility. The two tests related to alternatives and mitigation are similar to tests found in Coastal Act Section 30260, which are discussed in Section IV.P of these Findings. As also discussed in Section IV.P, the proposed project is a coastal-dependent industrial facility. As such, the fill is for a use allowed under Section 30233 if there is no feasible less environmentally damaging alternative and where mitigation measures have been provided to minimize adverse environmental effects.

As discussed in Section IV.P, with respect to the Project overall, there is no current alternative that can provide a reliable supply of water in the longer term. Although the Pure Water Expansion is likely to meet demand in the near term, the addition of the Expansion project alone is not sufficient to meet demand over the next twenty years. Moreover, through conditions imposed in this permit, the Project's impacts have been mitigated to the maximum extent feasible.

As to fill components of the Project, the FEIR analyzed the seal clamp and diffuser components of the outfall modifications. The FEIR required the replacement of the seal clamps as mitigation to address increased corrosion of the outfall. (FEIR at 5.5-267.) Related to the diffuser, the FEIR noted MBNMS guidelines for desalination plants, which specify that project proponents should evaluate the use of measures to minimize

impacts from desalination plant discharges, including diffuser modifications. (FEIR at 5.3-4.) The new diffuser that would be part of the outfall modifications would help to dilute brine.

The FEIR also found that, with mitigation measures, "secondary impacts from construction relating to retrofitting the existing outfall . . . would be less than significant" and would be "short in duration and low intensity and [that] benthic communities would likely recover to baseline conditions." (FEIR at 4.3-109.) The FEIR noted that construction plans would be required as mitigation to ensure that any disturbances to benthic communities are minimized or avoided. In addition, the Commission believes that the FEIR's conclusions regarding physical impacts from the outfall discharge apply similarly to any impacts from the buoy in that they would be less than significant. The buoys would be anchored with a single mooring attached to a small (two- to three-square-foot) concrete anchor on the largely sandy bottom seafloor in this area. As with shear impacts associated with the outfall discharge, the buoy would likely not have substantial adverse effect on any marine biological resources. Moreover, any impacts could likely be avoided or minimized through the implementation of appropriate construction plans or other measures. The expected impacts associated with installing or modifying these offshore outfall components would be similar to other offshore construction projects for which the Commission requires measures such as construction Best Management Practices, approval of an anchoring plan showing that sensitive benthic habitats are avoided, spill prevention and response plans, and other similar requirements.

The Commission also finds that there are no feasible alternatives to these fill components, which would be necessary either to address corrosion from the brine discharge or to monitor discharges for water quality purposes. Thus, the Project meets the tests set out in Section 30233."

Conclusion

Based on the analyses and Special Conditions described above, and because the Project would be required to meet water quality objectives and be protective of water quality and marine life, per state Ocean Plan standards, the Project can be found consistent with Sections 30230 and 30231.[118] Based on the analyses provided above, the Commission finds that the Project conforms to relevant provisions of Section 30233.

[118] The Commission would also defer to the Regional Water Board with regard to effluent limitations (see Coastal Act Section 30412), though if the Board required changes to the outfall, it might trigger the need for a CDP amendment or new CDP to address those changes.

L. ENERGY CONSUMPTION & CLIMATE CHANGE

LCP Policy 39 states that the City's intent is:

> To encourage development which keeps energy consumption to the lowest level possible.

Coastal Act Section 30253 states, in relevant part:

> New development shall do all of the following:
> …
> c) Be consistent with the requirements imposed by an air pollution control district or the State Air Resources Board as to each particular development.
>
> d) Minimize energy consumption and vehicle miles traveled.

Constructing and operating major water, energy, telecommunication, and transportation projects can use a significant amount of energy, thereby significantly increasing emissions of greenhouse gases ("GHGs").[119] These emissions exacerbate climate change caused by global warming, which, in turn can cause significant adverse impacts to coastal resources of California. The Coastal Act has a number of provisions that provide authority to take steps to reduce causes and effects of climate change and to adapt to the effects of global warming. These include the Coastal Act's public access and recreation policies (Sections 30220 and 30211), marine resource and water quality policies (Sections 30230 and 30231), the environmentally sensitive habitat area protection policy (Section 30240), and the coastal hazards policy (Section 30253(1) and (2)). Further, Section 30253 requires, in part, that development be consistent with the state's air pollution control requirements and that it minimize energy consumption.

The state has long recognized the threats of climate change and the importance of taking steps to reduce those threats. In 2006, for example, the California Legislature adopted the state's 2006 Global Warming Solutions Act and found:

> Global warming poses a serious threat to the economic well-being, public health, natural resources, and the environment of California. The potential adverse impacts of global warming include the exacerbation of air quality problems, a reduction in the quality and supply of water to the state from the Sierra snowpack, a rise in sea levels resulting in the displacement of thousands of coastal businesses and residences, damage to marine ecosystems and the natural environment, and an increase in the incidences of infectious diseases, asthma, and other human health-related problems. (California Health & Safety Code, Division 25.5, Part 1).

[119] Greenhouse gases are any gas, both natural and anthropogenic, that absorbs infrared radiation in the atmosphere and include water vapor, carbon dioxide (CO2), methane (CH4), and nitrous oxide (N2O). These greenhouse gases lead to the trapping and buildup of heat in the atmosphere near the earth's surface. Carbon dioxide is the major anthropogenic greenhouse gas. All greenhouse gases are quantified collectively by the carbon dioxide equivalent ("CO_2e"), or the amount of CO2 that would have the same global warming potential, when measured over a specific time period.

Climate change covers a broad range of impacts that can occur due to GHG emissions, such as increased sea level rise, changes in the frequency, intensity or occurrence of heavy precipitation and droughts, changes in the frequency and intensity of extreme temperature events, and changes in ocean water chemistry. California's and the Coastal Commission's current guidance documents – *Rising Seas in California: An Update on Sea-Level Rise Science*, the *State of California Sea-Level Rise Guidance: 2018 Update*, and the Commission's *Sea Level Rise Policy Guidance* – build on several previous assessments and projections[120] that describe and recognize that within the coming century potentially severe impacts will likely occur in the areas of sea level, water resources, agriculture, forests and landscapes, and public health. Many of these effects will impact the coastal zone and resources specifically protected by the Coastal Act, including impacts to air quality, species distribution and diversity, agriculture, expansion of invasive species, increase in plant pathogens, alteration of sensitive habitat, wildfires, rising sea level, coastal flooding, and coastal erosion. In addition, absorption of carbon dioxide by the ocean leads to a decrease in ocean pH with concomitant consumption of dissolved carbonate ions, which adversely impacts calcite-secreting marine organisms (including many species of phytoplankton, zooplankton, clams, snails, sea stars, sea urchins, crabs, shrimp, and others). The most direct impacts of global warming focused on the coastal zone are sea level rise and its associated impacts, ocean warming, and ocean acidification.

Expected Direct and Indirect CO_2e Emissions

Cal-Am's Project would result in direct GHG emissions during Project construction, primarily due to use of motorized equipment, and would result in ongoing indirect GHG emissions during facility operations due to its use of purchased electricity. The FEIR/FEIS calculated expected construction-related emissions based on the presumed equipment use over a 24-month construction period. It determined that total direct construction emissions would be about 13,680 tonnes CO_2e, which when annualized over the then-expected 40-year Project life, would equal about 342 tonnes CO_2e per year.[121] If the Project was to operate for just the 25-year expected operating life of the slant wells, its annualized emissions would be about 547 tonnes Co_2e per year. This does not include emissions that would result from the required installation of the outfall liner described above, which would make these total and annualized emissions somewhat higher.

[120] See, for example, California's 2006 Climate Change Impacts Assessment, 2009 Climate Adaptation Strategy and 2013 Indicators of Climate Change in California reports and reports by the Intergovernmental Panel on Climate Change (IPCC Reports in 1990, 1995, 2001, 2007 and 2013) and various climate research centers (such as the Pew Center on Global Climate Change and the Heinz Center), and the Commission's own 2015 Sea-Level Rise Policy Guidance.

[121] Note: Standard guidance for air districts includes annualizing construction emissions over the expected operating life of the project.

Regarding Project operations, the full-scale 9.6 mgd Project originally considered by the CPUC would be expected to use approximately 63,000 megawatt-hours of electricity per year, which would be an increase of almost 52,000 megawatt-hours per year over Cal-Am's existing baseline electrical use for its water portfolio (based on the 2015 baseline used in the FEIR/FEIS). The 6.4 mgd Project approved by the CPUC would be expected to use about 38,000 megawatt-hours of electricity per year, which would be an increase of 27,000 megawatt-hours per year over Cal-Am's existing baseline electrical use for its water portfolio. According to Cal-Am, the Phase I Project would use about 28,500 megawatt-hours per year. The total indirect annual emissions resulting from that electrical use would depend on what sources of energy (fossil fuels, wind, sun, etc.) are used to generate the electricity supplied to the Project. These indirect emissions would be expected to decrease over time as PG&E and the energy producers it purchases electricity from are able to institute emission reduction measures required pursuant to AB 32 and other state laws, such as increasing the use of lower emitting energy sources, such as solar or wind instead of natural gas. Additionally, and as stated in the FEIR/FEIS, there would also be some emissions – in the range of about 490 tonnes per year – resulting from the release of carbon dioxide caused by pulling seawater and groundwater from depth, where atmospheric pressure is much higher that at the ground surface. There would also be other emissions resulting from vehicle use needed for Project operations and maintenance, use and testing of an emergency generator, etc. The FEIR/FEIS amortized these emissions over an expected 40-year operating life for the facility to determine that these operationally related emissions would total just over 5,188 tonnes per year, which would be well above the 2,000-tonne per year significance threshold identified in the FEIR/FEIS.[122]

Cal-Am's desalination facility, which would use the great majority of the overall Project's energy, would be located outside of the coastal zone. Coastal Act Section 30604(d) states that "[n]o development or any portion thereof which is outside the coastal zone shall be subject to the coastal development permit requirements of this division." Accordingly, this analysis only considers whether the portions of the Project inside the coastal zone comply with the relevant LCP and Coastal Act policies, though the Findings discuss overall Project energy use for context. The portions of the Project within the coastal zone would use energy for construction of those components and would use electricity for running the slant well pumps.

To address the Project's emissions, the FEIR/FEIS includes a mitigation measure meant to ensure that Cal-Am's proposed GHG Emissions Reductions Plan results in net zero operational emissions. This measure requires Cal-Am to identify state-of-the art energy recovery and conservation technologies that it can include as part of its Project, and requires Cal-Am to use renewable energy to the extent possible and to procure and retire Renewable Energy Credits, Carbon Offsets, and other similar instruments that are meant to offset emissions and that are acceptable to any of several state-approved

[122] The FEIR/FEIS used a threshold of 2,000 tonnes of CO_2e per year to determine if the proposed project's emissions would represent a significant adverse environmental effect.

carbon registries.[123] The measure also includes reporting requirements to ensure that Cal-am achieves net zero emissions for each year's operations. In addition, the FEIR/FEIS and Project design include other measures to address energy usage. For example, piping system materials and sizing would be designed to limit pressure losses and reduce pumping and energy requirements, and electrical and treatment equipment would include variable frequency drives to reduce the operating speed of pumps to match the pump discharge pressure requirements and reduce energy usage. To further ensure that the Project meets the "net zero" standard, **Special Condition 19** requires Cal-Am to submit an Energy Minimization and Greenhouse Gas Reduction Plan that specifies measures it will implement to avoid and reduce operational emissions, and to offset any remaining emissions. With the designs and mitigation measures incorporated in the FEIR/FEIS and the Project and with **Special Condition 19** included, the Project would minimize energy consumption, consistent with the LCP and Coastal Act requirements.

[123] Per the FEIR/FEIS, these include the Climate Action Reserve, the American Carbon Registry, the Verified Carbon Standard, or the Clean Development Mechanism; or (ii) any other entity approved by the California Air Resources Board to act as an "offset project registry" under the state's Cap-and-Trade Program.

M. Public Access and Recreation

LCLUP Policy 1 is:

> To insure access to and along the beach, consistent with the recreational needs and environmental sensitivity of Marina's Coastal area.

LCLUP Policy 2 is:

> To provide beach access and recreational opportunities consistent with public safety and with the protection of the rights of the general public and of private property owners.

LCLUP Policy 3 is:

> To provide beach access in conjunction with the new development where it is compatible with public safety, military security and natural resources protection; and does not duplicate similar access nearby.

The LCLUP's "North of Reservation Road Planning Area" requires that proposed development consider:

> Retention of uninterrupted lateral access along the sandy beach frontage.
>
> Protect and continue to provide public access from the nearest public roadway to the ocean.
>
> Structures necessary for the functioning of any Coastal Conservation and Development use (e.g., dredgelines, sewer outfall lines) may cross the sandy beach designated Park and Open Space provided lateral beach access is not significantly blocked.

Coastal Act Section 30210 states:

> In carrying out the requirement of Section 4 of Article X of the California Constitution, maximum access, which shall be conspicuously posted, and recreational opportunities shall be provided for all the people consistent with public safety needs and the need to protect public rights, rights of private property owners, and natural resource areas from overuse.

Coastal Act Section 30211 states:

> Development shall not interfere with the public's right of access to the sea where acquired through use or legislative authorization, including, but not limited to, the use of dry sand and rocky coastal beaches to the first line of terrestrial vegetation.

Coastal Act Section 30212(a) states:

> Public access from the nearest public roadway to the shoreline and along the coast shall be provided in new development projects except where: (1) It is inconsistent with public safety, military security needs, or the protection of fragile coastal resources, (2) Adequate access exists nearby, or, (3) Agriculture would be adversely affected. Dedicated accessway shall not be required to be opened to public use until a public agency or private association agrees to accept responsibility for maintenance and liability of the accessway.

Coastal Act Section 30214 states, in relevant part:

(a) The public access policies of this article shall be implemented in a manner that takes into account the need to regulate the time, place, and manner of public access depending on the facts and circumstances in each case including, but not limited to, the following:
(1) Topographic and geologic site characteristics.
(2) The capacity of the site to sustain use and at what level of intensity.
(3) The appropriateness of limiting public access to the right to pass and repass depending on such factors as the fragility of the natural resources in the area and the proximity of the access area to adjacent residential uses.
(4) The need to provide for the management of access areas so as to protect the privacy of adjacent property owners and to protect the aesthetic values of the area by providing for the collection of litter.

Coastal Act Section 30221 states:

> Oceanfront land suitable for recreational use shall be protected for recreational use and development unless present and foreseeable future demand for public or commercial recreational activities that could be accommodated on the property is already adequately provided for in the area.

Because most Project components in the coastal zone, including the well field and portions of the Source Water Pipeline, would be located between the first public road and the sea, the Coastal Act's public access and recreation provisions apply to all such development in both the consolidated permit action as well as the de novo permit action in the City's LCP jurisdiction. LCP and Coastal Act policies require generally that development located adjacent to the shoreline in areas with public use not interfere with that use and that they provide access to the shoreline.

Effects during construction
The CEMEX site has been an active industrial facility for over a century that has not provided vertical access to the shoreline. Coastal access at the site is primarily available as lateral access along the beach from access points to the north and south. During construction, work to develop the well field and the Project's Source Water Pipeline would occur several hundred feet from the shoreline and would not be expected to affect access to or along the beach and would have little, if any, effect on public access or recreational use. Cal-Am's installation offshore of the modified diffuser

components needed to allow its use of the existing wastewater outfall would involve boats and divers working in coastal waters and would result in temporary and minor effects to use of those coastal waters for fishing or other uses. These construction-related activities would be expected to be consistent with, and not conflict with, the above policies, as they would not require activities or structures on the beach that would inhibit public access or impede beach users.

One component of the Project's construction – replacement of some clamps on the nearshore area of the outfall line – would occur on the beach at the CEMEX site and would likely result in temporary adverse effects on public access during construction. Installation would involve heavy equipment operating on the beach, placement of barriers and protective work zones around the installation, and other measures that could prevent lateral access along the shoreline during extreme high tide events for a period of six to eight weeks during the summer. The aforementioned installation of an outfall liner, if done as described in the FEIR/FEIS, could also involve these types of activities and effects on the beach.

Effects during Project operations
Pursuant to the above-referenced Settlement Agreement, the CEMEX site will soon be transferred to another owner and made available for public access, habitat restoration, and passive recreational uses. It is unclear when this would occur in relation to when Cal-Am's initial well field construction would be completed, when the Project's proposed Phase II might occur, or when it would occur in relation to ongoing Project operations.

During Project operations, Cal-Am's Project could result in adverse effects to public access and recreation, depending on the eventual restoration and access plan that emerges from implementation of the CEMEX Settlement Agreement. The site is currently privately owned and operated for purposes of sand mining, and there is not public access at the site of the proposed wellheads. Project operations therefore would not cause public access or recreation impacts compared to currently existing conditions. However, the CEMEX Settlement Agreement anticipates that most of the CEMEX site will be used for habitat restoration, public access, and passive recreation opportunities. Because this is a known change in environmental conditions that would occur before or during Project construction and operation, it is also appropriate to consider how the Project would affect public access under those future conditions. Cal-Am has a 30-acre permanent easement within the CEMEX site and its well field would include fencing to protect about a quarter-acre of the several well heads and associated equipment. Cal-Am's ongoing maintenance of the well field would result in access and use of heavy equipment and vehicles over an area of up to about six acres over the Project's lifetime, though not all of that acreage would be used at once. The proposed phased Project would reduce this area somewhat, due to a reduction in the number of initially planned well pads and a shorter access road. Specifically, the fenced area has been reduced to approximately 0.17 acre and the area for potential ongoing maintenance has been reduced to 1.9 acres.

It is unclear at this time how these aspects of the Project would affect or prevent public access over this part of the CEMEX site in the future. Until the Commission approves a restoration and access plan pursuant to the Agreement, it is difficult to know exactly how much of an effect Cal-Am's Project would have on future public access and recreation within the CEMEX site or along the shoreline. However, the Project would, at a minimum, fence off about a quarter-acre around the wellheads and some other equipment, occupy another quarter-acre for a period of nine to 18 weeks about every five years for maintenance, and result in use of vehicles and other equipment over an approximately two-acre area over time. This would prevent at least some portion of the overall area used by Cal-Am from being restored and used for public access or recreation. This area is a relatively small portion of the overall CEMEX site, and there is significant beach and coastal area available nearby for coastal access and recreation. However, allowing an industrial use to occupy and use about two acres of prime coastal land that could otherwise be used for coastal access and recreation does not maximize public access, as required by the Coastal Act. As noted elsewhere in these Findings, any adverse effects on access and recreation would likely be experienced disproportionally by members of the nearby communities described in Section IV.I – Environmental Justice.

In a letter it submitted to the Coastal Commission on June 30, 2020, Cal-Am asserts that the Commission should not consider Cal-Am's use of this area to be a public access impact because the Commission's Settlement Agreement anticipated that Cal-Am might use this area for its Project. It is true that the Settlement Agreement acknowledges that Cal-Am has rights to its easement area and permits uses consistent with Cal-Am's anticipated operations in that area. However, the Settlement Agreement merely stated that it did not interfere with any existing property rights that Cal-Am had on the CEMEX property; it did not guarantee Commission approval of a later CDP for the Project or state or imply that it would not analyze or require mitigation for public access or other impacts of any future Cal-Am project on the CEMEX property. Thus, there would not be public access impacts from Project operations compared with existing conditions, nor compared to one set of possible future conditions as allowed for in the Settlement Agreement, but there would be a reduction in access and recreational opportunities compared to what would occur without the Project.

However, to address concerns raised by City of Marina residents regarding their lack of access opportunities in the area, Cal-Am has offered to provide $3 million to fund public access amenities, as described in Section IV.I above and as addressed by **Special Condition 17.** The amenities provided are expected to enhance public access in the area.

Conclusion

The development, as proposed, would result in temporary adverse impacts to public access and recreation during construction. It could also result in relatively modest, but by no means insignificant, long-term loss of public access and recreation opportunities that might otherwise be available through amenities provided through the above-referenced Settlement Agreement, though the amenities provided through Cal-Am's

offer to the City as acknowledged by **Special Condition 17**, the Project is likely to reduce nearby access limitations in a manner consistent with public access and recreation provisions of the Coastal Act and LCP.

N. VISUAL RESOURCES

The LCP's Preservation and Enhancement of Coastal Views policy states:

> Views of the dunes from Highway 1 and the beach shall be protected by keeping development off of the primary ridgeline. Development below the ridgelines shall be limited in height and mass to blend into the face of the dunes: generally structures should be hidden from public view where physical and habitat constraints allow. Where this is not possible, structures shall be clustered and sited to be as inconspicuous as possible.
>
> In areas where mining activity or blowouts have removed sand dune landforms, new development shall not extend above the height of the nearest adjacent sand dunes and shall be clustered so as to preserve access views across its site from Highway One.

The LCP's North of Reservation Road Planning Area requires proposed development consider:

> Visibility of new uses from Highway 1 and from the water's edge.

Coastal Act Section 30251 states, in relevant part:

> The scenic and visual qualities of coastal areas shall be considered and protected as a resource of public importance. Permitted development shall be sited and designed to protect views to and along the ocean and scenic coastal areas, to minimize the alteration of natural land forms, to be visually compatible with the character of surrounding areas, and, where feasible, to restore and enhance visual quality in visually degraded areas…

Project components within the coastal zone would consist primarily of pipelines and subgrade components that would have little, if any, visual impact once construction and installation is complete. Within the City of Marina, the Project's well field would include above-grade well heads and electrical boxes surrounded by fences, with all completed Project components would be less than ten feet in height. The City's LCP generally requires that permitted development protect views to and along the coast and specifically requires that views of the dune area from Highway 1 and the beach be protected by keeping development below the dune ridgelines, limiting its height, and clustering structures to the extent allowed by physical and habitat constraints.

Some Project construction – primarily some of the outfall modifications – would occur on or near the Monterey Bay shoreline and would be visible from other nearby publicly accessible shoreline areas, including the highly scenic Marina Dune Complex. These areas are valued in part for their views of the Bay, for wildlife watching, and for recreational activities. If Project construction occurs after the above-referenced transfer of CEMEX lands, it may be visible when the CEMEX property becomes available for public access and recreational opportunities.

During construction, the main Project activities that would affect visual resources would be staging and operating the drilling equipment needed to install the wells, which is expected to take up to about 15 months. Many of these activities would involve the use of large construction equipment and would be visually similar to those that have occurred as part of the sand mining activities at the site. Some of the Project construction activities – including ingress and egress to the site and the use of drill rigs – could be viewed by passing motorists on Highway 1 or by beach users, though most would have distant views that would be partially blocked by intervening dune formations and vegetation. The most visible construction activities near the well field would likely be the lighting associated with the Project, and construction of the outfall modifications, which could be visible from nearby beach areas. Most of the water delivery pipeline construction would be within or adjacent to existing rights of ways, roads, and highways and could be highly visible, though would be similar to other construction activities in these settings that involve use of heavy equipment.

During operations, the visual impacts of the well heads, surge tanks, and fences at the site would be relatively minimal, though their effects would depend in part on the eventual surrounding uses at the site. Cal-Am's preliminary site illustrations show that most of these components would be completed in muted tones intended to blend into the surrounding areas of dune habitat. In the current setting, as well as during the anticipated use of the surrounding area for dune restoration and public access, these components would be visible, but relatively innocuous and small in scale compared to the nearby dunes and vegetation features. Visual impacts would be more substantial during Cal-Am's ongoing maintenance at the well field, which would involve vehicles, heavy equipment, and maintenance activities at a time when similar industrial uses on the rest of the CEMEX site have ended.

To ensure the Project's visual impacts are minimized, **Special Condition 20** requires that Cal-Am submit drawings or other simulations of the Project's proposed above-grade features within the coastal zone showing that the selected colors are muted and would blend into the surrounding areas. **Special Condition 3** requires that Project lighting during Project construction, operation, and maintenance be directed inward and downward towards any work areas or Project components and that it be the minimum needed to ensure the health and safety of Project personnel and the public.

Conclusion

The proposed development would not be on prominent ridgelines and permanent structures would mainly be hidden from public view. Ongoing maintenance activity at the well head sites might be visible from nearby public locations but would be limited in extent so that it would not conflict with the LCP's requirement that development below the ridgelines be limited in height and mass to blend into the face of the dunes. Construction activities would have several temporary adverse visual impacts, but none that conflict with the LCP's or Coastal Act's visual resource policies. The Commission therefore finds that the Project is consistent with those relevant policies.

O. ASSESSMENT OF ALTERNATIVES

Cal-Am's Project is subject to two Coastal Act provisions requiring an assessment of alternatives. Coastal Act Section 30233 states, in relevant part:

> (a)The diking, filling, or dredging of open coastal waters, wetlands, estuaries, and lakes shall be permitted in accordance with other applicable provisions of this division, where there is no feasible less environmentally damaging alternative, and where feasible mitigation measures have been provided to minimize adverse environmental effects, and shall be limited to the following:
> (1) New or expanded port, energy, and coastal-dependent industrial facilities…

Coastal Act Section 30260 states:

> Coastal-dependent industrial facilities shall be encouraged to locate or expand within existing sites and shall be permitted reasonable long-term growth where consistent with this division. However, where new or expanded coastal-dependent industrial facilities cannot feasibly be accommodated consistent with other policies of this division, they may nonetheless be permitted in accordance with this section and Sections 30261 and 30262 if (1) alternative locations are infeasible or more environmentally damaging; (2) to do otherwise would adversely affect the public welfare; and (3) adverse environmental effects are mitigated to the maximum extent feasible.

Furthermore, and as noted previously, the City of Marina LCP includes provisions that incorporate Coastal Act Section 30260.

The alternatives assessment herein applies to the Project components both in the Commission's consolidated permit jurisdiction (i.e., components in its original jurisdiction and in areas within the County's and Seaside's jurisdiction that the Commission is reviewing pursuant to the consolidated permit) and in the City's LCP jurisdiction (i.e., components that are now before the Commission on appeal).

The Project is subject to Coastal Act and LCP provisions that explicitly require the Commission to determine whether there are feasible and less environmentally damaging alternatives to the Project.[124] In 2020, Commission staff conducted an alternatives analysis using the then-most recently available water demand and supply projections for the area and determined that the proposed Pure Water Expansion project would be a feasible and less environmentally damaging alternative to Cal-Am's then-proposed project and would provide sufficient water without the need for Cal-Am's desalination facility.

[124] The LCLUP states, for example, that uses allowed in Coastal Conservation and Development-designated sites, which includes the Cal-Am location, are to be consistent with requirements of Coastal Act 30260.

Since then, Cal-Am has pursued the Pure Water Expansion project as part of its expected water supply portfolio – for example, Cal-Am's most recent Urban Water Management Plan includes the expected water supply the Expansion would provide, and Cal-Am initiated a proceeding with the CPUC to request approval of an Amended Water Purchase Agreement through which Cal-Am would purchase water from the Expansion project as part of its water supply portfolio. On September 30, 2022, the Administrative Law Judge in that CPUC proceeding issued a proposed decision for Phase 1 of that proceeding that recommends approval of the agreement for the Expansion project based on near-term supply and demand estimates. The parties in that proceeding have submitted comments on the proposed decision, but no parties dispute approval of the Amended Water Purchase Agreement for the Expansion project. The CPUC is currently conducting a second phase of this proceeding to determine reasonably expected levels of water supply and demand in Cal-Am's service area based on longer term estimates (through 2050). The parties in that CPUC proceeding have presented a wide range of water demand and supply projections and widely varying assumptions about future water needs and uses, though all assume that water will be available from the Pure Water Expansion.

As detailed below, the Pure Water Expansion project has fewer environmental impacts than Cal-Am's Project and would likely be available much sooner. The Pure Water Expansion project is a preferred alternative to meet water supply needs in the near term, but it is not likely adequate to meet water supply needs in the longer term (i.e., within the next approximately 20 years).

Cal-Am's Project would have greater adverse environmental impacts but may be needed for longer-term water supply needs. Commission staff concludes that an additional source of water beyond the Pure Water Expansion is likely to be needed to meet demand over a longer-term period – i.e., with demand occurring at some point within the next 20 years. The approximate timing of when an additional source of water supply beyond the Pure Water Expansion project will be decided by the CPUC. As noted in **Special Condition 1**, the Commission's approval of Cal-Am's Project is contingent upon, among other things, this CPUC determination.

Background

As part of its consideration of Cal-Am's project, the CPUC acted as the lead agency in drafting and certifying an Environmental Impact Report (EIR) under CEQA for Cal-Am's MPWSP. As the CPUC explained in the FEIR/FEIS:

> The primary purpose of the MPWSP is to replace existing water supplies that have been constrained by legal decisions affecting the Carmel River and Seaside Groundwater Basin water resources. SWRCB Order 95-10 requires CalAm to reduce surface water diversions from the Carmel River in excess of its legal entitlement of 3,376 acre-feet per year (afy), and SWRCB Order 2016-0016 ("Cease and Desist Order") requires CalAm to develop replacement supplies for the Monterey District service area by December 2021. In 2006, the Monterey County Superior Court

> adjudicated the Seaside Groundwater Basin, effectively reducing CalAm's yield from the Seaside Groundwater Basin from approximately 4,000 afy to 1,474 afy.[125]

The CPUC's review was based on Cal-Am's initially proposed 9.6 mgd desalination facility. In its CEQA review, the CPUC analyzed a variety of alternatives to the Project to determine whether they would meet the basic project objectives. One alternative that the CPUC analyzed in detail was the Pure Water project (the base project for the subsequent Pure Water Expansion project), which had been proposed as part of a water recycling and aquifer storage and recovery project for the area. It was to be operated by M1W and funded by M1W, Cal-Am, and the Monterey Peninsula Water Management District ("MPWMD"). It was designed to recycle and treat water from several sources, including treated wastewater, stormwater, agricultural runoff, and food processing water using several separate treatment methods – ozone, membrane filtration, reverse osmosis (similar to that done in desalination facilities) and disinfection with ultraviolet and hydrogen peroxide. The Pure Water project was to apply these treatments after most of its source water had already undergone primary and secondary treatment at the M1W wastewater treatment facility. After treatment, the treated water was to be injected into the Seaside Groundwater Basin for use by Cal-Am and for longer-term storage in the event of drought. The project was designed to produce about 3,700 acre-feet per year.

The CPUC's Final EIR ("FEIR/FEIS") determined that a smaller Cal-Am desalination facility of 6.4 mgd, in conjunction with the 3,500 acre-feet per year expected from the Pure Water project, was the preferred alternative for Cal-Am's project. In 2018, the CPUC certified the FEIR/FEIS and issued a Certificate of Public Convenience and Necessity for the 6.4 mgd desalination facility and Pure Water project.[126] After the CPUC's approval of a Water Purchase Agreement allowing Cal-Am to purchase water from the Pure Water project, the project was completed in March 2020 and is now producing about 3,500 acre-feet per year of water for use by Cal-Am's customers.

In the proceeding to certify the FEIR, the CPUC also considered a potential 2,250 acre-foot per year expansion of the Pure Water project as a possible supplemental water supply for Cal-Am. However, the CPUC found the Pure Water Expansion project to be "speculative" at that time as it had not yet undergone CEQA review and the initial Pure Water project had not yet started operations.[127] Subsequently, however, as part of Commission staff's 2020 review of Cal-Am's proposed project, staff conducted an

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[125] See https://www.cpuc.ca.gov/Environment/info/esa/mpwsp/PD.html

[126] CPUC No. A-12-04-019, Decision Approving a Modified Monterey Peninsula Water Supply Project, Adopting Settlement Agreements, Issuing Certificate of Public Convenience and Necessity and Certifying Combined Environmental Report, Decision, September 13, 2018, as modified and affirmed in D. 19-01-051 (February 5, 2019).

[127] CPUC Proceeding No. A-12-04-019 (Order Modifying Decision dated Feb. 5, 2019).

assessment of the Pure Water Expansion project using data and analyses that had not been available to the CPUC and concluded that, under the Coastal Act, the Expansion project would provide a feasible and less environmentally damaging alternative to Cal-Am's Project (see additional detail below). In April 2021, M1W certified a Supplemental Environmental Impact report for the Pure Water Expansion. In recognition of these events, Cal-Am's most recent Urban Water Management Plan, released in 2021, identifies water from the Pure Water Expansion as part of its expected water supply portfolio for the next 25 years.

In the currently ongoing CPUC proceeding, Cal-Am is now seeking CPUC approval of an amended water purchase agreement for the Pure Water Expansion project.[128] That proceeding is also considering updated supply and demand estimates to determine the need for the desalination facility in addition to the Pure Water Expansion. That CPUC proceeding has a phased approach where the CPUC will decide approval of the Pure Water Expansion project in first phase and determine longer-term supply demand estimates in a second phase. In the first phase, the CPUC issued a proposed decision on September 30, 2022 approving the Pure Water Expansion based on near-term supply and demand estimates. In that first phase of the proceeding, Cal-Am presented its supply and demand estimates through 2024, and the proposed CPUC decision found Cal-Am's estimates to support approval of the Amended Water Purchase Agreement for the Pure Water Expansion project.[129] All parties to the proceeding concur with the recommended approval of the Amended Water Purchase Agreement, though each has requested some relatively minor changes to the currently proposed text of the agreement.

The parties in the CPUC proceeding are currently litigating Phase 2 and presenting longer term supply and demand estimates through 2050. A decision by the CPUC on Phase 2 expected by 2023 at the earliest.

Alternatives analysis

In this current review, the Coastal Commission, as part of its duties to analyze the Project's conformity with the Coastal Act and LCP, has an independent obligation to consider feasible alternatives to the Project based on current information. Most of the issue areas Commission staff considered in its 2020 assessment are still relevant to this current alternatives analysis and are described below. However, they are now evaluated using additional data and analyses that have been developed since that 2020 assessment and rely, in part, on the CPUC proceeding that is currently underway.

The Findings below discuss Cal-Am's Project and the Pure Water Expansion alternative and evaluate their feasibility, ability to meet project objectives, and ability to protect the public welfare. Fundamentally, Cal-Am's Project and the Pure Water Expansion are water supply projects that, when combined with the other water sources in Cal-Am's water supply portfolio, would allow Cal-Am to reduce its withdrawals from the Carmel

[128] CPUC Proceeding No. A-21-11-024.

[129] CPUC Proceeding No. A-21-11-024 (Proposed Decision dated Sept. 30, 2022 and revised October 31, 2022).

River to no more than its maximum legal limit while providing enough water for Cal-Am's existing and future water demands. As described below, the Pure Water Expansion is a less environmentally damaging alternative to Cal-Am's Project, and one that, if included as part of Cal-Am's water supply portfolio, would protect the public welfare by providing adequate regional water supplies. The Pure Water Expansion project can also be implemented in the near term. The Pure Water Expansion project (in combination with other existing water supply) is likely not adequate, however, to meet long-term demand based on current data. Based on current water demand projections, including data being presented in the CPUC proceeding, it seems likely that an additional source(s) of water beyond the Pure Water Expansion project will be needed at some point within the next 20 years. Therefore, this analysis concludes that it is appropriate to consider Cal-Am's Project as a feasible component of that the water supply portfolio for the service area.

This evaluation uses the same approach as Commission staff's 2020 analysis, but incorporates new data and assessments that have occurred since then:

1) **Feasibility:** The two projects are briefly evaluated for conformity to the criteria of the Coastal Act Section 30108 definition of feasibility – i.e., "'Feasible' means capable of being accomplished in a successful manner within a reasonable period of time, taking into account economic, environmental, social, and technological factors."

   - **"Capable of being accomplished in a successful manner":** Both Cal-Am's desalination facility and the Pure Water Expansion would use proven technology to produce and deliver drinking water. Just as Cal-Am is proposing to use treatment processes common to other seawater desalination facilities in operation around the world, the Pure Water Expansion would use the same treatment processes now being used by the baseline Pure Water project and by other water recycling projects in California and elsewhere. The Pure Water Expansion is essentially a larger version of the same Pure Water project that Cal-Am is relying on for a part of its expected water supply. Given that the Pure Water Expansion would use the same processes as the baseline Pure Water project and would be located at the Pure Water facility, which was designed to include this expansion, the Expansion is capable of being successfully accomplished from a technological standpoint.

   - **"Within a reasonable period of time":** Cal-Am's facility is expected to take about two years to construct and about six months to commission and begin operations. The Pure Water Expansion has a projected construction and start-up schedule of about 24 to 27 months total. For either project, the actual timeline to produce drinking water is likely to take somewhat longer, as complex water treatment facilities such as these often require several months of adjustment to achieve their expected production level or needed level of treatment. An additional consideration is that both projects have additional approvals necessary before they can begin operation, as well as other potential obstacles that could adversely affect their feasibility and schedule. The main issues that could affect the timing of each project are briefly discussed below, and these and other

issues are also further addressed at the end of the Alternatives section in the subsection regarding Areas of Uncertainty.

The primary remaining elements needed for the Pure Water Expansion is final approval by the CPUC of an Amended Water Purchase Agreement and acceptance of that Agreement by Cal-Am, M1W, and MPWMD. On September 30, 2022, the CPUC issued a proposed decision in the current proceeding to approve the Amended Water Purchase Agreement for the Pure Water Expansion. The Pure Water Expansion would not proceed until such an Agreement in place, because that Agreement would be needed to secure funding for that project. The Expansion will require additional review and permits for its expected discharge, though that discharge will be similar to the discharge of the already permitted baseline Pure Water project, so much of the necessary analysis has already been completed.

The Amended Water Purchase Agreement would allow Cal-Am to purchase 2,250 afy of water from the Pure Water Expansion project in addition to the 3,500 afy it is currently approved to purchase from the baseline Pure Water project for a total of 5,750 afy. Certain parties have questioned whether the two Pure Water projects will actually yield a supply of 5,750 afy. Although actual water yields from the two Pure Water projects are not yet available because the Pure Water Expansion is not yet in production, M1W has identified sufficient source waters to accommodate both projects.

Regarding Cal-Am's Project, it faces a variety of hurdles that could prevent or delay its construction and operation. As noted above, Cal-Am needs the CPUC to complete its current proceeding to determine reasonable updated water demand and supply projections. Also, in order for Cal-Am to use the proposed outfall for its Project, Cal-Am or M1W must obtain one or more permits to install an outfall liner in M1W's outfall line. The installation would require M1W to apply for an amendment to its CDP for the outfall, which the Commission originally approved in 1996. While Cal-Am and M1W had agreed on a 95% design for the needed liner, M1W has more recently considered including the liner not as a "stand-alone" modification to accommodate Cal-Am's discharge, but as part of a more comprehensive and long-planned relocation and rehabilitation project that would upgrade a substantial portion of the overall outfall. M1W has not yet conducted CEQA review for either option for installing the liner, so it could be up to several years before a final approach is decided upon and the necessary environmental review and permitting is implemented and completed.

There is also ongoing litigation related to several aspects of Cal-Am's Project. This includes litigation filed by the City of Marina and later joined by Marina Coast Water District contending that Cal-Am is not able to use more than 500

acre-feet per year of groundwater from the CEMEX site.[130] In this lawsuit, the trial court issued an order referring certain technical issues to the State Water Board's Administrative Hearings Office ("AHO") for the AHO's determination. The AHO is in the midst of that referral proceeding. Once the AHO issues its proposed report, the SWRCB is expected to review it and issue an order, which is then returned to the trial court. The SWRCB's order is not binding on the trial court, however. The SWRCB's final order is expected sometime in 2023; a trial date in the litigation is set for October 2023. If Cal-Am does not prevail in a final judgment in the case, its desalination facility will not proceed.

Additionally, and as noted above, Cal-Am needs two additional approvals from the State Lands Commission regarding leases of state tidelands – one for the continued operation of Cal-Am's test well as part of the Project[131] and another for the other proposed Project wells. It also needs an approval from the Regional Water Quality Control Board, and approvals from the U.S. Army Corps of Engineers and the Monterey Bay National Marine Sanctuary for various aspects of in-water work, which will be subject to review by the U.S. Fish and Wildlife Service and National Marine Fisheries Service. Pursuant to **Special Condition 1**, Cal-Am will need several of these approvals prior to issuance of this coastal development permit.

The Pure Water Expansion is therefore likely to be available to provide water much sooner than Cal-Am's Project and would likely be in a better position to address near-term supply and demand needs. Therefore, the Pure Water Expansion is a critical component of the water portfolio for the region.

"… and taking into account the following factors":

- **"Economic":** The expected costs of Cal-Am's Project are much higher than those of the Pure Water Expansion. In its 2018 proceeding, the CPUC set a cost cap of $279 million for capital costs for the MPWSP, which included Cal-Am's 6.4 mgd desalination facility and the baseline Pure Water project.[132] At the time, Cal-Am estimated its operation and maintenance costs for the desalination plant to be approximately $19.3 million per year, for a total of approximately $579 million (in 2017 dollars) in operation and maintenance costs over 30 years.[133] Current estimates are that Cal-Am's water would cost more than $6,100 per acre-foot, while the current Pure Water project provides water at cost of $2,808 per acre-

[130] See Monterey County Superior Court Case No. 20CV001387, filed by the City of Marina against RMC Lonestar and RMC Pacific Materials, LLC (together known as "CEMEX") and Cal-Am.

[131] Cal-Am has a lease for the test well that expires in December 2022.

[132] CPUC Proceeding No. A-12-04-019.

[133] CPUC Proceeding No. A-12-04-019 (Cal-Am Opening Brief filed Dec. 15, 2017).

foot.[134] Recent figures for the Pure Water Expansion are estimated to include about $60 million in initial capital costs and about $190 million in operational and maintenance costs over a 30-year operating life. Although the desalination facility would produce more water than the Pure Water Expansion, its cost per unit of water would be about twice as much. Cal-Am has not provided an assessment of how its recently proposed Project phasing might affect the expected costs. Although the first phase would involve reduced initial capital costs for construction and some reduction in operations and maintenance costs, the overall cost per unit of water could be higher than expected, especially when it is not certain if and when additional water from the second phase might be made available to spread costs over a larger volume of water to be produced. As noted above, Cal-Am will also likely need to either account for recouping its Project costs over a shorter Project operating life - i.e., the 25 years it expects its wells to operate - or account for the additional costs to relocate or rehabilitate those wells if they are to continue operating beyond that period.

Cal-Am estimates that adding water from the Project to its water portfolio would increase water rates by $47 to $50 per month, though Commission staff did not receive the analyses Cal-Am conducted to estimate this increase. Other entities, including the MPWMD, have estimated that rates could be three to four times higher.[135] It remains unclear how Cal-Am's proposed $10 per month cost cap for its low-income ratepayers would affect its other ratepayers.

- **"Environmental":** As noted in the Findings above, Cal-Am's Project would result in significant adverse effects on coastal resources, particularly to environmentally sensitive habitat areas, whereas the Pure Water Expansion would be built entirely outside the coastal zone, would be constructed largely on an existing industrial site, and would have relatively few environmental impacts compared to Cal-Am's Project. The Pure Water Expansion would also be greenhouse gas neutral, as it would use renewable electricity generated from landfill gasses. Although the Cal-Am Project would rely on grid-supplied electricity, which generally has a current emissions rate of up to several hundred pounds of greenhouses gasses per megawatt-hour, it is subject to a CPUC-imposed mitigation measure (MM 4.11-1) requiring the Project to have net zero greenhouse gas emissions from electricity used during operations. The Special Conditions imposed through this permit would allow Cal-Am's Project to avoid or minimize most of the environmental impacts, though the Project would still not fully comply with several Coastal Act provisions and would require the Commission to apply the "override" provisions of Coastal Act Section 30260 in order to approve a coastal development permit for the Project.

[134] As stated in the CPUC Proposed Decision on Proceeding A-21-11-024 (modified October 31, 2022).

[135] See, for example, November 5, 2022, *The Cost of New Water on the Monterey Peninsula*, by Dave Stoldt, in Monterey Herald.

Cal-Am additionally noted that its Project was the only alternative available that could supply sufficient water to provide for protective groundwater elevations in the Seaside Groundwater Basin, which would be meant to prevent or reduce a "severe" seawater intrusion problem and to avoid the adverse impacts that would accompany the loss of the Basin's groundwater supply.

- **"Social":** As described more below and in the Findings on Section 30260's public welfare test, either project would provide sufficient water for the Cal-Am's service area, at least in the near term, though Cal-Am's would have far greater environmental justice-related effects on low-income ratepayers and other communities of interest that would require several Special Conditions to address (see Section IV.I – Environmental Justice).

- "**Technological":** As noted above, both projects would generally use proven technology for treating and distributing water. The Cal-Am Project would use a slant well system to provide its source water, and although there are no other operating desalination facilities known to use this system, there are at least two projects here in California where slant wells were successfully tested as a method to supply source water to desalination facilities.[136] Both projects would use a variety of water treatment methods commonly used in water supply facilities. Cal-Am, the Pure Water project and the Pure Water Expansion all rely in part on an Aquifer Storage and Recovery ("ASR") system that is being used in numerous locations as a proven method to store and provide water supplies.

1) **Water supply and demand – would the Pure Water Expansion provide sufficient amounts of water to allow Cal-Am's water portfolio to meet expected demands?** The 2020 Commission staff assessment of alternatives included an extensive evaluation and comparison of the expected water demand and supplies that would be available to Cal-Am with either the Project or the Pure Water Expansion. Key issues included: 1) whether either project would provide an adequate and reliable water supply to meet current and future demands; 2) whether either would be consistent with state requirements regarding the design and capacity of water supply facilities; and 3) whether they would allow Cal-Am to meet conditions of the State Water Board's cease and desist order for reducing withdrawals from the Carmel River.

   At that time, Commission staff concluded that, although there was inherent uncertainty in projecting supply and demand, the most recent data and analyses available showed that the Pure Water Expansion would be expected to meet demand for at least 20 years. While Cal-Am's desalination facility would provide more water than would the Pure Water Expansion, either project, when combined

[136] Along with Cal-Am's test slant well, the South Coast Water District in Orange County conducted successful slant well tests and will use them for its full-scale desalination facility in Dana Point.

with Cal-Am's other available water sources, would provide more than adequate water supplies for current and expected future demands and would allow the water system to conform to the state's design and capacity requirements. Adding either project to Cal-Am's water portfolio would also allow Cal-Am to reduce its withdrawals from the Carmel River in accordance with requirements of the State Water Board's cease-and-desist order. Importantly, although the CPUC's 2018 decision described the Pure Water Expansion as speculative, it recognized that, if built, it would satisfy project objectives and provide sufficient water if the desalination facility was delayed for five to fifteen years.[137] Using data and analyses that had not been available to the CPUC in the prior proceeding, the Commission staff assessment identified substantially lower baseline water demands and concluded that the Pure Water Expansion could be expected to provide the necessary amount of water for at least 20 to 25 years without the desalination facility in place.

Since Commission staff's review in 2020, the CPUC has initiated a new proceeding to identify a reasonable projection of longer-term water demand and supply for the region. Parties to that proceeding have submitted widely varying projections through 2050 based on significantly different assumptions about expected growth rates, the number of new residents to expect, the potential for drought to affect existing supplies, and others. Certain parties argue that there is no need for Cal-Am's Project by 2050 while Cal-Am argues that the Project is needed as soon as 2025. Other estimates project a demand for additional water supply beyond the Pure Water Expansion sometime between 2025 and 2050. For example, the California Public Advocates Office ("Cal Advocates"), which is the independent entity within the CPUC that represents and advocates on behalf of the interests of customers,[138] determined that there would be a demand for the additional supply by 2040.[139] Figure 1 below is a chart from Cal Advocates comparing the supply and demand estimates presented by California Public Advocates and Cal-Am in the current CPUC proceeding:

[137] The CPUC decision states: "…the PWM Expansion would satisfy the basic and key purposes of the Project (i.e., sufficient and reliable water supply) only in conjunction with construction of a desalination plant of some size within five to fifteen years." . CPUC No. A-12-04-019, Decision Approving a Modified Monterey Peninsula Water Supply Project, Adopting Settlement Agreements, Issuing Certificate of Public Convenience and Necessity and Certifying Combined Environmental Report, Decision, September 13, 2018, as modified and affirmed in D. 19-01-051 (February 5, 2019).

[138] Cal. Public Utilities Code § 309.5.

[139] Report and Recommendations of Office of Public Advocates in Phase 2, CPUC No. A-21-11-024, dated Aug. 19, 2022.

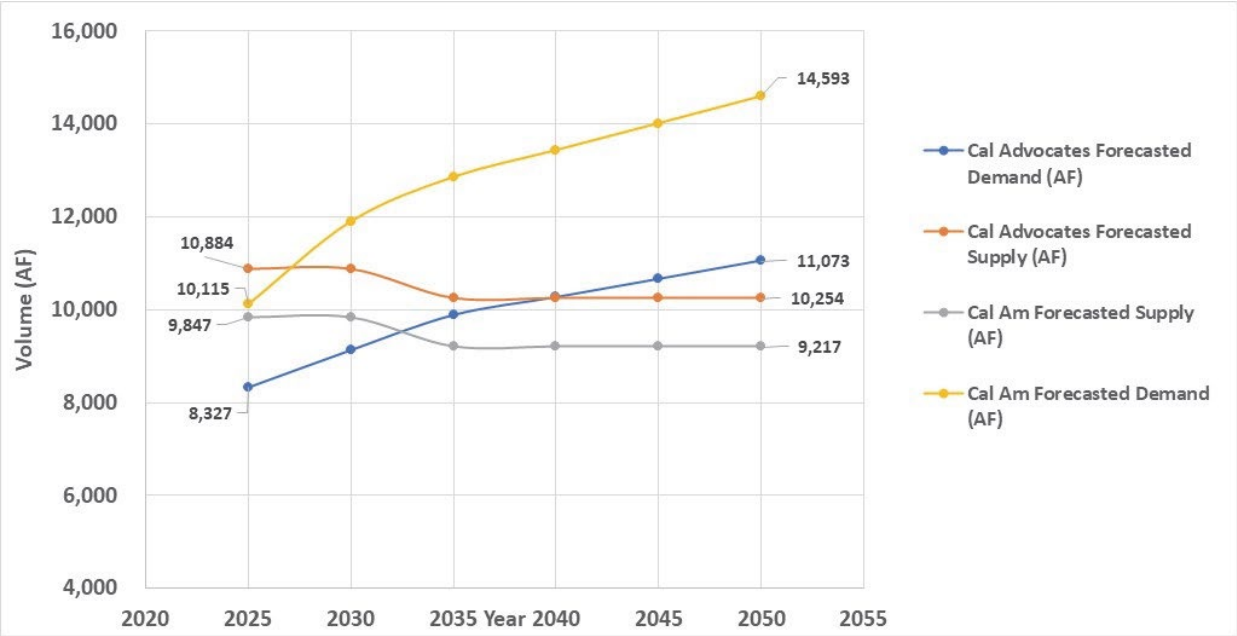


Figure 1.[140]

Determining the amount of water needed for current and future demands generally involves three main steps: 1) identify existing water use and available supplies; 2) identify the expected rates of growth; and 3) identify any additional sources of water needed to serve that growth. Commission staff has reviewed longer-term estimates presented in the Phase 2 CPUC proceeding and believes that there is a basis for demand of additional sources of water supply beyond the Pure Water Expansion at some time by 2050. The Cal Advocates analysis, in particular, which is prepared by an independent entity representing the interests of water customers, provides a detailed and comprehensive analysis that demonstrates a demand for such additional water sources by 2040 (see **Exhibit 11**). The two tables below from Cal Advocates compare the demand and supply estimates of Cal Advocates and those proposed by Cal-Am.

Table 4 below compares the expected demands projected by Cal Advocates and Cal-Am. It shows Cal Advocates' projected demands are substantially lower than those presented by Cal-Am – by about 2,000 to 3,000 acre-feet per year lower at various points in the planning horizon. The Commission notes that the Cal Advocates' demand estimates beginning in 2040 – from 10,283 to 11,073 afy – are close to those that Commission staff cited in its 2020 assessment – an expected demand of from 10,884 afy to 11,240 afy.

[140] Report and Recommendations of Office of Public Advocates in Phase 2, p. 2, CPUC No. A-21-11-024, dated Aug. 19, 2022.

Table 4.[141]

Forecasted Demand (AF)	Cal Am						Cal Advocates					
Demand Category	**2025**	**2030**	**2035**	**2040**	**2045**	**2050**	**2025**	**2030**	**2035**	**2040**	**2045**	**2050**
Residential demand	5,031	5,644	5,754	5,864	5,974	6,084	5,297	5,403	5,511	5,621	5,734	5,848
Non-Residential demand	4,834	5,019	5,204	5,389	5,574	5,759	3,030	3,091	3,152	3,215	3,280	3,345
Total Residential and Non-Residential demand	9,865	10,663	10,958	11,253	11,548	11,843	8,327	8,494	8,663	8,837	9,013	9,194
Pebble Beach Entitlements	-	65	130	195	260	325	-	65	130	195	260	325
Tourism	250	500	500	500	500	500	-	-	-	-	-	-
Legal Lots of Record												
Single Family Residential	-	59	103	147	190	234	-	-	-	-	-	-
Multi Family Residential	-	35	60	86	111	137	-	-	-	-	-	-
Commercial	-	158	274	389	505	621	-	158	274	389	505	621
Residential Remodels	-	27	47	66	86	106	-	27	47	66	86	106
Commercial Remodels	-	21	36	51	67	82	-	21	36	51	67	82
Legal Lots of Record Total		300	520	739	959	1,180	-	206	357	506	658	809
RHNA Demands	-	370	745	745	745	745	-	370	745	745	745	745
Total	**10,115**	**11,898**	**12,853**	**13,432**	**14,012**	**14,593**	**8,327**	**9,135**	**9,895**	**10,283**	**10,676**	**11,073**

Table 5 below compares the Cal Advocates supply estimates with those of Cal-Am, with both including the Pure Water Expansion as one of the supply sources. It shows that, although they rely on the same identified sources, Cal Advocates expects that there will be about 1,000 acre-feet per year more supply than Cal-Am identifies.

Table 5.[142]

Available Supply (AF)	Cal Am						Cal Advocates					
Source	**2025**	**2030**	**2035**	**2040**	**2045**	**2050**	**2025**	**2030**	**2035**	**2040**	**2045**	**2050**
Carmel River	3,376	3,376	3,376	3,376	3,376	3,376	3,376	3,376	3,376	3,376	3,376	3,376
Seaside Basin	1,474	1,474	774	774	774	774	1,474	1,474	774	774	774	774
Aquifer Storage and Recovery	470	470	470	470	470	470	1,210	1,210	1,210	1,210	1,210	1,210
Table 13	-	-	-	-	-	-	189	189	189	189	189	189
Sand City Desalination	94	94	94	94	94	94	94	94	94	94	94	94
WPA	5,527	5,527	5,527	5,527	5,527	5,527	5,750	5,750	5,750	5,750	5,750	5,750
Total before 10% Buffer	10,941	10,941	10,241	10,241	10,241	10,241	12,093	12,093	11,393	11,393	11,393	11,393
10% Supply Buffer	1,094	1,094	1,024	1,024	1,024	1,024	1,209	1,209	1,139	1,139	1,139	1,139
Total after 10% Buffer	**9,847**	**9,847**	**9,217**	**9,217**	**9,217**	**9,217**	**10,884**	**10,884**	**10,254**	**10,254**	**10,254**	**10,254**

Note: The "Table 13" category refers to an additional water right Cal-Am has to divert Carmel River water under certain conditions.

In terms of supply, Commission staff's 2020 assessment cited a higher figure of 11,700 afy than the Cal Advocates current estimate of 10,254 afy for 2040 and later, as shown in Table 6 below:[143]

[141] Id. at p. 10 (footnotes omitted). The estimates reflect certain assumptions discussed in in the Public Advocates' report.

[142] Id. at p. 6 (footnotes omitted). The estimates reflect certain assumptions discussed in Cal Advocates' report.

[143] From August 25, 2020 Coastal Commission Staff Report, page 121.

Table 6

Supply Source	With Cal-Am desalination (in afy)	With Pure Water Monterey Expansion (in afy)
Cal-Am Desalination	6,252	0
Pure Water Monterey	3,500	3,500
Pure Water Monterey Expansion	0	2,250
Carmel River	3,376	3,376
Seaside Basin	774	774
Aquifer Storage and Recovery	1,300	1,300
Sand City Desalination	94	94
Total Available Supply	**15,296**	**11,294**
Other Available Supply	406	406
Total Available Supply w/Other	**15,702**	**11,700**

Some of the difference is due to Cal Advocates identifying slightly less supply being actually available from some sources, though Cal Advocates also included a 10% "supply buffer." This supply buffer addresses the potential for some under-supply by a factor of 10% (and, therefore, builds in a buffer in the supply estimate). As shown in Table 5, the 10% supply buffer in 2040 and later is 1,139 afy. As noted in the FEIR/FEIS, "[f]orecasting future demand and supply is not an exact science," and "estimating future water demand necessarily entails the use of assumptions about demand factors that cannot be predicted with absolute certainty." The Commission finds that use of a 10% buffer is reasonable, particularly because the Pure Water Expansion does not yet have actual production data to rely on, and Cal Advocates' estimate assumes that the Pure Water Expansion will supply its full production of 2,250 afy. Moreover, drought conditions have become increasingly more severe, which is another significant factor in the analysis. The three-year period ending August 2022 was recorded as the driest three-year period in California since records began in 1895.[144]

Even with the thoroughness of the California Public Advocates' analysis, any need for additional water supply beyond the Pure Water Expansion may occur earlier or later than 2040. Moreover, the CPUC will be adjudicating if and when a desalination facility is needed for the region. The CPUC is expected to reach a decision on longer term supply and demand estimates in 2023, which will help determine how much water is needed, and when, and which projects Cal-Am would be expected to rely on to provide sufficient water for its ratepayers. Importantly, and as Cal-Am has noted, these demand scenarios do not fully account for additional water that the Seaside Groundwater Basin

[144] See NOAA National Centers for Environmental information, Climate at a Glance: Statewide Time Series, Precipitation, published October 2022 (retrieved Nov. 1, 2022), available at https://www.ncei.noaa.gov/access/monitoring/climate-at-a-glance/statewide/time-series/4/pcp/36/8/1895-2022?base_prd=true&begbaseyear=1895&endbaseyear=2022.

Watermaster has identified as necessary to protect the Basin from seawater intrusion, and for which Cal-Am has stated would be available only from its proposed Project.

2) How does the Pure Water Expansion conform to the FEIR/FEIS Project Objectives and Criteria used for Cal-Am's project?

In order to qualify as a feasible alternative to a proposed project, an alternative generally must feasibly accomplish most of the basic objectives of the project. The FEIR/FEIS describes a number of objectives of the MPWSP, for which the FEIR/FEIS identified the 6.4 mgd desalination facility in combination with the base Pure Water project as the preferred alternative. Key objectives included water reliability, such as (1) developing water supplies to replace Carmel River diversions in excess of Cal-Am's legal entitlement and (2) developing a reliable water supply for the Cal-Am Monterey District service area. As discussed above, the Pure Water Expansion project is an important, but not sufficient, alternative to meet these objectives over the next 20 years approximately, based on the new data presented in the current CPUC proceeding.

"No Action" Alternative
The purpose of describing the "no action" alternative is to allow decision makers to compare the impacts of approving a proposed project with the impacts of not approving it. Here, if the Commission denies Cal-Am's Project, Cal-Am would still have available the water supply provided by the Pure Water Expansion along with other components of Cal-Am's water portfolio. As noted above, the CPUC is in the midst of a proceeding to determine Cal-Am's reasonably expected water demand and supply projections over the next 20-25 years, which will help determine how long Cal-Am's water portfolio will be sufficient without the desalination facility in place. The Commission concludes that additional water supply will likely be needed (beyond the Pure Water Expansion) at some point before 2050. As such, the "no action" alternative would not achieve project objectives and is not feasible.

The Commission recognizes the need for long-range planning to address water supply constraints, particularly in this region which has experienced longstanding water shortages. At the same time, in light of the override provisions of Section 30233 and 30260, the Commission also recognizes that other water solutions with fewer environmental impacts than the proposed desalination facility may potentially emerge as feasible alternatives, particularly as the timeframe for construction of the desalination facility becomes longer. **Standard Condition 2** requires Cal-Am to meet all prior-to-issuance conditions of this permit and begin development activities pursuant to this permit within five years. If Cal-Am seeks an extension of the permit term, the Executive Director may either (1) approve an extension of the permit term or (2) require Cal-Am to seek an amended CDP in the event that there changed circumstances affecting this Project that warrant an updated review. Finally, the Commission acknowledges, as the CPUC did in the FEIR/FEIS, that "estimating future water demand necessarily entails the use of assumptions about demand factors that cannot be predicted with absolute certainty." To help ameliorate that uncertainty, Cal-Am's proposed phased approach would create reliability and promote longer term planning by authorizing a smaller 4.8

mgd facility and by permitting full scale construction only if warranted based on conditions demonstrated in the future.

Conclusion

Based on the above, the Commission finds that the Pure Water Expansion project is a feasible and less environmentally damaging alternative to meet supply and demand needs in the near term as compared to Cal-Am's Project but that additional water supply beyond the Pure Water Expansion is likely necessary at some point within the next twenty years. Thus, the addition of the Pure Water Expansion project alone is not sufficient to address longer term supply and demand. Likewise, the "no action" alternative is not feasible for longer term water supply planning. The CPUC-certified FEIR/FEIS identified the proposed desalination facility as a component of the preferred alternative. Therefore, as conditioned, the Commission finds that Cal-Am's Project is presently a feasible alternative to address water supply needs for the region over the longer term.

P. COASTAL-DEPENDENT INDUSTRIAL FACILITY OVERRIDE

Section 30260 of the Coastal Act states:

> Coastal-dependent industrial facilities shall be encouraged to locate or expand within existing sites and shall be permitted reasonable long-term growth where consistent with this division. However, where new or expanded coastal-dependent industrial facilities cannot feasibly be accommodated consistent with other policies of this division, they may nonetheless be permitted in accordance with this section and Sections 30261 and 30262 if (1) alternative locations are infeasible or more environmentally damaging; (2) to do otherwise would adversely affect the public welfare; and (3) adverse environmental effects are mitigated to the maximum extent feasible.

Section 30101 of the Coastal Act states:

> "Coastal-dependent development or use" means any development or use which requires a site on, or adjacent to, the sea to be able to function at all.

Section 30101.3 of the Coastal Act states:

> "Coastal-related development" means any use that is dependent on a coastal-dependent development or use.

The City of Marina LCP includes the following provisions:

LCLUP Policy 41:

> To give priority to Coastal-dependent development on or near the shoreline and ensure that environmental effects are mitigated to the greatest extent feasible.

LCLUP Geotechnical Policies, Policy 1 (first bullet)

> Structural development shall not be allowed on the ocean-side of the dunes, in the area subject to wave erosion in the next 50 years, or in the tsunami run-up zone. The only exception to this would be essential support facilities to a coastally-dependent industry, and in these areas the city will not undertake liability for property damage due to hazards.

Project components within the City of Marina are on property designated by the LCP as "Coastal Conservation and Development," a designation that prioritizes coastal-dependent industrial uses.

LCLUP Coastal Conservation and Development Uses, Policy 2 (second bullet) states:

> Coastal Conservation and Development uses shall be allowed on the west side of Dunes Drive. These activities shall include, but not be limited to, marine agriculture (Mariculture); off-shore and surf-zone sand mining, and other commercial activities dependent for economic survival on proximity to the ocean,

> salt water or other elements available in this particular environment. Development in this area will be allowed in already disturbed areas.

The LCLUP, at page 41, describes uses allowed in areas designated Coastal Conservation and Development:

> …such uses as are dependent upon salt water, the unique coastal-marine environment found in Marina, and/or on resources present only in this portion of Marina's Coastal Zone. Development shall be sited in already disturbed areas. Access roadways shall be kept to the minimum necessary to serve the proposed development and buildings shall be designed and sited to preserve sensitive habitats and views of the coastal dunes.

The IP, in its regulations for Coastal Conservation and Development Districts, includes similar standards for allowed uses in this district. They include:

> Coastal research and educational uses; developed public access and other coastally dependent recreation uses; coastal dependent industrial uses including but not limited to marine agriculture (mariculture), dredge pond, surf zone and offshore sand extraction.

The LCLUP's policies relating to the North of Reservation Road Planning Area identify appropriate uses within the high Flandrian dune area, in which this Project is proposed, to include "activities specifically dependent upon proximity to the ocean" (see LCLUP, page 37). It further states that the uses allowed in Coastal Conservation and Development districts are those consistent with numerous Coastal Act policies, including Coastal Act Section 30260 (see LCLUP, pages 38 and 44).

Analysis

As evaluated in Section IV.E, the Commission finds that the Project is fundamentally inconsistent with (i.e., is inconsistent and could not be brought into consistency through mitigation measures) Coastal Act and/or LCP policies regarding environmentally sensitive habitat areas. Nonetheless, Coastal Act Section 30260 allows the Commission to approve a coastal-dependent industrial facility that is otherwise inconsistent with one or more policies of the Coastal Act's Chapter 3. The City of Marina's LCP, under its Coastal Conservation and Development land use designation, similarly allows coastal-dependent uses that are dependent on proximity to the ocean if the uses are consistent with Coastal Act Section 30260, subject to certain limitations.

The Commission finds that the Project is a "coastal-dependent industrial facility" and can therefore be reviewed pursuant to Coastal Act Section 30260. The LCP does not define the term "coastal-dependent," but Coastal Act Section 30101 states that a coastal-dependent development or use "means any development or use which requires a site on, or adjacent to, the sea to be able to function at all." Cal-Am's proposed Project is coastal-dependent because: 1) its well field will be located adjacent to the shoreline so it can extract primarily seawater from beneath the Monterey Bay seafloor; 2) the shoreward section of its Source Water Pipeline is needed to transport that water from this shoreline area to the inland desalination facility; and 3) the Project's proposed

use of an existing ocean outfall is needed to convey the facility's effluent into coastal waters.

Some commenters have asserted that the Project is not coastal-dependent because the extraction wells would be extracting brackish groundwater, and that brackish groundwater could be extracted further inland instead. However, as detailed previously in these Findings, the Project is expected to predominantly extract seawater over its operating life. To achieve this, Cal-Am is proposing to maximize the length that the Project's slant wells project into the ocean at about 1,000 feet; therefore, they could not extract predominantly seawater if they were located farther inland. In addition, if the wells were located inland and were pulling a higher percentage of non-seawater, this could cause greater adverse impacts to other groundwater users, could affect Cal-Am's ability to obtain sufficient appropriative water rights, and would significantly alter its return water obligations. This would be a less feasible (if feasible at all) alternative to the Project's proposed site for the wells.

Additionally, the proposed Project is an industrial facility. Several Project components fall within at least one category of the North American Industry Classification System ("NAICS") – i.e., NAICS #237110: Water and Sewer Line and Related Structures Construction.[145] Some of the Project components would be built within currently active industrial sites and would use similar equipment and methods as the other uses on those sites. The proposed Project would be implemented by Cal-Am, an entity that, along with being a CPUC-regulated utility, is considered part of the water and wastewater industry. Further, the Commission has previously recognized that public utilities conduct industrial activities – for example, in its 2013 certification of Santa Barbara County Local Coastal Program Amendment No. LCP-4-STB-13-0215-2 allowing natural gas exploration and production by public utilities. The City's LCP also includes several provisions that similarly address "coastal-dependent" uses. The proposed Project is therefore a coastal-dependent industrial facility.[146]

Application of Coastal Act Section 30260

Coastal Act Section 30260 provides for special consideration of coastal-dependent industrial facilities that would otherwise be unapprovable due to inconsistencies with the Act's Chapter 3 coastal resource protection policies. Section 30260 allows the Commission to approve such projects, notwithstanding the project's inconsistencies with those other policies, if they meet a three-part test: 1) if alternative locations are infeasible or more environmentally damaging; 2) denial would adversely affect the

[145] NAICS was formerly the Standard Industrial Classification, or SIC, system. Both systems have been used by U.S. EPA, the State and Regional Water Boards, and others to categorize various industrial activities.

[146] The Commission's findings here are also supported by an unpublished Court of appeal opinion upholding the Commission's 2014 approval of Cal-Am's test well and finding that the test well was a "coastal-dependent industrial facility" and that the City's LCLUP incorporates Section 30260. See *Marina Coast Water Dist. v. California Coastal Comm'n*, 2016 WL 6267909, (Oct. 26, 2016).

public welfare; and 3) if adverse effects are mitigated to the maximum extent feasible. The LCP similarly allows approval of coastal-dependent industrial uses in dune habitat if they are the types of uses allowed pursuant to Coastal Act Section 30260, if the development is sited in the most disturbed areas, and if the adverse impacts of the development are mitigated.[147] Thus, the Commission interprets these LCP provisions consistent with Section 30260 to determine if the Project is approvable, despite its inconsistency with the habitat protection policies of the LCP.[148] For this first test of Section 30260, the Commission is also incorporating the alternatives analysis required pursuant to Coastal Act Section 30233 – that there be no feasible, less environmentally damaging alternative to the proposed project.

Application of the Section 30260 override provision is discretionary: it *allows* the Commission to approve a project that meets the three statutory criteria, but it does not *require* the Commission to do so. Similarly, the Commission need not find that a coastal-dependent industrial project fails to meet the three criteria in order to deny it, although such findings could support a denial. The three tests of Section 30260 are applied below.

Test 1 – Alternative Locations are Infeasible or More Environmentally Damaging and Development is Limited to Already-Disturbed Areas: The first test of Coastal Act Section 30260 allows the Commission to approve a project that is otherwise inconsistent with Coastal Act policies, or in this case, if it is additionally inconsistent with LCP policies, if it finds that "alternative locations are infeasible or more environmentally damaging." As noted above, the Commission is also considering this question in the context of Coastal Act Section 30233's provision allowing fill in coastal waters only "where there is no feasible less environmentally damaging alternative."

As part of the proposed Project's CEQA review, the FEIR/FEIS evaluated alternative locations to the proposed Project. For instance, the FEIR/FEIS analyzed two alternative locations for the slant wells, which involved the construction of intake systems at a site on Potrero Road and a site at Moss Landing. The FEIR/FEIS concluded that siting intake systems at either Potrero Road or the Moss Landing site would not "offer an overall environmental advantage over the proposed project," and would increase impacts compared to the CEMEX site. As such, the FEIR/FEIS identified the proposed Project, with slant wells located at the CEMEX site, as the environmentally superior

[147] For example, LCLUP Uses allowed in the CD District, Policy 2, p. 41, LCLUP Habitat Protection Policy 1, LCLIP Regulations for CD Districts section b(2)(b).

[148] *McAllister v. California Coastal Commission*, (2009) 169 Cal.App.4th 912, 931. Marina Coast Water District submitted comments asserting that the Commission may only consider whether the Project is consistent with the City's LCP in the appeal and may not use the Section 30260 override. The Court of appeal has previously rejected a substantially similar argument made by Marina Coast Water District in litigation that it brought challenging the Commission's approval of Cal-Am's test well. See Marina Coast Water Dist. v. Cal. Coastal Commission (2016) 2016 WL 6267909 (upholding the Commission's use of the 30260 override, as it is incorporated in the City's LCP, to approve the test well).

alternative. The FEIR/FEIS concluded that the Project's proposed location offers environmental advantages to alternative sites, such as use of an existing outfall, no construction on the seafloor, avoiding impingement and entrainment of an open water intake, and less than significant impacts to groundwater resources, surface water resources and marine biological resources. These findings and conclusions were incorporated into the CPUC's final decision regarding the proposed Project.

The alternatives analysis in Section IV.O of these Findings describes a feasible and less environmentally damaging alternative to the Project that will provide the needed water supply in the near term. However, as described in the Commission's alternative analysis, the Pure Water Expansion Project is likely not adequate to meet supply needs in the longer term. Although there is uncertainty about when water from Cal-Am's Project would be needed and how much would be needed, it is reasonable to expect a need beyond what the Pure Water Expansion would provide at some point within the next twenty years approximately. The uncertainties about when and how much water is needed are addressed through **Special Condition 1**, which acknowledges that the CPUC, which is conducting a proceeding addressing the need for the Project and longer term supply and demand estimates (through 2050), will be making the necessary determination in the near future. Thus, the Commission finds that the proposed Cal-Am Project meets the first test of Section 30260.

Test 2 – To not permit the development would adversely affect public welfare: Section 30260's second test provides that coastal-dependent industrial development may be permitted if to do otherwise (i.e., to deny the proposal) would adversely affect the public welfare. The Findings herein evaluate several benefits and concerns regarding the proposed Project's effects as related to the public welfare.

The Commission acknowledges the need for Cal-Am to obtain a new water supply and the importance of long-term planning in light of the decades-long water supply crisis affecting the Monterey Peninsula region. As noted above, Cal-Am and other entities in the area have been seeking a water supply since about 1995 to replace that obtained from the Carmel River in response to the requirements of a cease-and-desist order from the State Water Board to reduce its water withdrawals from the Carmel River by December 2021 so as to eliminate Cal-Am's water extractions above its legal rights to that water and to benefit the Carmel River watershed, particularly the federally-listed Central Coast steelhead. Without a reliable water supply, part of the Region has been under a moratorium on new water connections since 2010, making it difficult to plan adequately for housing and other community needs. The Pure Water and Pure Water Expansion projects will help to address water supply demand in the short term, but additional supplies will be needed to address the long-term demand.

Cal-Am's proposed Project also includes several components meant in part to address public welfare concerns. First, Cal-Am selected a site where it could obtain its source water using subsurface intakes, which is the state's preferred method for seawater desalination facilities, due to their limited or non-existent adverse effects on marine life.

It also selected a site that, at the time, was already being used by a coastal-dependent industrial facility – the CEMEX sand mining operation – rather than a completely undeveloped coastal location where it may have caused additional adverse effects. Although CEMEX has recently ceased operations and the site will be largely set aside for habitat restoration, public access, and coastal educational opportunities (subject to Cal-Am's existing easement rights on a portion of that property), the Project, as conditioned, will be constructed and operated in a manner that minimizes impacts to surrounding coastal resources and uses. Additionally, Cal-Am proposed to implement the Project in two phases, in part, to address concerns raised by the public about potential impacts to groundwater and wetland resources. Monitoring during the first phase will demonstrate whether the Project is resulting in adverse effects to local groundwater supplies and nearby wetlands and will inform the decision about whether and how to proceed with the full-scale facility. This approach is more protective of coastal resources and the public welfare than the originally proposed full scale facility. Finally, Cal-Am has proposed a series of measures designed to benefit the underserved communities that would be disproportionately burdened by the Project, including programs designed to minimize additional costs to low-income ratepayers and a package of benefits for the residents of Marina. These benefits include increased groundwater monitoring, property tax revenues, funding for improved public access, public facilities and recreational opportunities and restoration for the City. These benefits were largely rejected by the City and thus, environmental justice issues remain unresolved.

The Commission concludes that the desalination Project is necessary to meet longer term supply and demand needs, both to secure a reliable source of water and to help the region undertake long-term planning that is dependent on water supply needs. Thus, a denial of the Project would adversely affect the public welfare. Further, Cal-Am has incorporated several project elements designed to minimize impacts to the public. The Commission also recognizes that despite the benefits of the Project to the region, certain communities face disproportionate burdens from the Project. Cal-Am's proposed measures to offset costs to low-income ratepayers and community benefits for the City of Marina provide some measures to address impacts, but environmental justice issues related to the Project are not fully resolved.

Test 3 – Adverse environmental effects are mitigated to the maximum extent feasible: The third test of Section 30260 and of the LCLUP's Habitat Protection Policy 1 require that the Project's adverse environmental effects be fully mitigated to the maximum extent feasible. As noted in the Findings above, the Commission is imposing an array of Special Conditions requiring that Cal-Am implement substantial mitigation measures to address a range of expected or potential impacts to coastal resources to the extent feasible – from extensive requirements for habitat restoration to address the Project's impacts to sensitive resources to comprehensive design changes and monitoring to ensure groundwater sources are protected. In addition, the CPUC has imposed a Mitigation Monitoring and Reporting Program ("MMRP") as part of its process in certifying the FEIR/FEIS, which includes a number of mitigation measures designed to avoid or reduce potential environmental impacts. The CPUC's MMRP, combined with

the Special Conditions and Cal-Am's proposed ratepayer programs, will ensure that any adverse environmental effects to coastal resources are mitigated to the maximum extent feasible. With the above-referenced Special Conditions, the Commission therefore finds that Cal-Am's Project meets the third test of Section 30260.

Conclusion

The Commission finds that the Project meets the three tests of section 30260 and the parallel LCP policies.

III. CALIFORNIA ENVIRONMENTAL QUALITY ACT

Section 13096 of the Commission's administrative regulations requires Commission approval of coastal development permit applications to be supported by a finding showing the application, as modified by any conditions of approval, to be consistent with any applicable requirements of the California Environmental Quality Act ("CEQA"). Section 21080.5(d)(2)(A) of CEQA prohibits approval of a proposed development if there are feasible alternatives or feasible mitigation measures available that would substantially lessen any significant impacts that the activity may have on the environment. The Project as conditioned herein incorporates measures necessary to avoid any significant environmental effects under the Coastal Act, and there are no less environmentally damaging feasible alternatives or mitigation measures. Therefore, the proposed Project is consistent with CEQA.

APPENDIX A – SUBSTANTIVE FILE DOCUMENTS

Coastal Development Permit Application No. 9-20-0603 and all related submittals.

California American Water, Coastal Development Permit Application for Monterey Peninsula Water Supply Project, July 31, 2019, with attachments and responses to Commission staff requests for additional information.

California American Water, Monterey Peninsula Water Supply Project Hydrogeologic Working Group – Hydrogeologic Investigation Technical Report, November 6, 2017.

California American Water, Monterey Peninsula Water Supply Project Hydrogeologic Investigation Technical Memorandum Summary of Results: Exploratory Boreholes, July 8, 2014.

California American Water, Reply Comments Regarding Hydrogeologic Study and Technical Report, CPUC Application 12-04-019, January 4, 2018.

California Public Utilities Commission No. A-12-04-019, Decision Approving a Modified Monterey Peninsula Water Supply Project, Adopting Settlement Agreements, Issuing Certificate of Public Convenience and Necessity and Certifying Combined Environmental Report, Decision, September 13, 2018, as modified and affirmed (February 5, 2019).

California Public Utilities Commission No. A-21-11-024, Application of Cal-Am To Obtain Approval of Amended and Restated Water Purchase Agreement for Pure Water Monterey Groundwater Replenishment Project, Update Supply and Demand Estimates for MPWSP, and Cost Recovery, filed November 29, 2021.

California Public Utilities Commission, Monterey Bay National Marine Sanctuary, Final Environmental Impact Report / Final Environmental Impact Statement, March 2018.

City of Marina, file for California American Water CDP application 2018- 01.

Monterey County, Integrated Coastal Groundwater Monitoring Program & Plan, May 2019.

Knight, R. et. al, Preliminary Findings of AEM Study, June 16, 2017.

Knight, R., et al., *Interpretation of Hydrostratigraphy and Water Quality from AEM Data Collected in the Northern Salinas Valley, CA*, Geo Frameworks (March 2018).

Knight R., et al., Gottschalk et al., Using an Airborne Electromagnetic Method to Map Saltwater Intrusion in the Northern Salinas Valley, CA, 85 GEOPHYSICS B119-131 (July 2020).

Marina Coast Water District and City of Marina, technical appendices/attachments to submittals to CPUC pursuant to California American Water application A-12-04-019 to California Public Utilities Commission, April 19, 2018.

M1W, Final Supplemental Environmental Impact Report for the Proposed Modifications to the Pure Water Monterey Groundwater Replenishment Project, April 2020.

ATTACHMENT B

Meeting Date: 06/23/26
Application Number: 4181
Staff: D. Simpkin
Y. Ramirez

Staff Report 60

APPLICANT:

California-American Water Company (CalAm or Applicant)

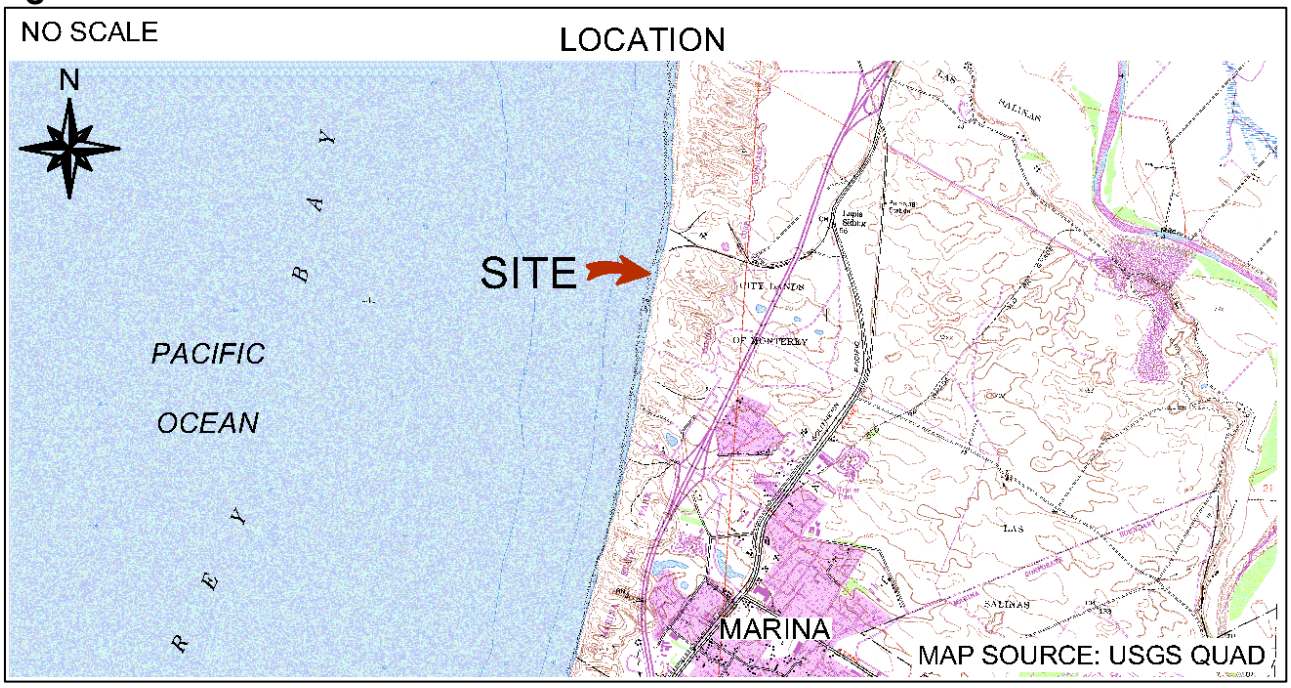
PROPOSED ACTION:

Termination of a General Lease – Right-of-Way Use and Issuance of a General Lease – Industrial Use.

AREA, LAND TYPE, AND LOCATION:

Sovereign land in Monterey Bay, Pacific Ocean, near the City of Marina, Monterey County (as shown in Figure 1).

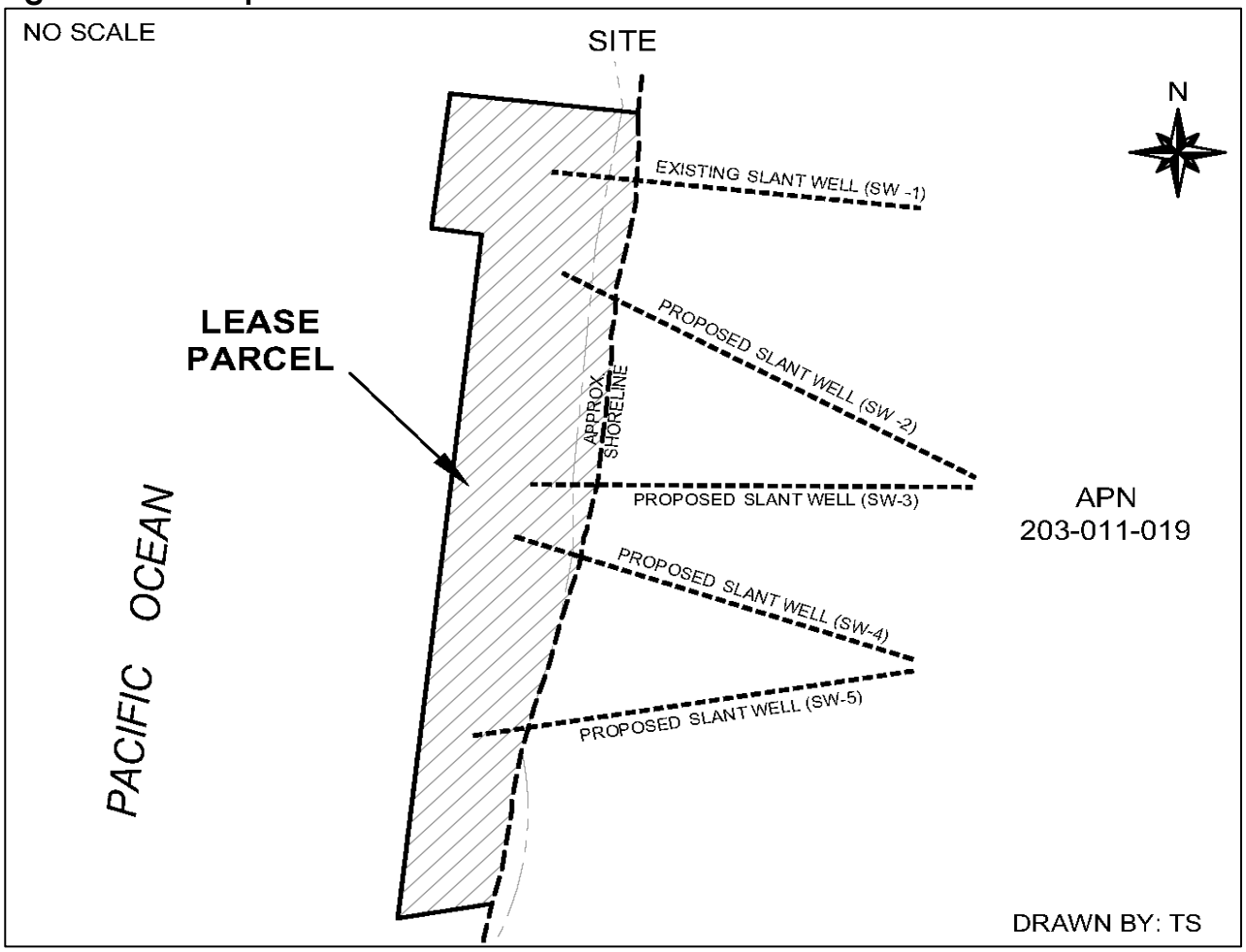
Figure 1. Location



AUTHORIZED USE:

Construction, operation, and maintenance of four subsurface slant wells and the conversion and use of one existing slant well (as shown in Figure 2).

Figure 2. Site Map



NOTE: This depiction of the lease premises is based on unverified information provided by the Applicant or other parties and is not a waiver or limitation of any State interest in the subject or any other property.

TERM:

June 23, 2026 through January 1, 2050.

CONSIDERATION:

$2,282 per year, with an annual Consumer Price Index adjustment and the State reserving the right to fix a different rent periodically during the lease term, as provided in the lease.

SPECIFIC LEASE PROVISIONS:

- Liability insurance in an amount no less than $5,000,000 per occurrence.
- Surety bond or other security in the amount of $200,000.
- Lessee agrees to be bound by and fully carry out, implement, and comply with all mitigation measures and reporting obligations as set forth in the Mitigation and Monitoring Program.
- Lessee shall reimburse any and all reasonable expenses incurred by Lessor or its staff in managing the Lease.
- Lessee shall not begin construction associated with Phase 1 of the Monterey Peninsula Water Supply Project (MPWSP) until it has provided the Executive Officer, or their delegate, with a final judgment or other final disposition in favor of the Lessee of the pending action entitled *City of Marina v. RMC Lonestar, et al*., Monterey County Superior Court No. 20CV001387.

  In the event that judgment or disposition demonstrates that (a) the Applicant does not have, and cannot feasibly obtain, water rights (to the extent applicable) for the Project or (b) CalAm's Project would cause irreparable harm to any aquifer that is a source of drinking water to the City of Marina or the Marina Coast Water District, then Lessee must submit a Lease Application and Minimum Expense Deposit for termination of the lease and disposition of the remaining facilities. The ultimate disposition of the test slant well and any other lease facilities remaining within the Commission's jurisdiction will be considered by the Commission when the Lessee submits an application for termination of the lease. The termination of the Lease and permanent disposition of the test slant well and related facilities will be subject to separate review by the Commission, including but not limited to environmental review. Nothing in this Lease shall be interpreted to restrict or waive Lessor's right or ability to require the Lessee, prior to the termination of this Lease, to remove any or all facilities or structures, including the test slant well.
- In the event the California Public Utilities Commission reopens and overturns Decision 25-08-006 or otherwise determines that there is no water supply shortfall necessitating the construction of the Monterey Peninsula Water Supply Project (MPWSP), the Applicant must submit an application for termination of the lease and disposition of the remaining facilities. The ultimate disposition of the test slant well and any other lease facilities remaining within the Commission jurisdiction will be considered by the Commission when the Lessee submits an application

for termination of the lease. The termination of the Lease and permanent disposition of the test slant well and related facilities will be subject to separate review by the Commission, including but not limited to environmental review. Nothing in this Lease shall be interpreted to restrict or waive Lessor's right or ability to require the Lessee, prior to the termination of this Lease, to remove any or all facilities or structures, including the test slant well.

- CalAm is not authorized to begin construction until relevant regulatory agencies requirements have been fully resolved. This includes compliance with all preconstruction special conditions outlined in Coastal Commission's November 17, 2022 Final Adopted Findings (Th7a&8a), including, but not limited to, Special Conditions, 1, 2, 7, 9, 11, 12, 17, 19, 20.
- If all authorizations and permits necessary for MPWSP Phase 1 have not been obtained by December 31, 2031, this lease will terminate and a new application must be submitted. The new application must contain updated environmental review and assessments determining the need for the project.
- **Annual Monitoring**
  - **Project Status**. Lessee must report to Lessor staff annually on the progress in meeting conditions of all required authorizations and permits from all governmental agencies.
  - **Mitigation**. Lessee must report to Lessor staff annually on the progress of all mitigation measures imposed through this lease and those imposed by any other governmental agency.
  - **Shoreline and Erosion.** Lessee shall conduct annual monitoring of the shoreline and establish an annual erosion rate, to be used to estimate the year at which the wells and associated pipelines have 5 years before exposure, accounting for at least one 100-year storm event within the exposure timeframe. Lessee shall submit a shoreline erosion monitoring report to Commission staff once the monitoring program has been established and an annual rate of erosions determined. When it is determined to be 5 years before exposure of the slant wells, lessee shall implement the planning and permitting necessary for the permanent disposition or relocation of the slant wells and related facilities, including submittal of a Lease Application and Minimum Expense Deposit and a recent Mean High Tide Line survey.

- **Lessee to Comply with All Applicable Laws.** Lessee, at Lessee's sole expense, will comply with all Applicable Laws. Lessee must give Lessor immediate written notice on Lessee's becoming aware that the use or condition of the Lease Premises is in violation of any Applicable Laws. Lessee must obtain and maintain all permits or other entitlements.
- **Lease Does Not Substitute for Permits.** This Lease does not substitute for or provide preference in obtaining approval from other federal, state, or local agencies. Lessee is solely responsible for determining what approvals, authorizations, or certifications are required, and will be solely responsible for all costs incurred thereby.

BACKGROUND:

The California-American Water Company (Applicant or CalAm) is an investor-owned water utility serving about 100,000 people in Monterey County in the areas of Carmel-by-the-Sea, Monterey, Pacific Grove, Seaside, Del Rey Oaks, Sand City, and some unincorporated areas.

Since the mid-1960s, the Applicant's primary water source had been wells along the Carmel River that drew from an underlying aquifer and accounted for roughly 70 percent of water supplied to the region.

In 1995, the State Water Resources Control Board (SWRCB) issued a cease-and-desist order (Order 95-10) that found that the Applicant was unlawfully diverting almost 11,000 acre-feet of water per year and ordered the Applicant to cease pumping. After the Applicant failed to comply, the Water Board issued a second cease and desist order in 2009 (Order WR 2009-0060) with a deadline of December 31, 2016, for compliance. The deadline was later extended to December 31, 2021, when the Applicant failed to meet the previous 2016 deadline (Order WR 2016-0016). The Applicant is now complying with the maximum pumping limit.

About 10 years ago, the Applicant began planning its Monterey Peninsula Water Supply Project (MPWSP) to address water supply issues in the Monterey Peninsula region and to provide an alternative water supply to its customers.

ENVIRONMENTAL REVIEW

In April 2012, the Applicant filed an application with the California Public Utilities Commission (CPUC) for the MPWSP. The project proposed the construction of slant wells at the former CEMEX sand mining site near the City of Marina, a desalination

facility, pipelines, and other infrastructure to produce and deliver water within the Applicant's service area in the Monterey Peninsula. The CPUC and the Monterey Bay National Marine Sanctuary prepared a joint Final Environmental Impact Report/ Statement (FEIR/FEIS), which was certified by the CPUC in September 2018 for a 6.4 million gallon per day (mgd) desalination facility.

EXISTING TEST SLANT WELL

On December 17, 2014, the Commission authorized a General Lease – Right-of-Way Use (Lease 9177) to the Applicant for the construction and use of an exploratory test slant well to determine the feasibility of using a subsurface intake system in the MPWSP (Item 71). The lease has been amended three times to extend the lease term (most recently on February 28, 2023, Item 66), which expires on December 16, 2027. Pump testing ended on February 28, 2018, and only periodic maintenance pumping is authorized pursuant to the terms of the lease as amended.

CALIFORNIA COASTAL COMMISSION

Following certification of the FEIR/FEIS, the Applicant submitted separate Coastal Development Permit (CDP) applications to the City of Marina and the California Coastal Commission (CCC). The City denied the CDP, which the Applicant appealed to the CCC. The CCC consolidated the permits and scheduled the matter for consideration in September 2020 with a staff recommendation for denial. However, the Applicant withdrew the application prior to the September hearing. The Applicant resubmitted an application in November 2020, and the CCC conditionally approved the CDP at its November 17, 2022 hearing.

The project approved by the CCC in its Final Adopted Findings is a phased version of the fully analyzed 6.4 mgd per year project approved by the CPUC in 2018. As approved by the CCC, Phase 1 of the project would involve the installation of 4 new slant wells and conversion of the existing test slant well to produce 4.8 mgd per year (5,372 acre-feet per year). The installation of additional slant wells and an increase to 6.4 mgd per year as part of Phase 2 will require additional CCC review and approval. Additional information regarding the Phase 1 Project can be found on the Commission's CalAm application webpage and in the Environmental Memorandum prepared by Commission staff.

To date, the Applicant has not fully met any of the CDP special conditions, which are in various stages of review and progress. Other special conditions are not expected to be completed until closer to project construction.

LITIGATION

As the CCC observed in its Final Adopted Findings, the MPWSP has been the subject of at least 10 lawsuits, including several against the CPUC. In a suit against the State Lands Commission filed January 15, 2015, the Marina Coast Water District (MCWD) challenged the Commission's approval of the lease for CalAm's test slant well (*Marina Coast Water District v. California State Lands Commission* (Santa Cruz County Superior Court Case No. CV180895). The parties agreed to settle the case in 2018. In another case against the CCC, a court determined that the CCC, as a CEQA responsible agency, was entitled to rely on the CPUC's growth-inducing impacts findings and was not required to reassess potential growth-inducing impacts associated with the 4.8 mgd Phase 1 Project (*City of Marina et al. v. California Coastal Commission* (Monterey Super. Ct. Case No. 22CV004063).

Currently active cases include:

> Monterey Peninsula Water Management District vs. California-American Water Company *(*Monterey County Super. Ct. No. 23CV004102): The MPWMD seeks to take over CalAm's assets through eminent domain, asserting that a takeover would benefit the public by making water service more affordable, as studies have shown that the Monterey Peninsula's water service is among the most expensive in the country under CalAm's operation.
>
> City of Marina v. RMC Lonestar (Monterey County Super. Ct. No. 20CV001387): The City of Marina and MCWD contend that the Applicant is not allowed to use more than 500 acre-feet per year of groundwater from the CEMEX site. This case is discussed further later in this staff report.

CEMEX PROPERTY HISTORY

The uplands adjacent to the proposed slant wells were used for sand mining over the last 100 years, and most recently by the current property owner, CEMEX. Remnants of the CEMEX mining operation remain at the location, including sand mining equipment, buildings, and stockpile areas. Violations at the site concerning CEMEX operations resulted in Settlement Agreements in 2017 between CEMEX, the CCC, the Commission, and the City of Marina. Sand mining operations ceased at the end of 2020, and the property will eventually be transferred to a non-profit or government entity with a deed restriction that ensures protection of the site for public access, open space, and habitat. The CCC approved a Consent Agreement on July 13, 2017. The Commission approved a Settlement Agreement with RMC Pacific Materials, LLC d/b/a CEMEX on August 17, 2017, which

incorporates the CCC agreement by reference (Item 81). There is currently no public access at the CEMEX site, with the closest public access point about half a mile south.

Prior to the settlement, the Applicant obtained a recorded easement and option to purchase or acquire an easement over a portion of the property where the slant well field would be located. In 2018, the Applicant exercised the option to obtain a permanent 30-acre easement and access easement. The CCC Consent Agreement, which applies to the Commission Settlement Agreement as well, expressly requires that any public access or recreation activities be "consistent with existing easements" which includes the CalAm easement (sec. 6.1 Conveyance; see also sec. 6.2 D. 1. Pre-Conveyance). Additionally, the Settlement Agreement expressly states that it does not supersede or interfere with any existing rights or obligations of CalAm, including, but not limited, to the easement, and does not require the removal of the easement (sec. 23.1 Contractual Obligation). When the property is eventually transferred to a non-profit or government entity as required by the Consent Agreement, the Commission and CCC agreements allow the Applicant to continue to exercise the easement.

PURE WATER MONTEREY

The Pure Water Monterey project is a water supply project operated by Monterey One Water (M1W) and jointly developed with the Monterey Peninsula Water Management District (MPWMD), and the MCWD. M1W is a public sewer treatment provider in northern Monterey County that serves more than 250,000 residents and about 7,000 businesses. The Pure Water Monterey Expansion was completed in October 2025 and increased the facilities overall production capacity. The MPWMD serves 114,000 people within the Monterey Peninsula through management and allocation of water supplies. The MCWD provides potable water to 35,000 people in Marina, Seaside, the Ord military community, and neighboring areas from existing groundwater production wells located between the Applicant's proposed slant well location and the City of Marina.

Pure Water Monterey utilizes wastewater, stormwater, food industry processing water, and impaired surface waters of the State. After production the purified water is used for groundwater replenishment in the Seaside Groundwater Basin. The purification facility is located in the City of Marina. Under a water purchase agreement approved by the CPUC, the Applicant is obligated to purchase 5,750 acre-feet per year from the Pure Water Monterey project.

STAFF ANALYSIS AND RECOMMENDATION:

AUTHORITY:

Public Resources Code sections 6005, 6216, 6220, 6301, 6501.1, 6503; California Code of Regulations, title 2, sections 2000 and 2003.

PUBLIC TRUST AND STATE'S BEST INTERESTS:

The Applicant is applying for a General Lease – Industrial Use, for the construction and use of four new slant wells and the conversion of one existing slant well associated with Phase 1 of its proposed desalination project. If the Commission authorizes the lease, the existing test slant well lease (Lease 9177) will be terminated, and the test slant well will be included in the new lease. The installation of additional slant wells beyond what is authorized in the lease, would require additional Commission approval.

The slant wells would extend about 130 to 200 feet within the Commission's jurisdiction at a depth of about 200 feet below the ocean floor. All other components and infrastructure related to the desalination facility are outside the Commission's jurisdiction, which include the well pads, pump stations, storage tanks, and approximately 21 miles of water conveyance pipelines located throughout unincorporated Monterey County, and the cities of Marina and Seaside.

The slant wells would be installed from two well pads located on the upland via tunneling techniques instead of trenching (dual rotatory drilling method). No ground disturbance would occur from the surface within the Commission's jurisdiction.

The MPWSP has a long and controversial history involving lawsuits, multiple agency reviews, and environmental impact and environment justice/community concerns. While the Commission's jurisdiction is narrowly limited to portions of the slant wells located beneath the seafloor, staff summarizes in the following paragraphs the most contentious issues surrounding the project and the environmental justice issues raised during application processing and staff's November 2024 community outreach and engagement meeting in the City of Marina.

WATER SUPPLY AND DEMAND

The first controversial issue surrounding the project involves future water supply and demand and whether the desalination project is needed. Project opponents have stated that there is no need for desalinated water and that existing sources, including the Pure Water Monterey Project and Pure Water Monterey Expansion Project are sufficient to meet future water supply and demand needs. Additionally, project opponents, and the CPUC Public Advocates Office, believe that the Applicant's methodology used to determine future water supply and demand estimates is flawed.

The Commission has no jurisdiction or regulatory authority over the review and adoption of water supply and demand estimates. The CPUC has primary regulatory authority and jurisdiction over privately-owned water utilities, including the Applicant. On August 14, 2025, the CPUC issued and adopted Decision 25-08-006, which updated the MPWSP water supply and demand estimates. The CPUC later issued a corrective order, Decision 25-10-001. The CPUC decisions adopted a water supply estimate of 11,204 acre-feet per year (the supply estimate evaluates the region's total supply from various available sources) and updated the water demand estimate to 13,732 acre-feet per year forecasted for 2050. In short, the CPUC established a shortfall in regional water supply by 2050.

On September 17, 2025, the City of Marina, Marina Coast Water District and the Monterey Peninsula Water Management District each filed separate petitions to reopen a hearing and continue to assert that CalAm's estimate methodology is flawed and that existing water supplies can meet future demand in the Monterey Peninsula. The three parties also jointly filed *Joint Motion for Stay of Decision 25-08-006* (Motion for Stay) on September 22, 2025. On May 4, 2026, the CPUC issued Decision 26-04-046, denying each of the applications for rehearing and the Motion for Stay.

If the Commission approves the lease and the CPUC later reopens the proceedings and overturns Decision 25-08-006, and determines that there is no water supply shortfall, the Applicant must submit an application for the Commission to determine whether the lease should be terminated.

GROUNDWATER

Project opponents also raise concerns about the project's potential impacts to groundwater aquifers and potential to increase seawater intrusion in the project area. Specifically, water supply wells owned and operated by the Marina Coast

Water District (MCWD) are located approximately two miles from the proposed slant well field, which provide drinking water to the City of Marina.

Analysis of the potential impacts to area groundwater was analyzed during the California Environmental Quality Act (CEQA) review and in additional modeling studies by the Applicant done to comply with CCC's process and concluded that operation of the slant wells would have relatively limited effects on nearby groundwater resources. Project opponents, however, identify greater potential for negative or adverse impacts to groundwater resources and maintain that modeling shows a higher likelihood that the slant wells would draw a greater percentage of non-seawater. This could potentially impact nearby groundwater aquifers and require the Applicant to return more water to the Salinas Valley Groundwater Basin under a Return Water Agreement. In addition to the CPUC's September 2018 EIR/EIS certification, the CPUC also approved a Return Water Settlement/Agreement. Under the Monterey County Water Resources Act, groundwater from the Salinas Valley Groundwater Basin cannot be exported out of the basin unless an equivalent amount is returned. Pursuant to the agreement, the Applicant will return a volume of water equal to the percentage of groundwater in the total water extracted for desalination. The return water will be delivered to the Castroville Seawater Intrusion Project.

The FEIR/FEIS determined that a potentially significant impact to groundwater quality standards could occur during operations, but that the implementation of mitigation would ensure that this impact would be less than significant. FEIR Mitigation Measure 4.4-4 requires the Applicant to develop and implement a groundwater monitoring plan and identify steps to avoid impacts on groundwater remediation plumes. Furthermore, the Applicant proposed FEIR Mitigation Measure 4.4-3 to develop a groundwater monitoring and reporting program to the satisfaction of the Monterey County Water Resources Agency that augments the agency's existing regional groundwater monitoring network with a focus on areas that could be affected by the Applicant's project.

The CCC confirmed that neither the FEIR/FEIS nor the CCC's independent hydrogeologist found evidence that impacts to groundwater from the Modified Project operation are reasonably foreseeable (CCC Addendum, p. 25). While the CCC's independent hydrologist also concluded the slant wells would have relatively limited effects on nearby groundwater resources, they also recommended additional studies and required the Applicant to install the slant wells at least 1,000 feet waterward of the proposed well head locations and screen the wells so they extract from the shallow 180-Foot Aquifer without penetrating the

deeper 400-Foot Aquifer (Special Condition 11). Additionally, Special Condition 12 of the CDP requires the Applicant to submit a monitoring and reporting plan to be reviewed by an independent third-party that identifies monitoring measures the Applicant will implement to provide an "early-warning" of any potential impacts to freshwater sources and seawater intrusion that may affect other users. The Groundwater Monitoring Plan must be approved by the CCC, rather than the CCC's Executive Director. The plan will also include annual reporting to the CCC's Executive Director.

In 2020, the City of Marina filed a lawsuit challenging the Applicant's ability to withdraw more than 500 acre-feet per year of groundwater from the proposed well field. The trial court referred a series of groundwater related questions to the SWRCB. In June 2025, the SWRCB Administrative Hearing Office's referee issued the final report. It should be noted that the Water Board's findings are based on the Applicant's larger 6.4 mgd project, and not the scaled down 4.8 mgd Phase 1 project.

The SWRCB concluded that 8-10 percent of the water drawn through the slant wells would come from other sources other than seawater, including from within the dune sand and 180-Foot-Aquifers, both onshore and offshore. The report estimates that approximately 90 to 92 percent of the water drawn by the slant wells would originate from the ocean. The SWRCB stated the relative amounts of total project pumping drawn from ocean versus non-ocean sources do not vary based on the total project pumping amounts.

The report concludes that the project would result in some likely seawater intrusion in the central and southern sections of the Monterey Subbasin and would not likely result in or increase seawater intrusion in any aquifer in any portion of the 180/400 Subbasin, or in any aquifer in the northern portion of the Monterey Aquifer Subbasin.

Additionally, the SWRCB concludes that operation of the slant wells will lead to drawdown in sources other than seawater (i.e., groundwater). Aquifer drawdown would be largest near the slant wells and decline across the area between the slant wells and MCWD Well 35. In the "Dune Sand and 180-Foot Aquifers, drawdown ranges from a maximum of 10 to 20 feet in the immediate vicinity of the proposed slant wells, to a minimum of less than half a foot near MCWD Well 35. In the 400-Foot Aquifer, the drawdown ranges from a maximum of one to five feet in the immediate vicinity of the proposed slant wells, to a minimum of less than half a foot near MCWD Well 35." (Water Board, 2025, p. 94).

Regarding water rights, the report finds that the proposed use of the slant wells "…will not injure or infringe upon any water rights held by MCWD or the City of Marina. The declines in groundwater level and water quality at the location of MCWD's wells that may result from the proposed draw would not prevent MCWD from extracting the volume of water to which it has a right, increase the cost of pumping or treatment, or otherwise cause significant and material impacts to MCWD's exercise of its rights. Marina has not demonstrated that it is exercising any rights to groundwater in the basin that could be injured." (Water Board, 2025, p. 119).

The report also notes the potential impacts to other users in the groundwater basin are not fully addressed in its report in the record for the case, and that "the modeling results show that the Applicant's proposed draw may cause unreasonable harm in portions of the 180/400 and Monterey Subbasins. . . . It is possible that provision of an appropriate quantity and quality of replacement water to relevant locations would prevent injury to other legal users and avoid unreasonable harm." (Water Board, 2025, p. 112). Although the report does not identify who these potentially injured users are, public commenters have stated they include prime farmland with groundwater wells adjacent to the project site, namely, the Ag Land Trust's Armstrong Ranch, which is protected by an agricultural conservation easement and was conserved using state and federal grant funding.

A final judgment in the pending City of Marina v. RMC Lonestar, et al. litigation is pending. If the final judgment or disposition is not in the Applicant's favor, the lease includes a provision that would require the Applicant to submit an application and the lease would come back to the Commission for further consideration.

CLIMATE CHANGE:

INTRODUCTION:

The climate crisis is impacting coastal California now. Coastal communities and habitats face multiple threats from global warming including sea level rise, accelerated erosion, saltwater intrusion into groundwater tables, extreme heat, prolonged droughts, and wildfire. As underscored in the State of California Sea Level Rise Guidance (Ocean Protection Council, 2024), the combination of extreme weather events and the persistent and accelerating rise in sea levels will lead to increased coastal hazards, such as wave runup and flooding. Shorelines will move inland due to rising seas, exposing more of the natural and human-built environment to coastal hazards. The resulting damage will occur repeatedly and

incrementally over years and, in extreme cases, over the span of a few large winter storms. These impacts may affect the overall project's function and outcomes. Sea level rise and erosion will affect the lease premises and the newly constructed slant wells subject to the proposed lease.

DATA & PROJECTIONS:

Sea levels along most of the California coast rose four to eight inches during the last century, and this trend will accelerate throughout this century. The current rate of sea level rise is triple the rate during the last century. There is growing scientific confidence that by 2050 sea levels will be approximately ten inches higher than they were in 2000. The severity of sea level rise beyond 2050 is contingent on future levels of greenhouse gas emissions, which are more difficult to measure and predict further into the future. The California Ocean Protection Council updated the State of California Sea Level Rise Guidance in 2024 to provide a synthesis of the best available science on sea level rise projections and rates for multiple emissions scenarios. To apply a precautionary approach, Commission staff evaluated the "intermediate-high" and "high" scenarios due to the vulnerability and exposure of the lease location and the continued global reliance on fossil fuels. The Monterey tide gauge was used for the projected sea level rise scenario for the lease area, as listed in Table 1.

Table 1. Projected Sea Level Rise for Monterey

Year	Intermediate-High (feet)	High (feet)
2040	0.6	0.7
2060	1.4	1.9
2080	2.9	3.9
2100	4.6	6.4

Source: Table 8, State of California Sea Level Rise Guidance: 2024 Update
Note: Projections are with respect to a 2000 baseline.

The sea level rise scenarios used for this analysis, as described in the State of California Sea-Level Rise Guidance: 2024 Update issued by the Ocean Protection Council, differ from those cited in the project's certified FEIR/FEIS (MBNMS and CPUC, 2018) and the updated sea level rise and coastal erosion assessment CCC required the Applicant to perform in 2019 (CCC, 2022), which referenced projections from prior models and previous state guidance. The current scenarios anticipate a narrower range of sea level rise over the next 30 years than the scenarios used in the FEIR/FEIS and CCC analysis. This is due to a greater degree of certainty in the most recent models of projections through mid-century due to more

accurate and predictable emissions measurements. Overall, the current scenarios suggest a marginally lower risk to the majority of the surface of the lease premises from sea level rise alone than was previously assessed.

The intertidal area of the southern Monterey Bay shoreline where the lease premises are located has exhibited the highest annual erosion rates in the state, due in part to relatively high levels of wave energy and the easily erodible sand that makes up most of the Bay shoreline (CCC, 2022). The area has experienced, and will likely continue to experience, storm-driven erosion that results in losses of as much as 100 feet of beach during a single event. Erosion along this stretch of shoreline also results in the recession inland of the dune system adjacent to the beach. As the beach erodes, the dunes move inland, though not necessarily at the same rate as the shoreline or with the same dune profile.

A major driver that exacerbated the historical high rate of erosion near the lease premises and reduced the overall sand supply was sand mining. There is now a sand deficit in the central sub-cell of the southern Monterey Bay littoral cell from the removal of 100,000-200,000 cubic yards of sand annually for decades (Item 81, August 17, 2017). Though the shoreline is still impacted by the permanent sand deficit, the closure of the sand mine means the retreat rate of the shoreline has slowed. In the Applicant's updated sea level rise and coastal erosion assessment, it assumed a 60 percent reduction in the shoreline retreat rate following the cessation of sand mining.

Sea level rise is likely to exacerbate saltwater intrusion of the groundwater table in the 180-Foot Aquifer, and potentially the 400-Foot Aquifer, as discussed above in the 'Groundwater' section of this report. Saltwater intrusion occurs when subsurface saltwater penetrates inland, pushing less-dense freshwater upward in the aquifer. Saltwater intrusion has long impacted the aquifers in the region, first documented in 1944 by the Monterey County Water Resources Agency (Ocean Protection Council, 2024). Nearshore (within half a mile of Mean High Water), the relationship is approximately linear between sea level rise and groundwater rise, absent other factors such as groundwater pumping, intersecting surface drainage features, and seasonal variations in precipitation. Modeling future groundwater table levels and extent accurately in the dynamic nearshore area is complex and highly dependent on the availability of adequate data, sound baseline standards, and a comprehensive approach. Over the history of this project, there have been different models, data, and approaches used by the Applicant, public agencies, and independent third-party researchers to estimate the impacts of the project on the groundwater table. It has been difficult to reach scientific consensus regarding

the impacts and many uncertainties remain. However, the CCC, in agreement with an independent hydrogeological review that they funded, determined that there was enough data to show the project would likely have limited to negligible effects on the rate of saltwater intrusion in the area.

ANALYSIS:

Commission staff used the online sea level rise mapping tool, Our Coast Our Future, to evaluate risks to the lease premises from sea level rise. At 2.5 feet of sea level rise, the lease premises will become regularly flooded and subjected to stronger and more frequent wave impacts and erosion. Based on sea level rise projections in Table 1, this could occur between 2060 and 2080, after the current predicted lifespan of the slant wells. However, episodic or short-term events, such as extreme storms, very high or King tides, and El Niño events, alone or in combination, increase the vulnerability of the lease premises and could expose it to flooding, wave runup and overtopping, and erosion much sooner.

The results of early erosion studies showed that the well field was vulnerable to erosion in the project's lifespan; in response, the Applicant redesigned the proposed well field and sited it about 400 feet inland from the original location. For the revised location of the well field, the FEIR/FEIS modeled erosion under normal conditions and with a 100-year storm, estimating a combined loss of about 430 feet of beach and dune by 2060. Most wells are expected to remain functional until then, but the existing test slant well slated for conversion is located roughly 200 feet closer to the shoreline and could be affected sooner. Per the FEIR/FEIS, the Applicant is required to monitor the rate of coastal erosion and shoreline retreat and calculate an observed annual rate (Mitigation Measure 4.2-10). Using the annual rate, the Applicant must determine when the wells are within five years of becoming exposed to erosion, and implement a plan to safely abandon and remove the wells prior to that occurring.

Approximately 130 to 200 linear feet of the slant wells lie within the jurisdiction of the Commission and would be found approximately 200 feet below the seafloor. There is no slant well development directly on the beach, on the seafloor, or in ocean waters within the Commission's leasing jurisdiction. Therefore, the portion of the slant well facilities within the present-day lease area is not likely to be vulnerable to impacts from sea level rise or erosion.

More frequent and intense storms may impact the upland facilities, including the slant well field, outside of the Commission's jurisdiction. Structural degradation or

dislodgement of the well field facilities due to climate change impacts could affect the function of the slant wells within the Commission's jurisdiction.

RECOMMENDATIONS:

Regular maintenance of slant well facilities, as referenced in the terms of the lease, may reduce the likelihood of structural degradation and loss of function. Pursuant to the proposed lease, the Lessee acknowledges that the lease premises and adjacent upland (not within the lease area) are located in an area that may be subject to the effects of climate change, including sea level rise and rising groundwater levels.

TRIBAL CONSULTATION

The Commission recognizes the unique burdens and equity challenges faced by Tribal communities. In addition to its 2016 Tribal Consultation Policy, which sets forth a framework for effective communication and consultation with tribal governments, the Commission's Environmental Justice Policy contains several principles and commitments aimed at honoring the importance of ancestral homelands and the state's unique relationship with tribes and tribal communities. To ensure full opportunity for participation and information sharing, staff sent letters in December 2023 explaining the proposed lease to the traditionally and culturally affiliated Native American tribes identified by the Native American Heritage Commission. Several tribes responded, and one tribe requested formal consultation. Indian Canyon Mutsun Band of Costanoan requested tribal monitors and cultural sensitivity training. The Esselen Tribe of Monterey County indicated they would like to be involved and they support the project.

ENVIRONMENTAL JUSTICE:

"Environmental justice" is defined by California law as "the fair treatment and meaningful involvement of people of all races, cultures, incomes, and national origins, with respect to the development, adoption, implementation, and enforcement of environmental laws, regulations, and policies" (Gov. Code, § 65040.12, subd. (e)). This definition is consistent with the Public Trust Doctrine principle that the management of trust lands is for the benefit of all people. The Commission adopted an Environmental Justice Policy in December 2018 (Item 75) to ensure that environmental justice is an essential consideration in the Commission's processes, decisions, and programs. Through its policy, the Commission reaffirms its commitment to an informed and open process in which all

people are treated equitably and with dignity, and in which its decisions are tempered by environmental justice considerations. Among other goals, the policy commits the Commission to "[s]trive to minimize additional burdens on and increase benefits to marginalized and disadvantaged communities resulting from a proposed project or lease."

In keeping with its commitment to environmental sustainability and access to all, California was one of the first states to codify the concept of environmental justice in statute. Beyond the fair treatment principles described in statute, Commission staff believes that it is critical to include individuals who are disproportionately affected by a proposed project's effects in the decision-making process. The goal is that, through equal access to the decision-making process, everyone has equal protection from environmental and health hazards and can live, learn, play, and work in a healthy environment.

IDENTIFYING COMMUNITIES OF CONCERN

Staff evaluated various quantitative sources of information for the City of Marina, where the proposed project will be located. According to CalEnviroScreen 4.0, the proposed project site is located in census tract 6053014301, and 27.6, 20.8, and 9.5 percent of individuals identify as Hispanic or Latino, Asian American, and African American, respectively. This community also has limited English proficiency. CalEnviroScreen 4.0 linguistic isolation factor measures the percentage of households where no one over 14 speaks English well. The linguistic isolation percentile is 66, meaning the percentage of linguistically isolated households is higher than 66 percent of the census tracts in California. The top three languages spoken besides English are: Spanish, Tagalog, and Korean. The top three languages spoken by linguistically isolated people are Spanish, Korean, and other Asian and Pacific Islander languages. The poverty indicator measures the percentage of people living below twice the federal level. The poverty indicator percentile for this census tract is 30, meaning the percentage of people living below twice the poverty level is higher than 30 percent of census tracts in California. Furthermore, the FEIR for the proposed project identified Marina as an environmental justice "community of concern" and a "low income and minority population."

Staff additionally evaluated various quantitative sources of information for the cities of Seaside, Sand City, and the unincorporated town of Castroville — areas outside of the proposed project area but within the Applicant's service area. Seaside and Sand City are located in census tract 6053014000, and 47.5, 9.6, and 4.1 percent of individuals identify as Hispanic, Asian American, and African American,

respectively. This community also has limited English proficiency. Although the linguistic isolation indicator is not applicable in CalEnviroScreen 4.0, the draft CalEnviroScreen 5.0 — with data from 2019-2023 — has a linguistic isolation percentile of 75, meaning the percentage of linguistically isolated households is higher than 75 percent of the census tracts in California. The top three languages spoken besides English are Spanish, other Indo-European, and Chinese. These cities, like Marina, have a much higher proportion of their population living under the poverty threshold compared to cities like Carmel, Pacific Grove, and Monterey. The poverty indicator for this census tract is 75, meaning the percentage of people living below twice the poverty level is higher than 75 percent of census tracts in California. Moreover, the housing burden indicator measures the percent of households in a census tract that are both low income (making less than 80 percent of its county median family income) and severely burdened by housing costs (paying greater than 50 percent of their income to housing costs). The housing burden percentile for this tract is 68, meaning the percent housing burdened is higher than 68 percent of the rest of the state.

The unincorporated agricultural town of Castroville is located in census tract 6053010400, and 89.1 and 2.6 percent of individuals identify as Hispanic and Asian American, respectively. This community is highly linguistically isolated, with a linguistic isolation indicator of 96. The top three languages spoken besides English are Spanish, other unspecified languages, and Tagalog including Filipino. The poverty indicator for this census tract is relatively high compared to the aforementioned coastal areas. The percentage of people living below twice the poverty level is higher than 89 percent of the census tracts in California. Additionally, the housing burden indicator for this tract is 47. Much of Castroville's economic activities center around agricultural support services, and many of its residents work directly or indirectly in agricultural production. Despite this, the unemployment indicator percentile for this tract is 78, meaning the percent of unemployed people is higher than 78 percent of the census tracts in California. Although Seaside, Sand City, and Castroville are located outside of the proposed project area, the demographic and socioeconomic indicators establish a high number of communities of concern, and the proposed project will directly affect each of these communities in different ways described below.

COMMUNITY ENGAGEMENT MEETINGS

As part of the Commission's ongoing commitment to foster meaningful involvement and to increase outreach consistent with its Environmental Justice Policy, on

December 6, 2024, Commission staff held a Public Outreach meeting at the Marina City Council Chambers. There were 50 in-person public comments at the meeting. Meeting attendees included residents of Marina, Castroville, Seaside, Carmel, Pacific Grove, Monterey, and San Jose. Many participants requested that the Commission reject the proposed lease application. A few participants encouraged the Commission to approve the proposed lease for benefits including providing reliable water for Castroville, improving the health of the Carmel River Watershed, and providing jobs.

CONCERNS ABOUT GROUNDWATER AND DRINKING WATER

Many comments mentioned the proposed project's threats to the City of Marina's groundwater source and only fresh drinking water supply, the Salinas Valley Groundwater Basin. The water supply from the Salinas Valley Groundwater Basin, which also provides water to Castroville, has diminished due to multiple decades of agricultural over-pumping, resulting in increased levels of seawater intrusion. However, the City of Marina is not located within the Applicant's service area and would not receive any desalinated water produced by the proposed project. Participants expressed concerns about the Applicant extracting groundwater from the basin as well as seawater intrusion impacts to groundwater, which would result in the entire loss of Marina's potable water supply. Community members also talked about how the Applicant lacks groundwater rights for the proposed project. Some participants urged the Commission to wait until the groundwater rights lawsuit between Marina, Marina Coast Water District (MCWD), and the Applicant is settled.

Additionally, comments were raised by the Ag Land Trust, fee title owner of the Armstrong Ranch, which has groundwater wells located adjacent to the project site. Ag Land Trust stated that it regularly expends funds to conserve groundwater by purchasing reclaimed water from Monterey One Water (M1W) from a recycling project funded by USEPA. Ag Land Trust provided copies of Notices of Reclaimed Groundwater it provides to the SWRCB to preserve its right to the groundwater it is conserving, stating that water would potentially be used by CalAm. In 2024, Ag Land Trust requested that as a condition of approval, CalAm be required to provide a signed mitigation contract with Ag Land Trust before starting well construction.

COST OF LIVING

As part of the proposed project, the Applicant will provide discounted water to Castroville, providing an important benefit for the community experiencing a water

crisis. This subsidized rate, however, could result in increased rates for Applicant ratepayers, including low-income ratepayers throughout the service area such as Seaside and Sand City. Marina community members have already expressed concerns about the extremely high cost of water. They noted that communities within the Applicant's Monterey District service area currently pay among the highest water rates in the country. In November 2022, the Applicant estimated that water from the Project was expected to increase water rates for an average single-family customer in the Monterey service area by $47 to $50 per month. However, based on CCC required project modifications, tariffs, and contracting requirements, an estimated water rate increase range is currently unknown. Any proposed rate changes are subject to public review and approval before the CPUC. There are concerns that if the lease application is approved, the proposed project will exacerbate the disproportionate burdens on low-income ratepayers due to project construction and operation costs. Moreover, concerns were raised about low-income ratepayers on the Monterey Peninsula absorbing the cost of Castroville's subsidized water rates. Residents are worried that such rate increases will drive them out, as they will be unable to afford to keep living there. However, many participants spoke about the Pure Water Monterey recycled water project as an affordable solution to meet water demand.

PUBLIC ACCESS AND ENVIRONMENTAL IMPACTS

Community members mentioned the proposed project's interference of coastal public access. It was mentioned that the proposed project would install extensive wells, pipelines, structures, and roads in one of only three accessible beach access areas in the City of Marina – permanently impairing the public access of residents and visitors. Additionally, many participants expressed concerns about negative impacts of the proposed project on the area's unique coastal dune habitat, endangered species, and biodiversity. Finally, community members expressed concerns about sea level rise, coastal erosion, and dune sand recession, all of which would limit the use of the proposed project to 25 years.

OTHER CONCERNS

The community brought up concerns about a private corporation managing a water resource for profit. Many expressed that a public agency, such as Monterey Peninsula Water Management District, Monterey One Water, and Marina Coast Water, should manage the region's water supply. Additionally, community members said that the Applicant is exaggerating the water demand, and the

desalination project is unnecessary since the Monterey Pure Water expansion will meet the water supply demand. Furthermore, at the time, there were concerns about ongoing proceedings before the CPUC and State Water Board that could change or remove the determined need for the proposed project. Finally, the community expressed concerns that the proposed project would interfere with the Commission's public trust duty to protect coastal ecosystems and other resources for all Californians, stating that the approval of this lease would be a violation of its public trust responsibilities.

HISTORICAL AND OTHER INDUSTRIAL ACTIVITIES CONTRIBUTING TO ENVIRONMENTAL IMPACTS

The communities of Marina and Seaside are confronted by a legacy of heavy industrial and agricultural activities and the corresponding pollution, including military activity, sand mining, and commercial agriculture. Nearby Fort Ord Seaside Munition Response Area is a known former hazardous materials site that is identified on the U.S. Environmental Protection Agency (EPA) National Priorities List. According to CalEnviroScreen 4.0, the proposed project area in Marina has a cleanups percentile of 73, meaning the number and type of cleanup sites is higher than 73 percent of the census tracts in California. Cleanup sites are places that are contaminated with hazardous chemicals and require clean up by the property owners or government. People living near these sites have greater potential to be exposed to chemicals from the sites than people living further away. Additionally, the proposed project area is the site of the former CEMEX sand mining operation, which increased shoreline retreat and dune erosion, reduced habitat, led to loss of beach sand, and decreased public access. Furthermore, surrounding Marina are vast tracts of agricultural activities, where pesticide usage is prolific and persistent. The use of pesticides, fumigants, insecticides, herbicides and other compounds can affect community health through exposure to contaminated soil, water, or air. The pesticide use indicator of nearby census tracts is higher than 90 to 99 percent of the census tracts in California (CalEnviroScreen 4.0). Finally, there are active industrial developments located in Marina including a regional landfill, regional composting facility, and regional sewage plant, all of which serve areas outside of Marina.

CONCLUSION:

On issues of water supply and demand, and groundwater, Commission staff relied on the expertise, information, and determinations reached by the CPUC, SWRCB,

and CCC's independent hydrogeologist. As stated previously, the Commission does not have a direct regulatory role or jurisdiction over these matters. Nonetheless, the fact remains that the SWRCB Administrative Hearing Office's 2025 final report identified that "Cal-Am's proposed draw may cause unreasonable harm in portions of the 180/400 and Monterey Subbasins" and that some injury may occur to groundwater users not identified in the report. Therefore, the lease includes provisions related to identifying and remedying groundwater impacts.

Regarding the limited portion of the project located within the Commission's jurisdiction, the slant wells will be completely located below the seafloor and will not impede surface uses or interfere with Public Trust needs and values at this location, at this time. The slant wells will not significantly alter the land, and the lease does not alienate the State's fee simple interest or permanently impact public rights. The lease is limited to a 24-year term and does not grant the Lessee exclusive rights to the lease premises. Furthermore, the lease requires that the Lessee insure the lease premises and provide a bond or other surety for the faithful performance of the lease obligations in the amount of $200,000.

Based on the discussion above, the issuance of this lease with the conditions described in this staff report will not substantially interfere with Public Trust needs and values at this location, at this time, and for the term of the proposed lease; and is in the best interests of the State. Approval of the lease with these conditions would not allow the project to commence until specific requirements are met that would assure the activities would not interfere with Public Trust needs and values and would be in the best interests of the State.

OTHER PERTINENT INFORMATION:

1. Approval or denial of the application is a discretionary action by the Commission. Each time the Commission approves or rejects a use of sovereign land, it exercises legislatively delegated authority and responsibility as trustee of the State's Public Trust lands as authorized by law. The Applicant also has no right to a new lease or to renewal of any previous lease.
2. On December 17, 1981, the Commission authorized a General Permit – Public Agency to the Monterey Regional Water Pollution Control Agency, the predecessor to M1W for an ocean outfall pipeline (Item 10). As part of the Applicant's MPWSP, the existing outfall will be used to discharge brine from the upland desalination plant. On March 31, 2026, M1W and the Applicant

submitted a joint application to CCC to amend the CDP for modifications to the outfall for brine discharge, including portions of the outfall within the Commission's jurisdiction. On April 29, 2026, CCC staff found the application incomplete, requesting additional information from the applicants. CCC staff also stated that both Monterey County and the City of Marina have certified Coastal Act Local Coastal Programs, and CCC staff have yet to make a final determination on jurisdictional aspects of the CDP amendment application. The Commission's consideration regarding use of the outfall will be subject to future Commission action, and M1W has not submitted an application to date. Additionally, M1W must obtain a new National Pollutant Discharge Elimination System (NPDES) Permit from the Central Coast Region Water Quality Control Board (Central Coast Water Board). The Central Coast Water Board is currently reviewing M1W's NPDES permit application and plans to prepare an EIR Addendum to address proposed outfall modification and future discharge uses. A draft order is anticipated for release and public comment later this year before consideration and adoption.

3. The Commission's consideration regarding modifications and use of the outfall may be subject to future Commission action, and M1W has not submitted an application to the Commission to date. Proposed modifications to the outfall as described in the CCC application include actions within the Commission's jurisdiction (replacement of internal joint seals, modifying the existing diffuser, replacing 129 horizontal diffuser ports, and installing 29 more ports) and actions outside the Commission's jurisdiction (installation of an approximately 2-mile-long protective slip lining within the onshore portion). The MPWSP would not be able to operate without these modifications.

4. On October 20, 2025, the MPWMD voted to ask the SWRCB to modify parts of the Carmel River cease and desist order that restricts how much water can be drawn from the river. Specifically, the MPWMD proposes the SWRCB rescind the order's prohibition on new water meters, subject to a new water supply and demand monitoring regime.

5. This action is consistent with the "Meeting Evolving Public Trust Needs" Strategic Focus Area of the Commission's 2021-2025 Strategic Plan.

6. Termination of the existing lease is not a project as defined by CEQA because it is an administrative action that will not result in direct or indirect physical changes in the environment.

Authority: Public Resources Code section 21065 and California Code of Regulations, title 14, sections 15060, subdivision (c)(3), and 15378, subdivision (b)(5).

7. An FEIR/FEIS, State Clearinghouse No. 2006101004, was prepared for this Project by the CPUC and Monterey Bay National Marine Sanctuary and certified on September 13, 2018. As part of its project approval, CPUC made CEQA Findings and a Statement of Overriding Considerations and adopted a Mitigation Monitoring and Reporting Program.

   Staff has reviewed these documents and prepared an independent Mitigation Monitoring Program (attached, Exhibit A) that incorporates CPUC's document. Staff recommends adoption of Exhibit A by the Commission.

   Additionally, the CCC prepared an environmental document pursuant to its certified regulatory program (Cal. Code Regs., tit. 14, § 15251, subd. (c)) and granted Permit No. 5-19-0990 for this Project on December 12, 2019. Staff has reviewed the document and determined that the conditions, as specified in the California Code of Regulations, title 14, section 15253, subdivision (b), have been met for the Commission to use this document for its compliance with CEQA.

   Staff also prepared Findings made in conformance with the CEQA Guidelines (Cal. Code Regs., tit. 14, §§ 15091, 15096), contained in the attached Exhibit B.

   Staff determined that eight potential resource areas would have impacts that are less than significant with implementation of mitigation measures. Staff also identified in the Findings that the project could cause potentially significant impacts to Terrestrial Biological Resources, Air Quality, and Noise and Vibration due to the use of heavy equipment during the construction of the slant wells and well pads, despite the implementation of all applicable measures. Staff prepared a Statement of Overriding Considerations made pursuant to the CEQA Guidelines (Cal. Code Regs., tit. 14, § 15093) that balances the benefits of the project against its unavoidable impacts and finds that the potential impacts are acceptable in light of the project benefits. Staff recommends the Commission adopt the Findings and Statement of Overriding Considerations contained in the attached Exhibit B.

8. This activity involves lands identified as possessing significant environmental values pursuant to Public Resources Code section 6370 et seq., but such activity will not affect those significant lands. Based upon participation from the agency nominating such lands through the CEQA review and permitting process, it is

staff's opinion that the project, as proposed, is consistent with its use classification.

APPROVALS OBTAINED:

- California Coastal Commission (conditional)
- California Public Utilities Commission

APPROVALS REQUIRED:

- Monterey One Water
- Monterey County
- City of Marina
- Central Coast Regional Water Quality Control Board
- Monterey Bay National Marine Sanctuary

EXHIBITS:

A. Mitigation Monitoring Program

B. Statement of Findings and Statement of Overriding Considerations

RECOMMENDED ACTION:

The evidence available to staff continues to broadly support the need for regional water development, acknowledging that there remain certain ambiguities and unresolved issues, and that as designed and modified by the CCC and modified by provisions in the proposed lease should not substantially interfere with Public Trust needs and values at this time and is in the state's best interests. Therefore, staff recommends approval of a lease with conditions substantially as described in this staff report.

It is recommended that the Commission:

CEQA FINDING:

Find that an EIR/EIS, State Clearinghouse No. 2006101004, was prepared for this project by the CPUC and Monterey Bay National Marine Sanctuary and certified

on September 13, 2018, and that the Commission has reviewed and considered the information contained therein.

Find that CCC Permit Nos. A-3-MRA-19-0034 and 9-20-0603 (the environmental document), prepared for this Project and adopted on November 17, 2022, by the CCC pursuant to its certified regulatory program (Cal. Code Regs., tit. 14, § 15251, subd. (c)), is a substitute document as provided by California Code of Regulations, title 14, section 15252, subdivision (a), and that the Commission has reviewed and considered the information therein, and that the conditions described in the California Code of Regulations, title 14, section 15253, subdivision (b), have been met for the Commission, acting as a responsible agency, to use the environmental document to comply with the requirements of CEQA. (Cal. Code Regs., tit. 14, § 15096.)

Find that in the Commission's independent judgment, the scope of activities to be carried out under the lease to be issued by this authorization have been adequately analyzed; that none of the events specified in Public Resources Code section 21166 or CEQA Guidelines section 15162 resulting in any new or substantially more severe significant impact have occurred; and, therefore no additional CEQA analysis is required.

Adopt the Mitigation Monitoring Program, as contained in the attached Exhibit A.

Adopt the Findings, made in conformance with California Code of Regulations, title 14, sections 15091 and 15096, subdivision (h), as contained in the attached Exhibit B.

Adopt the Statement of Overriding Considerations made in conformance with California Code of Regulations, title 14, section 15093, as contained in the attached Exhibit B.

PUBLIC TRUST AND STATE'S BEST INTERESTS:

Find that the proposed lease termination and issuance of a lease containing conditions as substantially described in this staff report will not substantially impair the public rights to navigation, fishing, and commerce or substantially interfere with Public Trust needs and values at this location, at this time and for the term of the lease; and is in the best interests of the State.

SIGNIFICANT LANDS INVENTORY FINDING:

Find that this activity is consistent with the use classification designated by the Commission for the land pursuant to Public Resources Code section 6370 et seq.

AUTHORIZATION:

1. Authorize termination, effective June 22, 2026, of Lease 9177, a General Lease – Right-of-Way Use, issued to the Applicant.

2. Authorize issuance of a General Lease – Industrial Use to the Applicant beginning June 23, 2026 through January 1, 2050, containing conditions as substantially described in this staff report, for a term of 24 years, for construction and use of four slant wells and conversion and use of one exiting slant well; annual rent in the amount of $2,282 with an annual Consumer Price Index adjustment; liability insurance in an amount no less than $5,000,000 per occurrence; Applicant may satisfy all or part of the insurance requirements through maintenance of a self-insurance program as outlined in the lease; bond or other security in in the amount of no less than $200,000.

3. Authorize the Executive Officer or designee to replace Exhibits in the lease upon submission, review, and approval of as-built plans detailing the final location of the new improvements following construction.

EXHIBIT A

CALIFORNIA STATE LANDS COMMISSION
MITIGATION MONITORING PROGRAM
CalAm Monterey Peninsula Water Supply Project
(A4181, State Clearinghouse No. 2006101004)

The California State Lands Commission (Commission or CSLC) is a responsible agency under the California Environmental Quality Act (CEQA) for Phase 1 of the CalAm Monterey Peninsula Water Supply Project (MPWSP). The CEQA lead agency for the full MPWSP is California Public Utilities Commission. The Coastal Commission subsequently approved the MPWSP project in two-phases with a CEQA-equivalent Coastal Development Permit. Phase 1 of the MPWSP, as approved by the Coastal Commission (Project), is the activity now subject to the Commission's responsible agency authority.

In conjunction with approval of this Project, the Commission adopts this Mitigation Monitoring Program (MMP) for the implementation of mitigation measures for the portion(s) of the Project located on State lands. The purpose of an MMP is to impose feasible measures to avoid or substantially reduce the significant environmental impacts from a project identified in an Environmental Impact Report (EIR) or a Mitigated Negative Declaration (MND). CEQA Guidelines section 15097, subdivision (a), states in part:

> *In order to ensure that the mitigation measures and project revisions identified in the EIR or negative declaration are implemented, the public agency shall adopt a program for monitoring or reporting on the revisions which it has required in the project and the measures it has imposed to mitigate or avoid significant environmental effects. A public agency may delegate reporting or monitoring responsibilities to another public agency or to a private entity which accepts the delegation; however, until mitigation measures have been completed the lead agency remains responsible for ensuring that implementation of the mitigation measures occurs in accordance with the program.*

The lead agency certified an EIR, State Clearinghouse No. 2006101004, adopted a Mitigation Monitoring and Reporting Program (MMRP) for the full MPWSP (see Exhibit A, Attachment A-1), and remains responsible for ensuring that implementation of the mitigation measures occurs in accordance with its program. The Coastal

Commission did not add or modify any of the mitigation measures found in the lead agency's MMRP. Rather, the Coastal Commission, through its certified regulatory program, required adherence to twenty (20) Special Conditions and a two-phase approach to the project. The Commission's action and authority as a responsible agency apply only to the mitigation measures listed in Table A-1 below. The full text of each mitigation measure, as set forth in the MMRP prepared by the CEQA lead agency and provided in Attachment A-1, is incorporated by reference in this Exhibit A.

Table A-1. Project Impacts and Applicable Mitigation Measures

Potential Impact	Mitigation Measure (MM)[1]
Impact 4.2-10	MM 4.2-10
Impact 4.2-C	MM 4.2-10, MM 4.6-2b, MM 4.16-1
Impact 4.3-C	MM 4.3-4, MM 4.3-5, MM 4.7-2b
Impact 4.4-4	MM 4.4-4
Impact 4.6-1	MM 4.6-1a through MM 4.6-1q, MM 4.12-1b, and MM 4.14-2
Impact 4.6-2	MM 4.6-1a through MM 4.6-1d, MM 4.6-1n through MM 4.6-1q, MM 4.6-2a, and MM 4.6-2b
Impact 4.6-3	MM 4.6-1a through MM 4.6-1c, MM 4.6-1q, and MM 4.6-3
Impact 4.6-5	MM 4.6-1d, MM 4.6-1e, MM 4.6-1f, MM 4.6-1n, and MM 4.6-2b
Impact 4.6-6	MM 4.6-1a through MM 4.6-1g, MM 4.6-l, MM 4.6-1n, MM 4.6-o, MM 4.6-1q, MM 4.6-6, MM 4.12-1b, MM 4.12-5, and MM 4.14-2
Impact 4.6-7	MM 4.6-1a through MM 4.6-1d, MM 4.6-1n, MM 4.6-1p, MM 4.6-2a, and MM 4.6-2b
Impact 4.6-8	MM 4.6-1a through MM 4.6-1c
Impact 4.6-9	MM 4.6-1a and MM 4.6-1p
Impact 4.6-C	MM 4.6-1a through MM 4.6-1p, MM 4.6-2a, MM 4.6-2b, MM 4.6-3, MM 4.6-4, MM 4.6-6, MM 4.12-1b, MM 4.12-5, and MM 4.14-2
Impact 4.7-2	MM 4.7-2a and MM 4.7-2b
Impact 4.7-C	MM 4.7-2a and MM 4.7-2b

[1] See Attachment A-1 for the full text of each MM taken from the MMRP prepared by the CEQA lead agency.

Potential Impact	Mitigation Measure (MM)[1]
Impact 4.10-1	MM 4.10-1a through MM 4.10-1c and MM 4.10-1e
Impact 4.10-2	MM 4.10-1a, MM 4.10-1b, and MM 4.10-1e
Impact 4.10-C	MM 4.10-1a through MM 4.10-1c and MM 4.10-1e
Impact 4.11-1	MM 4.11-1 and MM 4.18-1
Impact 4.11-2	MM 4.11-1 and MM 4.18-1
Impact 4.11-3	MM 4.11-1
Impact 4.11-C	MM 4.11-1 and MM 4.18-1
Impact 4.12-1	MM 4.12-1a through MM 4.12-1e
Impact 4.15-2	MM 4.15-2a and MM 4.15-2b
Impact 4.15-4	MM 4.15-4
Impact 4.18-1	MM 4.10-1b and MM 4.18-1
Impact 4.18-C	MM 4.10-1b and MM 4.18-1

ATTACHMENT A-1

Mitigation Monitoring and Reporting Program Adopted by the California Public Utilities Commission

MITIGATION MONITORING AND REPORTING PROGRAM

CalAm Monterey Peninsula Water Supply Project

As the CEQA and NEPA Lead Agencies, the CPUC and MBNMS, respectively, are responsible for ensuring the required mitigation measures are implemented appropriately and effectively. This Mitigation Monitoring and Reporting Program (MMRP) for the Project establishes the approach to successful implementation of the mitigation measures that were identified in the EIR/EIS and that have been required as conditions of Project approval. CalAm, as the Applicant and project proponent, will be responsible for implementing all mitigation measures, as well as any additional conditions imposed by any permits or regulations administered by other responsible or trustee agencies and for reporting the implementation to the Lead Agencies. Following project approval, a detailed Mitigation Monitoring, Compliance, and Reporting Program (MMCRP) will be developed, as described in Section 5: MMCRP, to set forth additional details concerning how the CPUC will ensure appropriate implementation of the MMRP by CalAm.

Table 1 of this MMRP is organized first by environmental topic/impact statements in the order they are presented in the EIR/EIS, with the mitigation measures identified for such impacts. Table 1 includes:

- Mitigation measures that CalAm must implement as part of the approved project;
- Monitoring and reporting requirements;
- Effectiveness criteria in order to judge whether the mitigation measure achieves its intended results. If the mitigation measure does not achieve the intended results, then the CPUC and MBNMS may adjust the mitigation measure in consultation with the applicable responsible or trustee agency, as described in more detail in Section 3, Roles and Responsibilities; and
- Timing and location of implementation for each measure so as to clearly specify which element(s) of the Project trigger each mitigation measure.

1. Authority for the Mitigation Monitoring and Reporting Program

The California Public Utilities Code confers authority upon the CPUC to regulate the terms of service and the safety, practices, and equipment of utilities subject to its jurisdiction. It is CPUC practice, pursuant to its statutory responsibility, to protect the environment and to require that mitigation measures imposed as conditions of approval be properly implemented, monitored, and reported. This requirement is codified statewide in Public Resources Code (PRC) §21081.6, which requires a public agency to adopt a mitigation monitoring or reporting program when it approves a project that is subject to preparation of an EIR and where the EIR for the project identifies significant adverse environmental effects. CEQA Guidelines Section 15097 describes agency requirements for mitigation monitoring or reporting. This MMRP implements the CPUC's responsibilities under PRC §21081.6. This MMRP will also be used by MBNMS to track implementation of required mitigation measures within the sanctuary, in compliance with 32 CFR 651.15, which addresses mitigation and monitoring.

The purpose of the MMRP is to ensure the measures adopted to mitigate or avoid significant impacts of a project are implemented, and to report on their implementation. The MMRP can be a working guide to facilitate not only the implementation of mitigation measures by the project proponent, but also the monitoring, compliance, and reporting activities of the CPUC and MBNMS and any monitors they may designate.

2. Roles and Responsibilities

Responsibility for implementing the adopted mitigation measures rests with CalAm, unless otherwise specified in the mitigation measure.

As the Lead Agency under CEQA, the CPUC is responsible for monitoring an approved project to ensure that required mitigation measures are implemented. CPUC will be tracking the implementation of the mitigation measures and associated monitoring on behalf of MBNMS and the two Lead Agencies will coordinate on any issues relating to the monitoring reports. MBNMS will also plan to conduct random inspections for compliance of mitigation measures required of activities that may affect sanctuary resources. The purpose of the MMRP is to document that the mitigation measures required by the CPUC are implemented and that mitigated environmental impacts are reduced to the level identified in the EIR/EIS and the CEQA findings adopted by the CPUC. The CPUC may delegate duties and responsibilities for monitoring implementation to environmental monitors or consultants working on behalf of the CPUC (referred to as Third-Party Monitors).

While the implementation by CalAm of some of the mitigation measures will also require reporting to responsible or trustee agencies where areas or resources under their jurisdiction are potentially affected or involved, CalAm must ultimately demonstrate to the Lead Agencies that the mitigation measures have been appropriately implemented.

CalAm will deploy its monitors to ensure implementation of its commitments and execution of its responsibilities as detailed in the MMRP. The number of CalAm construction monitors assigned to the Project to meet the requirements of the MMRP will be determined by CalAm and will depend on the number of concurrent construction activities underway, their locations, and the types of resources potentially affected. Per this MMRP, CalAm is required to demonstrate to the Lead Agencies that all persons assigned monitoring duties and responsibilities are qualified to undertake those duties.

When a mitigation measure requires that a study or plan be developed during the design or pre-construction phase of the Project, CalAm must submit the final study or plan to CPUC and MBNMS for review and approval. Any study or plan that requires approval of the CPUC and MBNMS must allow at least 60 days for adequate review unless noted otherwise in the mitigation measure or the MMRP. Other agencies and jurisdictions with authority over aspects of the Project or particular resources may require additional review time. CalAm will be responsible for confirming to the Lead Agencies that appropriate agency reviews have occurred and required approvals were obtained.

2.1 Project Changes

This section describes the CPUC's process for staff approval of Project changes that may be necessary due to changes needed after the Applicant's final engineering of elements of the Project or if circumstances arise during the course of construction that require deviations from the Project as approved, including changes to mitigation measures listed herein. The CPUC's designated Project Manager, along with MBNMS and the Third-Party Monitors, will evaluate any proposed deviations from the approved Project to ensure they are consistent with CEQA and NEPA requirements. Depending on its nature, a requested deviation would be processed as a Minor Project Change (MPC) or a Petition for Modification (PFM). MPCs would be strictly limited to minor project changes that do not trigger additional permit requirements, do not increase the severity of an impact or create a new impact, and are within the geographic scope of the EIR/EIS. If a project change would create or have the potential to create a new significant impact, increase the severity of an impact, or occur outside the geographic area evaluated in the EIR/EIS, CalAm would be required to submit to the CPUC a PFM. The CPUC would evaluate the PFM under CEQA, as appropriate, to determine what form of supplemental environmental review, if any, would be required.

- Requests for CPUC Project Manager approval of a change must be made in writing and should include the following:
- A detailed description of the proposed change(s), including an explanation of why the deviation is necessary;
- Identification of the mitigation measure, project parameter, or other project attribute for which the change is being requested, and citations for associated approved documents;

- Photographs, maps, and other supporting documentation illustrating the difference between the existing conditions in the project area, the approved project, and the proposed change;
- The potential impacts of the proposed change, including a discussion of each environmental issue area that could be affected by the deviation with accompanying verification, and whether there would be an increase in significant impacts on resources affected by the Project and/or any new significant impacts, after application of previously adopted mitigation measure(s);
- Whether the change conflicts with any mitigation measures;
- Whether the change conflicts with any applicable guideline, ordinance, code, rule, regulation, order, decision, statute, or policy; and
- The date of expected construction at the location of the change.

The CPUC Project Manager may request additional information, agency consultations, or a site visit in order to determine the appropriate vehicle for approval and to process the request.

2.2 Enforcement Responsibility

The CPUC will be responsible for monitoring implementation of the MMRP and for enforcing the procedures adopted herein. Generally, this would be accomplished through the CPUC Energy Division CEQA Unit. The CPUC will also employ Third-Party Monitors to assist in certain efforts.

CalAm monitors will be required in some instances to coordinate the implementation of mitigation with the responsible or trustee agencies for situations falling within the purview of those agencies. In such instances, CalAm is required to demonstrate coordination with those agencies to the CPUC. The Third-Party Monitors will also coordinate with the appropriate responsible and trustee agencies or individuals to confirm compliance and effectiveness, or to coordinate on the need for further corrective actions.

As the State's regulator of investor-owned utilities, the CPUC has the authority to halt any construction, operation, or maintenance activity associated with the Project if the activity is determined to be a deviation from the approved project or from the adopted mitigation measures. As such, any member of the CPUC environmental monitoring team has the authority to issue a Stop Work Order that requires the contractors to temporarily halt or redirect Project activities if a sensitive resource is put in undue risk beyond previously authorized or permitted levels, and if mitigation measure(s) are not meeting the effectiveness criteria identified in the MMRP. In addition, a Stop Work Order may be issued if unauthorized Project activities are observed, such as the use of a work area that was not approved or if significant compliance risks remain unresolved. The CPUC will make any final determinations regarding Stop Work Orders for the Project.

2.3 Compliance Responsibility

CalAm will be responsible for successfully implementing all of the adopted mitigation measures, based on the criteria that define whether mitigation is successful, as provided in the table of mitigation measures below. Standards for successful mitigation also are implicit in many mitigation measures that include such requirements as obtaining permits or avoiding a specific impact entirely.

Additional mitigation success thresholds may be established through the review and approval of specific plans required under mitigation measures. Other requirements may be stipulated by another agency with applicable jurisdiction during that agency's permitting process.

CalAm will inform the CPUC and the Third-Party Monitors in writing of any mitigation measures that are not being, or cannot be, successfully implemented and provide alternative approaches for successful mitigation implementation. The CPUC, in coordination with its Third-Party Monitors, will review the alternative approach to determine if it is adequate and whether an MPC or PFM would apply (see Section 2.1).

In cases where CalAm is found to be in non-compliance, the CPUC may exercise the CEQA Citation Program, adopted by the Commission in Resolution E-4550, which authorizes Commission staff to efficiently issue citations and levy fines when needed to quickly address non-compliance incidents occurring on the Project site.

3. Dispute Resolution

Even with the best preparation, disputes may occur. In such an event, the following procedure will be observed for dispute resolution between CPUC staff and the applicant:

- Disputes and complaints should be directed to the CPUC Project Manager for resolution
- Should this informal process fail, the CPUC Project Manager may initiate enforcement or compliance actions as described in Section 2.3 to address deviations from the approved project.

Parties may also seek review by the CPUC through existing procedures specified in the CPUC′s Rules of Practice and Procedure for formal and expedited dispute resolution, although a good faith effort should be made to use the foregoing procedure first.

4. General Monitoring Procedures

4.1 Environmental Monitors

Many of the monitoring procedures will be conducted during the construction phase of the project. CalAm is responsible for appointing appropriately qualified on-site monitors as defined in the mitigation measures and MMRP, and for integrating mitigation monitoring activities into

the construction process. Qualified monitors are to be on-site during all fencing and ground disturbance activities, or as defined in the specific mitigation measures. The CPUC Project Manager and Third-Party Monitors will coordinate with MBNMS and with CalAm's on-site monitors to verify compliance with the MMRP, and the effectiveness of the mitigation.

The number of on-site construction monitors assigned to the Project will depend on the number of concurrent construction activities and their locations. The CPUC, MBNMS, or their designee(s), however, will ensure that each person delegated any duties or responsibilities is qualified to monitor compliance.

4.2 Construction Personnel

A key element in the success of mitigation implementation and mitigation monitoring is the full cooperation of construction personnel and supervisors. Successful implementation of many of the mitigation measures requires specific actions and behaviors on the part of the construction supervisors or crews. To ensure success, the following actions, detailed in specific mitigation measures, will be taken:

- Procedures to be followed by construction companies engaged to do the work will be written into their contracts with CalAm. Procedures to be followed by construction crews will be written into a separate agreement that all construction personnel will be asked to sign, denoting consent to the procedures.
- As specified by the MMRP, a Worker Environmental Awareness Training and Education Program will be conducted to inform and train construction personnel about the requirements of the monitoring program. The CPUC Third-Party Monitors will verify that each crew member receives the required training.
- A written summary of mitigation monitoring procedures will be provided to construction supervisors for all mitigation measures requiring their attention.

4.3 Reporting Procedures

CalAm is required to prepare and maintain daily monitoring reports that are entered into a field record environmental database (FRED) or similar system, and made available to the CPUC and MBNMS. CalAm will also provide the CPUC and MBNMS (or their Third-Party Monitors) with written weekly, monthly and quarterly summary reports of the Project construction activities, which shall include a chronological log including the progress of construction, and all monitoring activities conducted during the reporting period including the identification of any impacts on resources, mitigation measures implemented, and all other noteworthy elements of the Project.

Construction is not allowed to start in a particular area until the required pre-construction surveys and flagging/staking are completed, and the CPUC Third-Party Monitor has validated compliance and the CPUC has issued a Notice to Proceed to CalAm to start that construction.

4.4 Public Access to Records

The public is allowed access to records and reports used to track the monitoring program. Monitoring records and reports will be made available for public inspection by the CPUC upon request. The CPUC and CalAm will develop a filing and tracking system. For additional information on mitigation monitoring and reporting for the project, the CPUC Energy Division CEQA Unit will maintain an Internet website. To facilitate the public's awareness of and access to this information, the CPUC will make monthly reports available on the website.

5. Mitigation Monitoring, Compliance, and Reporting Program

The CPUC will prepare the Mitigation Monitoring, Compliance, and Reporting Program (MMCRP) in cooperation with MBNMS in order to meet both agencies' mitigation monitoring and reporting needs. The MMRCP will incorporate and will be based on this MMRP. The MMCRP will serve as a self-contained guide for implementing the MMRP throughout Project construction. The MMCRP will include more detailed content than is required for compliance with PRC §21081.6, it will incorporate the mitigation monitoring and reporting needs of other agencies that have yet to take action on the Project, and it will include agency, applicant, and third-party contact information that cannot be known with specificity at this time. The CPUC Project Manager, in coordination with MBNMS, will approve the completed MMCRP prior to the start of Project construction.

The MMCRP will contain a concise overview and description of the approved Project, outline its physical locations and geographic limits, and, to the extent known, provide the Project construction schedule. It will include all adopted mitigation measures and will specify the master reference document(s) that the monitors and CalAm will use in carrying out the MMRP (e.g., the Final EIR/EIS, detailed working maps and plans, issued permits, etc.).

The MMCRP will include a list of the agencies having jurisdiction over various aspects of the Project, and a description of where these respective jurisdictions occur. For example, the MMCRP will state which CDFW regional office has jurisdiction and will provide contact information, including the designated representative's name, address, email, and telephone numbers.

The MMCRP will also define the manner in which CalAm's monitoring team will interact with the CPUC staff and consultants. In addition, the MMCRP will define CalAm's required submittals to the agencies, and protocol for interactions among agency and CalAm team members.

The MMCRP must address the following topics, and others as deemed appropriate:

1. Introduction
    a. Authority and Purpose of the MMCRP
    b. Jurisdictional Agencies

c. Project Description

d. Organization of the MMCRP

2. Roles and Responsibilities

a. Monitoring Responsibility

b. Enforcement Responsibility

c. Mitigation Compliance Responsibility

d. Communications

e. Dispute Resolution

f. CalAm Roles

i. Identification of the qualified CalAm team members who would verify that all adopted measures and conditions have been successfully implemented.

ii. Organization of the CalAm team, including specifying duties, roles, and responsibilities.

iii. Identification of primary CalAm contacts for CPUC environmental monitoring staff liaison.

3. General Monitoring and Compliance Procedures

a. Environmental Monitors

b. Construction Personnel

c. General Reporting Requirements

i. CalAm Daily Incident Summary format and protocol

ii. CalAm Weekly Monitoring Report format and content

iii. CalAm Annual Monitoring Report format and content

d. Records Management and Public Access to Records

4. Mitigation Measure Tables

TABLE 1
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** *CalAm Reports On, and the CPUC Monitors all Mitigation Measures*	**Implementation Schedule**	
Section 4.2: Geology, Soils, and Seismicity									
Impact 4.2-1: Substantial soil erosion or loss of topsoil during construction. **Mitigation Measures 4.6-2b and 4.16-1**	X		X	X	X	X	See below under Mitigation Measures 4.6-2b and 4.16-1		
Impact 4.2-10: Accelerate and/or exacerbate natural rates of coastal erosion, scour, or dune retreat, resulting in damage to adjoining properties or a substantial change in the natural coastal environment. **Mitigation Measure 4.2-10: Slant Well Abandonment Plan.** CalAm shall monitor and report the rate of coastal retreat and implement the following corrective measure: 1. CalAm shall conduct annual monitoring of the rate of coastal retreat relative to the slant wells at the CEMEX site by measuring the distance from the wellhead to the western dune face. The data shall be reported no later than June 30 each year to the agencies issuing and authorizing the Coastal Development Permit and shall establish an annual erosion rate to be used to estimate the year at which the wells and associated pipelines have 5 years before exposure, assuming that at least one 100-year storm event will have occurred within that exposure timeframe. 2. Beginning at least 5 years prior to the anticipated exposure of the slant wells, CalAm shall implement the planning and permitting necessary to decommission the slant wells in accordance with state well destruction standards. An application to destroy the slant well would be submitted to the Monterey County Environmental Health Bureau, Drinking Water Protection Services Unit, for approval. The decommissioning plans shall be prepared in coordination with the property owner and permit authorizing agencies. 3. Once an estimated exposure window is established through annual monitoring and a removal date is identified, CalAm shall remove the slant wells from service prior to their exposure. Slant well decommissioning activities would be restricted to the snowy plover non-nesting season (October 1 through February 28) to avoid impacts on nesting plovers and other sensitive species. The wellhead vault, electrical panel, buried electrical conduit, and discharge piping would all be excavated and removed, followed by backfilling and compaction of the excavated vault location and trenches. The well decommissioning shall be conducted in coordination with the property owner. 4. The slant well casing shall be pressure grouted such that the screened section is sealed, pursuant to the requirements of State of California Well Standards Bulletin 74-81 and 74-90, Part III Section 23. The section of well casing and pipelines at risk of exposure shall be cut and removed to a depth of five feet below the 2060, 100-year lower profile envelope as determined by the 2014 Coastal Erosion Study (ESA, 2014) or as directed by any permit condition.	X						CalAm shall conduct annual monitoring of coastal erosion and provide monitoring data to the CPUC and the agencies issuing and authorizing the Coastal Development Permit no later than June 30 each year of the rate of coastal retreat relative to the slant wells at the CEMEX site and establish an annual erosion rate (to be recalculated each year) to estimate the year at which the wells have 5 years before exposure. At least five years prior to the estimated exposure of the slant wells, CalAm shall notify CPUC of planned slant well decommissioning and shall obtain all required permit(s) for decommissioning of slant well(s) from Monterey County and other applicable responsible and trustee agencies. CalAm shall provide the CPUC and agencies issuing and authorizing the CDP with all approved permit(s) for recordation and coordination for monitoring during slant well decommissioning.	During operation	Monitor and report annual erosion rate and to provide adequate time of at least five years for CalAm to plan for, apply for/receive all permits required to decommission the slant wells before coastal erosion exposes the wells and/or their associated pipelines.
Impact 4.2-C: Cumulative impacts related to geology, soils, and seismicity. **Mitigation Measure 4.2-10**	X						See above under Mitigation Measure 4.2-10		
Section 4.3: Surface Water Hydrology and Water Quality									
Impact 4.3-2: Degradation of water quality from construction-related discharges of dewatering effluent from open excavations and water produced during well drilling and development. **Mitigation Measure 4.7-2b**	X			X			See below under Mitigation Measure 4.7-2b		

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.3: Surface Water Hydrology and Water Quality (cont.)									
Impact 4.3-4: Violate water quality standards or waste discharge requirements or degrade water quality from increased salinity as a result of brine discharge from the operation of the MPWSP Desalination Plant. **Mitigation Measure 4.3-4: Operational Discharge Monitoring, Analysis, Reporting, and Compliance.** To ensure that the operational discharges from the MPWSP are in compliance with the 2 ppt receiving water salinity limitation at the Brine Mixing Zone (BMZ) compliance point required by the California Ocean Plan, the discharger(s) shall implement a Monitoring and Reporting Plan (Plan). The Plan shall, at a minimum, include protocols for monitoring of effluent and receiving water salinity characteristics as well as protocols for determining statistically significant changes in benthic community composition within the maximum extent of the Zone of Initial Dilution (ZID) as compared to baseline conditions (established a minimum of one year prior to operations) that is directly associated with changes in salinity resulting from operational discharges (with consideration given to natural and seasonal variations and long-term regional trends). Such protocols shall include, but not be limited to, monitoring for benthic community health, aquatic life toxicity, and hypoxia, within the ZID. The Plan shall be consistent with the standard monitoring procedures detailed in Appendix III of the Ocean Plan. Such monitoring protocols specify monitoring plan framework, scope, and methodological design for determining compliance with the Ocean Plan defined receiving water limitations relating to salinity. Prior to implementation, the Plan shall be approved by the RWQCB and MBNMS. Following implementation, the Plan shall be reviewed by the RWQCB, and revised if necessary, as part of the NPDES permit renewal process. As part of the Plan, receiving water monitoring for salinity shall be conducted at times when the monitoring locations are most likely to be potentially adversely affected by the discharge. The Plan shall establish protocols to establish baseline biological conditions at the discharge location as well as at a reference location outside the influence of the discharge for at least one year prior to commencement of project construction. To determine impacts on marine biological resources against baseline biological conditions, the discharger(s) shall conduct biological surveys (e.g., Before-After Control-Impact studies), that evaluate and quantify the differences between biological communities at a reference site and at the discharge location before and after the discharge(s) commence. All monitoring data, results, and analyses shall be compiled and submitted to the RWQCB and MBNMS for review. Such monitoring shall continue until the RWQCB and MBNMS determines that a regional monitoring program is adequate to ensure compliance with the receiving water limitation. ***Water Quality Monitoring.*** At a minimum, the Plan shall include the following water quality monitoring protocols and monitoring frequencies to assess baseline conditions and to track the compliance of the Project with the performance standard of ensuring operational discharges do not exceed ambient salinity by more than 2 ppt at the edge of the BMZ, as well as to assess the efficacy of any operational or design features implemented: A. At least one year prior to implementing operational discharges, the discharger(s) shall install continuously recording automated water quality monitoring equipment, such as automatically recording water quality data sondes (water quality monitoring instrument), to monitor salinity and dissolved oxygen levels at one hour intervals in the receiving waters of Monterey Bay. The discharger(s) shall install water quality monitoring equipment at a minimum of four locations within 3 meters of the ocean floor as follows: a. 1 monitoring station at the edge of the Zone of Initial Dilution, but not more than 10 meters from the outfall diffuser. b. 1 monitoring station at the edge of the Brine Mixing Zone, representing the point of compliance with the Ocean Plan salinity standard (not more than 100 meters from the outfall diffuser). c. A representative reference location at least 1000 meters from the outfall diffuser, situated on the same elevation contour as that of the outfall diffuser, in an area outside the influence of operational discharges or other inputs to Monterey Bay, such as operational discharges from other facilities or fresh water inputs in the form of major surface water inputs. B. Monitoring will be conducted for one year prior to the commencement of operational discharges to confirm baseline conditions.		X					CalAm shall prepare and submit the required water quality monitoring and reporting plan to RWQCB and MBNMS for approval, and provide a copy of the approved plan to the CPUC. Upon receiving the approvals and providing the CPUC with copies of the same, CalAm shall install monitoring equipment and begin water quality monitoring pursuant to the approved plan at least 1 year before the commencement of project operations. CalAm shall only use qualified professionals approved by RWQCB, CPUC and MBNMS for all required monitoring and analysis and shall promptly submit the required monitoring data and analysis to the RWQCB, CPUC, and MBNMS simultaneously. Review of the monitoring data and reports will identify the need for and details concerning any corrective measures, unless and until it is determined that it is no longer required, per the mitigation measure. For the required biological surveys, survey protocols and qualifications for professionals conducting the surveys shall be submitted to MBNMS for approval. Survey reports shall be submitted to MBNMS in a format approved by MBNMS.	Prior to and during operation at intervals specified in the mitigation measure.	Establish and incorporate comprehensive biological resources baseline data into the approved water quality monitoring and reporting plan and implement the plan, and revise it as deemed necessary by RWQCB and MBNMS, to ensure compliance with the 2 ppt receiving water quality limitation at the BMZ.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.3: Surface Water Hydrology and Water Quality (cont.)									
C. Once operational discharges commence, the discharger(s) shall continue monitoring (for a minimum of five years, as described below) to confirm compliance of operational discharges with the Ocean Plan receiving water salinity limitation, which specifies discharges shall not exceed a daily maximum of 2 parts per thousand (ppt) above natural background salinity, as measured no further than 100 meters (328 ft) horizontally from the discharge point. The discharger(s) shall retrieve all data from deployed water quality monitoring instrumentation at least four times a year at quarterly annual intervals during both the one-year period of baseline monitoring and during the salinity standard compliance monitoring associated with operations. Following data collection, data shall be analyzed for compliance with the receiving water salinity standard defined in the Ocean Plan. Additionally, the salinity and dissolved oxygen data retrieved shall be used, in conjunction with biological survey data, to assess changes to benthic community composition within the ZID. The analyses and monitoring data shall be summarized and submitted to the RWQCB and MBNMS as annual reports as well as made publicly available via the project website. Reports shall include summary graphs of all quality assured/quality controlled data as well as statistical analyses of the data relative to historic baselines. Reports shall assess water quality data within the context of relevant water quality standards. The reports shall describe any measured adverse water quality related changes, such as high salinity or low dissolved oxygen levels that potentially impact marine habitat quality or benthic communities. The reports shall include assessment of the extent to which any measured changes were attributable to controllable factors, such as the variation of combined flows as part of operational discharges. The analysis and reporting conducted as part of the Plan shall determine the need for corrective actions to be implemented in the form of the design features and operational measures prescribed in **Mitigation Measure 4.3-5** to reduce identified impacts to less-than-significant levels. As part of such a determination for implementation of corrective actions, a schedule for implementation shall be provided, as well as rationale for how such design features and/or operational measures were selected and the expected results following implementation. All analysis and reporting, including determinations for the need for corrective actions to be implemented, the schedule for implementation, and the rationale for selected corrective actions shall be approved by the RWQCB and MBNMS. If at the end of five complete years of monitoring operational discharges, the 24-hour average salinity measured at the edge of the BMZ is less than 75% of the salinity performance standard for 45 days without interruption under all discharge scenarios representative of typical operations (i.e. irrigation season and non-irrigation season operations), and with approval by the RWQCB and MBNMS, the discharger(s) may terminate the monitoring and reporting specified as part of this mitigation measure (but not terminate monitoring and reporting required as part of compliance with NPDES permit conditions or Ocean Plan monitoring and reporting requirements for discharges into California ocean waters).									
Impact 4.3-5: Violate water quality standards or waste discharge requirements or degrade water quality as a result of brine discharge from the operation of the MPWSP Desalination Plant. **Mitigation Measure 4.3-5: Implement Protocols to Avoid Exceeding Water Quality Objectives.** ***Compliance with Water Quality Objectives.*** Prior to MPWSP operations, and as part of the Monterey One Water (M1W, formerly MRWPCA) NPDES Permit amendment process (Order No. R3-2014-0013, NPDES Permit No. CA0048551), the permittee shall complete a water quality assessment. As part of the water quality assessment, the permittee shall: • Quantify the projected final design discharge volume(s) by month based on project design and historic and projected monthly wastewater discharge volumes. • Collect samples of the source waters and operational discharges and analyze them in a certified laboratory for the constituents listed in Table 1 of the California Ocean Plan (Ocean Plan Water Quality Objectives). Sampling must be completed in accordance with protocols approved by the US EPA and RWQCB.		X	X				RWQCB to review and enforce NPDES permit for brine discharge. CalAm's water quality assessment shall be reported to and reviewed by RWQCB, CPUC, and MBNMS to demonstrate compliance with the NPDES permit conditions and related Ocean Plan requirements.	Prior to and during operation	Compliance with NPDES permit and related Ocean Plan requirements.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	Implementation Schedule	
Section 4.3: Surface Water Hydrology and Water Quality (cont.)									
• Demonstrate compliance for the full range of regulated water quality constituents specified in the Ocean Plan and NPDES water quality requirements in the context of minimum initial dilution values at the edge of the Zone of Initial Dilution (ZID) for the point of discharge. If the results of the water quality assessment and waste disposal study find that operational discharges will not meet the NPDES water quality requirements, including the Ocean Plan receiving water limitation for salinity, at the edge of the zone of initial dilution (ZID) and the Brine Mixing Zone (BMZ), respectively (incorporated here as performance standards), then the MPWSP operational discharges shall not be released as proposed. Such operational discharges shall be subject to additional design features, engineering solutions, and/or operational measures to reduce the concentration of water quality constituents to be in conformance with the Ocean Plan water quality objectives and NPDES permit requirements at the edge of the ZID or BMZ, as applicable. Such necessary design features and operational measures shall either be implemented individually or in combination to achieve compliance (unless the RWQCB determines that different but equally effective measures be employed). Such possible additional design features and operational measures include: (1) *Retrofitting the existing outfall to increase dilution:* If this operational measure is implemented, the dischargers shall retrofit the outfall diffuser to include inclined diffuser jets positioned at the optimum angle to achieve maximum dilution. (2) *Additional pre-treatment of source water to the Desalination Plant:* Feasible methods to remove polychlorinated biphenyls (PCBs) and other organic compounds from the source water include additional filtration or use of granular activated carbon (GAC) - a U.S. Environmental Protection Agency-approved method. (3) *Treatment of discharge:* The dischargers must consider one or more of the alternative feasible methods that remove residual compounds from the discharge to meet water quality objectives at the edge of the ZID. These methods include the following: (a) Use of GAC (similar to that under the additional pre-treatment of source water described above, but here such treatment would be applied to the effluent following processing at the desalination facility instead of to the source water from the slant wells); or (b) Advanced oxidation with ultraviolet light with concurrent addition of hydrogen peroxide. (4) *Flow Augmentation:* If this operational measure is implemented, the dischargers shall decrease the density difference of the discharge and the receiving water through the addition of up to 5 mgd of flows with densities close to freshwater to increase the minimum dilution of dense discharges. (5) *End gate modification:* If this operational measure is implemented, the dischargers shall retrofit the outfall diffuser end gate to replace the existing opening with a minimum of one 6-inch Tideflex (or similar) check valve (Hydraulic Code 355) installed at an inclined (upward) angle greater than 20°, with an optimum angle of 60° to maximize dilution.									
Impact 4.3-C: Cumulative impacts related to surface water hydrology and water quality. **Mitigation Measures 4.3-4, 4.3-5, and 4.7-2b**		X					See above under Mitigation Measures 4.3-4 and 4.3-5, and below under Mitigation Measure 4.7-2b		

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TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.4: Groundwater Resources									
Impact 4.4-3: Deplete groundwater supplies or interfere substantially with groundwater recharge such that there would be a net deficit in aquifer volume or a lowering of the local groundwater table level during operations.	X						CalAm shall prepare the Program to be reviewed and approved by MCWRA. The MCWRA-approved Program will be sent to CPUC for confirmation prior to operation of the slant wells. CPUC will monitor and review procedures to prevent harm to local groundwater supply well owners and ensure their receipt of replacement water, as directed in the mitigation measure.	Prior to and during operation	No harm or injury to existing active groundwater supply wells.
Applicant Proposed Measure 4.4-3: Groundwater Monitoring and Avoidance of Well Damage. Prior to the start of MPWSP slant well construction, CalAm, working with MCWRA, shall develop a groundwater monitoring and reporting program (the "Program") to the satisfaction of MCWRA. All costs of Program development and implementation shall be borne by CalAm either directly or through funding of MCWRA's staff, consultants and Program activities. The Program shall augment the MCWRA's existing regional groundwater monitoring network to focus on the area that could be affected by the proposed slant wells. The geographic area of the Program shall be within the model domain of the North Marina Groundwater Model, also referred to as NMGWM^{2016} and include the Dune Sand Aquifer, the 180-Foot Aquifer, the 400-Foot Aquifer and the Deeper Aquifer (i.e., the 900-Foot Aquifer) of the Salinas Valley Groundwater Basin (the "Monitoring Area"). The purpose of the Program is to ensure that owners of existing public or private groundwater supply wells within the Monitoring Area on the date the MPWSP commences slant well pumping ("Active Supply Wells") suffer no harm as a result of MPWSP slant well pumping. The elements of the Program proposed under this measure are described below. 1. A network of monitoring wells has been completed on and near the CEMEX property as part of the CalAm test slant well project. These well clusters monitor water elevation and quality at various depth intervals within the Dune Sand Aquifer, the 180-Foot Aquifer, and the 400-Foot Aquifer and shall be included in the Program's monitoring network. These existing monitoring wells are subject to relocation, replacement, or substitution by new or other monitoring wells developed as part of the Program as determined by MCWRA. 2. In addition, using information from the Groundwater Extraction Management System (GEMS) maintained by MCWRA and from the State Water Resources Control Board's Division of Drinking Water, CalAm, in coordination with MCWRA, shall identify Active Supply Wells in the Monitoring Area and offer to owners of identified Active Supply Wells the opportunity to participate in the Program for groundwater elevation and water quality monitoring. The owners of Active Supply Wells in the Monitoring Area will receive at least 60 days' notice (via email, if available, and via certified mail) of the opportunity to participate in the Program, and may elect in writing to participate in the Program as to their Active Supply Wells ("Participating Active Supply Wells"). This opt-in process must occur sufficiently in advance of MPWSP slant well pumping so that information on pre-MPWSP conditions can be obtained for each Participating Active Supply Well. Prior to the start of MPWSP slant well pumping, an independent California-certified hydrogeologist retained and directed by MCWRA (the "Hydrogeologist") shall evaluate the conditions and characteristics (e.g., well depth, well screen interval, pump depth and condition, flow rates, and drawdown) of each Participating Active Supply Well to develop pre-pumping data for each well. Water elevation and quality monitoring pursuant to the Program shall begin following initial groundwater well assessment, and shall continue at intervals specified in the Program (e.g., more frequently at the beginning of MPWSP slant well pumping and less often after stabilization of groundwater levels) until the well owner ceases pumping from the monitored well, or until the well owner agrees that monitoring is no longer required. 3. Prior to the start of MPWSP slant well pumping, CalAm and MCWRA shall review the current (as updated if needed) inventory of monitoring wells within the Monitoring Area, and identify locations within the Monitoring Area lacking monitoring coverage and that warrant monitoring in order to evaluate potential effects on Participating Active Supply Wells from MPWSP slant well pumping. Based upon that review, MCWRA may require that CalAm fund the installation of new monitoring wells in the Monitoring Area to be installed before MPWSP slant well pumping begins. The number of new monitoring well sites in the Monitoring Area and the location of those new monitoring well sites shall be determined by MCWRA. The area of groundwater monitoring under the Program may be extended outside of the Monitoring Area if warranted to evaluate potential MPWSP slant well pumping effects on Participating Active Supply Wells and recommended by the Hydrogeologist.									

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s): Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	Monitoring and Reporting Program: Monitoring and Reporting Actions: *CalAm Reports On, and the CPUC Monitors all Mitigation Measures*	Monitoring and Reporting Program: Implementation Schedule	Effectiveness Criteria
Section 4.4: Groundwater Resources (cont.)									
4. The groundwater data developed through the Program shall be collected by or provided to MCWRA at intervals identified in the Program, but in no event longer than 45 days from such data being obtained, to evaluate whether MPWSP slant well pumping is causing consistent and measurable drawdown of local groundwater levels that is distinguishable from seasonal or multi-year groundwater level fluctuations. In the event that MCWRA identifies a consistent and measurable drawdown in groundwater levels and determines that such drawdown is potentially attributable to MPWSP slant well pumping and independent of seasonal or multi-year groundwater level fluctuations or any regional trends, the Hydrogeologist shall then determine if the observed degree of drawdown would damage or otherwise adversely affect any existing Participating Active Supply Wells. Adverse effects from lowered groundwater levels in Participating Active Supply Wells may include water elevation acute and long-term declines that draw water below pump intakes, causing cavitation due to exposure of the well screen, reduced well yields and pumping rates, increased energy costs to power the well, or changes in groundwater quality indicating that MPWSP slant well pumping is drawing lower quality water toward the well. Active Supply Wells that are not Participating Active Supply Wells will be considered for a determination by the Hydrogeologist of potential damage or adverse effects reasonably attributable to MPWSP slant well pumping (as described above) if substantial, credible evidence is submitted by the owners of such Active Supply Wells concerning damage or adverse effects at such wells, and such effects are verified by CalAm and the Hydrogeologist. If the Hydrogeologist determines that a Participating Active Supply Well or an Active Supply Well that CalAm and the Hydrogeologist have verified for damage or adverse effects pursuant to Section 4 above, has been damaged or otherwise negatively affected by MPWSP slant well pumping, CalAm and the Hydrogeologist shall coordinate with the well owner to develop and implement a mutually agreed upon course of action. Such course of action may include but not be limited to repairing or deepening the existing well, restoring groundwater yield by improving well efficiency, facilitating an interim or long-term replacement of water supply, constructing a new well, or compensating the owner for increased pumping costs. Any interim or long-term replacement water supply shall be of the same or better quality (i.e., potable or non-potable) and predicted quantity as the existing supply of the Active Supply Well and shall be suitable for the purposes served by the existing Active Supply Well. Before CalAm undertakes any course of action to remedy the MPWSP slant well pumping effects on an Active Supply Well, the Hydrogeologist shall authorize such action and provide notice of such action to MCWRA. **Applicant Proposed Measure 4.4-3** would monitor changes in the groundwater surface elevations caused by the proposed pumping at the slant wells through a voluntary program and use of new groundwater monitoring wells. If it is determined that the project is causing groundwater levels to damage local active wells within the Dune Sand, 180-Foot/FTE, 400-Foot Aquifer or Deeper Aquifer, this measure would ensure that active wells are repaired or replaced. Implementation of **Applicant Proposed Measure 4.4-3** is not necessary to address any significant project effect.									
Impact 4.4-4: Violate any groundwater quality standards or otherwise degrade groundwater quality during operations. **Mitigation Measure 4.4-4: Groundwater Monitoring and Avoidance of Impacts on Groundwater Remediation Plumes.** Prior to the start of MPWSP construction, CalAm shall incorporate the future quarterly groundwater elevation monitoring results for the OUCTP A-Aquifer and 180-Foot Aquifer (upper and lower) plumes into the well monitoring program described above in **Applicant Proposed Measure 4.4-3** until the two OUCTP plumes have been appropriately remediated and the RWQCB no longer requires remediation activities. Groundwater elevation data shall be obtained from the periodic monitoring reports developed by the U.S. Army and its contractors. The elements of the additions to the groundwater monitoring program proposed under this mitigation measure are described below. • CalAm shall incorporate into its well monitoring program (described above for **Applicant Proposed Measure 4.4-3**), the most recent monitoring reports available through the U.S. Army and its contractors for the monitoring wells that are necessary to characterize the flow direction and water quality of the three OUCTP plumes located in the A-Aquifer, the Upper 180-Foot Aquifer and the Lower 180-Foot Aquifer.	X						CalAm will conduct quarterly groundwater monitoring program to monitor the potential effect of drawdown on the OUCTP plumes prior to their remediation. Results of the monitoring program will be incorporated in the MCWRA-approved Program and sent to CPUC for review. CalAm will coordinate with the U.S. Army on the monitoring program results. CalAm will inform U.S. Army, RWQCB, DTSC, and U.S. EPA, and CPUC simultaneously if the monitoring program results show the 1-foot contour approaching the OUCTP plumes. CalAm, in coordination with the U.S. Army, RWQCB, DTSC, and U.S. EPA are responsible for developing a plan if drawdown affects remediation of the plumes.	Prior to and during operation	No intersection with or impact on the OUCTP plumes by slant well pumping.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s): Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	Monitoring and Reporting Program: Monitoring and Reporting Actions: *CalAm Reports On, and the CPUC Monitors all Mitigation Measures*	Monitoring and Reporting Program: Implementation Schedule	Effectiveness Criteria
Section 4.4: Groundwater Resources (cont.)									
• The groundwater elevation results shall be evaluated by CalAm and its consultants on a quarterly basis to assess whether the -1-foot drawdown contour from the proposed subsurface intake system is approaching the edge of the OUCTP plumes. CalAm shall continuously coordinate with and include the U.S. Army in all pertinent correspondence during the groundwater data evaluation stages. If the analysis concludes that the slant well pumping could intersect or could influence the flow direction of the OUCTP plumes, then CalAm shall contact the U.S. Army, the Regional Water Quality Control Board – Central Coast Region, the California Department of Toxic Substance Control, and the U.S. EPA to initiate communications and develop and implement a plan to either stop or decrease the pumping to prevent any impact on the OUCTP plumes. In the unlikely event that an impact does occur, CalAm shall bear the necessary additional costs to address changes in the plume flow direction, arrest migration of the plumes, and/or to remediate areas of new contamination created by slant well pumping. CalAm shall consider using existing groundwater remediation and monitoring wells that remain on the site to expand the existing treatment systems. • When the ongoing remediation of the OUCTP plumes has been completed and the RWQCB authorizes closure of the two OUCTP plumes remediation activities, this mitigation measure shall no longer apply.									
Section 4.5: Marine Biological Resources									
Impact 4.5-C1: Cumulative impacts on marine biological resources. **Mitigation Measure 4.3-4**		X					See above under Mitigation Measure 4.3-4		
Section 4.6: Terrestrial Biological Resources									
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction. **Mitigation Measure 4.6-1a: Retain a Lead Biologist to Oversee Implementation of Protective Measures.** Prior to initiation of construction, CalAm and/or representatives of CalAm shall retain a qualified Lead Biologist to oversee compliance with avoidance and minimization measures for all special-status species and sensitive habitats. The Lead Biologist shall be onsite, or shall appoint qualified biologists and/or qualified biological monitors to be onsite, during all fencing and ground disturbance activities. The Lead Biologist, qualified biologists, and qualified biological monitors shall be subject to approval by resource agencies with jurisdiction over the special-status species with potential to occur at the project site (and local agencies, if required). Only the Lead Biologist and/or qualified biologists may lead protocol surveys and relocate special-status species, as authorized by the resource agencies with jurisdiction over these species. In the event that construction-related activities have the potential to violate the prescribed special-status species and habitat protection measures, the project Lead Biologist, or other appointed qualified biological monitors shall report to construction or operational site supervisors with authority to stop work to prevent any violations. Work shall proceed only after the construction-related hazards to special-status species and habitats are removed. If a special-status wildlife species is present, work shall proceed only if the species is no longer at risk of injury or death. Violations shall be thoroughly documented as part of compliance monitoring activities. The Lead Biologist shall ensure that all compliance monitoring activities are documented on a daily basis, and shall prepare a summary monitoring report on a monthly basis to be submitted to regulatory agencies upon their request. The monthly summary monitoring report shall provide information regarding the worker awareness training (see Mitigation Measure 4.6-1b below), surveys, and any observed special-status species, including any accidental injuries or fatalities. The monthly report shall also document the effectiveness and practicality of the prescribed avoidance and minimization measures and recommend modifications to the measures if needed. The Lead Biologist shall supply agency staff with copies of compliance records, including any reports of non-compliance, upon request.	X		X	X	X	X	CalAm will secure approvals from all resource agencies, with jurisdiction of special-status species with potential to occur on the Project site, of the qualifications and the retention of a Lead Biologist. In addition, CalAm will secure approvals for any qualified biologists and qualified monitors from the same resource agencies. CalAm will provide CPUC with copies of the approvals for the Lead Biologist, qualified biologists, and qualified monitors to CPUC prior to project construction. CalAm will provide daily and monthly compliance summary monitoring reports containing all information required by the mitigation measure to the resources agencies and CPUC.	Prior to and during construction activities and during maintenance activities at the slant well sites.	No violation of prescribed special-status species and habitat protection measures, and if work is stopped to prevent any such violation, work shall proceed only after the construction-related hazards to special-status species and habitats are removed (i.e., the species is no longer at risk of injury or death).

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.6: Terrestrial Biological Resources (cont.)									
The Lead Biologist shall have in her/his possession a copy of all compliance measures while work is being conducted onsite, and shall ensure that CalAm's onsite representatives and contractors also maintain copies of the compliance measures on the site. To facilitate the Lead Biologist's role, CalAm shall ensure that the Lead Biologist is fully apprised of all decisions that change or materially affect the schedule, methods, and location of work that is subject to the protective measures for biological resources. This measure also applies to periodic maintenance of the subsurface slant wells.									
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction. **Mitigation Measure 4.6-1b: Construction Worker Environmental Awareness Training and Education Program.** Prior to starting work, all construction workers at the project areas shall attend a Construction Worker Environmental Awareness Training and Education Program developed and presented by the Lead Biologist, appointed qualified biologist, and/or qualified biological monitor. The program shall include information on each federal and state-listed species, as well as other special-status wildlife and plant species and sensitive natural communities that may be encountered during construction activities. The training shall include: information on special-status species' life history and legal protections; the definition of "take" under the Federal Endangered Species Act (FESA) and California Endangered Species Act (CESA); the measures CalAm and/or its contractors have committed to implementing to protect special-status species and sensitive natural communities; reporting requirements and communication protocols; specific measures that each worker shall employ to avoid "take" of special-status species; and penalties for violation of FESA and/or CESA. Training shall be documented as follows: 1. An acknowledgement form shall be signed by each worker indicating that environmental training has been completed. 2. A sticker shall be placed on hard hats indicating that the workers have completed the environmental training. Construction workers shall not be permitted to operate equipment within the construction area unless they have attended the training and are wearing hard hats with the required sticker. 3. A copy of the training transcript/training video and/or DVD, as well as a list of the names of all personnel who attended the training and copies of the signed acknowledgement forms, shall be submitted to the CPUC. This measure also applies to periodic maintenance of the subsurface slant wells.	X		X	X	X	X	CalAm will incorporate contract conditions requiring their contractors' employees to attend the required Construction Worker Environmental Training and Education Program and provide CalAm with signed copies of the contracts prior to construction. CalAm will provide a copy of the transcript and/or DVD developed and presented by CalAm's Lead Biologist containing all components of the required Construction Worker Environmental Training and Education Program and the names and signed acknowledgement forms of all construction workers that completed the Program to CPUC prior to construction.	Prior to construction activities and subsequent maintenance activities at the slant well sites.	All construction workers complete Construction Worker Environmental Training and Education Program and only those workers with a sticker on their hard hat so indicating are permitted to operate equipment within the construction area.
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction. **Mitigation Measure 4.6-1c: General Avoidance and Minimization Measures.** CalAm's construction contractor(s) shall implement the following general avoidance and minimization measures to protect special-status species and sensitive natural communities at the facility sites during construction: 1. The construction footprint, staging areas, equipment access routes, and disposal or temporary placement of spoils, shall be delineated with stakes and flagging prior to construction to avoid natural resources outside of the project area. Any construction-related disturbance outside of these boundaries, including driving, parking, temporary access, sampling or testing, or storage of materials, shall be prohibited without explicit approval of the Lead Biologist. 2. New access driveways shall not extend beyond the delineated construction work area boundary. Construction vehicles shall pass and turn around only within the delineated construction work area boundary or local road network. Where new access is required outside of existing roads or the construction work area, the route shall be clearly marked (i.e., flagged and/or staked) prior to being used, subject to review and approval of the Lead Biologist. 3. Vehicle speeds within the project area shall not exceed 15 miles per hour on roads within the sites.	X		X	X	X	X	A Lead Biologist hired by CalAm will oversee compliance with avoidance and minimization measures for special-status species and sensitive natural communities and as directed in permit conditions approved and monitored by USFWS and CDFW. CalAm will include contract specifications that include the general avoidance and minimization measures from the mitigation measure and provide CPUC with copies of the signed contracts prior to construction. Documentation of these measures, including species found on-site and additional avoidance, minimization, or mitigation measures necessary, will be sent to CPUC, USFWS, and CDFW for monitoring of effectiveness.	Prior to and during construction activities and during maintenance activities at the slant well sites.	Implementation of avoidance and minimization measures prior to the start of construction, during construction, and during maintenance of the slant wells. Halting construction work if special-status species are found present during construction activities or maintenance of the slant wells. Consultation by the Lead Biologist, along with CPUC and MBNMS, with resource agencies to apply additional measures necessary to move or mitigate for on-site special status species.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** *CalAm Reports On, and the CPUC Monitors all Mitigation Measures*	**Implementation Schedule**	
Section 4.6: Terrestrial Biological Resources (cont.)									
4. Excavated soils shall be stockpiled in disturbed areas lacking native vegetation. Stockpile areas shall be marked by the Lead Biologist to define the limits where stockpiling can occur.									
5. Standard best management practices (such as setbacks and use of silt fences and fiber rolls) shall be employed to prevent loss of habitat due to erosion caused by project related impacts (i.e., grading or clearing for new roads). All detected erosion shall be remedied immediately upon discovery.									
6. Fueling of construction equipment shall take place within existing paved areas, and at least 50 feet from drainages (including streams, creeks, ditches, culverts, or storm drain inlets) and native habitats. Contractor equipment shall be checked for leaks prior to operation and repaired when leaks are detected. Fuel containers shall be stored within appropriately-sized secondary containment barriers.									
7. The introduction of exotic plant species shall be avoided through physical or chemical removal and prevention. Measures to prevent the introduction of exotic plants into the construction site via vehicular sources shall include implementing Track clean or other method of vehicle cleaning for vehicles coming to the site and leaving the site. Earthmoving equipment shall be cleaned prior to transport to the project area. Weed-free rice straw or other certified weed-free straw shall be used for erosion control. Weed populations introduced into the site during construction shall be eliminated by chemical and/or mechanical means approved by California Department of Fish and Wildlife (CDFW) and the United States Fish and Wildlife Service (USFWS).									
8. Use of herbicides as vegetation control measures shall be used only when mechanical means have been deemed ineffective. All uses of such herbicidal compounds shall observe label and other restrictions mandated by the U.S. Environmental Protection Agency, California Department of Food and Agriculture, and state and federal legislation as well as additional project-related restrictions deemed necessary by the CDFW and/or USFWS. No rodenticides shall be used.									
9. Prior to the start of construction at any proposed facility site where special-status amphibians, reptiles and mammals have a moderate or high potential to occur, the construction work area boundary shall be fenced with a temporary exclusion fence to prevent special-status wildlife from entering the site during construction (see **Table 4.6-6** for the list of special-status species that could be significantly impacted at each project facility site). The exclusion fencing shall be constructed of metal flashing, plastic sheeting, or other materials that will prohibit California horned lizards, Monterey shrews, and other special-status reptiles, amphibians, and rodents from climbing the fence. If meshing is used it shall be of a size that would not catch wildlife. The fencing shall be buried a minimum of 6 inches below grade to secure the fence and extend a minimum of 30 inches above grade. The fencing shall be inspected by the Lead Biologist or qualified biological monitor on a daily basis during construction activities to ensure fence integrity. Any needed repairs to the fence shall be performed on the day of their discovery. Fencing shall be installed and maintained during all phases of construction. Final fence design and location shall be determined in consultation with USFWS and CDFW. Exclusion fencing shall be removed once construction activities are complete.									
10. If special-status wildlife species are found on the site immediately prior to construction or during project construction, construction activities shall cease in the vicinity of the animal until the animal moves on its own (if possible, as determined by the Lead Biologist or biological monitor) outside of the project area. Additional mitigation measures specific to special-status plants; Smith's blue butterfly; black legless lizard, silvery legless lizard, and coast horned lizard; western burrowing; American badger; Monterey dusky-footed woodrat, California red-legged frog and California tiger salamander are described in Mitigation Measure 4.6-1f, 4.6-1g, 4.6-1h, 4.6-1j 4.6-1k, and 4.6-1o. The Lead Biologist and Lead Agencies shall consult with wildlife resource agency(ies) with jurisdiction over the species regarding any additional avoidance, minimization, or mitigation measures that may be necessary if the animal does not move on its own. A report shall be prepared by the Lead Biologist to document the activities of the animal within the site; all fence construction, modification, and repair efforts; and movements of the animal once again outside the exclusion fence. This report shall be submitted to the CPUC and pertinent wildlife agencies with jurisdiction over the wildlife species.									

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.6: Terrestrial Biological Resources (cont.)									
11. Vegetation removal and grading activities shall be conducted during daylight hours. Immediately prior to conducting vegetation removal or grading activities inside fenced exclusion areas, the Lead Biologist or a qualified biologist shall survey within the exclusion area to ensure that no special-status species are present. The Lead Biologist or a qualified biologist shall also monitor vegetation removal or grading activities inside fenced exclusion areas for the presence of special-status species. If special-status species are present, then measure 10 above shall be implemented.									
12. To prevent the inadvertent entrapment of special-status wildlife during construction, all excavated, steep-walled holes or trenches more than 2 feet deep shall be covered with plywood or similar materials at the close of each working day, or escape ramps constructed of earth fill or wooden planks shall be positioned within the excavations to allow special-status wildlife to escape on their own. Before such holes or trenches are filled, they shall be thoroughly inspected for trapped animals. If trapped animals are observed, escape ramps or structures shall be installed immediately to allow escape. If listed species are trapped, they shall only be relocated with authorization from USFWS and/or CDFW, as appropriate.									
13. All construction pipes, culverts, or similar structures that are stored at a construction site for one or more overnight periods and with a diameter of 4 inches or more shall be inspected for special-status wildlife before the pipe is subsequently buried, capped, or otherwise used or moved in any way. If a special-status animal is discovered inside a pipe, that section of pipe shall not be moved until the appropriate resource agency, with jurisdiction over that species, has been consulted to determine the appropriate method for relocation. If necessary, under the direct supervision of the qualified biologist, the pipe may be moved once to remove it from the path of construction activity until the animal has escaped.									
14. All vertical tubes used in project construction, such as chain link fencing poles or signage mounts, shall be temporarily or permanently capped at the time they are installed to avoid the entrapment and death of special-status birds.									
15. Water used for dust abatement shall be minimized in an effort to avoid the formation of puddles that could attract common ravens and other predators to the construction work areas.									
16. No vehicle or equipment parked in the project area shall be moved prior to inspecting the ground beneath the vehicle or equipment for the presence of wildlife. If present, the animal shall be left to move on its own.									
17. All vehicles and equipment shall be in proper working condition to ensure that there is no potential for fugitive emissions of motor oil, antifreeze, hydraulic fluid, grease, or other hazardous materials. The Lead Biologist shall be informed of any hazardous spills within 24 hours of the incident. Hazardous spills shall be immediately cleaned up and the contaminated soil shall be properly disposed of at a licensed facility.									
18. A trash abatement program shall be implemented during construction. Trash and food items shall be contained in closed containers and removed from the construction site daily to reduce the attractiveness to opportunistic predators such as common ravens, coyotes, and feral dogs.									
19. Workers shall be prohibited from feeding wildlife and bringing pets and firearms to the construction work areas.									
20. Intentional killing or collection of wildlife species, including special-status species in the project area and surrounding areas shall be strictly prohibited.									
21. All temporarily disturbed areas shall be returned to pre-project conditions or better. Existing access roads within the CEMEX site shall be returned to their existing use.									
This measure also applies to periodic maintenance of the subsurface slant wells.									

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s): Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	Monitoring and Reporting Program: Monitoring and Reporting Actions: *CalAm Reports On, and the CPUC Monitors all Mitigation Measures*	Monitoring and Reporting Program: Implementation Schedule	Effectiveness Criteria
Section 4.6: Terrestrial Biological Resources (cont.)									
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction. **Mitigation Measure 4.6-1d: Protective Measures for Western Snowy Plover.** Construction contractors shall be required to implement the following measures to protect western snowy plover: 1. CalAm shall require that its construction contractor(s) implement all avoidance and minimization measures required by USFWS as part of the FESA Section 7 consultation between the ONMS and USFWS. 2. Construction work at the slant well heads and along the segment of the Source Water Pipeline located west of the CEMEX processing plant shall occur during the western snowy plover non-breeding season (defined as October 1 through February 28) unless otherwise approved by the USFWS. 3. For work that cannot be completed during the non-nesting season, the following steps to obtaining USFWS approval shall be implemented: a. CalAm shall include in final design submittals to the Lead Agencies and USFWS proposed feasible methods of avoidance and minimization of impacts on nesting western snowy plovers. Such measures may include, but are not limited to, installation of visual or noise barriers, limiting the type of construction, installation of noise controls on equipment, and other measures that achieve visual separation and/or noise reduction. CalAm shall obtain concurrence from Lead Agencies and USFWS on this proposed suite of avoidance and minimization measures prior to start of construction of the subsurface slant wells and Source Water Pipeline. Measures shall be implemented as necessary as described in item d, below. b. CalAm shall engage the services of Point Blue or other qualified western snowy plover biologist (subject to approval by USFWS) to perform one year of surveys during the nesting season preceding construction to determine whether nesting is occurring within sight or audible range of the slant well head locations or Source Water Pipeline. c. If findings from the nesting season survey are negative, then the qualified western snowy plover biologist shall conduct additional pre-construction nesting surveys within 24 hours of initiation of construction activities within 300 feet of all construction work areas to determine if any snowy plover nests are present. If there is a break of 3 days or more in construction activities, a survey shall be conducted before construction begins again. d. If nests are observed within 300 feet of construction activities, the qualified biologist shall notify and consult with USFWS to determine whether construction may proceed, based on detailed information on location of nest(s), proximity to construction, topography, and noise environment. Additional avoidance or minimization measures shall be implemented prior to initiating construction activities. Construction may proceed if, with the incorporation of such avoidance or minimization measures, the work would not cause an adult to abandon an active nest or young, change an adult's behavior so it could not care for an active nest or young, or directly impact an adult or young, or as allowed within the take provisions authorized by USFWS. e. The biologist shall conduct periodic monitoring during construction to determine if there are any nest starts. Nest starts shall be reported to USFWS to determine whether construction on all or portions of the slant wells or Source Water Pipeline need to be suspended for the duration of nesting and fledging. The biologist will inform the decision with detailed information on location of nest(s), proximity to construction, topography, and noise environment. Construction may continue, subject to USFWS approval, if, with the incorporation of avoidance or minimization measures identified under item a, above, and deemed necessary by USFWS, the work would not cause an adult to abandon an active nest or young, change an adult's behavior so it could not care for an active nest or young, or directly impact an adult or young, or as allowed within the take provisions authorized by USFWS.	X						CalAm shall provide and obtain approval from CPUC and USFWS of final design submittals and provide a copy of all permits and approvals issued by USFWS as well as any subsequent modifications approved and related avoidance and minimization measures required by USFWS. The Lead Biologist hired by CalAm will oversee compliance with avoidance and minimization measures for Western Snowy Plover and their habitat and as directed in permit conditions approved and monitored by USFWS. Documentation of these measures, including species found on-site, will be sent to ONMS, CPUC, and USFWS for monitoring of effectiveness.	Prior to and during construction activities and during maintenance activities at the slant well sites.	Implementation of all avoidance and minimization measures required by USFWS for Western Snowy Plover, including those in this mitigation measure, prior to the start of construction, during construction, and during maintenance of the slant wells to ensure that impacts on Western Snowy Plovers and their nests are avoided or that all conditions of any take permits/authorizations are successfully implemented.

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TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	Implementation Schedule	
Section 4.6: Terrestrial Biological Resources (cont.)									
4. For construction during the breeding season that is approved by USFWS, visual barriers shall be installed around any work area located within line of sight of potential nesting habitat. Visual barriers shall be constructed at an adequate height and width to visually block construction equipment and construction crews from snowy plover nesting habitat. Final designs of the visual barriers shall be coordinated with USFWS. Existing sand dunes may serve as visual barriers.									
5. For work conducted during the non-nesting season, a qualified biologist will evaluate the nature and extent of wintering plover activity in the project area no more than 3 days prior to construction and inform CalAm so they can implement avoidance and minimization measures, such as those listed in subsection 3a, that avoid or minimize disturbance to plovers. The biologist shall conduct periodic monitoring during construction to ensure that minimization measures are implemented to avoid or minimize disturbance to plovers. The measures shall ensure that wintering plovers are not directly impacted by construction activities.									
6. CalAm shall restore all temporarily impacted potential snowy plover habitat following construction. At a minimum the restored site shall meet the following performance standards by the fifth year following restoration: a. Temporarily impacted areas are returned to pre-project conditions or greater b. Native vegetation cover shall be at least 70 percent of baseline native vegetation cover c. The restoration area shall have no more cover by invasives than the baseline Restoration and performance standards shall be described in a Habitat Mitigation and Monitoring Plan consistent with **Mitigation Measure 4.6-1n (Habitat Mitigation and Monitoring Plan)**.								
7. Anti-perching devices, such as bird spikes or wire strips, shall be installed and maintained on the top of the proposed electrical control cabinets to discourage potential plover predators.									
8. Permanent loss of western snowy plover habitat, to be determined based on final design and construction specifications, will be compensated at a minimum ratio of 3:1. Compensation may be in the form of permanent on-site or off-site creation, restoration, enhancement, or preservation of habitat for western snowy plover. Prior to project implementation, CalAm shall prepare a Habitat Mitigation and Monitoring Plan, as described in Mitigation Measure 4.6-1n (Habitat Mitigation and Monitoring Plan), which will describe either onsite or offsite creation, restoration, enhancement, or preservation. The plan will include actions to benefit western snowy plover, in conjunction with providing mitigation for special-status plants, as described in Mitigation Measure 4.6-1e, below. The plan will be subject to USFWS input and approval. It will describe creation, restoration, and/or enhancement methods that may include, but not be limited to removal of ice plant, stabilization of dune sand, planting, seeding or other means of re-establishing native plant species. It will describe measures to manage recreational activities to benefit western snowy plover. Measures may include requiring that dogs are on leash, fencing is installed around breeding areas, and kite flying is restricted in the breeding season. CalAm will identify and secure access rights and other approvals to implement the plan, and will execute the plan. CalAm will conduct, or will support a qualified third party monitor to conduct annual monitoring of performance measures for a minimum of five years, such as cover, density and diversity of native plant species, thresholds of non-native plant abundance, and stability of dune sands. At a minimum, the compensation areas shall meet the following performance standards by the fifth monitoring year: a. Native vegetation cover shall be at least 70 percent of the native vegetation cover in the impact area. b. The compensation areas shall not be heavily vegetated. c. Invasive species cover shall be less than or equal to the invasive species cover in the impact area. d. No barrier between the compensation site and the water. e. No significant erosion.								

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TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s): Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	Monitoring and Reporting Program: Monitoring and Reporting Actions: *CalAm Reports On, and the CPUC Monitors all Mitigation Measures*	Monitoring and Reporting Program: Implementation Schedule	Effectiveness Criteria
Section 4.6: Terrestrial Biological Resources (cont.)									
This measure also applies to periodic maintenance of the subsurface slant wells, which would result in a permanent loss of western snowy plover habitat. Compensatory mitigation for permanent loss from periodic maintenance of the subsurface slant wells would only be applied once and would not be applied for each five-year maintenance event.									
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction.	X		X	X	X	X	CalAm shall provide and obtain approval from CPUC and USFWS/CDFW of final design submittals which incorporate the required botanical surveys and habitat maps and demonstrate either that facilities are sited to avoid impacts on special-status plants/habitat elements or that required restoration will be achieved by way of a Habitat Mitigation and Monitoring Plan or compensatory credits approved by all required resource and local agencies consistent with the requirements of this MM. A Lead Biologist hired by CalAm will oversee compliance with avoidance and minimization measures for special-status plant species and sensitive natural communities and as directed in permit conditions approved and monitored by USFWS and CDFW.	Prior to construction activities and subsequent maintenance activities at the slant well sites.	Use of maps prepared with location of special-status plants in final design drawings and documented evidence that permanent and temporary impacts on special-status plants and their required constituent habitat elements are avoided. Compensation, by restoration or credits, shall be provided as approved by all required resource and local agencies when avoidance is not possible.
Mitigation Measure 4.6-1e: Avoidance and Minimization Measures for Special-status Plants. Prior to construction, CalAm or its contractor shall conduct focused botanical survey(s) for special-status plants in all potentially suitable habitat during the appropriate blooming period for each species and in accordance with the guidelines established by California Department of Fish and Game in *Protocols for Surveying and Evaluating Impacts to Special Status Native Plant Populations and Natural Communities* (CDFG, 2009). Maps depicting the results of these surveys shall be prepared for use in final design. If more than two years elapse between the focused botanical surveys and commencement of ground disturbance activities, a final set of appropriately-timed focused botanical surveys shall be conducted and populations mapped. The results of these final surveys shall be combined with previous survey results to produce habitat maps showing habitat where the special-status plants have been observed during either of the focused botanical surveys conducted for each facility site. Special-status plant species are widespread throughout the project area, and could occur at the following facility locations: subsurface slant well site, MPWSP Desalination Plant site, ASR-5 and ASR-6 Wells sites, and along the Source Water Pipeline, new Desalinated Water Pipeline and new Desalinated Water Pipeline Optional Alignment, the Castroville Pipeline and Castroville Pipeline Optional Alignments, new Transmission Main and new Transmission Main Optional Alignment, ASR Conveyance Pipeline, ASR Pump-to-Waste Pipeline, and ASR Recirculation Pipeline, Ryan Ranch-Bishop Interconnection Improvements, and Main System-Hidden Hills Interconnection Improvements, and at proposed staging areas. 1. To the extent feasible, project facilities shall be sited to avoid permanent and temporary impacts on special-status plants and their required constituent habitat elements. 2. Special-status plants located within temporary construction areas shall be fenced or flagged for avoidance (if feasible) prior to construction. The Lead Biologist or the appointed biological monitor shall ensure compliance with off-limits areas. If avoidance is not feasible, seasonal avoidance measures (i.e., limited operating periods based on timing of annual plant dormancy), or temporarily placing heavy fabric or wooden mats over the affected habitat shall be applied as appropriate. Topsoil salvage and site restoration may also be implemented, to be determined by the Lead Biologist and USFWS and CDFW, as appropriate, to ensure the site is returned to pre-construction conditions. 3. For potential impacts on listed plant species, such as Menzies' wallflower, sand gilia, Monterey spineflower, and Yadon's rein orchid, CalAm shall comply with the FESA CESA by implementing any requirements from USFWS and CDFW consultation. For state listed rare plants, a state Incidental Take Permit (ITP) may be required which would provide conditions for allowable take and measures to compensate impacts on rare plants. 4. For HMP plant species on former Fort Ord lands, plants shall be salvaged, under the direction of a qualified biologist, as necessary, per the requirements of the HMP, and in accordance with any requirements from USFWS and CDFW. 5. If avoidance is not feasible, compensation for temporary or permanent loss of special-status plant occurrences, in the form of land purchase or restoration, shall be provided at a minimum 1:1 ratio for temporary impacts and 2:1 ratio for permanent impacts. Compensation for loss of special-status plant populations may include the restoration or enhancement of temporarily impacted areas, purchase and permanent stewardship of known occupied habitat or the restoration and reintroduction of populations in degraded, unoccupied habitat. Restoration or reintroduction may									

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	Implementation Schedule	
Section 4.6: Terrestrial Biological Resources (cont.)									
be located on- or offsite. At a minimum, the compensation areas shall meet the following performance standards by the fifth year following initiation of compensation efforts: a. The compensation area shall be at least the same size as the impact area. b. Native vegetation cover shall be at least 70 percent of the native vegetation cover in the impact area c. Population of the impacted special-status species shall have either: i. at least 60 percent cover of the impact area, or ii. at least 70 percent survival of installed plants d. Invasive species cover shall be less than or equal to the invasive species cover in the impact area Additionally, restored populations shall have greater than the number of individuals of the impacted population, in an area greater than or equal to the size of the impacted population, for at least 3 consecutive years without irrigation, weeding, or other manipulation of the restoration site. 6. CalAm shall prepare a **Habitat Mitigation and Monitoring Plan, as described in Mitigation Measure 4.6-1n** (Habitat Mitigation and Monitoring Plan), which will describe either onsite or offsite restoration. Alternatively, compensatory credits may be purchased through a USFWS- and/or CDFW-approved mitigation bank, or USFWS-approved Habitat Conservation Plan. This measure also applies to periodic maintenance of the subsurface slant wells, which would result in a permanent loss of special-status plants occurring at that site. Compensatory mitigation for permanent loss from periodic maintenance of the subsurface slant wells would only be applied once and would not be applied for each five-year maintenance event.									
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction. **Mitigation Measure 4.6-1f: Avoidance and Minimization Measures for Smith's Blue Butterfly.** CalAm or its construction contractor(s) shall implement the following measures to reduce impacts on Smith's blue butterfly during construction: 1. CalAm shall require that its construction contractor(s) implement all avoidance and minimization measures required by USFWS as part of the FESA Section 7 consultation between ONMS and USFWS. 2. Floristic botanical surveys of all suitable habitat for coast buckwheat and seacliff buckwheat, both of which are host plants to Smith's blue butterfly, shall be conducted by a qualified biologist during project design and prior to project implementation. Maps depicting the results of these surveys shall be prepared to document the location of the host plants within or adjacent to the project area. 3. Construction of project elements shall be planned to avoid mapped host plants for Smith's blue butterfly whenever feasible. 4. If it is not feasible to avoid disturbance to host plants during project construction, the following shall be implemented: a. Prior to the start of construction activities and before conducting preconstruction surveys for Smith's blue butterfly, the Lead Biologist or an appointed qualified biologist shall prepare a protect-in-place and relocation plan for Smith's blue butterfly and its host plants. If either is found in areas subject to permanent habitat or plant loss, then plants would be salvaged and relocated in accordance with the plan. The relocation plan shall be submitted to USFWS for approval. The relocation plan shall define the study area, describe appropriate handling and relocation methods (such as digging up and removing individual plants, duff, and/or soil and	X		X	X	X	X	CalAm shall obtain approval from USFWS/ONMS, and shall provide copies thereof to CPUC, along with final design submittals and a protect in place and relocation plan which incorporates the required botanical surveys and habitat maps and demonstrate either that facilities are sited to avoid impacts on Smith's blue butterfly and its host plants or that required restoration will be achieved by way of a Habitat Mitigation and Monitoring Plan or compensatory credits approved by all required resource and local agencies consistent with the requirements of this MM. A Lead Biologist hired by CalAm will oversee compliance with avoidance and minimization measures for Smith's blue butterfly and sensitive natural communities and as directed in permit conditions approved and monitored by USFWS and CDFW. Documentation of these measures, including species found on-site, will be sent to CPUC, USFWS, and CDFW for monitoring of effectiveness and for compensatory mitigation.	Prior to and during construction activities and during maintenance activities at the slant well sites.	Use of maps prepared with location of Smith's blue butterfly and its habitat in final design drawings and documented evidence that permanent and temporary impacts on special-status plants and their required constituent habitat elements are avoided. Compensation, by restoration or credits, shall be provided as approved by all required resource and local agencies when avoidance is not possible.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** *CalAm Reports On, and the CPUC Monitors all Mitigation Measures*	**Implementation Schedule**	
Section 4.6: Terrestrial Biological Resources (cont.)									
moving them to a new location), and identify appropriate relocation sites. Surveys shall be conducted at relocation sites to determine the existing Smith's blue butterfly population size and ensure that the relocation sites will not become overpopulated. Only relocation sites that are not overpopulated and have suitable habitat conditions (e.g. soils, vegetation, etc.) shall be used. b. If preconstruction surveys identify butterflies or host plants in areas subject only to temporary disturbance that do not require plant removal, then the plants, and leaf litter and soil which may hold dormant butterfly pupae, would be protected in place with heavy fabric, plywood or other mats (depending on the stability of the underlying soil) to allow construction vehicles to pass over. Following construction, the fabric or mats would be carefully removed and the area allowed to recover. Short-term damage to buckwheat populations is expected to be low. c. A qualified biologist shall survey the work area no more than 30 days before the onset of ground disturbance. If any life stage of the Smith's blue butterfly or its host plants is found within the project area boundary, the Lead Biologist or qualified biologist shall relocate plants, duff, and/or soil, from the site before construction begins per the relocation plan described above. 5. Upon completion of construction activities, CalAm shall restore Smith's blue butterfly habitat temporarily impacted during construction. Compensatory mitigation for permanent impacts shall be provided either onsite or offsite at a minimum ratio of 2:1. Compensation for loss of host plant populations may be in the form of permanent on-site or off-site creation, restoration, enhancement, or preservation of habitat. At a minimum the restoration or compensation sites shall meet the following performance standards by the fifth year following restoration: a. Temporarily impacted areas are returned to pre-project conditions or greater b. Native vegetation cover shall be at least 70 percent of baseline/impact area native vegetation cover c. The population of coast buckwheat and/or seacliff buckwheat shall have either: i. at least 60 percent cover of the baseline/impact area, or ii. at least 70 percent survival of installed plants d. No more cover by invasives than the baseline/impact area Restoration and mitigation activities shall be described in the Habitat Mitigation and Monitoring Plan prescribed by **Mitigation Measure 4.6-1n (Habitat Mitigation and Monitoring Plan)**. Alternatively, compensatory credits may be purchased through an approved mitigation bank, or approved Habitat Conservation Plan. This measure also applies to periodic maintenance of the subsurface slant wells, which would result in a permanent loss of Smith's blue butterfly habitat. Compensatory mitigation for permanent loss from periodic maintenance of the subsurface slant wells would only be applied once and would not be applied for each five-year maintenance event.									

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	Implementation Schedule	
Section 4.6: Terrestrial Biological Resources (cont.)									
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction. **Mitigation Measure 4.6-1g: Avoidance and Minimization Measures for Black Legless Lizard, Silvery Legless Lizard, and Coast Horned Lizard.** The Lead Biologist shall appoint a qualified biologist possessing a Scientific Collecting Permit issued by CDFW for black legless lizard, silvery legless lizard, and coast horned lizard to conduct preconstruction surveys for legless lizards and coast horned lizards within 24 hours prior to the initiation of ground disturbing activities or vegetation clearing in suitable habitats such as central dune scrub, coast sage scrub, and central maritime chaparral. 1. Prior to conducting the surveys, the qualified biologist shall prepare a relocation plan that describes the appropriate survey and handling methods for the lizards, and identifies nearby relocation sites where the lizards would be relocated if found during the preconstruction surveys. Surveys shall be conducted at relocation sites to determine the existing lizard population size and ensure that the relocation sites will not become overpopulated. Only relocation sites that are not overpopulated and have suitable habitat conditions (e.g., soils, moisture content, vegetation, aspect) shall be used. The relocation plan shall be submitted to CDFW for approval prior to the start of construction activities. 2. Legless lizard surveys shall be conducted by hand raking soil and leaf litter beneath brush. If Legless lizards are encountered, they shall be salvaged and relocated per the relocation plan. 3. Coast horned lizard surveys shall be conducted by walking transects spaced appropriately to allow for 100 percent visual coverage in search of lizards under shrubs, along gravelly-sandy areas, or any other suitable habitat. Any lizard encountered shall be relocated per the relocation plan. This measure also applies to periodic maintenance of the subsurface slant wells.	X		X	X	X	X	CalAm shall provide the CPUC with the name of the biologist to conduct preconstruction lizard surveys, a copy of his/her valid Scientific Collecting Permit and the CDFW-approved relocation plan. A Lead Biologist hired by CalAm will oversee compliance with avoidance and minimization measures for black legless lizard, silvery legless lizard, and coast horned lizard and as directed in conditions approved and monitored by CDFW. Documentation of these measures, including species found on-site and collected, will be sent to CPUC and CDFW for monitoring of effectiveness and for compensatory mitigation.	Prior to construction activities and subsequent maintenance activities at the slant well sites.	Preconstruction surveys demonstrate absence of lizards or if present lizards are relocated to CDFW-approved relocation site.
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction. **Mitigation Measure 4.6-1h: Avoidance and Minimization Measures for Western Burrowing Owl.** The following measures shall be implemented to avoid and minimize impact on western burrowing owl: 1. Prior to the start of construction activities in or around suitable burrowing owl habitat, the Lead Biologist shall appoint a qualified biologist to conduct protocol surveys for burrowing owl. The survey methodology shall be consistent with the methods outlined in the *Staff Report on Burrowing Owl Mitigation* (CDFG, 2012). The surveys shall consist of walking parallel transects spaced 7 to 20 meters (23 to 65 feet) apart, adjusting for vegetation height and density as needed, and noting any potential burrows with fresh burrowing owl sign or presence of burrowing owls. A copy of the protocol survey results shall be submitted to the CPUC and CDFW upon request. Protocol surveys shall be conducted within both the breeding and non-breeding seasons to determine the presence/absence of burrowing owls. 2. A qualified biologist shall conduct preconstruction surveys of the permanent and temporary impact areas in or around suitable burrowing owl habitat to locate active breeding or wintering burrowing owl burrows less than 14 days prior to construction and/or prior to exclusion fencing installation. The methodology for the preconstruction surveys shall be consistent with the methods outlined in the *Staff Report on Burrowing Owl Mitigation*. 3. If no burrowing owls are detected, no additional action is necessary. 4. In areas positive for burrowing owl presence, the Lead Biologist or qualified biological monitor shall be onsite during all construction activities in areas where burrowing owls are determined to be present.	X		X	X	X	X	CalAm shall provide the CPUC with the name of the biologist(s) to conduct protocol and preconstruction owl surveys, copies of all survey results and copies of all CDFW-approved owl buffers and related plans (e.g., Burrowing Owl Exclusion Plan, Burrowing Owl Habitat Mitigation Plan, and any other related buffer coordination/authorizations).	Prior to and during construction activities and during subsequent maintenance activities at the slant well sites.	Protocol and preconstruction surveys demonstrate absence of burrowing owls or if present that all applicable CDFW-approved buffers, Exclusion and Mitigation Plans are fully implemented and/or compensatory mitigation provided.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s): Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	Monitoring and Reporting Program: Monitoring and Reporting Actions: *CalAm Reports On, and the CPUC Monitors all Mitigation Measures*	Monitoring and Reporting Program: Implementation Schedule	Effectiveness Criteria
Section 4.6: Terrestrial Biological Resources (cont.)									
5. If burrowing owls are detected during the nesting and fledging seasons (April 1 to August 15 and August 16 to October 15, respectively), no ground-disturbing activities shall be permitted within the distances specified in **Table 4.6-8** from an active burrow, unless otherwise authorized by CDFW. The specified buffer distance ranges from 656 feet to 1,640 feet, according to the time of year and the level of disturbance. Buffers shall be established in accordance with **Table 4.6-8** and occupied burrows shall not be disturbed during the nesting season unless a qualified biologist approved by CDFW verifies through noninvasive methods that either: (1) the birds have not begun egg-laying and incubation; or (2) juveniles from the occupied burrows are foraging independently and are capable of independent survival. Burrowing owls shall not be moved or excluded from burrows during the breeding season (April 1 to October 15). The buffer distance can be reduced with authorization from CDFW if construction activities would not cause an adult to abandon an active nest or young or change an adult's behavior so it could not care for an active nest or young.									
6. During the non-breeding (winter) season (October 16 to March 31), consistent with **Table 4.6-8**, ground-disturbing work shall maintain a distance ranging from 164 to 1,640 feet from any active burrows, depending on the level of disturbance, to be determined through coordination with CDFW. The buffer distance can be reduced with authorization from CDFW if construction activities would not cause the owl to abandon its winter burrow. If active winter burrows are found that would be directly affected by ground-disturbing activities, owls can be displaced from winter burrows according to recommendations made in the *Staff Report on Burrowing Owl Mitigation*.									

TABLE 4.6-8
BURROWING OWL BURROW BUFFERS

Location	Time of Year	Level of Disturbance: Low	Medium	High
Nesting sites	April 1–August 15	656 feet	1,640 feet	1,640 feet
Nesting sites	August 16–October 15	656 feet	656 feet	1,640 feet
Any occupied burrow	October 16–March 31	164 feet	328 feet	1,640 feet

SOURCE: CDFG, 2012.

7. Burrowing owls shall not be excluded from burrows unless or until a Burrowing Owl Exclusion Plan is developed by the Lead Biologist, approved by CDFW, and submitted to the CPUC. At a minimum, the plan shall include the following: a. Confirmation by site surveillance that the burrow(s) is empty of burrowing owls and other species preceding the use of a scope to visually inspect the burrow; b. Specifications regarding the type of scope to be used and the appropriate timing of using a scope to visually inspect burrows to avoid disturbance of individual owls; c. Occupancy factors to look for and what shall guide determination of vacancy and excavation timing; d. Methods for burrow excavation. Excavation using hand tools with refilling to prevent reoccupation is preferable; e. Removal of other potential owl burrow surrogates or refugia onsite; f. Photographing the excavation and closure of the burrow to demonstrate success and sufficiency;									

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TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	Implementation Schedule	
Section 4.6: Terrestrial Biological Resources (cont.)									
g. Monitoring of the site to evaluate success and, if needed, to implement remedial measures to prevent subsequent owl use and to avoid take; h. Methods to ensure the impacted site shall continually be made inhospitable to burrowing owls and fossorial mammals (e.g., by allowing vegetation to grow tall, heavy disking, or immediate and continuous grading) until development is complete. 8. Site monitoring shall be conducted prior to, during, and after exclusion of burrowing owls from their burrows sufficient to ensure take is avoided. Prior to exclusion activities, daily monitoring shall be conducted for one week to confirm young owls have fledged if the exclusion occurs immediately after the end of the breeding season. 9. If burrowing owls are found on-site, compensatory mitigation for loss of breeding and/or wintering habitat shall be implemented onsite or offsite in accordance with burrowing owl *Staff Report on Burrowing Owl Mitigation* guidance and in consultation with CDFW. If compensatory mitigation is necessary, CalAm shall detail the compensatory mitigation in a Burrowing Owl Habitat Mitigation Plan (which shall be incorporated into the Habitat Mitigation and Monitoring Plan described in **Mitigation Measure 4.6-1n**). At a minimum, the following measures shall be implemented: a. Temporarily disturbed habitat shall be restored to pre-construction conditions, including soil decompaction and revegetation. b. Permanent impacts on nesting, occupied and satellite burrows, and any other burrowing owl habitat shall be mitigated such that the habitat acreage, number of burrows, and number of burrowing owls impacted are replaced. Compensatory mitigation may include the permanent conservation of lands with similar vegetation communities (grassland, scrublands, desert, urban, and agriculture) as those lands where the permanent loss of habitat would occur. Conservation lands shall provide habitat for burrowing owl nesting, foraging, wintering, and/or dispersal (i.e., during breeding and nonbreeding seasons) comparable to or better than that of the impact area, and with sufficiently large acreage, and presence of fossorial mammals. Alternatively, compensatory credits may be purchased through an approved mitigation bank, or approved Habitat Conservation Plan.									
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction. **Mitigation Measure 4.6-1i: Avoidance and Minimization Measures for Nesting Birds.** This measure applies to all nesting birds protected by the federal Migratory Bird Treaty Act and Section 3503 of the California Fish and Game Code, except for western snowy plover and western burrowing owl, which are addressed in Mitigation Measure 4.6-1d and 4.6-1h, respectively. Nesting birds may be present at all of the proposed facility sites. A qualified biologist shall conduct preconstruction avian nesting surveys prior to initiation of construction activities at all facility sites, unless otherwise indicated below. 1. No preconstruction surveys or avoidance measures are required for construction activities that would be completed entirely during the non-nesting season (September 16 to January 31). 2. For all construction activities scheduled to occur during the nesting season (February 1 to September 15), the qualified biologist shall conduct a preconstruction avian nesting survey no more than 10 days prior to the start of staging, site clearing, and/or ground disturbance. Copies of the survey results shall be submitted to the CPUC. 3. If construction activities at any given facility site begins in the non-breeding season and proceeds continuously into the breeding season, no surveys are required as long as a similar type of construction continues. 4. If there is a break of 10 days or more in construction activities during the breeding season, a new nesting bird survey shall be conducted before reinitiating construction.	X		X	X	X	X	CalAm shall provide to the CPUC the name of the biologist(s) to conduct required preconstruction nesting surveys and construction monitoring, copies of all surveys and monitoring reports prepared by the biologist(s) and copies of all related CDFW buffer and mitigation consultations, approvals and/or authorizations.	Prior to and during construction activities and during subsequent maintenance activities at the slant well sites.	Preconstruction surveys demonstrate absence of active nests or if present that all applicable CDFW-approved buffers and avoidance/ minimization measures are fully implemented.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s): Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	Monitoring and Reporting Program: Monitoring and Reporting Actions: *CalAm Reports On, and the CPUC Monitors all Mitigation Measures*	Monitoring and Reporting Program: Implementation Schedule	Effectiveness Criteria
Section 4.6: Terrestrial Biological Resources (cont.)									
5. The surveying biologist shall be capable of determining the species and nesting stage without causing intrusive disturbance. The surveys shall cover all potential nesting sites within 500 feet of the project area for raptors and within 300 feet for other birds. If active nests are found in the project area or vicinity (500 feet for raptors and 300 feet for other birds), the nests shall be continuously surveyed for the first 24 hours prior to any construction related activities to establish a behavioral baseline and, once work commences, all nests shall be continuously monitored to detect any behavioral changes as a result of the project, if feasible. If behavioral changes are observed, work causing the change shall cease and CDFW shall be consulted for additional avoidance and minimization measures. The avoidance and minimization measures shall ensure that the construction activities do not cause the adult to abandon an active nest or young or change an adult's behavior so it could not care for an active nest or young. If continuous monitoring is not feasible, a no-disturbance buffer (at least 500 feet for raptors and 250 feet for other birds [or as otherwise determined in consultation with CDFW and USFWS] shall be created around the active nests). The buffer distance can be reduced with authorization from CDFW if construction activities would not cause an adult to abandon an active nest or young or change an adult's behavior so it could not care for an active nest or young. If the nest(s) are found in an area where ground disturbance is scheduled to occur, the project operator shall require that ground disturbance be delayed until after the birds have fledged. This measure also applies to periodic maintenance of the subsurface slant wells.									
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction.	X		X	X	X	X	CalAm shall provide the name and qualifications of the biologist(s) to conduct required preconstruction badger surveys to the CPUC for approval. CalAm shall also provide to the CPUC construction monitoring reports, copies of all surveys prepared by the biologist(s), copies of all related CDFW-approved buffers, den excavations and/or badger relocations and documentary evidence of compliance therewith.	Prior to and during construction activities.	Preconstruction surveys demonstrate absence of badgers and active dens or if present that all applicable CDFW-approved buffers, den excavations and/or badger relocations are fully implemented.
Mitigation Measure 4.6-1j: Avoidance and Minimization Measures for American Badger. The following measures shall be implemented to avoid and minimize impacts on American badger: 1. A qualified biologist shall conduct preconstruction surveys for American badger dens prior to the start of construction at potentially affected sites. The survey results shall be submitted to the CPUC. 2. Areas of suitable habitat for American badger in the project area include fallow agricultural and grazing land and non-native grasslands. Surveys shall be conducted wherever these vegetation communities exist within 100 feet of the project area boundary. Along pipeline alignments surveys shall be phased to occur within 14 days prior to disturbance along that portion of the alignment. Game cameras shall be used to record any movements at potentially active dens for no less than three (3) nights. 3. Areas of suitable habitat for American badger in the project area include fallow agricultural and grazing land and non-native grasslands. Surveys shall be conducted wherever these vegetation communities exist within 100 feet of the project area boundary. Along pipeline alignments surveys shall be phased to occur within 14 days prior to disturbance along that portion of the alignment. 4. If no potential American badger dens are found during the preconstruction surveys, no further action is required. 5. If the biologist determines that any potential dens identified during the preconstruction surveys are inactive, the biologist shall excavate the dens by hand with a shovel to prevent use by badgers during construction. 6. If active badger dens are found during the course of preconstruction surveys, the following measures shall be taken to avoid and minimize adverse effects on American badger: a. Relocation shall be prohibited during the badger pupping season (typically February 15 to June 1). b. Construction activities shall not occur within 50 feet of active badger dens observed outside of the project area. c. The Lead Biologist shall contact CDFW immediately if natal badger dens are detected. Construction activities shall not occur within 200 feet of an active natal badger den. This buffer may be reduced, if approved by CDFW, and if construction would not alter the behavior of the adult or young in a way that would cause injury or death to those individuals.									

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	Implementation Schedule	
Section 4.6: Terrestrial Biological Resources (cont.)									
If the biologist determines that potential dens within the project area, and outside the breeding season, may be active, the biologist shall notify the CDFW. Badgers shall be passively relocated from active dens during the nonbreeding season. Passive relocation may include incrementally blocking the den entrance with soil, sticks, and debris for three to five days to discourage use of these dens prior to project disturbance. After the qualified biologist determines that badgers have abandoned any active dens found within the project area, the dens shall be hand-excavated with a shovel to prevent re-use during construction.									
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction. **Mitigation Measure 4.6-1k: Avoidance and Minimization Measures for Monterey Dusky-Footed Woodrat.** The following measures shall be implemented to avoid and minimize impacts on Monterey dusky-footed woodrat: 1. A qualified wildlife biologist shall conduct preconstruction surveys for Monterey dusky-footed woodrat. The surveys shall be conducted within 14 days prior to the start of construction in suitable habitat and shall identify any woodrat nests located within 50 feet of anticipated construction disturbance areas. 2. If woodrat nests are found during the preconstruction surveys, the wildlife biologist shall conduct additional surveys throughout the duration of construction activities at the potentially affected facility site to identify any newly constructed woodrat nests. 3. If nests are observed outside of the construction area, the qualified biologist shall demarcate a minimum 50-foot buffer area with orange construction fencing and require that all construction activities and disturbance remain outside of the fencing. 4. Active woodrat nests located within the anticipated construction disturbance areas shall be relocated. Nests shall be relocated outside of the peak breeding season, (peak breeding season is typically February through November) to minimize disturbance to young woodrats. Relocation of woodrats and/or their nests shall be conducted by the Lead Biologist or qualified wildlife biologist as follows: a. Clear understory vegetation from around the nest using hand tools. b. After all vegetative cover has been cleared around the nest, the biologist shall gently disturb the nest to encourage the woodrat(s) to abandon the nest and seek cover in adjacent habitat. c. Once the woodrats have left the nest, the biologist shall carefully relocate the nest sticks to suitable habitat outside of the construction disturbance area, piling the sticks at the base of trees or large shrubs if available. If multiple nests are relocated, the stick piles shall be placed at least 25 feet from one another. d. The Lead Biologist shall ensure potential health hazards to the biologists moving nests are addressed to minimize the risk of contracting diseases associated with woodrats and woodrat nests. These include hantavirus, Lyme disease, and plague. The biologists that relocate nests shall take the following precautionary safety measures: i. Wear a Cal/OSHA-certified facial respirator to reduce inhalation of potential disease causing organisms. ii. Wear a white Tyvec protective suit to provide a barrier for ticks and fleas and facilitate their detection and removal and use gloves. e. If young are encountered during dismantling of the nest, nest material shall be replaced and a 50-foot no-disturbance buffer shall be established around the active nest. The buffer shall remain in place until young have matured enough to disperse on their own accord and the nest is no longer active. Nesting substrate shall then be collected and relocated to suitable oak woodland habitat outside of the project area.	X		X	X	X	X	CalAm shall provide the name and qualifications of the biologist(s) to conduct required preconstruction dusky-footed woodrat surveys to the CPUC for approval. CalAm shall also provide to the CPUC construction monitoring reports, copies of all surveys prepared by the biologist(s) and copies of all related CDFW-approved buffers, active nest relocations and documentary evidence of compliance therewith.	Prior to and during construction.	Surveys demonstrate absence of dusky-footed woodrats and active nests or if present that all applicable CDFW-approved buffers, nest relocations and related biologist safety measures are fully implemented.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact Mitigation Measure	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	Monitoring and Reporting Actions: *CalAm Reports On, and the CPUC Monitors all Mitigation Measures*	Implementation Schedule	
Section 4.6: Terrestrial Biological Resources (cont.)									
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction. **Mitigation Measure 4.6-1l: Avoidance and Minimization Measures for Special-status Bats.** A qualified biologist who is experienced with bat surveying techniques (including auditory sampling methods), behavior, roosting habitat, and identification of local bat species shall be consulted prior to initiation of construction activities to conduct a preconstruction habitat assessment to characterize potential bat habitat and identify active roost sites. The preconstruction habitat assessment shall be conducted within 100 feet of construction activities. Should potential roosting habitat or potentially active bat roosts be identified during the habitat assessment in trees and/or structures to be disturbed under the project, the following measures shall be implemented: 1. Removal or disturbance of trees or structures identified as potential bat roosting habitat or active roosts shall occur when bats are active, approximately between the periods of March 1 to April 15 and August 15 to October 15, to the extent feasible. These dates avoid bat maternity roosting season (approximately April 15 – August 31) and periods of winter torpor (approximately October 15 – February 28). 2. If removal or disturbance of trees and structures identified as potential bat roosting habitat or active roosts during the periods when bats are active is not feasible, a qualified biologist will conduct pre-construction surveys within 14 days prior to disturbance to further evaluate bat activity within the potential habitat or roost site. a. If active bat roosts are not identified in potential habitat during preconstruction surveys, no further action is required prior to removal of- or disturbance to trees and structures within the preconstruction survey area. b. If active bat roosts or evidence of roosting is identified during pre-construction surveys, the qualified biologist shall determine, if possible, the type of roost and species. i. If special-status bat species or maternity or hibernation roosts are detected during these surveys, appropriate species- and roost-specific avoidance and protection measures shall be developed by the qualified biologist in coordination with CDFW. Such measures may include postponing the removal of structures or trees, or establishing exclusionary work buffers while the roost is active. A minimum 100-foot no disturbance buffer shall be established around special-status species, maternity, or hibernation roosts until the qualified biologist determines they are no longer active. The size of the no-disturbance buffer may be adjusted by the qualified biologist, in coordination with CDFW, depending on the species present, roost type, existing screening around the roost site (such as dense vegetation or a building), as well as the type of construction activity that would occur around the roost site, and if construction would not alter the behavior of the adult or young in a way that would cause injury or death to those individuals. Under no circumstances shall active maternity roosts be disturbed until the roost disbands at the completion of the maternity roosting season or otherwise becomes inactive, as determined by the qualified biologist. ii. If a non-maternity or hibernation roost (e.g., bachelor daytime roost) is identified, disturbance to- or removal of trees or structures may occur under the supervision of a qualified biologist as described under 3). 3. The qualified biologist shall be present during tree and structure disturbance or removal if active non-maternity or hibernation bat roosts or potential roosting habitat are present. Trees and structures with active non-maternity or hibernation roosts or potential habitat shall be disturbed or removed only under clear weather conditions when precipitation is not forecast for three days and when nighttime temperatures are at least 50°F, and when wind speeds are less than 15 mph. a. Trimming or removal of trees with active (non-maternity or hibernation) or potentially active roost sites shall follow a two-step removal process:	X		X	X	X	X	CalAm shall provide the name and qualifications of the biologist(s) to conduct required preconstruction bat habitat assessment and surveys to the CPUC for approval. CalAm shall also provide to the CPUC copies of all assessments/surveys and construction monitoring prepared by the biologist(s) and copies of all related CDFW-approved buffers, avoidance and protection measures and documentary evidence of compliance therewith.	Prior to and during construction activities and during maintenance activities at the slant well sites.	Surveys demonstrate absence of bat habitat and active roost sites or if present that all applicable CDFW-approved buffers and avoidance and protection measures are fully implemented.

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TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.6: Terrestrial Biological Resources (cont.)									
i. On the first day of tree removal and under supervision of the qualified biologist, branches and limbs not containing cavities or fissures in which bats could roost, shall be cut only using hand tools (e.g., chainsaws). ii. On the following day and under the supervision of the qualified biologist, the remainder of the tree may be removed, either using hand tools or other equipment (e.g. excavator or backhoe). iii. All felled trees shall remain on the ground for at least 24 hours prior to chipping, off-site removal, or other processing to allow any bats to escape, or be inspected once felled by the qualified biologist to ensure no bats remain within the tree and/or branches. b. Disturbance to or removal of structures containing or suspected to contain active bat (non-maternity or hibernation) or potentially active bat roosts shall be done in the evening and after bats have emerged from the roost to forage. Structures shall be partially dismantled to significantly change the roost conditions, causing bats to abandon and not return to the roost. Removal will be completed the subsequent day. 4. Bat roosts that begin during construction are presumed to be unaffected as long as a similar type of construction continues, and no buffer would be necessary. Direct impacts on bat roosts or take of individual bats will be avoided.									
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction. **Mitigation Measure 4.6-1m: Avoidance and Minimization Measures for Native Stands of Monterey Pine.** A qualified botanist or arborist shall conduct surveys for native stands of Monterey pine prior to completion of final project design documents. Individual Monterey pine trees existing within the construction work area shall be evaluated to determine if they are native occurrences, relics, or otherwise naturally-occurring remnants of the past historic range. Maps depicting the results of these surveys shall be prepared for consideration during final facility design. Native stands of Monterey pine could occur at the identified facility sites and pipeline alignments based on the historical extent of native Monterey pines and biological reconnaissance surveys. To the extent feasible, project facilities shall be sited and construction activities planned to avoid impacts on native stands of Monterey pine. Any native stands of Monterey pines located within the anticipated construction disturbance area shall be fenced or flagged for avoidance prior to construction, and a biological monitor shall be present to ensure compliance with off-limits areas. If removal of native stands of Monterey pine cannot be avoided, trees shall be replaced at a 2:1 ratio for trees removed or directly impacted by construction activities. Only local Monterey pine genetic stock shall be used for replanting at the project site. Replacement plantings shall be planted contiguous with other individuals of the same species in areas that are determined to have suitable site conditions. Protective fencing shall be installed around the seedlings to protect against disturbance. Replacement trees shall be maintained and monitored for a period of five years and have a minimum of 70 percent survival in the fifth monitoring year to ensure success. The Habitat Mitigation and Monitoring Plan to be prepared in accordance with **Mitigation Measure 4.6-1n (Habitat Mitigation and Monitoring Plan)** shall detail the monitoring requirements and success criteria. This mitigation measures applies to native stands of Monterey pines. Independent of whether Monterey pines in the project area are considered native stands, individual trees may be subject to local tree ordinances; see **Mitigation Measure 4.6-5 (Compliance with Local Tree Policies and Ordinances)**.	X		X	X	X	X	CalAm shall provide the name and qualifications of the botanist(s) to conduct required preconstruction surveys to the CPUC for approval. CalAm shall also provide to the CPUC copies of all assessments/surveys and construction monitoring prepared by the botanist(s) and copies, and avoidance and protection measures and documentary evidence of compliance therewith. CalAm shall also provide and obtain approval from CPUC and all other required regulatory and local agencies of final design submittals which incorporate the required surveys and demonstrate either that facilities are sited to avoid impacts on native stands of Monterey pine or that required replacement will be achieved by way of a Habitat Mitigation and Monitoring Plan approved by all required resource and local agencies consistent with the requirements of this mitigation measure.	Prior to construction activities and subsequent maintenance activities at the slant well sites.	Surveys and final design plans demonstrate avoidance of all native stands of Monterey pine or compensatory mitigation by replanting at a 2:1 replacement ratio and monitoring of success to ensure a minimum of 70 percent survival in the fifth monitoring year if avoidance is not possible.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.6: Terrestrial Biological Resources (cont.)									
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction.	X		X	X	X	X	CalAm shall provide the CPUC with the required HMMP and all approvals thereof issued by the resource and local agencies.	Prior to construction.	Approved HMMP fully implemented and all compensatory mitigation achieved.
Mitigation Measure 4.6-1n: Habitat Mitigation and Monitoring Plan. CalAm shall develop and submit a Habitat Mitigation and Monitoring Plan (HMMP) to the appropriate resource agencies (CCC, CDFW, CCRWQCB, USACE, USFWS, and local agencies that require a habitat mitigation and monitoring plan) for approval prior to project construction. The HMMP will be a comprehensive document that will describe all of restoration and compensatory mitigation requirements, including the required performance standards, identified in **Mitigation Measure 4.6-1d: Protective Measures for Western Snowy Plover, Mitigation Measure 4.6-1e: Avoidance and Minimization Measures for Special-status Plants, Mitigation Measure 4.6-1f: Avoidance and Minimization Measures for Smith's Blue Butterfly, Mitigation Measure 4.6-1h: Avoidance and Minimization Measures for Western Burrowing Owl, Mitigation Measure 4.6-1m: Avoidance and Minimization Measures for Native Stands of Monterey Pine, Mitigation Measure 4.6-1o: Avoidance and Minimization Measures for California Red-legged Frog and California Tiger Salamander and Mitigation Measure 4.6-2b: Avoid, Minimize, and Compensate for Construction Impacts to Sensitive Communities and Environmentally Sensitive Habitat Areas**. The HMMP shall be implemented at all areas where special-status species habitat or sensitive natural communities will be restored, created, or enhanced to mitigate for project impacts either prior to, concurrently with, or following project construction, as specified in the HMMP. The HMMP shall outline measures to be implemented to, depending on the mitigation requirements, restore, improve, or re-establish special-status species habitat, sensitive natural communities, and critical habitat on the site, and shall include the following elements: 1. Name and contact information for the property owner of the land on which the mitigation will take place 2. Identification of the water source for supplemental irrigation 3. Identification of depth to groundwater 4. Site preparation guidelines to prepare for planting, including coarse and fine grading 5. Plant material procurement, including assessment of risk of introduction of plant pathogens through use of nursery-grown container stock vs. collection and propagation of site-specific plant materials, or use of seeds 6. Planting plan outlining species selection, planting locations and spacing, for each vegetation type to be restored 7. Planting methods, including containers, hydroseed or hydromulch, weed barriers and cages, as needed 8. Soil amendment recommendations 9. Irrigation plan, with proposed rates (in gallons per minute), schedule (i.e. recurrence interval), and seasonal guidelines for watering 10. Site protection plan to prevent unauthorized access, accidental damage and vandalism 11. Weeding and other vegetation maintenance tasks and schedule, with specific thresholds for acceptance of invasive species 12. Performance standards by which successful completion of mitigation can be assessed in comparison to a relevant baseline or reference site, and by which remedial actions will be triggered; success criteria shall include the minimum performance standards described in **Mitigation Measure 4.6-1d: Protective Measures for Western Snowy Plover, Mitigation Measure 4.6-1e: Avoidance and Minimization Measures for Special-status Plants, Mitigation Measure 4.6-1f: Avoidance and Minimization Measures for Smith's Blue Butterfly, Mitigation Measure 4.6-1h: Avoidance and Minimization Measures for Western Burrowing Owl, Mitigation Measure 4.6-1m: Avoidance and Minimization Measures for Native Stands of Monterey Pine, Mitigation Measure 4.6-1o: Avoidance and Minimization Measures for California Red-legged Frog and California Tiger Salamander and Mitigation Measure 4.6-2b: Avoid, Minimize, and Compensate for Construction Impacts to Sensitive Communities and Environmentally Sensitive Habitat Areas**.								

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	Implementation Schedule	
Section 4.6: Terrestrial Biological Resources (cont.)									
13. Monitoring methods and schedule 14. Reporting requirements and schedule 15. Adaptive management and corrective actions to achieve the established success criteria 16. Educational outreach program to inform operations and maintenance departments of local land management and utility agencies of the mitigation purpose of restored areas to prevent accidental damages 17. Description of any other compensatory mitigation in the form of land purchase, establishment of conservation easements or deed restrictions, contribution of funds in lieu of active restoration, or purchase of mitigation bank credits, or other means by which the mitigation site will be preserved in perpetuity.									
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction. **Mitigation Measure 4.6-1o: Avoidance and Minimization Measures for California Red-legged Frog and California Tiger Salamander.** A preconstruction survey for California red-legged frog and California tiger salamander shall be conducted by a qualified biologist in suitable habitat where there is a moderate to high potential for these species to occur prior to vegetation removal or grading, as specified below: 1. Prior to conducting the surveys, the qualified biologist shall prepare a relocation plan that describes the appropriate survey and handling methods for California red-legged frog and California tiger salamander, and identifies nearby relocation sites where individuals would be relocated if found during the preconstruction surveys. The relocation plan shall be submitted to USFWS and CDFW for approval prior to the start of construction activities. The animal shall be relocated to a similar type of habitat or better from where it was relocated and shall only be relocated with authorization from USFWS and CDFW, as appropriate. 2. Preconstruction surveys shall be conducted within 5 days prior to, and immediately prior to, vegetation removal, grading, or installation of exclusion fence to identify any California red-legged frog, California tiger salamander, and any small mammal burrows. 3. Small mammal burrows identified during preconstruction surveys shall be surveyed (through hand-excavation, scoping, or other suitable methods to be determined in consultation with USFWS and CDFW) to identify any California red-legged frog or California tiger salamander. Once the burrow is confirmed to be vacant, the burrow shall be collapsed. 4. If California red-legged frog or California tiger salamander are observed within the construction area, a qualified biologist shall relocate the individual according to the relocation plan above and only with authorization from USFWS and CDFW, as appropriate. 5. Exclusion fencing shall be installed around construction areas where there is a moderate to high potential for these species to occur as specified in **Mitigation Measure 4.6-1c (General Avoidance and Minimization Measures)** and only with authorization from USFWS and CDFW. 6. The qualified biologist shall monitor vegetation removal and grading inside the exclusion fence as specified in **Mitigation Measure 4.6-1c (General Avoidance and Minimization Measures)**. 7. If take authorization is not obtained from CDFW and USFWS for California tiger salamander, then all small mammal burrows within dispersal distance of a known or potential breeding pond shall be avoided by a minimum buffer of 50 feet.	X		X	X	X	X	CalAm shall provide the name and qualifications of the biologist(s) to conduct required preconstruction to the CPUC for approval. CalAm shall also provide to the CPUC copies of all frog/salamander surveys and relocation plans, copies of all such surveys and plans, and copies of all related USFWS/CDFW-approved plans and related consultations with and authorizations provided by USFWS/CDFW, and avoidance and protection measures and documentary evidence of compliance therewith.	Prior to, during, and after construction activities.	Surveys demonstrate absence of frogs/salamanders/habitat or if present that all applicable USFWS/CDFW-approved permits, avoidance and minimization measures, mitigation plans and compensatory mitigation are fully implemented/achieved.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.6: Terrestrial Biological Resources (cont.)									
Upon completion of construction activities, CalAm shall restore California tiger salamander and California red-legged frog habitat temporarily impacted during construction. Compensatory mitigation for permanent impacts shall be provided either onsite or offsite at a minimum ratio of 2:1. Compensation for permanent impacts may be in the form of permanent on-site or off-site creation, restoration, enhancement, or preservation of habitat. At a minimum, the restoration or compensation sites shall meet the following performance standards by the fifth year following restoration: a. Temporarily impacted areas are returned to pre-project or improved conditions; b. Vegetation cover shall be at least 80 percent of baseline vegetation cover in the impact area; and c. No more cover by invasive plants than in the baseline conditions of the impact area. ***Restoration and mitigation activities shall be described in the Habitat Mitigation and Monitoring Plan prescribed by*** *Mitigation Measure 4.6-1n (Habitat Mitigation and Monitoring Plan)****. Alternatively, compensatory credits may be purchased through an approved mitigation bank, or approved Habitat Conservation Plan.***									
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction. **Mitigation Measure 4.6-1p: Control Measures for Spread of Invasive Plants.** Construction best management practices shall be implemented in construction areas within or adjacent to lands with native plant communities that may be susceptible to non-native plant species invasion to prevent the spread of invasive plants, seed, propagules, and pathogens through the following actions: 1) Avoid driving in or operating equipment in weed-infested areas outside of fenced work areas and restrict travel to established roads. 2) Avoid leaving exposed soil or construction materials in areas with the potential for invasive plants (e.g., in staging areas). Non-active stockpiles shall be covered with plastic or a comparable material. 3) Clean tools, equipment, and vehicles before transporting materials and before entering and leaving worksites (e.g., wheel washing stations at Project site access points). Inspect vehicles and equipment for weed seeds and/or propagules stuck in tire treads or mud on the vehicle to minimize the risk of carrying them to unaffected areas. Designate areas within active construction sites for cleaning and inspections. 4) An environmental inspector, under direction of the Lead Biologist or appointed qualified biologist (see **Mitigation Measure 4.6-1a**) shall inspect vehicles and equipment prior to project initiation at applicable work areas (listed above) for weed seeds and plant fragments that could colonize within the site or be transported to other sites. At project initiation, all construction vehicles must be cleaned to remove soil and plant fragments at designated locations, and vehicles or equipment that are not clean shall be rejected until clear of weed seed and plant fragments. Wheel washing stations or other methods to remove and contain seeds or other plant fragments from vehicles, equipment, boots, and tools shall be established in designated areas. 5) All equipment and tools involved in soil disturbance at applicable work areas shall be disinfected using a 10% bleach or 70% isopropyl alcohol solution prior to initial use or prior to returning to applicable work areas if used on another project site. 6) Only certified, weed-free, plastic-free imported erosion control materials (or rice straw in upland areas) shall be used for the project. 7) Within U.S. Army-owned land, control measures for invasive species also shall conform to guidelines in the Integrated Natural Resource Management Plan (INRMP) Presidio of Monterey and Ord Military Community (e.g., Section 9.2.4, Undesirable Plant Pests). This measure also applies to periodic maintenance of the subsurface slant wells.	X		X	X	X	X	CalAm's environmental monitor shall provide monthly documentation demonstrating oversight and implementation of best management practices for the prevention of spreading of invasive plants.	During construction activities and subsequent maintenance activities at the slant well sites.	Compliance with and implementation of all applicable construction best management practices and documentation that doing so prevented spreading of invasive plants during construction and maintenance activities.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.6: Terrestrial Biological Resources (cont.)									
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction. **Mitigation Measure 4.6-1q: Frac-out Contingency Plan.** CalAm shall retain a licensed geotechnical engineer to develop a Frac-out Contingency Plan (Plan). CalAm will submit the plan to the appropriate resource agencies (CDFW, CCRWQCB, USACE, USFWS, NMFS, and local agencies with land use jurisdiction) for approval prior to the start of construction of any pipeline that will use HDD installation. The Plan shall be implemented at all areas where HDD installation under a waterway would occur to avoid, minimize, or mitigate for project impacts either prior to, concurrently with, or following HDD installation, as specified in the Plan. The plan shall include, at a minimum: 1) Measures describing training of construction personnel about monitoring procedures, equipment, materials and procedures in place for the prevention, containment, clean-up (such as creating a containment area and using a pump, using a vacuum truck, etc.), and disposal of released bentonite slurry, and agency notification protocols; 2) Methods for preventing frac-out including maintaining pressure in the borehole to avoid exceeding the strength of the overlying soil. 3) Methods for detecting an accidental release of bentonite slurry that include: (a) monitoring by a minimum of one biological monitor throughout drilling operations to ensure swift response if a frac-out occurs; (b) continuous monitoring of drilling pressures to ensure they do not exceed those needed to penetrate the formation; (c) continuous monitoring of slurry returns at the exit and entry pits to determine if slurry circulation has been lost; and (d) continuous monitoring by spotters to follow the progress of the drill bit during the pilot hole operation, and reaming and pull back operations. 4) Protocols CalAm and/or its contractors will follow if there is a loss of circulation or other indicator of a release of slurry. 5) Cleanup and disposal procedures and equipment CalAm and/or its contractors will use if a frac-out occurs. 6) If a frac-out occurs, CalAm and/or its contractors shall immediately halt work, implement the measures outlined in Item 5 of the Plan to contain, clean-up, and dispose of the bentonite slurry, and notify and consult with the staffs of the agencies listed above before HDD activities can begin again. CalAm shall implement this plan to ensure that measures are implemented to prevent frac-out and if a frac-out occurs, then CalAm and/or its contractor shall implement measures to contain, clean-up, and dispose of the bentonite slurry.						X	CalAm shall provide to CPUC prior to construction a copy of the required Frac-out Contingency Plan and all approvals thereof issued by the appropriate resource and local agencies. A licensed geotechnical engineer hired by CalAm will prepare the Plan for submission and approval by the resources agencies. CalAm will implement the plan through contract specifications with the HDD contractors. Reporting of implementation and any frac-out incidents will be reported to the resources agencies.	Prior to and during construction.	Compliance with all components of the approved Frac-out Contingency Plan and documentation that doing so avoided injury to or loss of special status plants.
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction. **Mitigation Measures 4.12-1b and 4.14-2**	X		X	X	X	X	See below in Mitigation Measures 4.12-1b and 4.14-2		
Impact 4.6-2: Result in substantial adverse effects on riparian habitat, critical habitat, or other sensitive natural communities during construction. **Mitigation Measures 4.6-1a, 4.6-1b, 4.6-1c, 4.6-1d, 4.6-1n, 4.6-1o, 4.6-1p, and 4.6-1q**	X		X	X	X	X	See above in Mitigation Measures 4.6-1a, 4.6-1b, 4.6-1c, 4.6-1d, 4.6-1n, 4.6-1o, 4.6-1p, and 4.6-1q		
Impact 4.6-2: Result in substantial adverse effects on riparian habitat, critical habitat, or other sensitive natural communities during construction. **Mitigation Measure 4.6-2a: Consultation with Local Agencies and the California Coastal Commission regarding Environmentally Sensitive Habitat Areas.** Some parts of the project area occur within the Coastal Zone and development within the Coastal Zone would require a Coastal Development Permit.	X		X	X		X	CalAm shall provide the CPUC with copies of all approved Coastal Development Permits issued by the CCC and applicable local agencies prior to initiation of ground disturbing activities.	Prior to construction.	Compliance with all components of all Coastal Development Permits approved for the MPWSP for protection of ESHA.

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TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.6: Terrestrial Biological Resources (cont.)									
Prior to the initiation of ground-disturbing activities CalAm shall consult with the CCC or local jurisdiction and obtain the necessary permit(s) in order to proceed with the MPWSP. The CCC or local agency would authorize the project if it conforms to ESHA policies or other policies of the Coastal Act.									
Impact 4.6-2: Result in substantial adverse effects on riparian habitat, critical habitat, or other sensitive natural communities during construction. **Mitigation Measure 4.6-2b: Avoid, Minimize, and Compensate for Construction Impacts to Sensitive Communities and Environmentally Sensitive Habitat Areas.** CalAm and/or its construction contractor(s) shall implement the following avoidance, minimization, and compensation measures for sensitive natural communities, the special-status species that utilize these sensitive communities, environmentally sensitive habitat areas (ESHA) as defined by the California Coastal Commission (CCC) or in a local coastal plan (LCP), and primary habitat as defined in the City of Marina's Local Coastal Land Use Plan (LCLUP). Compensatory mitigation for permanent loss from periodic maintenance of the subsurface slant wells shall only be applied once and would not be applied for each five-year maintenance event. a) Project facilities shall be sited and designed to avoid disturbance of central maritime chaparral, central dune scrub, coast live oak woodland, and riparian woodland and scrub, any areas defined as ESHA by the CCC or in a LCP, primary habitat as defined in the LCLUP, any sensitive communities defined by local jurisdictions, and any other sensitive natural communities, including critical habitat, identified within the project area. b) Where direct impacts on sensitive natural communities, ESHA, primary habitat, or critical habitat cannot feasibly be avoided, CalAm shall implement the following measures: i. Any temporarily impacted sensitive natural communities, ESHA, primary habitat, and critical habitat, shall be restored to previous conditions or better at the end of construction. Compensatory mitigation for permanent impacts on sensitive natural communities shall occur at a ratio of 2:1 or greater. Compensation for loss of sensitive natural communities may be in the form of permanent on-site or off-site creation, restoration, enhancement, or preservation of habitat. At a minimum the restoration or compensation sites shall meet the following performance standards by the fifth year following restoration: a. Temporarily impacted areas are returned to pre-project conditions or greater b. Native vegetation cover shall be at least 70 percent of baseline/impact area native vegetation cover c. No more cover by invasives than the baseline/impact area Restoration and mitigation activities shall be described in the Habitat Mitigation and Monitoring Plan prescribed by Mitigation Measure 4.6-1n (Habitat Mitigation and Monitoring Plan). Alternatively, credits purchased through an approved mitigation bank, or approved Habitat Conservation Plan. ii. Topsoil shall be salvaged during grading and earthmoving activities, stockpiled separately from subsoil, and protected from erosion (e.g., covered or watered). Composting additives shall be used to amend the soil, if needed, and compacted topsoil shall be properly prepared prior to reuse for post-construction restoration of temporarily disturbed areas. A minimum of 12 inches of topsoil shall be salvaged (or if there is less than 12 inches of topsoil initially, as much as is available practicable). iii. For HMP sensitive natural communities on former Fort Ord lands, plants shall be salvaged, under the direction of a qualified biologist, as necessary per the requirements of the HMP, and in accordance with any requirements from USFWS and CDFW.	X		X	X	X	X	CalAm shall provide and obtain approval from CPUC of final design submittals demonstrating avoidance of sensitive natural communities and species that utilize them, ESHA and primary/secondary habitat or provide the CPUC with copies of all approved Coastal Development Permits issued by the CCC and applicable local agencies prior to initiation of ground disturbing activities. CalAm's environmental monitor shall provide CPUC with monthly reports demonstrating oversight and successful implementation of the required avoidance, minimization and compensation measures to ensure construction is limited to the design footprint and avoids sensitive communities/species/ habitat or that compensatory mitigation was provided.	Prior to and during construction.	Compliance with all components of all Coastal Development Permits approved for the MPWSP and their conditions for the protection for sensitive natural communities, the special-status species that utilize these sensitive communities, ESHA as defined by the CCC or in a LCP, and primary habitat.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.6: Terrestrial Biological Resources (cont.)									
c) Any areas used for staging, laydown, material storage, equipment storage, job trailers, employee parking, or other project-related support activities that do not need to be located adjacent to the active construction area shall be located away from jurisdictional areas, sensitive communities, and shall be protected from stormwater runoff using temporary perimeter sediment barriers such as berms, silt fences, fiber rolls, covers, sand/gravel bags, and straw bale barriers. d) All potential contaminants shall be stored on impervious surfaces, plastic ground covers, or in secondary containment to prevent any spills or leakage from contaminating the ground, and shall be located at least 100 feet from adjacent habitat, unless required for construction activities to be located adjacent to the active construction area. e) Any spillage of pollutants or construction material shall be contained immediately in accordance with the project SWPPP. The contaminated area shall be cleaned and any contaminated materials properly disposed of. The Lead Biologist shall be notified of all spills. Further, CalAm and/or its construction contractor(s) shall implement the following avoidance, minimization, and compensation measures for any areas that are identified as secondary habitat as defined in the City of Marina's LCLUP (and not within ESHA as defined by the CCC) through the coastal permitting process: a) Development shall be designed to prevent significant adverse impacts on primary habitat areas. Adverse impacts that shall be avoided may include indirect impacts such as operational noise impacts on wildlife, introduction of the spread of invasive plant and wildlife species, increased erosion, introduction of trash that would invite predators, increased human disturbance, and decreased water quality. b) All temporarily impacted areas shall be restored to pre-construction conditions or better at the end of construction. Compensatory mitigation for permanent impacts on sensitive natural communities shall occur at a ratio of 1:1 or greater. Compensation for loss of sensitive natural communities may be in the form of permanent on-site or off-site creation, restoration, enhancement, or preservation of habitat. At a minimum the restoration or compensation sites shall meet the following performance standards by the fifth year following restoration: i. Temporarily impacted areas are returned to pre-project conditions or greater ii. Native vegetation cover shall be at least 70 percent of baseline/impact area native vegetation cover iii. No more cover by invasives than the baseline/impact area Restoration and mitigation activities shall be described in the Habitat Mitigation and Monitoring Plan prescribed by Mitigation Measure 4.6-1n (Habitat Mitigation and Monitoring Plan). Alternatively, credits purchased through an approved mitigation bank, or approved Habitat Conservation Plan.									
Impact 4.6-3: Result in substantial adverse effects on federal wetlands, federal other waters, and/or waters of the state during construction. **Mitigation Measures 4.6-1a, 4.6-1b, 4.6-1c, and 4.6-1q**	X		X	X	X	X	See above in Mitigation Measures 4.6-1a, 4.6-1b, 4.6-1c, and 4.6-1q		
Impact 4.6-3: Result in substantial adverse effects on federal wetlands, federal other waters, and/or waters of the state during construction. **Mitigation Measure 4.6-3: Avoid, Minimize, and or Mitigate Impacts to Wetlands.** 1. A jurisdictional wetland delineation shall be conducted to determine the extent of waters of the U.S. and waters of the state within the project component footprints and anticipated construction disturbance area. 2. The proposed project shall be designed to avoid and/or minimize direct impacts on wetlands and/or waters under the jurisdiction of the U.S. Army Corps of Engineers, Regional Water Quality Control Board, California Department of Fish and Wildlife, and/or the California Coastal Commission to the extent feasible. Horizontal Directional Drilling or other trenchless or above water methods will be used at all pipeline crossings of wetlands and other waters of the U.S. and of the state except some small order seasonal or ephemeral drainages which do not support riparian	X		X	X	X	X	CalAm shall provide a copy of the required jurisdictional wetland delineation and all concurrences, approvals and/or related permits issued by the U.S. Army Corps of Engineers, RWQCB, CDFW, and/or the California Coastal Commission. CalAm's environmental monitor shall provide CPUC with monthly reports demonstrating avoidance and/or minimization of impacts on wetlands and/or waters of the U.S. or that compensatory mitigation was provided.	Prior to, during, and after construction.	Documented avoidance, minimization, and/or mitigation of impacts on wetlands consistent with the required jurisdictional wetland delineation and all concurrences ,approvals and/or related permits issued by the U.S. Army Corps of Engineers, RWQCB, CDFW, and/or the California Coastal Commission

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.6: Terrestrial Biological Resources (cont.)									
woodland, riparian scrub, marsh or other wetland vegetation, and which would be crossed during the dry season in the absence of flow or standing water. 3. Where disturbance to jurisdictional waters cannot be avoided, any temporarily impacted jurisdictional water shall be restored to pre-construction conditions or better at the end of construction. Compensation for permanent impacts shall be provided at a 2:1 or greater ratio. Compensation for loss of jurisdictional waters may be in the form of permanent on-site or off-site creation, restoration, enhancement, or preservation of habitat. At a minimum the restoration or compensation sites shall meet the following performance standards by the fifth year following restoration: a. Temporarily impacted areas are retumed to pre-project conditions or greater b. Wetlands restored or constructed as federal wetlands meet the federal criteria for jurisdictional wetlands and wetlands restored or constructed as state wetlands meet the state criteria for jurisdictional wetlands c. No more cover by invasives than the baseline/impact area Compensation shall be detailed on a project-specific basis and shall include development of a Wetland Mitigation and Monitoring Plan (WMMP), which shall be developed prior to the start of construction and in coordination with permit applications and/or conditions. At a minimum, the WMMP shall include: a. Name and contact information for the property owner of the land on which the mitigation will take place; b. Identification of the source for supplemental irrigation; c. Identification of depth to groundwater; d. Baseline information, including a summary of the findings in any other recent wetland delineations applicable to the project disturbance area; e. Anticipated habitat enhancements to be achieved through compensatory actions; f. Monitoring methods and schedule; g. Performance and success criteria for wetland creation and/or enhancement, with success criteria in tabular form. h. Roles and responsibilities for mitigation funding, implementation, maintenance, monitoring, and reporting. i. Identification of the mechanism that will preserve the mitigation site in perpetuity, if necessary. Alternatively, offsite mitigation credits may be purchased at an approved mitigation bank; if no banks are available, then alternative mitigation may be achieved through payment of in-lieu fees.									
Impact 4.6-4: Be inconsistent with any local policies or ordinances protecting biological resources, such as a tree preservation policy or ordinance. **Mitigation Measure 4.6-1d, 4.6-1e, 4.6-1f, 4.6-1n, and 4.6-2b**	X		X	X	X	X	See above in Mitigation Measures 4.6-1d, 4.6-1e, 4.6-1f, 4.6-1n, and 4.6-2b		

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	Implementation Schedule	
Section 4.6: Terrestrial Biological Resources (cont.)									
Impact 4.6-4: Be inconsistent with any local policies or ordinances protecting biological resources, such as a tree preservation policy or ordinance. **Mitigation Measure 4.6-4: Compliance with Local Tree Ordinances.** 1. The project applicant shall perform a comprehensive survey within the project footprint to identify, measure, and map trees subject to local tree removal ordinances (as specified in Table 4.6-10) at least 30 days prior to start of planned ground disturbance or tree removal. 2. Any trees that are subject to local tree removal ordinances shall be avoided to the extent practicable. 3. If tree removal cannot be avoided by project construction, then the applicant shall comply with the applicable local tree policies or ordinances, obtain appropriate tree removal permits from applicable local agencies, and comply with those permits. 4. Tree removal, preservation, or mitigation on Army property would be done in accordance with the Integrated Natural Resource Management Plan Presidio of Monterey and Ord Military Community (November, 2008).	X		X	X	X	X	CalAm shall provide the name and qualifications of the biologist(s) to conduct the comprehensive tree survey to the CPUC for approval. CalAm shall also provide to the CPUC a copy of the survey and related maps and copies of all required tree removal permits issued by applicable local agencies prior to construction.	Prior to and during construction.	Final design plans demonstrate that all trees subject to local tree removal ordinances will be avoided and if not compliance with all tree removal permits and related conditions issued by applicable local agencies shall be implemented.
Impact 4.6-5: Introduce or spread an invasive non-native species during construction. **Mitigation Measures 4.6-1a and 4.6-1p**	X		X	X	X	X	See above in Mitigation Measures 4.6-1a and 4.6-1p		
Impact 4.6-6: Result in substantial adverse effects on candidate, sensitive, or special-status species during project operations. **Mitigation Measures 4.6-1a, 4.6-1b, 4.6-1c, 4.6-1d, 4.6-1e, 4.6-1f, 4.6-1g, 4.6-1i, 4.6-1n, 4.6-1p, 4.12-1b, 4.12-5, and 4.14-2**	X		X	X	X	X	See above in Mitigation Measures 4.6-1a, 4.6-1b, 4.6-1c, 4.6-1d, 4.6-1e, 4.6-1f, 4.6-1g, 4.6-1i, 4.6-1n, 4.6-1p, 4.12-1b, 4.12-5, and 4.14-2		
Impact 4.6-6: Result in substantial adverse effects on candidate, sensitive, or special-status species during project operations. **Mitigation Measure 4.6-6: Installation and Monitoring of Bird Deterrents at the Brine Storage Basin.** Bird deterrents (such as reflective flagging, whistles, or a falconer) shall be utilized at the Brine Storage Basin. The type of bird deterrent shall be determined by the lead biologist and shall be modified if, through monitoring (as described below), the bird deterrents are either not sufficient at deterring birds from the Brine Storage Basin or pose a risk to wildlife. Monitoring of the Brine Storage Basin shall include the following: • ***Daily Monitoring:*** CalAm operational staff will monitor the brine pond on a daily basis as part of their regular routine. If staff see regular use of the pond by birds, any dead animals, or any unusual siting, USFWS will be notified within one working day. • ***Monthly Monitoring*****:** A qualified biologist and/or qualified biological monitor shall regularly survey the Brine Storage Basin at least once per month starting with the first month of operation of the Brine Storage Basin. The purpose of the surveys shall be to determine if the bird deterrents are effective in excluding birds and to assess whether the deterrents serve as a hazard to birds or wildlife. The monthly surveys shall be conducted in one day for a minimum of two hours following sunrise (i.e., dawn), a minimum of one hour mid-day (i.e., 1100 to 1300), and a minimum of two hours preceding sunset (i.e., dusk) in order to provide an accurate assessment of bird and wildlife use of the ponds during all seasons. Operations staff at the MPWSP Desalination Plant shall also report finding any dead birds or other wildlife at the Brine Storage Basin to the Lead Biologist within one day of the detection of the carcass. The Lead Biologists shall report any bird or other wildlife deaths or entanglements within two days of the discovery to CalAm, CDFW, and USFWS.			X				CalAm shall provide to the CPUC information regarding all bird deterrents utilized, copies of all staff monitoring reports, biologist/biological monitor survey reports and any related correspondence to or additional bird deterrent conditions required or authorizations provided by USFWS/CDFW. A Lead Biologist hired by CalAm will oversee the installation and monitoring of bird deterrents at the Brine Storage Basin. The Lead Biologist will report deaths or entanglements of any birds or wildlife to CPUC, CalAm, CDFW, and USFWS. The Lead Biologist will review deterrent monitoring reports and modify the bird deterrent program through adaptive management measures.	During the operation of the Brine Storage Basin.	Successful deterrent of birds documented in monitoring reports.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s): Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	Monitoring and Reporting Program: Monitoring and Reporting Actions: *CalAm Reports On, and the CPUC Monitors all Mitigation Measures*	Monitoring and Reporting Program: Implementation Schedule	Effectiveness Criteria
Section 4.6: Terrestrial Biological Resources (cont.)									
• ***Quarterly Monitoring***: If after 12 consecutive monthly site visits (described above) no bird or wildlife deaths are detected at the Brine Storage Basin by or reported to the Lead Biologist, monitoring can be reduced to quarterly visits. • ***Biannual Monitoring***: If after 12 consecutive quarterly site visits (described above) no bird or wildlife deaths are detected by or reported to the Lead Biologist, future surveys may be reduced to two surveys per year, during the spring nesting season and during fall migration. • ***Modification of Monitoring Program***: The Lead Biologist shall modify the monitoring program based on information acquired during monitoring if any changes are needed, and determine adaptive management measures to remedy any problems that are detected during monitoring or modifications if bird impacts are observed.									
Impact 4.6-7: Result in substantial adverse effects on riparian habitat, critical habitat, or other sensitive natural communities during project operations. **Mitigation Measures 4.6-1a, 4.6-1b, 4.6-1c, 4.6-1d, 4.6-1n, 4.6-1p, 4.6-2a, and 4.6-2b**	X		X	X	X	X	See above in Mitigation Measures 4.6-1a, 4.6-1b, 4.6-1c, 4.6-1d, 4.6-1n, 4.6-1p, 4.6-2a, and 4.6-2b		
Impact 4.6-8: Result in substantial adverse effects on federal wetlands, federal other waters, and waters of the state during project operations. **Mitigation Measures 4.6-1a, 4.6-1b, and 4.6-1c**	X		X	X	X	X	See above in Mitigation Measures 4.6-1a, 4.6-1b, and 4.6-1c		
Impact 4.6-9: Introduce or spread an invasive non-native species during project operations. **Mitigation Measures 4.6-1a and 4.6-1p**	X		X	X	X	X	See above in Mitigation Measures 4.6-1a and 4.6-1p		
Impact 4.6-10: Be inconsistent with the provisions of an adopted Habitat Conservation Plan, natural community conservation plan or other approved local, regional, or state habitat conservation plan. **Mitigation Measures 4.6-1a, 4.6-1n, and 4.6-2b**	X		X	X	X	X	See above in Mitigation Measures 4.6-1a, 4.6-1n, and 4.6-2b		
Impact 4.6-C: Cumulative impacts related to terrestrial biological resources. **Mitigation Measures 4.6-1a, 4.6-1b, 4.6-1c, 4.6-1d, 4.6-1e, 4.6-1f, 4.6-1g, 4.6-1h, 4.6-1i, 4.6-1j, 4.6-1k, 4.6-1l, 4.6-1m, 4.6-1n, 4.6-1o, 4.6-1p, 4.6-2a, 4.6-2b, 4.6-3, 4.6-4, 4.6-6, 4.12-1b, 4.12-5, and 4.14-2**	X		X	X	X	X	See above in Mitigation Measures 4.6-1a, 4.6-1b, 4.6-1c, 4.6-1d, 4.6-1e, 4.6-1f, 4.6-1g, 4.6-1h, 4.6-1i, 4.6-1j, 4.6-1k, 4.6-1l, 4.6-1m, 4.6-1n, 4.6-1o, 4.6-1p, 4.6-2a, 4.6-2b, 4.6-3, 4.6-4, and 4.6-6, and below in Mitigation Measures 4.12-1b, 4.12-5, and 4.14-2		
Section 4.7: Hazards and Hazardous Materials									
Impact 4.7-2: Encountering hazardous materials from other hazardous materials release sites during construction. **Mitigation Measure 4.7-2a: Health and Safety Plan.** The construction contractor(s) shall prepare and implement a site-specific Health and Safety Plan as required by and in accordance with 29 CFR 1910.120 to protect construction workers and the public during all excavation and grading activities. This plan shall be submitted to the California Public Utilities Commission for review prior to commencement of construction. The Health and Safety Plan shall include, but is not limited to, the following elements: • Designation of a trained, experienced site safety and health supervisor who has the responsibility and authority to develop and implement the site health and safety plan; • A summary of all potential risks to construction workers and maximum exposure limits for all known and reasonably foreseeable site chemicals;	X		X	X	X	X	Through contract specifications, CalAm's contractors will prepare Health and Safety Plans, as reviewed and approved by CPUC prior to construction.	Prior to and during construction.	Compliance with all components of the approved Health and Safety Plan.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.7: Hazards and Hazardous Materials (cont.)									
• Specified personal protective equipment and decontamination procedures, if needed; • Emergency procedures, including route to the nearest hospital; and • Procedures to be followed in the event that evidence of potential soil or groundwater contamination (such as soil staining, noxious odors, debris or buried storage containers) is encountered. These procedures shall be in accordance with hazardous waste operations regulations and specifically include, but are not limited to, the following: immediately stopping work in the vicinity of the unknown hazardous materials release, notifying Monterey County Department of Environmental Health, and retaining a qualified environmental firm to perform sampling and remediation.									
Impact 4.7-2: Encountering hazardous materials from other hazardous materials release sites during construction. **Mitigation Measure 4.7-2b: Soil and Groundwater Management Plan.** In support of the Health and Safety Plan described above, CalAm or its contractor shall develop and implement a Soil and Groundwater Management Plan that includes a materials disposal plan specifying how the construction contractor will remove, handle, transport, and dispose of all excavated material in a safe, appropriate, and lawful manner. The plan must identify protocols for soil testing and disposal, identify the approved disposal site, and include written documentation that the disposal site will accept the waste. Contract specifications shall mandate full compliance with all applicable local, state, and federal regulations related to the identification, transportation, and disposal of hazardous materials, including those encountered in excavated soil or dewatering effluent. As part of the Soil and Groundwater Management Plan, CalAm or its contractor shall develop a groundwater dewatering control and disposal plan specifying how contaminated groundwater (dewatering effluent), if encountered, will be handled and disposed of in a safe, appropriate and lawful manner. The plan must identify the locations at which groundwater dewatering is likely to be required, the method to analyze groundwater for hazardous materials, and the appropriate treatment and/or disposal methods. If the dewatering effluent contains contaminants that exceed the requirements of the *General WDRs for Discharges with a Low Threat to Water Quality* (Order No. R3-2011-0223, NPDES Permit No. CAG993001), the construction contractor shall contain the dewatering effluent in a portable holding tank for appropriate offsite disposal or discharge (see Section 4.5.3 in Section 4.3, Surface Water Hydrology and Water Quality, for more information regarding this NPDES permit). The contractor can either dispose of the contaminated effluent at a permitted waste management facility or discharge the effluent, under permit, to a publicly owned treatment works such as the M1W Regional Wastewater Treatment Plant. This plan shall be submitted to the California Public Utilities Commission and Monterey Bay National Marine Sanctuary for review and approval prior to commencement of construction.	X		X	X	X	X	CalAm, or its contractor through contract specifications, shall prepare and provide a Soil and Groundwater Management Plan for review and approval by CPUC and MBNMS prior to commencement of construction.	Prior to and during construction.	Compliance with all components of the approved Soil and Groundwater Management Plan.
Impact 4.7-C: Cumulative impacts related to hazards and hazardous materials. **Mitigation Measures 4.7-2a and 4.7-2b**	X		X	X	X	X	See above in Mitigation Measures 4.7-1a and 4.7-1b		
Section 4.8: Land Use, Land Use Planning, and Recreation									
Impact 4.8-2: Disrupt or preclude public access to or along the coast during construction. **Mitigation Measure 4.9-1**	X		X			X	See below in Mitigation Measure 4.9-1		
Impact 4.8-C: Cumulative impacts related to land use and recreation. **Mitigation Measure 4.9-1**							See below in Mitigation Measure 4.9-1		

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TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact Mitigation Measure	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	Monitoring and Reporting Actions: *CalAm Reports On, and the CPUC Monitors all Mitigation Measures*	Implementation Schedule	
Section 4.9: Traffic and Transportation									
Impact 4.9-1: Temporary traffic increases on regional and local roadways due to construction-related vehicle trips. **Mitigation Measure 4.9-1: Traffic Control and Safety Assurance Plan.** CalAm and/or the construction contractor(s) shall obtain any necessary road encroachment permits (e.g., from Caltrans and/or the U.S. Army) prior to constructing each project component and shall comply with the conditions of approval attached to all project permits and approvals. As part of the road encroachment permit process, a qualified traffic engineer shall prepare a traffic control and safety assurance plan in accordance with professional engineering standards and submit the plan to the agencies with jurisdiction over the affected roads and recreational trails, as well as to the California Public Utilities Commission, for review and approval. For all project construction activities that could affect the public right-of-way (e.g., roadways, sidewalks, and walkways), the plan shall include measures that would provide for continuity of vehicular, pedestrian, and bicyclist traffic; reduce the potential for traffic accidents; and ensure worker safety in construction zones. Where project construction activities could disrupt mobility and access for bicyclists and pedestrians, the plan shall include measures to ensure safe and convenient access, including recreation and coastal, would be maintained. The traffic control and safety assurance plan shall be developed on the basis of detailed design plans for the approved project. The plan shall include, but not necessarily be limited to, the elements listed below: • Develop circulation and detour plans to minimize impacts on local streets. Haul routes that minimize truck traffic on local roadways and residential streets shall be used. As necessary, signage and/or flaggers shall be used to guide vehicles through the construction work areas. • Control and monitor construction vehicle movements by enforcing standard construction specifications through periodic onsite inspections. • Install traffic control devices where traffic conditions warrant, as specified in the applicable jurisdiction's standards (e.g., the *California Manual of Uniform Traffic Controls for Construction and Maintenance Work Zones*). • Schedule truck trips outside of peak morning and evening commute hours to minimize adverse impacts on traffic flow (i.e., if agencies with jurisdiction over the affected roads identify highly congested roadway segments during their review of the encroachment permit applications). • Post detour signs along affected roadways to notify motorists of alternative routes. • Perform construction that crosses on-street and off-street bikeways, sidewalks, and other walkways in a manner that allows for safe access for bicyclists and pedestrians. Alternatively, provide safe detours to reroute affected bicycle/pedestrian traffic. • At least two weeks prior to construction, post signage along all potentially affected recreational trails and coastal access point; Class I, II, and II bicycle routes; and pedestrian pathways, including the Monterey Peninsula Recreational Trail, to warn bicyclists and pedestrians of construction activities. The signs shall include information regarding the nature of construction activities, duration, and detour routes. Signage shall be composed of or encased in weatherproof material and posted in conspicuous locations, including on park message boards, and existing wayfinding signage and kiosks, for the duration of the closure period. At the end of the closure period, CalAm or its contractors shall retrieve all notice materials. • CalAm and its contractors shall schedule construction activities to minimize impacts during heavy recreational use periods (e.g., weekends and holidays).	X		X	X	X	X	CalAm, or its contractor through contract specifications, shall prepare the required Traffic Control and Safety Assurance Plan based on final detailed project design plans and provide it to the CPUC for review and approval, together with copies of all road encroachment permits approved/issued by Caltrans, the U.S. Army and/or local agencies, prior to construction.	Prior to and during construction.	Compliance with all components of the CPUC-approved Traffic Control and Safety Assurance Plan and all road encroachment permits (and conditions thereto) required and approved/issued for the MPWSP.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s): Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	Monitoring and Reporting Program: Monitoring and Reporting Actions: *CalAm Reports On, and the CPUC Monitors all Mitigation Measures*	Monitoring and Reporting Program: Implementation Schedule	Effectiveness Criteria
Section 4.9: Traffic and Transportation (cont.)									
• Implement a public information program to notify motorists, bicyclists, nearby residents, and adjacent businesses of the impending construction activities (e.g., media coverage, email notices, websites, etc.). Notices of the location(s) and timing of road closures shall be published in local newspapers and on available websites to allow motorists to select alternative routes. This provision shall be implemented in conjunction with **Mitigation Measure 4.12-1a (Neighborhood Notice)**. • Consult with non-jurisdictional parties (e.g., CEMEX), as appropriate, regarding strategies for reducing increased traffic on roads that would provide access to construction work areas. • Store all equipment and materials in designated contractor staging areas. • Maintain alternate one-way traffic flow past the construction zone where possible. • Install detour signs to direct traffic to alternative routes around the closed road segment if alternate one-way traffic flow cannot be maintained past the construction zone. • Limit lane closures during peak hours. • Restore roads and streets to normal operation by covering trenches with steel plates outside of normal work hours or when work is not in progress. • Comply with roadside safety protocols to reduce the risk of accidents. Provide "Road Work Ahead" warning signs and speed control (including signs informing drivers of state-legislated double fines for speed infractions in a construction zone) to achieve required speed reductions for safe traffic flow through the work zone. Train construction personnel to apply appropriate safety measures as described in the traffic control and safety assurance plan. • Maintain access for emergency vehicles at all times. Coordinate with facility owners or administrators of sensitive land uses such as police and fire stations, transit stations, hospitals, and schools. Provide advance notification to local police, fire, and emergency service providers of the timing, location, and duration of construction activities that could affect the movement of emergency vehicles on area roadways. • • Develop a school traffic and pedestrian safety plan to minimize adverse impacts associated with truck trips and lane closures (e.g., in the vicinity of the Marshall Elementary School east of the General Jim Moore Boulevard / Normandy Road intersection). • Avoid truck trips through designated school zones during the school drop-off and pickup hours to the extent feasible. • Provide flaggers in school areas at street crossings to manage traffic flow and maintain traffic safety during the school drop-off and pickup hours on days when pipeline installation would occur in designated school zones. • Coordinate with Monterey-Salinas Transit so the transit provider can temporarily relocate bus routes or bus stops in work zones as deemed necessary.									
Impact 4.9-2: Temporary reduction in roadway capacities and increased traffic delays during construction. **Mitigation Measure 4.9-1**	X		X	X	X	X	See above in Mitigation Measure 4.9-1		
Impact 4.9-3: Increased traffic safety hazards for vehicles, bicyclists, and pedestrians on public roadways during construction. **Mitigation Measure 4.9-1**	X		X	X	X	X	See above in Mitigation Measure 4.9-1		
Impact 4.9-4: Impaired emergency access during construction. **Mitigation Measure 4.9-1**	X		X	X	X	X	See above in Mitigation Measure 4.9-1		

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s): Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	Monitoring and Reporting Program: Monitoring and Reporting Actions: *CalAm Reports On, and the CPUC Monitors all Mitigation Measures*	Monitoring and Reporting Program: Implementation Schedule	Effectiveness Criteria
Section 4.9: Traffic and Transportation (cont.)									
Impact 4.9-5: Temporary disruptions to public transportation, bicycle, and pedestrian facilities during construction. **Mitigation Measure 4.9-1**	X		X	X	X	X	See above in Mitigation Measure 4.9-1		
Impact 4.9-6: Increased wear-and-tear on the designated haul routes used by construction vehicles. **Mitigation Measure 4.9-6: Roadway Rehabilitation Program.** Prior to commencing project construction, CalAm and the affected jurisdiction(s) shall enter into an agreement detailing the preconstruction condition of all major project-related construction access and haul routes, in addition to any appropriate post-construction roadway rehabilitation requirements (e.g., who would make the roadway repair, and by when). Temporary detour routes may also be included in the inventory of preconstruction road conditions, if appropriate. The construction routes identified in the rehabilitation program must be consistent with those identified in the construction traffic control and safety assurance plan developed under Mitigation Measure 4.9-1. Roads damaged by project-related construction vehicles shall be repaired to a structural condition equal to that which existed prior to construction activities. CalAm shall be responsible for paying for all repairs needed to fix the damage caused by project-related construction vehicles.	X		X	X	X	X	CalAm shall provide a fully-executed copy of the agreement it enters into with affected jurisdictions to the CPUC, to document pre- and post-construction road conditions and identify road segments for post-construction rehabilitation measures. CPUC and affected jurisdictions will monitor the documentation procedures and rehabilitation measures.	Prior to and after construction.	Rehabilitation of roads and road segments affected by project construction to pre-construction or better conditions, as identified by required agreement between CalAm and affected jurisdictions.
Impact 4.9-7: Parking interference during construction. **Mitigation Measure 4.9-7: Construction Parking Requirements.** Prior to commencing project construction, the construction contractor(s) shall coordinate with the affected jurisdictions (i.e., Monterey County, Cal State Monterey, and the cities of Marina and Seaside), and affected parties (i.e., the Walmart Superstore at 150 Beach Road), to design the staging areas to avoid or minimize parking impacts in the publicly used parking lots.	X		X	X	X	X	CalAm shall provide the CPUC with copies of its construction contracts and related documentation demonstrating that CalAm's contractor(s) satisfactorily coordinated with affected jurisdictions and parties to avoid or minimize construction staging area parking impacts in public parking lots. CPUC and local jurisdictions will monitor the parking coordination.	Prior to and during construction.	Coordination of contractors with affected jurisdictions and parties that avoids or minimizes parking impacts in public parking lots.
Impact 4.9-C: Cumulative impacts related to traffic and transportation. **Mitigation Measures 4.9-1, 4.9-6, and 4.9-7**	X		X	X	X	X	See above in Mitigation Measures 4.9-1, 4.9-6, and 4.9-7		
Impact 4.9-C: Cumulative impacts related to traffic and transportation. **Mitigation Measure 4.9-C: Construction Traffic Coordination Plan.** CalAm shall coordinate with the appropriate planning agency within each affected jurisdiction to develop and implement a Construction Traffic Coordination Plan. The purpose of the plan shall be to lessen the cumulative effects of MPWSP and local development project construction-related traffic delays and congestion. The plan shall address construction-related traffic associated with all project sites in the vicinity of MPWSP project components (i.e., within 1 mile or would use the same roads) and whose construction schedules overlap that of the MPWSP. The construction traffic coordination plan shall, at a minimum, include the following components: • Identification of all projects located in the vicinity of MPWSP project components (within 1 mile or would use the same roads) and whose construction schedules overlap that of the MPWSP. • Consideration for the types of construction-related vehicles and corresponding numbers and timing of trips associated with each said project. • An evaluation of roadways affected by construction activities and measures to minimize roadway and traffic disturbances (e.g., lane closures and detours). Impact minimization measures shall include, but not necessarily be limited to, elements that are part of the MPWSP's Traffic Control and Safety Assurance Plan (Mitigation Measure 4.9-1). • Phasing of construction activities, as necessary to prevent degradation of levels of service on affected roadways.	X		X	X	X	X	CalAm will coordinate with affected jurisdictions to develop and implement the required Construction Traffic Coordination Plan and provide the CPUC with a copy of said Plan and related documentation demonstrating CalAm satisfactorily coordinated with the planning agencies of each affected jurisdiction. CPUC and affected local jurisdictions will monitor the implementation of the Plan.	Prior to and during construction.	Implementation of a Construction Traffic Coordination plan by CalAm that reduces cumulative effect of overlapping construction traffic in the affected jurisdictions. Continuous coordination between CalAm and affected jurisdictions that result in adjustments and refinements reducing traffic impacts.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	Implementation Schedule	
Section 4.9: Traffic and Transportation (cont.)									
• A program that provides for continual coordination with the affected agencies to allow for adjustments and refinements to the plan once construction is underway. The construction traffic plan may be modeled after or included within the plan described in **Mitigation Measure 4.9-1 (Traffic Control and Safety Assurance Plan)**. If necessary, separate construction traffic coordination plans (i.e., one for each affected jurisdiction) may be prepared, provided each is compatible.									
Section 4.10: Air Quality									
Impact 4.10-1: Generate emissions of criteria air pollutants and contribute to a violation of an ambient air quality standard during construction. **Mitigation Measure 4.10-1a: Equipment with High-Tiered Engine Standards.** For diesel-fueled off-road construction equipment of more than 50 horsepower, CalAm and/or its construction contractor shall make a good faith effort to use available construction equipment that meets the highest USEPA-certified tiered emission standards or is alternatively powered (e.g., with electricity, natural gas, propane, methanol and ethanol blends, or gasoline) construction equipment. For all pieces of equipment that would neither meet Tier 4 emission standards nor be alternatively powered, CalAm or its construction contractor shall provide to the CPUC documentation from two local heavy construction equipment rental companies that indicate that the companies do not have access to higher-tiered equipment or alternatively powered equipment for the given class of equipment. Such documentation shall be provided to the CPUC at least two weeks prior to the anticipated use of those pieces of equipment.	X	X	X	X	X	X	CalAm shall provide the CPUC with documentation demonstrating that its construction contractor(s) successfully procured non-diesel-fueled construction equipment or diesel-fueled equipment that meets U.S. EPA Tier 4 emission standards or, in the alternative, documentation from two local heavy construction equipment rental companies indicating that the companies do not have access to such Tier 4 compliant or nondiesel-fueled equipment prior to commencement of construction. CPUC will monitor the efforts of CalAm and its contractors use of high-tiered construction equipment.	Prior to and during construction.	Documented use of available Tier 4 compliant or non-diesel-fueled construction equipment.
Impact 4.10-1: Generate emissions of criteria air pollutants and contribute to a violation of an ambient air quality standard during construction. **Mitigation Measure 4.10-1b: Idling Restrictions.** In order to ensure that idling time for on road vehicles with a gross vehicular weight rating of 10,000 pounds or greater does not exceed the 5-minute limit established in Section 2485 of Title 13 CCR Section 2485, and that idling time for off-road engines does not exceed the 5 minute limit established in Title 13 CCR Section 2449(d)(3), CalAm and/or its construction contractor(s) shall prepare and implement a written idling policy and distribute it to all equipment operators. The idling policy shall extend the 5-minute idling limit to cover all on road vehicles (regardless of gross vehicular weight rating) and shall further require that for all diesel-powered off-road engines, the idling limit is reduced to 2 minutes, while maintaining the exceptions specified in Title 13 CCR Section 2449(d)(3). Clear signage of these requirements shall be provided for construction workers at all access points to construction areas.	X	X	X	X	X	X	CalAm shall provide the CPUC and all of its construction equipment operators with a copy of the required written idling policy and evidence of signs containing the requirements of the policy provided/placed at all access points to construction areas prior to the use of any such area. or its contractors through contract specifications, will prepare and implement a written idling policy and distribute to all equipment operators with idling time restrictions for all vehicles. Signage of the idling requirements will be posted at all construction sites. CPUC will review and monitor idling policy implementation.	Prior to and during construction.	Compliance with all components of the required idling policy.
Impact 4.10-1: Generate emissions of criteria air pollutants and contribute to a violation of an ambient air quality standard during construction. **Mitigation Measure 4.10-1c: Construction Fugitive Dust Control Plan.** CalAm shall require its construction contractor(s) to implement a dust control plan that includes, at minimum, the following dust control measures: • Water all active construction areas at least three times daily; • Cover all trucks hauling soil, sand, and other loose materials and require trucks to maintain at least 2 feet of freeboard; • Apply water three times daily, or apply (non-toxic) soil stabilizers, on unpaved access roads, parking areas, and staging areas at construction sites; • Sweep daily (with water sweepers) all paved access roads, parking areas, and staging areas at construction sites;	X	X	X	X	X	X	CalAm shall provide the CPUC with evidence, via copies of its construction contracts, signage or otherwise, demonstrating the measures included in and methods of implementing the required Fugitive Dust Control Plan (including its dust complaint requirements) prior to the commencement of construction. CPUC will monitor the efforts of CalAm and its contractors implementation of the dust plan.	Prior to and during construction.	Compliance with all components of the required Fugitive Dust Control Plan.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s): Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	Monitoring and Reporting Program: Monitoring and Reporting Actions: *CalAm Reports On, and the CPUC Monitors all Mitigation Measures*	Monitoring and Reporting Program: Implementation Schedule	Effectiveness Criteria
Section 4.10: Air Quality (cont.)									
• Sweep streets daily (with water sweepers) if visible soil material is carried onto adjacent public streets; • Hydroseed or apply (non-toxic) soil stabilizers to inactive construction areas (previously graded areas inactive for 10 days or more); • Enclose, cover, or water twice daily exposed stockpiles (dirt, sand, etc.); • Limit traffic speeds on unpaved roads to 15 miles per hour; • Install sandbags or other erosion control measures to prevent silt runoff to public roadways; • Replant native, drought-tolerant vegetation in disturbed areas as quickly as possible; • Wheel washers shall be installed and used by truck operators at the exits of the construction sites to the MPWSP Desalination Plant, the slant wells, and the ASR well facilities; and • Post a publicly visible sign that specifies the telephone number and person to contact regarding dust complaints. This person shall respond to complaints and take corrective action within 48 hours. The phone number of the Monterey Bay Unified Air Pollution Control District (MBUAPCD) shall also be visible to ensure compliance with MBUAPCD rules.									
Impact 4.10-1: Generate emissions of criteria air pollutants and contribute to a violation of an ambient air quality standard during construction. **Mitigation Measure 4.10-1e: Off-site Mitigation Program.** CalAm shall work with the Monterey Bay Air Resources District (MBARD) and put forth a good faith effort to fund an off-site mitigation program that would be contemporaneous with project construction to offset construction-related NOx. CalAm shall provide to the lead agencies documentation showing that it has reached an agreement with MBARD to fund an off-site emissions mitigation program that shall include offsets to be executed during construction of the project. If such a program is determined by CalAm and MBARD to be infeasible given the construction schedule of the project, CalAm shall provide documentation to the Lead Agencies that substantiates such a determination. All documentation shall be provided to the Lead Agencies at least two weeks prior to the commencement of construction.	X	X	X	X	X	X	CalAm shall provide the CPUC at least two weeks prior to commencement of construction with a fully-executed copy of the agreement entered into with MBARD to fund the required off-site mitigation program, or documentation demonstrating that CalAm and MBARD determined such a program was infeasible given the MPWSP construction schedule.	At least two weeks prior to and during construction.	Fund and implement off-site mitigation for NOx emissions at the same time as construction activities in compliance with CalAm's agreement, if any, with MBARD.
Impact 4.10-2: Construction activities could conflict with implementation of the applicable air quality plan. **Mitigation Measures 4.10-1a, 4.10-1b, and 4.10-1e**	X	X	X	X	X	X	See above under Mitigation Measures 4.10-1a, 4.10-1b, and 4.10-1e		
Impact 4.10-C: Cumulative impacts related to air quality. **Mitigation Measures 4.10-1a through 4.10-1e**	X	X	X	X	X	X	See above under Mitigation Measures 4.10-1a through 4.10-1e		
Section 4.11: Greenhouse Gas Emissions									
Impact 4.11-1: Incremental contribution to climate change from GHG emissions associated with the proposed project. **Mitigation Measure 4.11-1: GHG Emissions Reductions Plan.** (a) ***Energy Conservation Technologies.*** CalAm shall have a qualified professional (a licensed mechanical engineer or other appropriately certified professional approved by the CPUC) prepare and submit a GHG Emissions Reduction Plan (Plan) to the CPUC for approval prior to the start of project construction activities. Once approved by the CPUC, the Plan shall be implemented. The Plan shall include a detailed description of the carbon footprint for all operational components of the approved project (e.g., slant well pumping, the MPWSP Desalination Plant, transmission of source and product water, ASR system) based on manufacturer energy usage specification data for each piece of equipment and the most current power system emissions factor for GHG emissions based on the energy portfolio of PG&E, the applicable Electric Service Provider under Direct Access service, or Monterey Bay Community Power and its successors and assigns, as applicable.	X	X	X	X	X	X	CalAm shall submit to the CPUC for review and approval the name and credentials of the qualified professional proposed to prepare the required GHG Emissions Reductions Plan; The Plan shall be submitted to CPUC for approval prior to commencement of construction. CPUC will monitor the progress and effectiveness of the Plan.	Prior to project construction and during project operation.	Implementation of and compliance with the required GHG Emissions Reduction Plan to achieve the required net zero emissions standard.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	Implementation Schedule	
Section 4.11: Greenhouse Gas Emissions (cont.)									
The Plan shall include a summary of state-of-the-art energy recovery and conservation technologies available for utility scale desalination facilities and shall include a commitment by CalAm to incorporate all available feasible energy recovery and conservation technologies; or, if CalAm finds that any of the technologies will not be feasible for the project, the Plan shall clearly explain why such technology is considered to be infeasible. The carbon footprint estimate for the project shall include consideration of all proposed energy recovery and conservation technologies that will be employed by the project, and shall describe the approximate GHG emissions reductions that will be associated with each technology.									
(b) ***Renewable Energy.*** CalAm shall ensure that the approved project's operational electricity use results in net zero GHG emissions. In meeting this net zero GHG emissions requirement, subject to the procedures below, CalAm shall adhere to the following loading order:									
(1) Obtain renewable energy from on-site solar photovoltaic (PV) panels and/or the adjacent Monterey Regional Waste Management District (MRWMD) landfill-gas-to-energy (LFGTE) facility.									
(2) Procure renewable energy from off-site sources within California via purchases from one or more of the following: (a) PG&E, (b) an Electric Service Provider under Direct Access service, or (c) Monterey Bay Community Power and its successors and assigns.									
(3) Procure and retire Renewable Energy Certificates (also known as RECs, green tags, Renewable Energy Credits, Renewable Electricity Certificates, or Tradable Renewable Certificates) for projects or activities in California.									
(4) Procure and retire Carbon Offsets, in a quantity equal to the GHG emissions attributable to the project's operational electricity use. "Carbon Offset" means an instrument issued by an Approved Registry and shall represent the past reduction or sequestration of one metric ton of CO2e achieved by any GHG emission reduction project or activity within California. "Approved Registry" means: (i) the Climate Action Reserve, the American Carbon Registry, the Verified Carbon Standard, or the Clean Development Mechanism; or (ii) any other entity approved by the California Air Resources Board to act as an "offset project registry" under the state's Cap-and-Trade Program.									
CalAm may meet this net zero GHG emissions requirement via any of the options, or their future equivalents, or any combination of options, or their future equivalents, included in the aforementioned loading order.									
Further, CalAm shall progress through the loading order on the basis of the options' physical and economic feasibility, as reasonably determined by CalAm, with low-cost options preferred over high-cost options. In the event that options have equivalent costs, options enumerated earlier in the loading order shall be selected by CalAm over options enumerated later in the loading order. On or before June 1 of each year the approved project is in operation, CalAm shall submit documentation to the CPUC demonstrating that the project's operational electricity use in the immediately preceding calendar year resulted in net zero GHG emissions. Calculation of the GHG emissions attributable to the project's operational electricity use (if any) shall be calculated by CalAm on an annual basis using the most up-to-date emissions coefficient for purchased electricity (if any), as compiled or published by PG&E, the applicable Electric Service Provider under Direct Access service, or Monterey Bay Community Power and its successors and assigns, as applicable. If the CPUC determines that CalAm failed to achieve net zero GHG emissions for the approved project's operational electricity use for a particular year, then the CPUC shall notify CalAm in writing of the exceedance within 45 days of receipt of the documentation submitted by CalAm under this mitigation measure. The notice shall specify the metric tons of GHG emissions that exceeded the net zero obligation. Within 45 days of receipt of this notice, CalAm shall procure and retire Carbon Offsets in an amount at least equivalent to the exceedance, and will submit documentation to the CPUC demonstrating this procurement and retirement.									

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TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s): Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	Monitoring and Reporting Program: Monitoring and Reporting Actions: *CalAm Reports On, and the CPUC Monitors all Mitigation Measures*	Monitoring and Reporting Program: Implementation Schedule	Effectiveness Criteria
Section 4.11: Greenhouse Gas Emissions (cont.)									
Impact 4.11-1: Incremental contribution to climate change from GHG emissions associated with the proposed project. **Mitigation Measure 4.18-1**	X	X	X	X	X	X	See below under Mitigation Measure 4.18-1		
Impact 4.11-2: Conflict with the Executive Order B-30-15 Emissions Reduction Goal. **Mitigation Measures 4.11-1 and 4.18-1**	X	X	X	X	X	X	See above under Mitigation Measure 4.11-1 and below under Mitigation Measure 4.18-1		
Impact 4.11-3: Conflict with AB 32 Climate Change Scoping Plan. **Mitigation Measure 4.11-1**	X	X	X	X	X	X	See above under Mitigation Measure 4.11-1		
Impact 4.11-C: Cumulative impacts related to greenhouse gas emissions **Mitigation Measures 4.11-1 and 4.18-1**	X	X	X	X	X	X	See above under Mitigation Measure 4.11-1 and below under Mitigation Measure 4.18-1		
Section 4.12: Noise and Vibration									
Impact 4.12-1: Result in a substantial temporary or periodic increase in ambient noise levels in the project vicinity during construction. **Mitigation Measure 4.12-1a: Neighborhood Notice and Construction Disturbance Coordinator** The combination of public notice and the establishment of a construction disturbance coordinator can result in a lessening of the adversity of the impact at a given receptor by allowing them to prepare for pending construction activities and providing a contact to report any disturbances or violations to CalAm for appropriate response actions, including additional mitigation. Residents and other sensitive receptors within 300 feet of a daytime construction area and within 900 feet of a nighttime construction area shall be notified of the construction location, nature of activities, and schedule, in writing, at least 14 days prior to the commencement of construction activities. The notice shall also be posted along the proposed pipeline alignments, near the proposed facility sites, and at nearby recreational facilities. CalAm or the contractor(s) shall designate a construction disturbance coordinator who would be responsible for responding to construction complaints. The coordinator shall determine the cause of the complaint and ensure that reasonable measures are implemented to correct the problem. CalAm and/or its contractor shall return all calls within 24 hours to answer noise questions and handle complaints. Documentation of the complaint and resolution shall be submitted to the CPUC weekly. A contact number for the construction disturbance coordinator shall be conspicuously placed on construction site fences and included in the notice. Prior to distributing the notice to nearby residences, CalAm or the contractor(s) shall first submit the notice to the respective city planning and services manager for review and approval. This measure shall be implemented in conjunction with the noticing provisions in Mitigation Measure 4.9-1 (Traffic Control and Safety Assurance Plan).	X	X	X	X	X	X	CalAm shall provide the CPUC with the name of CalAm's Construction Disturbance Coordinator and copies of the required notice(s) and evidence of all approvals thereof by city planning managers before commencement of construction; CalAm shall also provide documentation and evidence demonstrating the timely provision and posting of required notices as well as weekly documentation of all complaints and resolution efforts during project construction.	Prior to and during construction.	Implementation of neighborhood notices prior to construction activities and timely response to inquiries and resolution of complaints by residents.
Impact 4.12-1: Result in a substantial temporary or periodic increase in ambient noise levels in the project vicinity during construction. **Mitigation Measure 4.12-1b: General Noise Controls for Construction Equipment and Activities.** The construction contractor(s) shall assure that construction equipment with internal combustion engines have sound control devices at least as effective as those provided by the original equipment manufacturer. No equipment shall be permitted to have an unmuffled exhaust.	X	X	X	X	X	X	CalAm shall provide the CPUC and all of its construction equipment operators with a copy of the required noise controls directed by CalAm's Construction Disturbance Coordinator. CalAm shall also provide documentation and evidence demonstrating the required noise controls on construction equipment as documented in weekly reports prepared the environmental monitor(s). CPUC will monitor the efforts of CalAm and its contractors implementation of noise controls.	Prior to and during construction.	Implementation of noise controls on construction equipment.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	Implementation Schedule	
Section 4.12: Noise and Vibration (cont.)									
Impact tools (i.e., jack hammers, pavement breakers, and rock drills) used for project construction shall be hydraulically or electrically powered wherever possible to avoid noise associated with compressed air exhaust from pneumatically powered tools. Where use of pneumatic tools is unavoidable, an exhaust muffler shall be placed on the compressed air exhaust to lower noise levels by up to approximately 10 dBA. External jackets shall be used on impact tools, where feasible, in order to achieve a further reduction of 5 dBA. Quieter procedures shall be used, such as drills rather than impact equipment, whenever feasible. The construction contractor(s) shall locate staging areas and stationary noise sources as far from nearby receptors as possible, and shall muffle and enclose them in temporary sheds, incorporate noise barriers, or implement other noise control measures to the extent feasible. The noise controls shall be sufficient to reduce noise levels during drilling and development of ASR-5 and ASR-6 Wells, and pump station construction activities below the threshold of 70 dBA L_{eq}.									
Impact 4.12-1: Result in a substantial temporary or periodic increase in ambient noise levels in the project vicinity during construction. **Mitigation Measure 4.12-1c: Noise Control Plan for Nighttime Pipeline Construction.** CalAm or a representative of CalAm shall submit a Noise Control Plan for all nighttime pipeline work to the California Public Utilities Commission for review and approval prior to the commencement of project construction activities. The Noise Control Plan shall identify all feasible noise control procedures to be implemented during nighttime pipeline installation in order to reduce noise levels to the extent practicable at the nearest residential or noise sensitive receptor. At a minimum, the Noise Control Plan shall require use of moveable noise screens, noise blankets, or other suitable sound attenuation devices be used to reduce noise levels during nighttime pipeline installation activities below 60 dBA L_{eq}.	X	X	X	X	X	X	CalAm shall prepare and provide the required Noise Control Plan for nighttime pipeline construction to the CPUC for approval prior to the commencement of any such nighttime pipeline construction. CPUC will monitor the efforts of CalAm and its contractors' implementation of the noise control plan.	Prior to and during nighttime pipeline construction.	Compliance with the approved Noise Control Plan and achievement of its less than 60 dBA L_{eq} performance standard.
Impact 4.12-1: Result in a substantial temporary or periodic increase in ambient noise levels in the project vicinity during construction. **Mitigation Measure 4.12-1d: Additional Noise Controls for ASR-5 and ASR-6 Wells.** In addition to the general noise controls that will be implemented as part of Mitigation Measure 4.12-1b (General Noise Controls for Construction Equipment), CalAm or its construction contractor(s) for the ASR-5 and ASR-6 Wells shall identify feasible noise controls for implementation during well drilling development activities at the Fitch Park military housing community. The construction contractor(s) shall locate all stationary noise-generating equipment as far as possible from nearby noise-sensitive receptors. Drill rigs within 500 feet of noise-sensitive receptors shall be equipped with noise-reducing engine housings or other noise-reducing technology. Additionally, acoustic barriers and/or enclosures shall be used with a goal of reducing noise from well drilling activities to 60 dBA, L_{eq} or less at a distance of 50 feet from the construction work area. There are a number of options available to achieve this performance standard. Barrier blankets are available with a sound transmission class rating of 32, which can provide 16 to 40 dBA of sound transmission loss, depending on the frequency of the noise source (ENC, 2014). The realized sound transmission reduction of barrier blankets needs to be sufficient to achieve the performance standard of 60 dBA, L_{eq} or less at a distance of 50 feet from the construction work area.				X			CalAm shall provide the CPUC with the required additional noise controls proposed to be implemented for the ASR-5 and ASR-6 Wells for approval before commencement of any such well drilling activities, through contract specifications, will ensure contractors use noise controls on construction equipment at the ASR-5 and -6 wells. CPUC will monitor the efforts of CalAm and its contractors' implementation of noise controls.	Prior to and during ASR-5 and ASR-6 Well construction.	Compliance with the approved additional noise controls on construction equipment at the ASR-5 and -6 wells and achievement of the required less than 60 dBA L_{eq} performance standard.
Impact 4.12-1: Result in a substantial temporary or periodic increase in ambient noise levels in the project vicinity during construction. **Mitigation Measure 4.12-1e: Offsite Accommodations for Substantially Affected Nighttime Receptors.** CalAm shall provide temporary hotel accommodations for all residences and any other nighttime sensitive: 1. That would be exposed to 24-hour project construction activities and 2. Where nighttime construction noise would exceed 60 dBA with windows closed or 35 dBA with windows open, even with implementation of acoustic barriers and/or shielding measures.		X	X	X	X	X	CalAm shall provide the CPUC with documentation demonstrating that it provided the required temporary hotel accommodations and per diem allowances prior to the commencement of any such 24-hour project construction activities capable of exceeding the mitigation measure's windows closed/open thresholds. CPUC will monitor CalAm's nighttime construction noise monitoring and provision of accommodations.	Prior to and during construction.	Provision of temporary accommodations and per diem allowances to affected receptors.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s): Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	Monitoring and Reporting Program: Monitoring and Reporting Actions: *CalAm Reports On, and the CPUC Monitors all Mitigation Measures*	Monitoring and Reporting Program: Implementation Schedule	Effectiveness Criteria
Section 4.12: Noise and Vibration (cont.)									
The accommodations shall be provided for the duration of 24-hour construction activities. CalAm shall provide accommodations reasonably similar to those of the impacted residents in terms of number of beds and amenities. If identified accommodations do not include typical residential kitchen facilities (e.g., cooktop, oven, full size refrigerator), then CalAm shall provide displaced individuals with a per diem allowance to offset costs of meals for the period of relocation.									
Impact 4.12-2: Expose people to or generate noise levels in excess of standards established in the local general plan, noise ordinance, or applicable standards of other agencies during construction. **Mitigation Measures 4.12-1b and 4.12-1c**	X	X	X	X	X	X	See above under Mitigation Measures 4.12-1b and 4.12-1c		
Impact 4.12-3: Expose people to or generate excessive groundborne vibration during construction. **Mitigation Measure 4.12-3: Vibration Reduction Measures.** Construction practices shall be utilized that do not generate vibration levels at the closest sensitive land uses above 0.1 in/sec PPV. The following measures, at a minimum, shall be employed to ensure this threshold is met: a. Vibration monitoring shall be conducted for the first 500 feet of pipeline construction for each segment to confirm vibration levels do not exceed the above vibration threshold. If vibration levels exceed the limits of this mitigation measure, construction practices shall be modified to use smaller types of construction equipment or excavator-mounted compaction wheels, operate the equipment in a manner to reduce vibration, or use alternate construction methods, (such as use of manual shoring jacks), and monitoring shall continue for an additional 200 feet or until construction practices meet the required vibration levels. The monitoring in this mitigation measure shall be repeated if the construction methods change in a manner that would increase vibration levels, or when structures are closer to the limits of construction than previous vibration monitoring have confirmed is below the vibration thresholds. b. Smaller vibratory rollers shall be used to minimize vibration levels during repaving activities where needed to meet vibration limits. c. Sheet pile driving for trenchless pipeline installation shall be conducted during daytime hours and access pits shall be located greater than 45 feet from standard structures and 80 feet from historic resources.	X	X	X	X	X	X	CalAm shall provide the CPUC with vibration monitoring reports/documentation demonstrating the construction practices used to achieve compliance with the 0.1 in/sec PPV standard. CPUC will monitor the effectiveness of construction vibration suppression measures.	During construction.	Vibration at the closest sensitive land use not exceeding the 0.1 in/sec PPV threshold.
Impact 4.12-4: Conflict with the construction time limits established by the local jurisdictions. **Mitigation Measure 4.12-1c**	X	X	X	X	X	X	See above under Mitigation Measure 4.12-1c		
Impact 4.12-4: Conflict with the construction time limits established by the local jurisdictions. **Mitigation Measure 4.12-4: Nighttime Construction Restrictions in Marina** Open trench pipeline construction work within 500 feet to residential uses or transient lodging shall be restricted to the hours of 7:00 a.m. to 7:00 p.m. (standard time) Monday through Saturday, and 10:00 a.m. to 7:00 p.m. (standard time) on Sundays and holidays. During daylight savings time, construction hours may be extended to 8:00 p.m.						X	CalAm shall provide the CPUC with documentation demonstrating compliance with the required open trench pipeline construction restrictions. CPUC will monitor construction activities in Marina.	Prior to and during construction.	Compliance with the nighttime open trench pipeline construction restrictions in Marina.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.12: Noise and Vibration (cont.)									
Impact 4.12-5: Result in a substantial permanent increase in ambient noise levels in the project vicinity during project operations. **Mitigation Measure 4.12-5: Stationary-Source Noise Controls.** CalAm shall retain an acoustical engineer to design stationary-source noise controls and ensure the applicable noise standards are met. At a minimum, all stationary noise sources (e.g., pump station, emergency generators, variable-frequency-drive motors, well heads with motors) shall be located within enclosed structures and with adequate noise screening, as needed, to maintain noise levels to no greater than 5 dBA above the existing monitored ambient values and 60 CNEL, at the property lines of nearby residences and other noise-sensitive receptors. Once the stationary noise sources have been installed, the contractor(s) shall conduct a single long-term (24-hour) monitoring of noise levels to ensure compliance with local noise standards. CalAm shall submit a compliance monitoring report to the CPUC.	X		X	X	X		CalAm shall provide the CPUC with the name and credentials of the acoustical engineer for approval and documentation showing the stationary-source noise controls the engineer designed as well as demonstrating that implementation of those controls achieved the required noise standards. CPUC will monitor the effectiveness of noise controls.	Prior to project operations.	Compliance with stationary-source noise standard (e.g., no greater than 5 dBA above the existing monitored ambient values and 60 CNEL, at the property lines of nearby residences and other noise-sensitive receptors).
Impact 4.12-C: Cumulative impacts related to noise and vibration. **Mitigation Measures 4.12-1a, 4.12-1b, 4.12-1c, 4.12-1d, 4.12-1e, and 4.12-3**	X	X	X	X	X	X	See above under Mitigation Measures 4.12-1a, 4.12-1b, 4.12-1c, 4.12-1d, 4.12-1e, and 4.12-3		
Section 4.13: Public Services and Utilities									
Impact 4.13-1: Disrupt or relocate regional or local utilities during construction. **Mitigation Measure 4.13-1a: Locate and Confirm Utility Lines.** Before excavation begins, CalAm or its contractor(s) shall locate all overhead and underground utility lines (such as natural gas, electricity, sewage, telephone, fuel, and water lines) that are reasonably expected to be encountered during excavation. When a project excavation is within the approximate location of a subsurface utility, CalAm or its contractor shall determine the exact location of the underground utility by safe and acceptable means, including the use of hand tools and modern techniques. Information regarding the size, color, and location of existing utilities shall be confirmed before construction activities begin. These utilities shall be highlighted on all construction drawings.	X	X	X	X	X	X	CalAm shall provide to the CPUC final design drawings which highlight all utilities expected to be encountered during excavation for approval before commencement of any excavation and provide documentation demonstrating that the exact location, size and color of all such utilities were confirmed when excavation is within the approximate location of such utilities shown on the design drawings. CPUC and local utilities will review locations identified by the contractors.	Prior to and during construction.	Map utilities on design drawings prior to and confirm and report on exact location, size and color of utilities during excavation.
Impact 4.13-1: Disrupt or relocate regional or local utilities during construction. **Mitigation Measure 4.13-1b: Coordinate Final Construction Plans with Affected Utilities.** CalAm or its contractor(s) shall coordinate final construction plans, schedule, and specifications with affected utilities. Arrangements shall be made with these entities regarding the appropriate protection, relocation, or temporary disconnection of services. If any interruption of service is required, CalAm or its contractor(s) shall notify residents and businesses in the project corridor of any planned utility service disruption at least 2 working days and up to 14 calendar days in advance, in conformance with county and state standards.	X	X	X	X	X	X	CalAm shall provide to the CPUC documentation demonstrating that it coordinated final construction plans, schedule and specifications with all affected utilities and reporting on all arrangements required by the utilities and timely notices provided to residents/business concerning any related utility service disruptions. CPUC and local utilities will monitor the arrangements and notifications.	Prior to and during construction.	Compliance with arrangements made in advance with local utilities for the protection, relocation, or temporary disruption in service and timely provision of utility service disruptions to affected customers (i.e., at least 2 working but not more than 14 calendar days in advance of disruption in service).

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.13: Public Services and Utilities (cont.)									
Impact 4.13-1: Disrupt or relocate regional or local utilities during construction. **Mitigation Measure 4.13-1c: Safeguard Employees from Potential Accidents Related to Underground Utilities.** When any excavation is open, the construction contractor(s) shall protect, support, or remove underground utilities as necessary to safeguard employees. The contractor(s) shall be required to provide weekly updates to CalAm and construction workers regarding the planned excavations for the upcoming week, and to specify when construction will occur near a high-priority utility (i.e., pipelines carrying petroleum products, oxygen, chlorine, or toxic or flammable gases; natural gas pipelines greater than 6 inches in diameter or with normal operating pressures greater than 60 pounds per square inch gauge; and underground electric supply lines, conductors, or cables that have a potential to ground more than 300 volts that do not have effectively grounded sheaths). Construction managers shall hold regular tailgate meetings with construction staff on days when work near high-priority utilities will occur to review all safety measures regarding such excavations, including measures identified in the Mitigation Monitoring and Reporting Program and in construction specifications. The contractor shall designate a qualified Health and Safety Officer who shall specify a safe distance to work near high-priority utilities. Excavation near such utility lines shall not be authorized until the designated Health and Safety Officer confirms and documents in the construction records that: (1) the line was appropriately located in the field by the utility owner using as-built drawings and a pipeline-locating device; and (2) the location was verified by hand by the construction contractor.	X	X	X	X	X	X	CalAm shall provide the CPUC with copies of construction contracts containing the requirements of this mitigation, the required weekly updates in advance of construction near high-priority utilities, and evidence that construction managers held safety meetings before work near these utilities occurs. CPUC and local utilities will monitor the safety practices of contractors for work near high-priority utilities.	Prior to and during construction.	Compliance with required safety procedures for work near high-priority utilities.
Impact 4.13-1: Disrupt or relocate regional or local utilities during construction. **Mitigation Measure 4.13-1d: Emergency Response Plan.** Before commencement of construction, CalAm or its contractor(s) shall develop an emergency response plan that outlines procedures to follow in the event of a leak or explosion and submit a copy to the CPUC and MBNMS. The emergency response plan shall identify the names and phone numbers of staff at the potentially affected utilities that would be available 24 hours per day in the event that construction activities cause damage to or rupture of a high-risk utility. The plan shall also detail emergency response protocols, including notification, inspection, and evacuation procedures; any equipment and vendors necessary to respond to an emergency (such as an alarm system); and routine inspection guidelines.	X	X	X	X	X	X	CalAm shall prepare and provide the required Emergency Response Plan to the CPUC for approval prior to commencement of construction and provide documentation demonstrating that the approved Plan is posted at all job sites. CPUC and MBNMS will review the plan and monitor its implementation by contractors.	Prior to and during construction.	Compliance with all components of the approved Emergency Response Plan and post a copy of the Plan at all job sites.
Impact 4.13-1: Disrupt or relocate regional or local utilities during construction. **Mitigation Measure 4.13-1e: Notify Local Fire Departments.** CalAm or its contractor(s) shall notify local fire departments in advance of any work that is to be performed within or adjacent to a right-of-way that contains a gas utility line, or any time damage to a gas utility line results in a leak or suspected leak, or whenever damage to any utility results in a threat to public safety.	X	X	X	X	X	X	CalAm shall provide copies of all construction contracts demonstrating contractors are required to notify local fire departments in advance of any work in or adjacent to gas utility lines or any time a gas leak occurs/is suspected or damage to a utility results in a public safety threat as well as copies of all such notifications provided to local fire departments. CPUC and MBNMS will monitor notifications.	Prior to and during construction.	Notification of local fire departments in advance of any work in or adjacent to gas utility lines.
Impact 4.13-1: Disrupt or relocate regional or local utilities during construction. **Mitigation Measure 4.13-1f: Ensure Prompt Reconnection of Utilities.** CalAm or its contractor(s) shall promptly contact utility providers to reconnect any disconnected utility lines as soon as it is safe to do so.	X	X	X	X	X	X	CalAm shall provide the CPUC with documentation demonstrating that prompt contact with utility providers requesting the reconnection of any disconnected utility lines was made. CPUC and MBNMS will monitor notifications.	During construction.	Notification of local utilities to reconnect service lines when it is safe to do so.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.13: Public Services and Utilities (cont.)									
Impact 4.13-2: Exceed landfill capacity or be out of compliance with federal, state, and local statutes and regulations related to solid waste during construction. **Mitigation Measure 4.13-2: Construction Waste Reduction and Recycling Plan.** The construction contractor(s) shall prepare and implement a construction waste reduction and recycling plan identifying the types of debris the project will generate and the manner in which those waste streams will be handled. In accordance with the California Integrated Waste Management Act of 1989, the plan shall emphasize source reduction measures, followed by recycling and composting methods, to ensure that construction and demolition waste generated by the project is managed consistent with applicable statutes and regulations. In accordance with the California Green Building Standards Code and local regulations, the plan shall specify that all trees, stumps, rocks, and associated vegetation and soils, and 50 percent of all other nonhazardous construction and demolition waste, be diverted from landfill disposal. The plan shall be prepared in coordination with the Monterey Regional Waste Management District and be consistent with Monterey County's Integrated Waste Management Plan. Upon project completion, CalAm shall collect the receipts from the contractor(s) and submit them to the CPUC as documentation that the waste reduction, recycling, and diversion goals have been met.	X	X	X	X	X	X	CalAm shall coordinate with the Monterey Regional Waste Management District in preparing and provide the CPUC with the required Construction Waste Reduction and Recycling Plan for approval prior to the commencement of construction. CalAm shall also collect and provide the CPUC with all receipts and other documentation demonstrating that the Plan's waste reduction, recycling and diversion goals were achieved. CPUC and MBNMS will review the plan and monitor its implementation.	Prior to and during construction.	Compliance with all components of the Construction Waste Reduction and Recycling Plan and document achievement of the Plan's waste reduction, recycling and diversion goals.
Impact 4.13-4: Exceed wastewater treatment requirements of the Central Coast RWQCB, or result in a determination by the wastewater treatment provider that it has inadequate treatment or outfall capacity to serve the project. **Mitigation Measures 4.3-4 and 4.3-5**	X	X	X	X	X	X	See above in Mitigation Measures 4.3-4 and 4.3-5		
Impact 4.13-5: Increased corrosion of the M1W outfall as a result of brine discharges associated with project operations. **Mitigation Measure 4.13-5a: Replacement of WEKO seal clamps, Periodic Inspections, and As-Needed Repairs for Offshore Segment of M1W Ocean Outfall.** Prior to operation of the MPWSP Desalination Plant, and as part of an agreement with M1W to use the outfall for brine discharge, CalAm shall protect the offshore segment of the M1W ocean outfall from corrosion, by replacing the existing WEKO seal clamps in the nearshore portion of the ocean outfall with new corrosion-resistant clamps. Installation of the WEKO seal clamps shall occur prior to relocation of the existing beach junction box to allow for optimal access to the outfall. Construction shall occur in late summer/early fall, during the irrigation season, when flows in the outfall would typically be de minimis; this timing would also be late in the snowy plover nesting season when eggs would have hatched. Access to the offshore portion of the outfall shall be through the existing beach junction box and de minimus flows will continue to be released through the outfall during the installation process. Any emergency high effluent flows resulting from process upsets at the treatment plant or rainfall events, shall be stored and then released through the outfall after the divers have safely exited the outfall. Construction access shall follow along the existing outfall access road. The staging and work area shall be created on already disturbed ground at the western end of the access road and consist of no larger than a 50 square foot area for divers and diving equipment, a 20-foot container for equipment storage and a 5kw generator (in a sound enclosure) to be used if power is not available onsite. If the beach junction box and discharge pipeline are covered by sand, or if sand needs to be removed for staging, excavation would be accomplished using a backhoe or excavator. Up to one-half acre around the junction structure may be disturbed. Three working shifts per day may be required, and the installation would take approximately 6-8 weeks. During construction, beach access shall remain open, with the potential exception of extreme high tide events. The contractor shall install temporary fencing around the construction site and construction shall be prohibited outside of the defined construction, staging, and storage areas. Construction work shall not be conducted seaward of the mean high water line unless tidal waters have receded from the authorized work areas. Construction vehicles operating on		X					Prior to the operation of the MPWSP Desalination Plant, CalAm shall enter into the required agreement with the M1W and provide a copy of that agreement and documentation to the CPUC demonstrating that the existing WEKO seal clamps were replaced in compliance with the MM's timing requirements. CalAm shall also enter into an agreement with M1W to perform the required periodic inspections of the offshore portion of the M1W outfall and diffuser and provide a copy of that agreement to the CPUC as well as documentation and photographs demonstrating compliance with the required inspections and condition of the outfall and diffuser. CPUC, MBNMS, and M1W will monitor the protection of the outfall.	Prior to and during operation of the MPWSP Desalination Plant.	Installation of new corrosion-resistant clamps prior to operations. Periodic inspections of the offshore portion of the M1W outfall and diffuser and any necessary replacement or maintenance required.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s): Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	Monitoring and Reporting Program: Monitoring and Reporting Actions: *CalAm Reports On, and the CPUC Monitors all Mitigation Measures*	Monitoring and Reporting Program: Implementation Schedule	Effectiveness Criteria
Section 4.13: Public Services and Utilities (cont.)									
the beach shall be rubber-tired, and while in operation shall remain as high on the upper beach as possible to avoid contact with ocean waters and intertidal areas. Any construction materials and equipment placed on the beach shall be stored beyond the reach of tidal waters. Materials intended to be left on the beach overnight must be approved by the Coastal Development Permit issuing and authorizing agencies and shall be subject to a contingency plan for moving materials in the event of a tidal wave/surge. All accessways impacted by construction activities shall be restored to their pre-construction condition or better within 3 days of completion of construction. Any beach sand in the area that is impacted by construction shall be filtered as necessary to remove construction debris. Construction areas shall maintain good construction site housekeeping controls and procedures (leak/spill clean-up; cover equipment in rain; cover exposed piles of soil/waste; dispose of waste properly; remove construction debris from beach). All construction activities that result in discharge of materials, polluted runoff, or wastes to the beach or the adjacent marine environment are prohibited. All exposed slopes and soil surface in and/or adjacent to the construction area shall be stabilized with erosion control best management practices. CalAm shall enter into an agreement with M1W to perform periodic inspections of the offshore portion of the M1W outfall and diffuser. Annual inspections shall occur for the first three years after the MPWSP Desalination Plant is brought online. Thereafter, the offshore portion of the outfall shall be inspected every five years. During each inspection, photo documentation shall be provided for all areas of inspections, regardless of findings, to provide for photographic comparison over time. All inspections shall include documentation of the thickness of scaling, any exposure or corrosion of reinforcing steel, significant cracking or spalling of concrete, and any pitting of metals. Any necessary repairs to the outfall and/or diffuser shall be identified and performed.									
Impact 4.13-5: Increased corrosion of the M1W outfall and diffuser as a result of brine discharges associated with project operations. **Mitigation Measure 4.13-5b: Install Protective Lining in Land Segment of M1W Ocean Outfall.** Prior to operation of the MPWSP Desalination Plant, and as part of an agreement with M1W to use the outfall for brine discharge, CalAm shall line the land segment of the outfall with a protective liner system. Installation of the liner shall occur only during the irrigation season (April through September), when flows in the outfall would be minimal. Installation of the liner in any given portion of the land segment is not expected to exceed 7 to 10 days. M1W has identified 10 locations within the M1W right-of-way (see Figure 4.13-1) from which CalAm or its contractor can access the land segment for installation of the liner; only these locations shall be used. Contractors shall install temporary fencing to denote the access limits for construction crews. The excavation pit at each access point shall be located directly above the outfall pipe and shall not exceed a size of 12 feet by 25 feet. Soils shall be stockpiled within the existing outfall right-of-way, and topsoil shall be stored in a separate pile for use in restoration following installation. Erosion and dust control measures shall comply with the applicable Stormwater Pollution Prevention Plan (SWPPP). After liner installation, the contractor shall restore soil in the pits to nearly pre-construction compaction levels and shall replace stockpiled topsoil to match pre-construction elevations. To address the small amount of effluent flowing through the portion of the land segment to be lined between April and September, the contractor shall plug and dewater the outfall segment being lined, if needed, and use a 24-inch diameter bypass pipe to divert flows around the affected portion of the outfall.		X					Prior to operation of the MPWSP Desalination Plan CalAm shall provide the CPUC with documentation demonstrating that it lined the land segment of the outfall with a protective liner system during the irrigation season and information on the type and specifications of the protective lining system used.	Prior to operation of the MPWSP Desalination Plant.	Installation of liner system during irrigation season prior to operation of the MPWSP Desalination Plant.
Impact 4.13-C: Cumulative impacts related to public services and utilities. **Mitigation Measures 4.3-4, 4.3-5, 4.13-1a, 4.13-1b, 4.13-1c, 4.13-1d, 4.13-1e, 4.13-1f, 4.13-2, 4.13-5a, and 4.13-5b**	X	X	X	X	X	X	See above in Mitigation Measures 4.3-4, 4.3-5, 4.13-1a, 4.13-1b, 4.13-1c, 4.13-1d, 4.13-1e, 4.13-1f, 4.13-2, 4.13-5a, and 4.13-5b		

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.14: Aesthetic Resources									
Impact 4.14-1: Construction-related impacts on scenic resources (vistas, roadways, and designated scenic areas) or the visual character of the project area and its surroundings. **Mitigation Measure 4.14-1: Maintain Clean and Orderly Construction Sites.** As part of contract specifications, CalAm shall include a requirement that the construction contractor(s) keep staging and construction areas as clean and inconspicuous as practicable by storing construction materials and equipment at the proposed construction staging areas or in areas that are generally away from public view when not in use, and by removing construction debris promptly at regular intervals. If necessary, additional appropriate screening (e.g., temporary opaque fencing) shall be used at construction sites to buffer views of construction equipment and material, where the use of such screening materials would not further degrade the visual character or further obstruct views of scenic resources or vistas in the area. Screening is not required for pipeline construction areas.	X		X	X	X	X	CalAm shall provide the CPUC with copies of all construction contracts demonstrating inclusion of the required clean and orderly construction site provisions prior to the commencement of construction, CPUC will monitor the maintenance of construction sites.	Prior to and during construction.	Maintain clean and orderly construction site.
Impact 4.14-2: Temporary sources of substantial light or glare during construction. **Mitigation Measure 4.14-2: Site-Specific Nighttime Lighting Measures.** To prevent exterior lighting from affecting nighttime views, the design, construction, and operation of lighting at MPWSP facilities, shall adhere to the following requirements: • Use of low-intensity street lighting and low-intensity exterior lighting shall be required. • Lighting fixtures shall be cast downward and shielded to prevent light from spilling onto adjacent offsite uses. • Lighting fixtures shall be designed and placed to minimize glare that could affect users of adjacent properties, buildings, and roadways. • Fixtures and standards shall conform to state and local safety and illumination requirements. CalAm shall ensure these measures are implemented at all times during nighttime construction and for the duration of all required nighttime construction activity.	X	X	X	X	X	X	CalAm shall provide the CPUC with documentation demonstrating that all planned construction lighting complies with this measure's requirements prior to the commencement of construction. CPUC will monitor the nighttime lighting measures.	Prior to and during construction.	Prevention of nighttime lighting from affecting nighttime views.
Impact 4.14-3: Permanent impacts on scenic resources (vistas, roadways, and designated scenic areas) or the visual character of the project area and its surroundings. **Mitigation Measure 4.14-3a: Facility Design.** CalAm shall avoid reflective exterior finishes and treat visible structures with earth-tone finishes to reduce contrast with the ground surface and increase compatibility with the visual setting. Primary structures shall be treated with complementary colors in the brown, tan, gray, or green color spectrum, or with other natural colors. Choose paint and exterior finishes to ensure that structures blend into the surrounding landscape.	X		X	X	X	X	CalAm shall provide the CPUC with documentation and photos/colors of the proposed finishes/colors for all exterior finishes and visible structures for approval to ensure all such finishes/structures will be treated with non-reflective, earth-tone finishes as required by this MM. CPUC will review and approve the choice of finishes prior to application.	After construction and during operations.	Application of approved finishes/colors that are compatible with surrounding visual settings.
Impact 4.14-3: Permanent impacts on scenic resources (vistas, roadways, and designated scenic areas) or the visual character of the project area and its surroundings. **Mitigation Measure 4.14-3b: Facility Screening.** CalAm shall ensure that fencing is designed to be minimally intrusive and to complement the architectural character of the proposed facility and the community. Fencing design shall be coordinated with nearby landscaping and MPWSP facility design to ensure all project components blend with the surrounding community and/or natural setting. Native plants, trees, or shrubs shall be used whenever practicable to screen views of the proposed aboveground facilities. Facility screening shall be in keeping with the character of the site and setting, and walled perimeters shall be avoided in natural settings to minimize the dominance of structures.	X		X	X	X	X	CalAm shall provide the CPUC with documentation demonstrating proposed fencing, landscaping and other proposed facility screening methods for approval prior to operation of the facilities.	After construction and during operations.	Installation of approved fencing, landscaping and other facility screening methods to ensure project facilities blend in with surrounding community and/or natural settings.
Impact 4.14-4: Permanent new sources of light or glare. **Mitigation Measure 4.14-2**	X	X	X	X	X	X	See above under Mitigation Measure 4.14-2		

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s): Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	Monitoring and Reporting Program: Monitoring and Reporting Actions: *CalAm Reports On, and the CPUC Monitors all Mitigation Measures*	Monitoring and Reporting Program: Implementation Schedule	Effectiveness Criteria
Section 4.14: Aesthetic Resources (cont.)									
Impact 4.14-C: Cumulative impacts related to aesthetic resources. **Mitigation Measure 4.14-2**	X	X	X	X	X	X	See above under Mitigation Measure 4.14-2		
Section 4.15: Cultural and Paleontological Resources									
Impact 4.15-2: Cause a substantial adverse change during construction in the significance of an archaeological resource pursuant to Section 15064.5 of the CEQA Guidelines or historic properties pursuant to 36 CFR 800.5. **Mitigation Measure 4.15-2a: Establish Archaeologically Sensitive Areas.** CalAm shall contract with a qualified archaeologist meeting the Secretary of the Interior's Qualification Standard (Lead Archaeologist) to prepare and implement an Archaeological Monitoring Plan, and oversee and direct all archaeological monitoring activities during project construction. Archaeological monitoring shall be conducted for all subsurface excavation work within 100 feet of the Castroville Pipeline at Tembladero Slough and the Salinas River; and the Source Water Pipeline in the Lapis Sand Mining Plant Historic District. At a minimum, the Archaeological Monitoring Plan shall: • Detail the cultural resources training program that shall be completed by all construction and field workers involved in ground disturbance; • Designate the person(s) responsible for conducting monitoring activities, including Native American monitor(s), if deemed necessary; • Establish monitoring protocols to ensure monitoring is conducted in accordance with current professional standards provided by the California Office of Historic Preservation; • Establish the template and content requirements for monitoring reports; • Establish a schedule for submittal of monitoring reports and person(s) responsible for review and approval of monitoring reports; • Establish protocols for notifications in case of encountering cultural resources, as well as methods for evaluating significance, developing and implementing plan to avoid or mitigate significant resource impacts, Native American participation and consultation, collection and curation plan, and consistency with applicable laws including Section 7050.5 of the California Health and Safety Code and Section 5097.98 of the Public Resources Code; • Establish methods to ensure security of cultural resources sites; • Describe the appropriate protocols for notifying the County, Native Americans, and local authorities (i.e. Sheriff, Police) should site looting and other illegal activities occur during construction with reference to Public Resources Code 5097.99. During the course of the monitoring, the Lead Archaeologist may adjust the frequency—from continuous to intermittent—of the monitoring based on the conditions and professional judgment regarding the potential to encounter resources. If archaeological materials are encountered, all soil disturbing activities within 100 feet of the find shall cease until the resource is evaluated. The Lead Archaeologist shall immediately notify the CPUC and MBNMS of the encountered archaeological resource. The Lead Archaeologist shall, after making a reasonable effort to assess the identity, integrity, and significance of the encountered archaeological resource, present the findings of this assessment to the Lead Agencies. In the event archaeological resources qualifying as either historical resources pursuant to CEQA Section 15064.5 or as unique archaeological resources as defined by Public Resources Code 21083.2 are encountered, preservation in place shall be the preferred manner of mitigation.	X	X	X	X	X	X	CalAm shall provide the CPUC with the name and qualifications of its archaeologist and a copy of the required Archaeological Monitoring Plan (including a proposed Archaeological Research Design and Treatment Plan) for approval prior to commencement of construction. CPUC and MBNMS will monitor the implementation of the plan.	Prior to and during construction.	Compliance with all components of the approved Plan and protecting archaeologically sensitive areas. Implementation of the ARDTP.

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TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	Implementation Schedule	
Section 4.15: Cultural and Paleontological Resources (cont.)									
If preservation in place is not feasible, the applicant shall implement an Archaeological Research Design and Treatment Plan (ARDTP). The Lead Archaeologist, Native American representatives, MBNMS and the CPUC shall meet to determine the scope of the ARDTP. The ARDTP will identify a program for the treatment and recovery of important scientific data contained within the portions of the archaeological resources located within the project Area of Potential Effects (APE); would preserve any significant historical information obtained and will identify the scientific/historic research questions applicable to the resources, the data classes the resource is expected to possess, and how the expected data classes would address the applicable research questions. The results of the investigation shall be documented in a technical report that provides a full artifact catalog, analysis of items collected, results of any special studies conducted, and interpretations of the resource within a regional and local context. All technical documents shall be placed on file at the Northwest Information Center of the California Historical Resources Information System.									
Impact 4.15-2: Cause a substantial adverse change during construction in the significance of an archaeological resource pursuant to Section 15064.5 of the CEQA Guidelines or historic properties pursuant to 36 CFR 800.5. **Mitigation Measure 4.15-2b: Inadvertent Discovery of Cultural Resources.** Following implementation of Mitigation Measure 4.15-2a, if prehistoric or historic-era cultural materials are encountered, all construction activities within 100 feet shall halt and the Lead Agencies shall be notified. Prehistoric archaeological materials might include obsidian and chert flaked-stone tools (e.g., projectile points, knives, scrapers) or toolmaking debris; culturally darkened soil ("midden") containing heat-affected rocks, artifacts, or shellfish remains; and stone milling equipment (e.g., mortars, pestles, handstones, or milling slabs); and battered stone tools, such as hammerstones and pitted stones. Historic-period materials might include stone, concrete, or adobe footings and walls; filled wells or privies; and deposits of metal, glass, and/or ceramic refuse. For discoveries on lands other than Army-owned lands, a Secretary of the Interior-qualified archaeologist shall inspect the find within 24 hours of discovery. If the find is determined to be potentially significant, the archaeologist, in consultation with MBNMS, the CPUC and the appropriate Native American representative shall determine whether preservation in place is feasible. Consistent with CEQA Guidelines Section 15126.4(b)(3), this may be accomplished through planning construction to avoid the resource; incorporating the resource within open space; capping and covering the resource; or deeding the site into a permanent conservation easement. If avoidance is not feasible, a qualified archaeologist, in consultation with the Lead Agency and the appropriate Native American representative, shall prepare and implement a detailed Archaeological Research Design and Treatment Plan (ARDTP). Treatment of unique archaeological resources shall follow the applicable requirements of Public Resources Code Section 21083.2. Treatment for most resources would consist of (but would not be not limited to) sample excavation, artifact collection, site documentation, and historical research, with the aim to target the recovery of important scientific data contained in the portion(s) of the significant resource to be impacted by the project. The ARDTP shall include provisions for analysis of data in a regional context, reporting of results within a timely manner and subject to review and comments by the appropriate Native American representative before being finalized, curation of artifacts and data at a local facility acceptable to the appropriate Native American representative, and dissemination of final confidential reports to the appropriate Native American representative, the Northwest Information Center of the California Historical Resources Information System, the CPUC, MBNMS and interested professionals. If cultural resources are inadvertently discovered during construction on Army-owned property, work shall immediately cease within a 100-foot radius of the find and the Army, Presidio of Monterey, Cultural Resources Manager (CRM) will be contacted to assess the discovery. For discoveries on Army lands, the CRM will implement procedures set forth in the Presidio's Integrated Cultural Resources Management Plant (ICRMP) and Army Regulation (AR 200-1), which may include completion of consultation under Section 106 of the National Historic Preservation Act (NHPA) prior to resuming construction in the vicinity of the find. CalAm shall be responsible for completing any additional archaeological work required to comply with federal regulations.	X	X	X	X	X	X	The archaeologist hired by CalAm will notify MBNMS and CPUC if prehistoric or historic-era cultural materials are encountered and will halt construction activities within 100 feet of the found materials. If the find is determined to be potentially significant, the archaeologist, in consultation with MBNMS, the CPUC and the appropriate Native American representative shall determine whether preservation in place is feasible. If avoidance is not feasible, the archaeologist will prepare implement an ARDTP. CPUC, MBNMS, the U.S. Army, and Native American representatives will monitor the implementation of protocols and the ARDTP in the event of a find.	Prior to and during construction.	Implementation of construction protocols to protect cultural resources found during construction. Halting construction and implementation of the ARDTP.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact Mitigation Measure	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	Monitoring and Reporting Actions: *CalAm Reports On, and the CPUC Monitors all Mitigation Measures*	Implementation Schedule	
Section 4.15: Cultural and Paleontological Resources (cont.)									
Impact 4.15-4: Disturbance of any human remains, including those interred outside of formal cemeteries, during construction. **Mitigation Measure 4.15-4: Inadvertent Discovery of Human Remains.** In the event of discovery or recognition of any human remains during construction activities, such activities within 100 feet of the find shall cease. For discoveries on lands other than Army-owned lands, the Monterey County Coroner shall be contacted immediately. The Coroner then has two working days to determine if the remains are Native American. If the remains are determined to be Native American, and no investigation of the cause of death is required, the Native American Heritage Commission (NAHC) shall be contacted within 24 hours. The NAHC shall then identify and contact the person or persons it believes to be the Most Likely Descendant (MLD)" of the deceased Native American(s), who in turn would make recommendations to the project applicant, MBNMS and the CPUC for the appropriate means of treating the human remains and any grave goods. If human remains are encountered during construction on Army-owned property, work shall cease within a 100-foot radius of the discovery and the CRM shall be notified immediately. The CRM shall initially evaluate the site to determine if the remains are either Native American in origin or associated with a recent crime scene (i.e. 50 years old or less). If the remains appear recent, the CRM shall notify the Army's Criminal Investigation Command who shall assume control of the crime scene and custody of the remains. If the remains appear to be Native American in origin, the CRM shall notify the Presidio Garrison Commander and implement procedures set forth in Section 3 of the Native American Graves Protection and Repatriation Act.	X	X	X	X	X	X	In the event human remains are found during construction, all work shall stop and the archaeologist will contact either the Monterey County Coroner or the Army CRM for their assessment. If the remains are determined to be Native American, the archaeologist will contact the NAHC for further identification and notification of Native American representatives. CPUC, MBNMS, the U.S. Army, and Native American representatives will monitor the implementation of protocols.	During construction.	Implementing protocols of identification and notification in the event human remains are encountered.
Section 4.16: Agricultural Resources									
Impact 4.16-1: Result in changes in the existing environment that, due to their location or nature, could temporarily disrupt agricultural activities or result in the permanent conversion of farmland to non-agricultural use. **Mitigation Measure 4.16-1: Minimize Disturbance to Farmland.** CalAm and its construction contractor(s) shall incorporate the following measures into construction plans and specifications for all construction activities located in farmland areas to minimize adverse impacts on farmland: • CalAm shall notify affected property owners at least 90 days prior to initiating construction activities that have the potential to interfere with agricultural operations. • Construction contractor(s) shall minimize the extent of the construction disturbance, including construction access, in agricultural areas to the maximum extent feasible. Minimization efforts shall include, but not be limited to, consulting with affected property owners to schedule construction activities to minimize impacts during planting, growing, and/or harvest seasons. • During excavation and other earthmoving activities in designated farmland areas, the surface and subsurface soil layers shall be stockpiled separately when trenches are excavated. Segregated topsoil and subsoil shall be maintained and kept separated throughout all construction activities, and these soils shall subsequently be used to backfill excavations and shall be returned to its appropriate location in the soil profile. • To avoid over-compaction of the top layers of soil, soil densities shall be measured prior to the start of construction activities, and surface soil (roughly the upper 3 feet of soil) shall be backfilled to within 5 percent of the original density. • If necessary, following construction activities, the uppermost 3 feet of soil shall be ripped to achieve the appropriate soil density (within 5 percent of the original). Ripping may also be used in areas where vehicle and equipment traffic has compacted the topsoil layers.			X			X	CalAm shall provide the CPUC with documentation that the required farmland disturbance minimization measures are incorporated into all construction plans and specifications for construction activities located in farmland areas prior to the commencement of construction and provide the CPUC copies of all required notices provided to affected property owners. CPUC and MBNMS will monitor implementation of measures to minimize disturbance to farmlands.	Prior to and during construction.	Implementation of measures to minimize disturbance to farmland.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.16: Agricultural Resources (cont.)									
• Existing agricultural drainage systems shall be inspected before and after construction to ensure they function as needed. • Disturbed areas shall be restored to pre-construction conditions following construction.									
Impact 4.16-C: Cumulative impacts related to agricultural resources. **Mitigation Measure 4.16-1**			X			X	See above under Mitigation Measure 4.16-1		
Section 4.18: Energy Conservation									
Impact 4.18-1: Use large amounts of fuel and energy in an unnecessary, wasteful, or inefficient manner during construction and decommissioning. **Mitigation Measure 4.10-1b**	X	X	X	X	X	X	See above under Mitigation Measure 4.10-1b		
Impact 4.18-1: Use large amounts of fuel and energy in an unnecessary, wasteful, or inefficient manner during construction and decommissioning. **Mitigation Measure 4.18-1: Construction Equipment and Vehicle Efficiency Plan.** CalAm shall contract a qualified professional (i.e., construction planner/energy efficiency expert) to prepare a Construction Equipment Efficiency Plan that identifies the specific measures and performance standards that CalAm (and its construction contractors) will implement as part of project construction and decommissioning to increase the efficient use of construction equipment and vehicles to the maximum extent feasible. Such measures shall include, but not necessarily be limited to: procedures to ensure that all construction equipment is properly tuned and maintained at all times; requirement to provide options for worker carpooling; a commitment to utilize existing electricity sources where feasible rather than portable diesel-powered generators; and identification of procedures (including the routing of haul trips) that will be followed to ensure that all materials and debris hauling is conducted in a fuel-efficient manner. The plan shall be submitted to CPUC and the Sanctuary for review and approval at least 30 days prior to the beginning of construction activities and at least 30 days prior to the beginning of decommissioning activities.	X	X	X	X	X	X	CalAm shall provide the CPUC with the name and qualifications of the professional who prepared as well as a copy of the required Construction Equipment Efficiency Plan for approval at least 30 days prior to commencement of construction and at least 30 days prior to subsequent decommissioning activities. CPUC and MBNMS will review and approve the plan and monitor its implementation.	Prior to and during construction.	Compliance with all components of the approved Construction Equipment Efficiency Plan to ensure increased energy efficiency during construction and decommissioning.
Impact 4.18-3: Constrain local or regional energy supplies, require additional capacity, or affect peak and base periods of electrical demand during operations. **Mitigation Measure 4.11-1**	X	X	X	X	X	X	See above under Mitigation Measure 4.11-1		
Impact 4.18-C: Cumulative impacts related to energy conservation. **Mitigation Measures 4.10-1b and 4.18-1**	X	X	X	X	X	X	See above under Mitigation Measures 4.10-1b and 4.18-1		
Section 4.20: Socioeconomics and Environmental Justice									
Impact 4.20-1: Reductions in the rate of employment, total income, or business activity in Monterey County. **Mitigation Measure 4.9-1**	X	X	X	X	X	X	See above under Mitigation Measure 4.9-1		
Impact 4.20-2: Disproportionately high and adverse effects on low-income or minority populations. **Mitigation Measures 4.10-1a through 4.10-1e**	X	X	X	X	X	X	See above under Mitigation Measures 4.10-1a through 4.10-1e		
Impact 4.20-C: Cumulative impacts related to socioeconomics and environmental justice.	X	X	X	X	X	X	See above under Mitigation Measures 4.9-1 and 4.10-1a through 4.10-1e		

EXHIBIT B

CALIFORNIA STATE LANDS COMMISSION
STATEMENT OF FINDINGS AND
STATEMENT OF OVERRIDING CONSIDERATIONS

1.0 INTRODUCTION

The California State Lands Commission (Commission or CSLC), acting as a responsible agency under the California Environmental Quality Act (CEQA), makes these findings and this Statement of Overriding Considerations to comply with CEQA as part of its discretionary approval to authorize issuance of a General Lease – Industrial Use, to California-American Water Company (CalAm), for use of sovereign land associated with the Phase 1 Project (Phase 1) of the proposed CalAm Monterey Peninsula Water Supply Project (MPWSP). (See Pub. Resources Code, § 21069; CEQA Guidelines, § 15381.)[1] The Commission has jurisdiction and management authority over all ungranted tidelands, submerged lands, and the beds of navigable lakes and waterways. The Commission also has certain residual and review authority for tidelands and submerged lands legislatively granted in trust to local jurisdictions. (Pub. Resources Code, §§ 6301, 6306, 6009, subd. (c).) All tidelands and submerged lands, granted or ungranted, as well as navigable lakes and waterways, are subject to the protection of the common law Public Trust.

The MPWSP would construct a desalination plant in unincorporated Monterey County to produce desalinated water to serve CalAm customers on the Monterey Peninsula and replace existing water supplies that have been constrained by legal decisions affecting the Carmel River and Seaside Groundwater Basin.

CPUC ACTION

The California Public Utilities Commission (CPUC) analyzed the environmental impacts associated with the MPWSP in a Final Environmental Impact Report/Environmental Impact Statement (EIR/EIS) (State Clearinghouse [SCH] No. 2006101004). On September 20, 2018, the CPUC approved the MPWSP, including the adoption of settlement agreements, certifying the Final EIR/EIS, and adopting

[1] CEQA is codified in Public Resources Code section 21000 et seq. The CEQA Guidelines are found in California Code of Regulations, title 14, section 15000 et seq.

CEQA Findings and a Statement of Overriding Considerations and the associated Mitigation Monitoring and Reporting Plan (MMRP). The approval was for the construction and operation of a 6.4 million gallons per day (MGD) desalination facility located 2 miles inland from the coast in unincorporated Monterey County; six new subsurface slant wells, plus conversion of an existing test slant well to a permanent well, located at the former CEMEX sand mining site in Marina, California; pipelines to convey source water to the desalination plant, product water to the CalAm service area, and brine discharge to the existing outfall owned and operated by Monterey One Water (M1W); and improvements to the existing Aquifer Storage and Recovery (ASR) system in Seaside, California.

CCC ACTION 2022

Four years after the CPUC approval, at the request of the California Coastal Commission (CCC) as part of Coastal Development Permit (CDP) Application No. 9-20-0603 and Appeal No. A-3-MRA-19-0034, CalAm proposed a modified approach to the MPWSP. CalAm agreed to a two-phase approach to minimize potential inconsistencies with the Coastal Act for project components located in the Coastal Zone, to limit impacts with a smaller footprint in Phase 1 and allow for greater adaptive management and reporting before expanding into Phase 2, which would include the remaining development of the MPWSP. This included minimizing potential impacts on Environmentally Sensitive Habitat Areas (ESHA), reducing potential impacts to groundwater, and addressing changes in water supply and demand estimates (CCC, 2022a, pg. 3). Phase 1 was proposed as a smaller initial phase that would produce up to 4.8 MGD and include conversion of the test well to a permanent well on the site, as well as the construction of four main pipelines. Under Phase 1, only three well pads (including the well pad for the existing test slant well) would be required. Phase 2, if allowed to move forward, would construct the remainder of the Project, increasing production to 6.4 MGD, and bringing the total number of slant wells to a maximum of six, to be located within CalAm's easement on part of the former CEMEX sand mining facility in Marina, near the Monterey Bay.

PROPOSED CSLC ACTION ON PHASE 1 PROJECT

Phase 1 is the activity now subject to the Commission's lease consideration.

Based on staff's review of both the CPUC's Final EIR/EIS for the full MPWSP and the CCC's conditional CDP approval for the phased approach, focusing on the Phase 1 portion, staff concludes that the Commission may rely on the existing certified

Final EIR/EIS and CEQA-equivalent CDP to consider the environmental effects of issuing a lease for the Phase 1 Project.

The Commission is a responsible agency under CEQA for the Phase 1 Project because the Commission must approve a lease for the Phase 1 Project to go forward.

The Phase 1 Project involves the construction and use of four slant wells and the conversion and use of one existing slant well that are within the Commission's jurisdiction. The Final EIR/EIS also includes the construction of a desalination plant, water conveyance pipelines, storage facilities, and improvements to the existing Seaside Groundwater basin Aquifer Storage and Recovery facilities that are outside of the Commission's jurisdiction and not subject to Commission approval.

The CPUC determined that the full MPWSP, as a whole, could have significant environmental effects on the following environmental resource areas:

- Geology, Soils, and Seismicity
- Surface Water Hydrology and Water Quality
- Groundwater Resources
- Marine Resources
- Terrestrial Biological Resources
- Hazards and Hazardous Materials
- Land Use, Land Use Planning, and Recreation
- Traffic and Transportation
- Air Quality
- Greenhouse Gas Emissions
- Noise and Vibration
- Public Services and Utilities
- Aesthetic Resources
- Cultural and Paleontological Resources
- Agricultural Resources
- Energy Conservation
- Growth Inducement

Of the 17 resources areas noted above, the Phase 1 Project components within the Commission's jurisdiction (i.e., construction of slant wells) could have significant environmental effects on 10 of the resource areas, as follows:

- Geology, Soils, and Seismicity
- Surface Water Hydrology and Water Quality

- Groundwater Resources
- Terrestrial Biological Resources
- Hazards and Hazardous Materials
- Air Quality
- Greenhouse Gas Emissions
- Noise and Vibration
- Cultural and Paleontological Resources
- Energy Conservation

In certifying the Final EIR/EIS and approving the MPWSP, the CPUC imposed various mitigation measures for Project-related significant effects on the environment as conditions of approval and concluded that MPWSP-related impacts would be substantially lessened with implementation of these mitigation measures such that the impacts would be less than significant. However, even with the integration of all feasible mitigation, CPUC concluded in the Final EIR/EIS that some of the identified impacts would remain significant. As a result, CPUC adopted a Statement of Overriding Considerations to support its approval of the MPWSP despite the significant and unavoidable impacts. The CPUC determined that, after mitigation, the MPWSP may still have significant impacts on Terrestrial Biological Resources, Traffic and Transportation, Noise and Vibration, Growth Inducing Impacts, and Air Quality. Because some of these significant impacts may occur on land under the jurisdiction of the Commission, the Commission also adopts the Statement of Overriding Considerations set forth in this Exhibit B as part of its approval.

As a responsible agency, the Commission complies with CEQA by considering the CPUC's Final EIR/EIS and Coastal Commission's CEQA-equivalent CDP to reach its own conclusions on whether, how, and with what conditions to approve a project. In doing so, the Commission may require changes in a project to lessen or avoid the impacts, either direct or indirect, of that part of the project which the Commission will be called on to carry out or approve. To ensure the identified mitigation measures and/or Phase 1 Project revisions are implemented, the Commission adopts the Mitigation Monitoring Program (MMP) as set forth in Exhibit A as part of its Phase 1 Project approval.

2.0 ADMINISTRATIVE RECORD OF PROCEEDINGS AND CUSTODIAN OF THE RECORD

These Findings are supported by substantial evidence contained in the Final EIR/EIS, the CEQA-equivalent CDP, and other relevant information provided to the Commission or existing in its files, all of which is contained in the administrative record. The administrative record is located at the California State Lands Commission, 100 Howe Avenue, Suite 100-South, Sacramento, CA 95825. The custodian for the administrative record is the California State Lands Commission Division of Environmental Science, Planning, and Management.

3.0 FINDINGS

The Commission's role as a responsible agency affects the scope of, but not the obligation to adopt, findings required by CEQA. Findings are required under CEQA by each "public agency" that approves a project for which an EIR has been certified that identifies one or more significant impacts on the environment. (Pub. Resources Code, § 21081, subd. (a); CEQA Guidelines, § 15091, subd. (a).) Because the Final EIR/EIS certified by CPUC for the MPWSP identifies potentially significant impacts that fall within the scope of the Commission's Phase 1 Project approval, the Commission makes the Findings set forth below as a responsible agency under CEQA. (CEQA Guidelines, § 15096, subd. (h); *Riverwatch v. Olivenhain Mun. Water Dist.* (2009) 170 Cal.App.4th 1186, 1202, 1207.

While the Commission must consider the environmental impacts of the Phase 1 Project as set forth in the Final EIR/EIS and the CEQA-equivalent CDP, the Commission's obligation to mitigate or avoid the direct or indirect environmental impacts of the Project is limited to those parts which it decides to carry out, finance, or approve. (Pub. Resources Code, § 21002.1, subd. (d); CEQA Guidelines, §§ 15041, subd. (b), 15096, subds. (f)-(g).) Accordingly, because the Commission's exercise of discretion involves only issuing a General Lease – Industrial Use for this Phase 1 Project, the Commission is responsible for considering only the environmental impacts related to lands or resources subject to the Commission's jurisdiction. With respect to all other impacts associated with implementation of the Project, the Commission is bound by the legal presumption that the Final MPWSP EIR/EIS fully complies with CEQA.

The Commission has reviewed and considered the information contained in the MPWSP Final EIR/EIS. All significant adverse impacts of the Project identified in the Final EIR/EIS relating to the Commission's approval of a General Lease – Industrial Use for the Phase 1 Project, which would allow for the construction and use of four slant wells and the conversion and use of the existing test slant well, are included herein and organized according to the resource affected.

These Findings, which reflect the independent judgment of the Commission, are intended to comply with CEQA's mandate that no public agency shall approve or carry out a project for which an EIR has been certified that identifies one or more significant environmental effects unless the agency makes written findings for each of those significant effects. Possible findings on each significant effect are:

1. Changes or alterations have been required in, or incorporated into, the Phase 1 Project that avoid or substantially lessen the significant environmental impacts as identified in the Final EIR/EIS.
2. Such changes or alterations are within the responsibility and jurisdiction of the California Coastal Commission and the CPUC and not the Commission. Such changes have been adopted by such other agency or can and should be adopted by such other agency.
3. Specific economic, legal, social, technological or other considerations, including provision of employment opportunities for highly trained workers, make infeasible the mitigation measures or project alternatives identified in the Final EIR/EIS.[2]

A discussion of supporting facts follows each Finding.

- Whenever Finding (1) occurs, the mitigation measures that lessen the significant environmental impact are identified in the facts supporting the Finding.
- Whenever Finding (2) occurs, the agencies with jurisdiction are specified. These agencies, within their respective spheres of influence, have the responsibility to adopt, implement, and enforce the mitigation discussed.
- Wherever Finding (3) is made, the Commission has determined that, even after implementation of all feasible mitigation measures and consideration of feasible alternatives, the identified impact will exceed the significance criteria set forth in the EIR/EIS. Furthermore, to the extent

[2] See Public Resources Code section 21081, subdivision (a), and CEQA Guidelines section 15091, subdivision (a).

> that potentially feasible measures have been alleged or proposed, the Findings explain why certain economic, legal, social, technological or other considerations render such possibilities infeasible. The significant and unavoidable impacts requiring Findings are identified in the Final EIR/EIS, discussed in the Responses to Comments, and explained below. Having done everything it can to avoid and substantially lessen these effects consistent with its legal authority and CEQA, the Commission finds in these instances that overriding economic, legal, social, and other benefits of the approved Phase 1 Project outweigh the resulting significant and unavoidable impacts. The Statement of Overriding Considerations adopted as part of this exhibit applies to all such unavoidable impacts as required by CEQA. (Pub. Resources Code, § 21081, subd. (b); CEQA Guidelines, §§ 15092 and 15093.)

The mitigation measures are briefly described in these Findings; more detail on the mitigation measures is included in the Final EIR/EIS. For the full text of each mitigation measure (MM), please refer to Exhibit A, Attachment A-1.

A. Summary of Findings

Based on the Final EIR/EIS, the proposed MPWSP will have No Impact on the following environmental resource areas:

- Forestry Resources

The EIR/EIS also identified impacts to the following resource areas as Less Than Significant:

- Marine Resources
- Population and Housing

For the remaining potentially significant effects, the Findings are organized by significant impacts within the EIR/EIS resource areas as presented below.

B. Potentially Significant Impacts

The impacts within the Commission's jurisdiction, identified in Table B-1, were determined in the Final EIR/EIS to be potentially significant, absent mitigation. After application of mitigation, however, several impacts were determined to be less than significant (LTSM).

However, even with the integration of all feasible mitigation, CPUC concluded in the Final EIR/EIS that other identified potentially significant impacts will remain significant. Table B-1 identifies those impacts that CPUC determined would be, after mitigation, significant and unavoidable (SU).

Table B-1 – Significant Impacts by Resource Area

Environmental Resource Area	Impact Nos. (LTSM)	Impact Nos. (SU)
Geology, Soils, and Seismicity	4.2-10, 4.2-C	
Surface Water Hydrology and Water Quality	4.3-C	
Groundwater Resources	4.4-4	
Terrestrial Biological Resources	4.6-1, 4.6-2, 4.6-3, 4.6-5, 4.6-6, 4.6-7, 4.6-8, 4.6-9	4.6-4, 4.6-C
Hazards and Hazardous Materials	4.7-2, 4.7-C	
Air Quality		4.10-1, 4.10-2, 4.10-C
Greenhouse Gas Emissions	4.11-1, 4.11-2, 4.11-3, 4.11-C	
Noise and Vibration		4.12-C
Cultural and Paleontological Resources	4.15-2, 4.15-4	
Energy Conservation	4.18-1, 4.18-C	

As a result, the Commission adopts the Statement of Overriding Considerations set forth as part of this Exhibit to support its approval of the Phase 1Project despite the significant and unavoidable impacts.

C. Impacts Reduced to Less Than Significant Levels with Mitigation

The impacts identified below were determined in the Final EIR/EIS to be potentially significant absent mitigation; however, the impacts were determined to be less than significant with mitigation (LTSM).

1. GEOLOGY, SOILS, AND SEISMICITY

CEQA Finding No. 1

Impact:	**4.2-10**. Accelerate and/or exacerbate natural rates of coastal erosion, scour, or dune retreat, resulting in damage to adjoining properties or a substantial changes in the natural coastal environment**.**
Finding(s):	(1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR/EIS.

FACTS SUPPORTING THE FINDING(S)

Activities proposed as part of the Phase 1 Project have the potential to result in the migration of the beach inland such that the subsurface slant well casings, concrete well head vaults, and electrical panels would become located on the beach within the project lifetime. The exposure of the Phase 1 Project components to wave action, storm events, and rip embayment could alter the existing natural beach dynamics and result in an increase in beach erosion or interrupt the sand supply to other beaches along the Monterey Bay. The EIR/EIS identified measures that would require CalAm to monitor the slant wells, model when the slant wells would be potentially exposed, and 5 years prior to anticipated exposure of the slant wells, begin removing the slant wells before they would be fully exposed.

Implementation of MM 4.2-10 has been incorporated into the Phase 1 Project to reduce this impact to a less than significant level.

MM 4.2-10: Slant Well Abandonment Plan

LEVEL OF SIGNIFICANCE AFTER MITIGATION. With the mitigation described above, this impact is reduced to a less than significant level.

CEQA Finding No. 2

Impact:	**4.2-C**. Cumulative impacts related to geology, soils, and seismicity**.**
Finding(s):	(1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR/EIS.

FACTS SUPPORTING THE FINDING(S)

Activities proposed as part of the Phase 1 Project have the potential to result in the migration of the beach inland such that the subsurface slant well casings, concrete

well head vaults, and electrical panels would become located on the beach within the Phase 1 project lifetime. In addition, cumulative projects located along the coast could result in increased scour and erosion that would be cumulatively considerable. The Final EIR/EIS identified measures that would require CalAm to monitor the slant wells, model when the slant wells would be potentially exposed, begin removing the slant wells before they would be fully exposed, and ensure that topsoil is appropriately salvaged, separated according to soil type, maintained during construction, and backfilled in the appropriate location and density.

Implementation of MM 4.2-10, MM 4.6-2b, and MM 4.16-1 has been incorporated into the Phase 1 Project to reduce this impact to a less than significant level.

MM 4.2-10: Slant Well Abandonment Plan

MM 4.6-2b: Consultation with Local Agencies and the California Coastal Commission regarding Environmentally Sensitive Habitat Areas

MM 4.16-1: Minimize Disturbance to Farmland

LEVEL OF SIGNIFICANCE AFTER MITIGATION. With the mitigation described above, this impact is reduced to a less than significant level.

2. SURFACE WATER HYDROLOGY AND WATER QUALITY

CEQA Finding No. 3

Impact:	**4.3-C**. Cumulative impacts related to Surface Water Hydrology and Water Quality.
Finding(s):	(1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR/EIS.

FACTS SUPPORTING THE FINDING(S)

Construction and operation activities proposed as part of the Phase 1 Project have the potential to result in impacts that, in combination with other cumulative projects, could have a significant impact on surface water hydrology and water quality from the use of heavy equipment during construction and the discharge from dewatering and operation mixing with potential materials from previous spills or leaks. The Final EIR/EIS identified measures that would require CalAm to implement a comprehensive Monitoring and Mitigation Plan consistent with the requirements of the Ocean Plan and would require data gathering to determine

baseline conditions and compliance with Ocean Plan water quality objectives. In addition, the mitigation measures would require construction contractors to comply with all relevant environmental regulations and plan for the safe and lawful disposal of contaminated groundwater, when encountered.

Implementation of MM 4.3-4, MM 4.3-5, and MM 4.7-2b has been incorporated into the Phase 1 Project to reduce this impact to a less than significant level.

MM 4.3-4: Operational Discharge Monitoring, Analysis, Reporting, and Compliance

MM 4.3-5: Implement Protocols to Avoid Exceeding Water Quality Objectives

MM 4.7-2b: Soil and Groundwater Management Plan

LEVEL OF SIGNIFICANCE AFTER MITIGATION. With the mitigation described above, this impact is reduced to a less than significant level.

3. *GROUNDWATER RESOURCES*

CEQA Finding No. 4

Impact:	**4.4-4**. Violate any water quality standards or otherwise degrade groundwater quality during operations.
Finding(s):	(1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR/EIS.

FACTS SUPPORTING THE FINDING(S)

The operable unit carbon tetrachloride plume A-Aquifer plume is located about 2 miles from the slant wells location and is an area of groundwater contaminated by carbon tetrachloride. The plume is being treated to prevent the contamination from spreading by enhancing naturally occurring microbes to break down the contaminants into non-toxic compounds. This treatment does not involve the extraction of groundwater. Operation activities proposed as part of the Phase 1 Project have the potential to intersect this plume and degrade groundwater by spreading the contamination to areas not currently impacted by the plume. The Final EIR/EIS identified measures that would require CalAm to monitor changes to the groundwater surface elevations during Phase 1 Project pumping and take actions so the plume does not expand and contaminate other areas.

Implementation of MM 4.4-4 has been incorporated into the Phase 1 Project to reduce this impact to a less than significant level.

MM 4.4-4: Groundwater Monitoring and Avoidance of Impacts on Groundwater Remediation Plumes

LEVEL OF SIGNIFICANCE AFTER MITIGATION. With the mitigation described above, this impact is reduced to a less than significant level.

4. TERRESTRIAL BIOLOGICAL RESOURCES

CEQA Finding No. 5

Impact:	**4.6-1**. Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly or through habitat modification, during construction.
Finding(s):	(1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR/EIS.

FACTS SUPPORTING THE FINDING(S)

Construction activities proposed as part of the Phase 1 Project have the potential to adversely impact several special-status species through injury or death and by temporarily or permanently impacting their habitat. The Final EIR/EIS identified general measures which would require worker awareness training regarding special-status species and avoidance/minimization/mitigation measures, exclusion fencing to ensure special-status species do not occur within the construction area, trash abatement to reduce the presence of predators of special-status species, using cleaned tools/ equipment and avoiding weed-infested areas and covering stockpiles to reduce the introduction or spread of invasive species, noise controls for construction equipment for special-status wildlife species, and focused construction lighting.

To address impacts to birds, the measures would require pre-construction surveys, avoiding direct construction impacts during the snowy plover breeding season as well as limiting construction during the nesting period for other special-status species, installing a visual construction barrier for work conducted adjacent to breeding habitat during the breeding season, and compensating for temporary and permanent habitat loss. Measures for other special-status species require avoidance of special-status plants and replanting or compensatory purchases for temporary or permanent loss of both special-status plants and sensitive habitats, requiring specific measures to avoid and minimize impacts on Smith's blue butterfly such as avoiding host plants for the Smith's blue butterfly or relocating those that

cannot be avoided as well as compensatory mitigation for permanent impacts, and relocating special-status lizard species individuals to areas outside of the construction area.

Implementation of MMs 4.6-1a through 4.6-1q, MM 4.12-1b, and MM 4.14-2 has been incorporated into the Phase 1 Project to reduce this impact to a less than significant level.

MM 4.6-1a: Retain a Lead Biologist to Oversee implementation of Protective Measures.

MM 4.6-1b: Construction Worker Environmental Awareness Training and Education Program.

MM 4.6-1c: General Avoidance and Minimization Measures

MM 4.6-1d: Protective Measures for Western Snowy Plover

MM 4.6-1e: Avoidance and Minimization Measures for Special-status Plants

MM 4.6-1f: Avoidance and Minimization Measures for Smith's Blue Butterfly

MM 4.6-1g: Avoidance and Minimization Measures for Black Legless Lizard, Silvery Legless Lizard, and Coast Horned Lizard

MM 4.6-1h: Avoidance and Minimization Measures for Western Burrowing Owl

MM 4.6-1i: Avoidance and Minimization Measures for Nesting Birds

MM 4.6-1j: Avoidance and Minimization Measures for American Badger

MM 4.6-1k: Avoidance and Minimization Measures for Monterey Dusky-Footed Woodrat

MM 4.6-1l: Avoidance and Minimization Measures for Special-status Bats

MM 4.6-1m: Avoidance and Minimization Measures for Native Stands of Monterey Pine

MM 4.6-1n: Habitat Mitigation and Monitoring Plan

MM 4.6-1o: Avoidance and Minimization Measures for California Red-legged Frog and California Tiger Salamander

MM 4.6-1p: Control Measures for Spread of Invasive Plants

MM 4.6-1q: Frac-out Contingency Plan

MM 4.12-1b: General Noise Controls for Construction Equipment and Activities

MM 4.14-2: Site-Specific Nighttime Lighting Measures

LEVEL OF SIGNIFICANCE AFTER MITIGATION. With the mitigation described above, this impact is reduced to a less than significant level.

CEQA Finding No. 6

Impact:	**4.6-2**. Result in substantial adverse effects on riparian habitat, critical habitat, or other sensitive natural communities during construction.
Finding(s):	(1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR/EIS.

FACTS SUPPORTING THE FINDING(S)

Construction activities proposed as part of the entire Phase 1 Project have the potential to temporarily or permanently adversely impact riparian and critical habitat, and other sensitive natural communities including environmentally sensitive habitat areas (EHSA). The Final EIR/EIS identified measures that would require worker awareness training regarding plant communities and habitat and the avoidance/minimization/mitigation measures, exclusion fencing to ensure special-status species do not occur within the construction area, trash abatement to reduce special-status species predator presence, and using cleaned tools/equipment and avoiding weed-infested areas and covering stockpiles to reduce the introduction or spread of invasive species.

To address impacts to birds, the measures would require pre-construction surveys, avoiding direct construction impacts during the snowy plover breeding season as well as limiting construction during the nesting period for other special-status species, installing a visual construction barrier for work conducted adjacent to breeding habitat during breeding season, and compensating for temporary and permanent habitat loss. Measures also ensure the Phase 1 project conforms to ESHA policies (including local coastal plan policies), require that staging areas are located away from sensitive communities, and compensate for loss of habitat.

Implementation of MMs 4.6-1a through 4.6-1d, MMs 4.6-1n through 4.6-1q, MM 4.6-2a, and MM 4.6-2b has been incorporated into the Phase 1 Project to reduce this impact to a less than significant level.

MM 4.6-1a: Retain a Lead Biologist to Oversee implementation of Protective Measures.

MM 4.6-1b: Construction Worker Environmental Awareness Training and Education Program.

MM 4.6-1c: General Avoidance and Minimization Measures

MM 4.6-1d: Protective Measures for Western Snowy Plover

MM 4.6-1n: Habitat Mitigation and Monitoring Plan

MM 4.6-1o: Avoidance and Minimization Measures for California Red-legged Frog and California Tiger Salamander

MM 4.6-1p: Control Measures for Spread of Invasive Plants

MM 4.6-1q: Frac-out Contingency Plan

MM 4.6-2a: Consultation with Local Agencies and the California Coastal Commission regarding Environmentally Sensitive Habitat Areas

MM 4.6-2b: Avoid, Minimize, and Compensate for Construction Impacts to Sensitive Communities and Environmentally Sensitive Habitat Areas

LEVEL OF SIGNIFICANCE AFTER MITIGATION. With the mitigation described above, this impact is reduced to a less than significant level.

CEQA Finding No. 7

Impact:	**4.6-3**. Result in substantial adverse effects on federal wetlands, federal other waters, and/or waters of the State during construction.
Finding(s):	(1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR/EIS.

FACTS SUPPORTING THE FINDING(S)

Construction activities proposed as part of the Phase 1 Project have the potential to adversely impact federal wetlands, federal other waters, and/or waters of the State as a result of placement of fill, removal of water or wetland features, or from construction activities or construction worker foot traffic. The Final EIR/EIS identified measures that would require biological monitoring and worker awareness training regarding jurisdictional waters and the avoidance/minimization/mitigation measures, staking or flagging the construction area to ensure work is restricted to

the construction footprint, and requiring preparation of a Frac-out Contingency Plan to contain and clean-up any inadvertent releases in waterways that would affect special-status species and their habitat.

Implementation of MMs 4.6-1a through 4.6-1c, MM 4.6-1q, and MM 4.6-3 has been incorporated into the Phase 1 Project to reduce this impact to a less than significant level.

MM 4.6-1a: Retain a Lead Biologist to Oversee implementation of Protective Measures.

MM 4.6-1b: Construction Worker Environmental Awareness Training and Education Program.

MM 4.6-1c: General Avoidance and Minimization Measures

MM 4.6-1q: Frac-out Contingency Plan

MM 4.6-3: Avoid, Minimize, and or Mitigate Impacts to Wetlands

LEVEL OF SIGNIFICANCE AFTER MITIGATION. With the mitigation described above, this impact is reduced to a less than significant level.

CEQA Finding No. 8

Impact:	**4.6-5**. Introduce or spread an invasive non-native species during construction.
Finding(s):	(1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR/EIS.

FACTS SUPPORTING THE FINDING(S)

Construction activities proposed as part of the Phase 1 Project have the potential to introduce or spread an invasive non-native species through earth moving, transport vehicles, equipment and materials, and unanticipated sediment dispersal during rain events. The Final EIR/EIS identified measures that would require biological monitoring in addition to using cleaned tools/ equipment and avoiding weed-infested areas and covering stockpiles to reduce the introduction or spread of invasive species.

Implementation of MM 4.6-1a and MM 4.6-1p has been incorporated into the Phase 1 Project to reduce this impact to a less than significant level.

MM 4.6-1a: Retain a Lead Biologist to Oversee implementation of Protective Measures.

MM 4.6-1p: Control Measures for Spread of Invasive Plants

LEVEL OF SIGNIFICANCE AFTER MITIGATION. With the mitigation described above, this impact is reduced to a less than significant level.

CEQA Finding No. 9

Impact:	**4.6-6**. Result in substantial adverse effects on candidate, sensitive, or special-status species during project operations.
Finding(s):	(1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR/EIS.

FACTS SUPPORTING THE FINDING(S)

Periodic maintenance of the subsurface slant wells proposed as part of the Phase 1 Project has the potential to adversely impact special-status species through periodic ground disturbance. The Final EIR/EIS identified measures that would require worker awareness training regarding special-status species and the avoidance/minimization/mitigation measures, exclusion fencing to ensure special-status species do not occur within the construction area, trash abatement to reduce special-status species predator presence, using cleaned tools/ equipment and avoiding weed-infested areas and covering stockpiles to reduce the introduction or spread of invasive species, noise controls for construction equipment for special-status wildlife species, and focused construction lighting.

To address impacts to birds, the measures would require pre-construction surveys, avoiding direct construction impacts during the snowy plover breeding season as well as limiting construction during the nesting period for other special-status species, installing a visual construction barrier for work conducted adjacent to breeding habitat during the breeding season, and compensating for temporary and permanent habitat loss. Measures for other special-status species require avoidance of special-status plants and replanting or compensatory purchases for temporary or permanent loss of both special-status plants and sensitive habitats, requiring specific measures to avoid and minimize impacts on Smith's blue butterfly such as avoiding host plants for the Smith's blue butterfly or relocating those that cannot be avoided as well as compensatory mitigation for permanent impacts,

and relocating special-status lizard species individuals to areas outside of the construction area.

Implementation of MMs 4.6-1a through 4.6-1i, MM 4.6-1n, MM 4.6-1o, MM 4.6-q, MM 4.6-6, MM 4.12-1b, MM 4.12-5, and MM 4.14-2 has been incorporated into the Phase 1 Project to reduce this impact to a less than significant level.

MM 4.6-1a: Retain a Lead Biologist to Oversee implementation of Protective Measures.

MM 4.6-1b: Construction Worker Environmental Awareness Training and Education Program.

MM 4.6-1c: General Avoidance and Minimization Measures

MM 4.6-1d: Protective Measures for Western Snowy Plover

MM 4.6-1e: Avoidance and Minimization Measures for Special-status Plants

MM 4.6-1f: Avoidance and Minimization Measures for Smith's Blue Butterfly

MM 4.6-1g: Avoidance and Minimization Measures for Black Legless Lizard, Silvery Legless Lizard, and Coast Horned Lizard

MM 4.6-1i: Avoidance and Minimization Measures for Nesting Birds

MM 4.6-1n: Habitat Mitigation and Monitoring Plan

MM 4.6-1o: Avoidance and Minimization Measures for California Red-legged Frog and California Tiger Salamander

MM 4.6-1q: Frac-out Contingency Plan

MM 4.6-6: Installation and Monitoring of Bird Deterrents at the Brine Storage Basin

MM 4.12-1b: General Noise Controls for Construction Equipment and Activities

MM 4.12-5: Stationary-Source Noise Controls

MM 4.14-2: Site-Specific Nighttime Lighting Measures

LEVEL OF SIGNIFICANCE AFTER MITIGATION. With the mitigation described above, this impact is reduced to a less than significant level.

CEQA Finding No. 10

Impact:	**4.6-7**. Result in substantial effects on riparian habitat, critical habitat, or other sensitive natural communities during project operations.
Finding(s):	(1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR/EIS.

FACTS SUPPORTING THE FINDING(S)

Maintenance of the slant wells proposed as part of the Phase 1 Project has the potential to adversely impact critical habitat and primary habitat/ESHA if worker foot traffic extends beyond the designated construction work area, if trash and debris is left behind following construction, or if invasive plant species are introduced or spread at the site. The Final EIR/EIS identified measures that would require worker awareness training regarding plant communities and habitat and the avoidance/minimization/mitigation measures, exclusion fencing to ensure special-status species do not occur within the construction area, trash abatement to reduce special-status species predator presence, using cleaned tools/equipment and avoiding weed-infested areas and covering stockpiles to reduce the introduction or spread of invasive species.

To address impacts to birds, the measures would require pre-construction surveys, avoiding direct construction impacts during the snowy plover breeding season as well as limiting construction during the nesting period for other special-status species, installing a visual construction barrier for work conducted adjacent to breeding habitat during breeding season, and compensating for temporary and permanent habitat loss. Measures also ensure the Phase 1 Project conforms to ESHA policies (including local coastal plan policies), require that staging areas are located away from sensitive communities, and compensate for loss of habitat.

Implementation of MMs 4.6-1a through 4.6-1d, MM 4.6-1n, MM 4.6-1p, MM 4.6-2a and MM 4.6-2b has been incorporated into the Phase 1 Project to reduce this impact to a less than significant level.

MM 4.6-1a: Retain a Lead Biologist to Oversee implementation of Protective Measures.

MM 4.6-1b: Construction Worker Environmental Awareness Training and Education Program.

MM 4.6-1c: General Avoidance and Minimization Measures

MM 4.6-1d: Protective Measures for Western Snowy Plover

MM 4.6-1n: Habitat Mitigation and Monitoring Plan

MM 4.6-1p: Control Measures for Spread of Invasive Plants

MM 4.6-2a: Consultation with Local Agencies and the California Coastal Commission regarding Environmentally Sensitive Habitat Areas

MM 4.6-2b: Avoid, Minimize, and Compensate for Construction Impacts to Sensitive Communities and Environmentally Sensitive Habitat Areas

LEVEL OF SIGNIFICANCE AFTER MITIGATION. With the mitigation described above, this impact is reduced to a less than significant level.

CEQA Finding No. 11

Impact:	**4.6-8**. Result in substantial adverse effects on federal wetlands, federal other waters, and waters of the State during project operations.
Finding(s):	(1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR/EIS.

FACTS SUPPORTING THE FINDING(S)

Maintenance of the slant wells proposed as part of the Phase 1 Project has the potential to adversely impact federal wetlands, federal other waters, and/or waters of the State because construction crews could inadvertently walk or drive through wetlands during maintenance. The Final EIR/EIS identified measures that would require biological monitoring and worker awareness training regarding jurisdictional waters and the avoidance/minimization/mitigation measures staking or flagging the construction area to ensure work is restricted to the construction footprint, and other measures to avoid and minimize impacts on jurisdictional waters.

Implementation of MMs 4.6-1a through 4.6-1c has been incorporated into the Phase 1 Project to reduce this impact to a less than significant level.

MM 4.6-1a: Retain a Lead Biologist to Oversee implementation of Protective Measures.

MM 4.6-1b: Construction Worker Environmental Awareness Training and Education Program.

MM 4.6-1c: General Avoidance and Minimization Measures.

LEVEL OF SIGNIFICANCE AFTER MITIGATION. With the mitigation described above, this impact is reduced to a less than significant level.

CEQA Finding No. 12

Impact:	**4.6-9**. Introduce or spread an invasive non-native species during Project operations.
Finding(s):	(1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR/EIS.

FACTS SUPPORTING THE FINDING(S)

Periodic maintenance at the subsurface slant wells proposed as part of the Phase 1 Project has the potential to introduce or spread an invasive non-native species through earth moving, transport of vehicles, equipment and materials, and unanticipated sediment dispersal during rain events. The Final EIR/EIS measures that would require biological monitoring in addition to using cleaned tools/ equipment and avoiding weed-infested areas and covering stockpiles to reduce the introduction or spread of invasive species.

Implementation of MM 4.6-1a and MM 4.6-1p has been incorporated into the Phase 1 Project to reduce this impact to a less than significant level.

MM 4.6-1a: Retain a Lead Biologist to Oversee implementation of Protective Measures.

MM 4.6-1p: Control Measures for Spread of Invasive Plants

LEVEL OF SIGNIFICANCE AFTER MITIGATION. With the mitigation described above, this impact is reduced to a less than significant level.

5. HAZARDS AND HAZARDOUS MATERIALS

CEQA Finding No. 13

Impact:	**4.7-2.** Encountering hazardous materials from other hazardous materials release sites during construction.
Finding(s):	(1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR/EIS.

FACTS SUPPORTING THE FINDING(S)

Construction activities such as excavation, trenching, and grading proposed as part of the Phase 1 Project have the potential to encounter hazardous materials through stockpiling, handling, or transportation of soils that have been contaminated by hazardous materials from previous spills or leaks. The Final EIR/EIS identified measures that require a health and safety plan, compliance with all relevant environmental regulations, and a soil and groundwater management plan with procedures for handling accidental hazardous materials releases and unanticipated contamination.

Implementation of MM 4.7-2a and MM 4.7-2b has been incorporated into the Phase 1 Project to reduce this impact to a less than significant level.

MM 4.7-2a: Health and Safety Plan

MM 4.7-2b: Soil and Groundwater Management Plan

LEVEL OF SIGNIFICANCE AFTER MITIGATION. With the mitigation described above, this impact is reduced to a less than significant level.

CEQA Finding No. 14

Impact:	**4.7-C.** Cumulative impacts related to Hazards and Hazardous Materials.
Finding(s):	(1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR/EIS.

FACTS SUPPORTING THE FINDING(S)

The Phase 1 Project could result in cumulative significant impacts resulting from the potential release of or exposure to hazardous materials from projects occurring simultaneously from contaminated soil or groundwater. The Final EIR/EIS identified measures that require a health and safety plan, compliance with all relevant environmental regulations, and a soil and groundwater management plan with procedures for handling accidental hazardous materials releases and unanticipated contamination.

Implementation of MM 4.7-2a and MM 4.7-2b has been incorporated into the Phase 1 Project to reduce this impact to a less than significant level.

MM 4.7-2a: Health and Safety Plan

MM 4.7-2b: Soil and Groundwater Management Plan

LEVEL OF SIGNIFICANCE AFTER MITIGATION. With the mitigation described above, this impact is reduced to a less than significant level.

6. *GREENHOUSE GAS EMISSIONS*

CEQA Finding No. 15

Impact:	**4.11-1.** Incremental contribution to climate change from greenhouse gas (GHG) emissions associated with the proposed project.
Finding(s):	(1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR/EIS.

FACTS SUPPORTING THE FINDING(S)

Phase 1 Project construction and operation emissions would exceed the 2,000 metric tons per year significance threshold and therefore would contribute to the primary and secondary adverse effects of climate change. The Final EIR/EIS identified measures that would require a GHG Emissions Reduction Plan and a Construction Equipment Efficiency Plan that would limit the generation of GHG construction-related emissions and ensure that operational electricity use results in net zero GHG emissions.

Implementation of MM 4.11-1 and MM 4.18-1 has been incorporated into the Phase 1 Project to reduce this impact to a less than significant level.

MM 4.11-1: GHG Emission Reductions Plan

MM 4.18-1: Construction Equipment and Vehicle Efficiency Plan

LEVEL OF SIGNIFICANCE AFTER MITIGATION. With the mitigation described above, this impact is reduced to a less than significant level.

CEQA Finding No. 16

Impact:	**4.11-2: Conflict with the Executive Order B-30-15 Emissions Reduction Goal.**
Finding(s):	(1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR/EIS.

FACTS SUPPORTING THE FINDING(S)

Phase 1 Project construction and operation emissions are not consistent with the GHG emission reduction goals for year 2030 identified in Executive Order B-31-15. The Final EIR/EIS identified measures that would require a GHG Emissions Reduction Plan and a Construction Equipment Efficiency Plan that would limit the generation of GHG construction-related emissions and ensure that operational electricity use results in net zero GHG emissions.

Implementation of MM 4.11-1 and MM 4.18-1 has been incorporated into the Phase 1 Project to reduce this impact to a less than significant level.

MM 4.11-1: GHG Emission Reductions Plan

MM 4.18-1: Construction Equipment and Vehicle Efficiency Plan

LEVEL OF SIGNIFICANCE AFTER MITIGATION. With the mitigation described above, this impact is reduced to a less than significant level.

CEQA Finding No. 17

Impact:	**4.11-3: Conflict with AB 32 Climate Change Scoping Plan.**
Finding(s):	(1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR/EIS.

FACTS SUPPORTING THE FINDING(S)

Construction and operation of the Phase 1 Project could conflict with the AB 32 Scoping Plan Measure W-3, Water System Energy Efficiency, that the California Air Resources Board has set to reduce electricity use from 2006 levels. The Final EIR/EIS identified that would require a GHG Emissions Reduction Plan to ensure that the proposed project is operated in an energy-efficient manner to the extent feasible.

Implementation of MM 4.11-1 has been incorporated into the Phase 1 Project to reduce this impact to a less than significant level.

MM 4.11-1: GHG Emission Reductions Plan

LEVEL OF SIGNIFICANCE AFTER MITIGATION. With the mitigation described above, this impact is reduced to a less than significant level.

CEQA Finding No. 18

Impact:	**4.11-C**: **Cumulative impacts related to greenhouse gas emissions.**
Finding(s):	(1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR/EIS.

FACTS SUPPORTING THE FINDING(S)

Phase 1 Project construction and operation emissions would result in GHG emissions greater than 2,000 metric tons of carbon dioxide equivalent per year, are not consistent with the GHG emission reduction goals for year 2030 identified in Executive Order B-31-15, and conflict with AB 32 Scoping Plan Measures. The Final EIR/EIS identified measures that would require a GHG Emissions Reduction Plan and a Construction Equipment Efficiency Plan that would limit the generation of GHG construction-related emissions and ensure that operational electricity use results in net zero GHG emissions.

Implementation of MM 4.11-1 and MM 4.18-1 has been incorporated into the Phase 1 Project to reduce this impact to a less than significant level.

MM 4.11-1: GHG Emission Reductions Plan

MM 4.18-1: Construction Equipment and Vehicle Efficiency Plan

LEVEL OF SIGNIFICANCE AFTER MITIGATION. With the mitigation described above, this impact is reduced to a less than significant level.

7. CULTURAL AND PALEONTOLOGICAL RESOURCES

CEQA Finding No. 19

Impact:	**4.15-2**: **Cause a substantial adverse change during construction in the significance of an archaeological resource pursuant to Section 15064.5 of the CEQA Guidelines or historic properties pursuant to 36 CFR 800.5.**
Finding(s):	(1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR/EIS.

FACTS SUPPORTING THE FINDING(S)

Construction activities of the Phase 1 Project have the potential to have significant impacts by uncovering unknown archeological resources during earth moving

activities. The Final EIR/EIS identified measures that would require cultural resource monitoring during construction, and accidental discovery assessment, and protocols to stop work for discoveries and appropriate treatment for identified resources.

Implementation of MM 4.15-2a and MM 4.15-2b has been incorporated into the Phase 1 Project to reduce this impact to a less than significant level.

MM 4.15-2a: Establish Archaeologically Sensitive Areas

MM 4.15-2b: Inadvertent Discovery of Cultural Resources

LEVEL OF SIGNIFICANCE AFTER MITIGATION. With the mitigation described above, this impact is reduced to a less than significant level.

CEQA Finding No. 20

Impact:	**4.15-4**: **Disturbance of any human remains, including those interred outside of formal cemeteries, during construction.**
Finding(s):	(1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR/EIS.

FACTS SUPPORTING THE FINDING(S)

Construction activities as part of the Phase 1 Project have the potential to have significant impacts by discovering unknown human remains during earth moving activities. The Final EIR/EIS identified measures that would ensure that human remains discovered during construction are properly handled according to regulations of the jurisdiction in which the discovery is found.

Implementation of MM 4.15-4 has been incorporated into the Phase 1 Project to reduce this impact to a less than significant level.

MM 4.15-4: Inadvertent Discovery of Human Remains

LEVEL OF SIGNIFICANCE AFTER MITIGATION. With the mitigation described above, this impact is reduced to a less than significant level.

8. ENERGY CONSERVATION

CEQA Finding No. 21

Impact:	**4.18-1**: **Use large amounts of fuel and energy in an unnecessary, wasteful, or inefficient manner during construction.**
Finding(s):	(1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR/EIS.

FACTS SUPPORTING THE FINDING(S)

Construction activities proposed as part of the Phase 1 Project will require the use of fuels for the operation of construction equipment, construction vehicles, and construction worker vehicles that could result in wasteful or inefficient use of energy if equipment is not well maintained, left to idle when not in use, or haul trips are not planned efficiently. The Final EIR/EIS identified measures that would require a Construction Equipment Efficiency Plan that includes mandatory energy reduction measures and restrictions to construction vehicle idling times.

Implementation of MM 4.10-1b and MM 4.18-1 has been incorporated into the Phase 1 Project to reduce this impact to a less than significant level.

MM 4.10-1b: Idling Restrictions

MM 4.18-1: Construction Equipment and Vehicle Efficiency Plan

LEVEL OF SIGNIFICANCE AFTER MITIGATION. With the mitigation described above, this impact is reduced to a less than significant level.

CEQA Finding No. 22

Impact:	**4.18-C**. **Cumulative impacts related to Energy Resources.**
Finding(s):	(1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR/EIS.

FACTS SUPPORTING THE FINDING(S)

Construction activities proposed as part of the Phase 1 Project could use large amounts of fuel or energy in a wasteful or inefficient manner in combination with energy demands of cumulative projects. The Final EIR/EIS identified measures that

would require a Construction Equipment Efficiency Plan that includes mandatory energy reduction measures and restrictions to construction vehicle idling times.

Implementation of MM 4.10-1b and MM 4.18-1 has been incorporated into the Phase 1 Project to reduce this impact to a less than significant level.

MM 4.10-1b: Idling Restrictions

MM 4.18-1: Construction Equipment and Vehicle Efficiency Plan

LEVEL OF SIGNIFICANCE AFTER MITIGATION. With the mitigation described above, this impact is reduced to a less than significant level.

D. SIGNIFICANT AND UNAVOIDABLE IMPACTS

The following impacts were determined in the Final EIR/EIS to be significant and unavoidable. The Statement of Overriding Considerations adopted as part of this exhibit applies to all such unavoidable impacts as required by CEQA. (Pub. Resources Code, § 21081, subd. (b); CEQA Guidelines, §§ 15092 and 15093.)

9. *TERRESTRIAL BIOLOGICAL RESOURCES*

CEQA Finding No. 23

Impact:	**4.6-4: Be inconsistent with any local policies or ordinances protecting biological resources, such as a tree preservation policy or ordinance with local tree ordinances.**
Finding(s):	(1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR/EIS.
	(3) Specific economic, legal, social, technological, or other considerations, including considerations for the provision of employment opportunities for highly trained workers, make infeasible the mitigation measures or alternatives identified in the EIR/EIS.

FACTS SUPPORTING THE FINDING(S)

Construction and operation activities proposed as part of the Phase 1 Project are inconsistent with the City of Marina's Local coastal land use plan (LCLUP) which prohibits development in primary habitat that is not protective of and dependent upon that habitat. The Final EIR/EIS identified measures that provide compensation for permanent impacts to sensitive biological resources including, but not limited to,

the Western Snowy Plover and the Smith's Blue Butterfly. However, the potentially significant impacts to terrestrial biological resources cannot be eliminated. There are no other feasible mitigation measures available to avoid or reduce this impact.

Implementation of MMs 4.6-1d through 4.6-1f, MM 4.6-1n, and MM 4.6-2b has been incorporated into the Phase 1 Project and would reduce the severity of this impact, although not necessarily to a less than significant level.

MM 4.6-1d: Protective Measures for Western Snowy Plover

MM 4.6-1e: Avoidance and Minimization Measures for Special-status Plants

MM 4.6-1f: Avoidance and Minimization Measures for Smith's Blue Butterfly

MM 4.6-1n: Habitat Mitigation and Monitoring Plan

MM 4.6-2b: Avoid, Minimize, and Compensate for Construction Impacts to Sensitive Communities and Environmentally Sensitive Habitat Areas

LEVEL OF SIGNIFICANCE AFTER MITIGATION. This impact is considered significant and unavoidable.

CEQA Finding No. 24

Impact:	**4.6-C: Cumulative impacts related to Terrestrial Biological Resources.**
Finding(s):	(1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR/EIS.
	(3) Specific economic, legal, social, technological, or other considerations, including considerations for the provision of employment opportunities for highly trained workers, make infeasible the mitigation measures or alternatives identified in the EIR/EIS.

FACTS SUPPORTING THE FINDING(S)

Construction and operation activities proposed as part of the Phase 1 Project have the potential to negatively impact special-status species, wetlands or other waters as well as be inconsistent with the City of Marina's LCLUP and local tree ordinances. The Final EIR/EIS identified measures that would require worker awareness training regarding special-status species and the avoidance/minimization/mitigation measures, exclusion fencing to ensure special-status species do not occur within the construction area, trash abatement to reduce special-status species predator presence, using cleaned tools/ equipment and avoiding weed-infested areas and

covering stockpiles to reduce the introduction or spread of invasive species, noise controls for construction equipment for special-status wildlife species, and focused construction lighting.

To address impacts to birds, the measures would require pre-construction surveys, avoiding direct construction impacts during the snowy plover breeding season as well as limiting construction during the nesting period for other special-status species, installing a visual construction barrier for work conducted adjacent to breeding habitat during the breeding season, and compensating for temporary and permanent habitat loss. Measures for other special-status species require avoidance of special-status plants and replanting or compensatory purchases for temporary or permanent loss of both special-status plants and sensitive habitats, requiring specific measures to avoid and minimize impacts on Smith's blue butterfly such as avoiding host plants for the Smith's blue butterfly or relocating those that cannot be avoided as well as compensatory mitigation for permanent impacts, and relocating special-status lizard species individuals to areas outside of the construction area.

However, the potentially significant impacts to terrestrial biological resources cannot be eliminated. There are no other feasible mitigation measures available to avoid or reduce this impact.

Implementation of MMs 4.6-1a through 4.6-1p, MM 4.6-2a, MM 4.6-2b, MM 4.6-3, MM 4.6-4, MM 4.6-6, MM 4.12-1b, MM 4.12-5, and MM 4.14-2 has been incorporated into the Phase 1 Project and would reduce the severity of this impact, although not necessarily to a less than significant level.

MM 4.6-1a: Retain a Lead Biologist to Oversee implementation of Protective Measures.

MM 4.6-1b: Construction Worker Environmental Awareness Training and Education Program.

MM 4.6-1c: General Avoidance and Minimization Measures

MM 4.6-1d: Protective Measures for Western Snowy Plover

MM 4.6-1e: Avoidance and Minimization Measures for Special-status Plants

MM 4.6-1f: Avoidance and Minimization Measures for Smith's Blue Butterfly

MM 4.6-1g: Avoidance and Minimization Measures for Black Legless Lizard, Silvery Legless Lizard, and Coast Horned Lizard

MM 4.6-1h: Avoidance and Minimization Measures for Western Burrowing Owl

MM 4.6-1i: Avoidance and Minimization Measures for Nesting Birds

MM 4.6-1j: Avoidance and Minimization Measures for American Badger

MM 4.6-1k: Avoidance and Minimization Measures for Monterey Dusky-Footed Woodrat

MM 4.6-1l: Avoidance and Minimization Measures for Special-status Bats

MM 4.6-1m: Avoidance and Minimization Measures for Native Stands of Monterey Pine

MM 4.6-1n: Habitat Mitigation and Monitoring Plan

MM 4.6-1o: Avoidance and Minimization Measures for California Red-legged Frog and California Tiger Salamander

MM 4.6-1p: Control Measures for Spread of Invasive Plants

MM 4.6-2a: Consultation with Local Agencies and the California Coastal Commission regarding Environmentally Sensitive Habitat Areas

MM 4.6-2b: Avoid, Minimize, and Compensate for Construction Impacts to Sensitive Communities and Environmentally Sensitive Habitat Areas

MM 4.6-3: Avoid, Minimize, and/or Mitigate Impacts to Wetlands

MM 4.6-4: Compliance with Local Tree Ordinances

MM 4.6-6: Installation and Monitoring of Bird Deterrents at the Brine Storage Basin

MM 4.12-1b: General Noise Controls for Construction Equipment and Activities

MM 4.12-5: Stationary-Source Noise Controls

MM 4.14-2: Site-Specific Nighttime Lighting Measures

LEVEL OF SIGNIFICANCE AFTER MITIGATION. This impact is considered significant and unavoidable.

10. AIR QUALITY

CEQA Finding No. 25

Impact:	**4.10-1: Generate emissions of criteria air pollutants and contribute to a violation of an ambient air quality standard during construction.**
Finding(s):	(1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR/EIS.
	(3) Specific economic, legal, social, technological, or other considerations, including considerations for the provision of employment opportunities for highly trained workers, make infeasible the mitigation measures or alternatives identified in the EIR/EIS.

FACTS SUPPORTING THE FINDING(S)

Construction activities proposed as part of the Phase 1 Project have the potential to result in contributing to an exceedance of a state and/or federal standard for ozone, NO2, and PM10 based on maximum daily mass emissions levels. The Final EIR/EIS identified measures that implement various measures to reduce ozone, NO2, and PM10. However, even compensatory mitigation would not eliminate the potentially significant impacts to Air Quality because there are uncertainties regarding the feasibility of off-site emission offset mitigation, given the schedule of proposed construction activities and schedule uncertainties associated with implementing such a program, and therefore the Final EIR/EIS does not quantify the off-site emission reductions that would be available through mitigation and cannot reduce criteria pollutant emissions below the applicable thresholds. There are no other feasible mitigation measures available to avoid or reduce this impact.

Implementation of MMs 4.10-1a through 4.10-1c and MM 4.10-1e has been incorporated into the Phase 1 Project and would reduce the severity of this impact, although not necessarily to a less than significant level.

MM 4.10-1a: Equipment with High-Tiered Engine Standards

MM 4.10-1b: Idling Restrictions

MM 4.10-1c: Construction Fugitive Dust Control Plan

MM 4.10-1e: Off-site Mitigation Program

LEVEL OF SIGNIFICANCE AFTER MITIGATION. This impact is considered significant and unavoidable.

CEQA Finding No. 26

Impact:	**4.10-2: Construction activities could conflict with implementation of the applicable air quality plan.**
Finding(s):	(1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR/EIS.
	(3) Specific economic, legal, social, technological, or other considerations, including considerations for the provision of employment opportunities for highly trained workers, make infeasible the mitigation measures or alternatives identified in the EIR/EIS.

FACTS SUPPORTING THE FINDING(S)

Construction and operation activities proposed as part of the Phase 1 Project have the potential to conflict with the 2012 Air Quality Management Plan (AQMP). The Final EIR/EIS identified measures that implement various measures to reduce ozone, NO2, and PM10 to attempt to comply with the 2012 AQMP. However, even compensatory mitigation would not eliminate the potentially significant impacts to Air Quality because there are uncertainties regarding the feasibility of off-site emission offset mitigation, given the schedule of proposed construction activities and schedule uncertainties associated with implementing such a program, and therefore the Final EIR/EIS does not quantify the off-site emission reductions that would be available through mitigation and cannot reduce criteria pollutant emissions below the applicable thresholds. There are no other feasible mitigation measures available to avoid or reduce this impact.

Implementation of MMs 4.10-1a, MM 4.10-1b and MM 4.10-1e has been incorporated into the Phase 1 Project and would reduce the severity of this impact, although not necessarily to a less than significant level.

MM 4.10-1a: Equipment with High-Tiered Engine Standards

MM 4.10-1b: Idling Restrictions

MM 4.10-1e: Off-site Mitigation Program

LEVEL OF SIGNIFICANCE AFTER MITIGATION. This impact is considered significant and unavoidable.

CEQA Finding No. 27

Impact:	**4.10-C: Cumulative impacts related to Air Quality.**
Finding(s):	(1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR/EIS.
	(3) Specific economic, legal, social, technological, or other considerations, including considerations for the provision of employment opportunities for highly trained workers, make infeasible the mitigation measures or alternatives identified in the EIR/EIS.

FACTS SUPPORTING THE FINDING(S)

Construction activities proposed as part of the Phase 1 Project have the potential to result in contributing to an exceedance of a state and/or federal standard for ozone, NO2, and PM10 as well as being in conflict with the 2012 AQMP that could contribute to the cumulative impact of other projects happening in the area. The Final EIR/EIS identified measures that implement various measures to reduce ozone, NO2, and PM10 as well as reduce the conflict with 2012 AQMP. However, even compensatory mitigation would not eliminate the potentially significant impacts to Air Quality because there are uncertainties regarding the feasibility of off-site emission offset mitigation, given the schedule of proposed construction activities and schedule uncertainties associated with implementing such a program, and therefore the Final EIR/EIS does not quantify the off-site emission reductions that would be available through mitigation and cannot reduce criteria pollutant emissions below the applicable thresholds. There are no other feasible mitigation measures available to avoid or reduce this impact.

Implementation of MMs 4.10-1a through 4.10-1c and MM 4.10-1e has been incorporated into the Phase 1 Project and would reduce the severity of this impact, although not necessarily to a less than significant level.

MM 4.10-1a: Equipment with High-Tiered Engine Standards

MM 4.10-1b: Idling Restrictions

MM 4.10-1c: Construction Fugitive Dust Control Plan

MM 4.10-1e: Off-site Mitigation Program

LEVEL OF SIGNIFICANCE AFTER MITIGATION. This impact is considered significant and unavoidable.

11. NOISE AND VIBRATION

CEQA Finding No. 28

Impact:	**4.12-1: Cause a substantial temporary or periodic increase in ambient noise levels in the project vicinity during construction.**
Finding(s):	(1) Changes or alterations have been required in, or incorporated into, the project that mitigate or avoid the significant environmental effect as identified in the EIR/EIS.
	(3) Specific economic, legal, social, technological, or other considerations, including considerations for the provision of employment opportunities for highly trained workers, make infeasible the mitigation measures or alternatives identified in the EIR/EIS.

FACTS SUPPORTING THE FINDING(S)

Construction activities proposed as part of the Phase 1 Project have the potential to result in temporary increases in daytime and nighttime noise levels with the use of heavy construction equipment. The Final EIR/EIS identified measures that reduce daytime noise levels during construction by requiring a preconstruction notification and designated noise complaint program, installing noise control devices and noise barriers, and implementing a nighttime noise control plan. However, the potentially significant impacts to Noise and Vibration cannot be eliminated. There are no other feasible mitigation measures available to avoid or reduce this impact.

Implementation of MMs 4.12-1a through 4.12-1e has been incorporated into the Phase 1 Project and would reduce the severity of this impact, although not necessarily to a less than significant level.

MM 4.12-1a: Neighborhood Notice and Construction Disturbance Coordinator

MM 4.12-1b: General Noise Controls for Construction Equipment and Activities

MM 4.12-1c: Noise Control Plan for Nighttime Pipeline Construction

MM 4.12-1d: Additional Noise Controls for ASR-5 and ASR-6 Wells

MM 4.12-1e: Offsite Accommodations for Substantially Affected Nighttime Receptors

LEVEL OF SIGNIFICANCE AFTER MITIGATION. This impact is considered significant and unavoidable.

E. Findings on Alternatives

The Commission, as a responsible agency and pursuant to CEQA Guidelines section 15096, subdivision (g)(2), finds there are no feasible Phase 1 Project alternatives within its powers that would substantially lessen or avoid any outstanding significant effects that the Phase 1 Project, as proposed, would have on the environment.

4.0 Statement of Overriding Considerations

A. Introduction

This section addresses the Commission's obligations under Public Resources Code section 21081, subdivisions (a)(3) and (b). (See also CEQA Guidelines, §§ 15091, subd. (a)(3), 15093.) Under these provisions, CEQA requires the Commission to balance, as applicable, the economic, legal, social, technological, or other benefits, including regionwide or statewide environmental benefits, of the Lease approval related to Phase 1 of the CalAm Monterey Peninsula Water Supply Project and against the backdrop of the Phase 1 Project's unavoidable significant environmental impacts. For purposes of CEQA, if the specific economic, legal, social, technological, or other benefits of a proposed project outweigh the unavoidable significant environmental effects, those effects may be considered acceptable, and the decision-making agency may approve the underlying project. (CEQA Guidelines § 15092, subd. (b)(2)(B).) CEQA, in this respect, does not prohibit the Commission from approving the Lease even if the Phase 1 Project activities as authorized under the Lease may cause significant and unavoidable environmental effects.

This Statement of Overriding Considerations presents the (1) specific significant effects on the environment attributable to the Phase 1 Project that cannot feasibly be mitigated to below a level of significance, (2) benefits derived from the Phase 1 Project, and (3) specific reasons for approving the Phase 1 Project.

Although the CPUC and Commission have imposed mitigation measures to reduce impacts, impacts remain that are considered significant after application of all feasible mitigation. Significant impacts of the Phase 1 Project fall under 3 resource areas: Terrestrial Biological Resources, Air Quality, and Noise and Vibration. These impacts are specifically identified and discussed in more detail in the Commission's CEQA Findings (see Section D., Significant and Unavoidable Impacts) and in CPUC's Final EIR/EIS. While the Commission has required all feasible mitigation

measures, these impacts remain significant for purposes of adopting this Statement of Overriding Considerations.

B. Balancing the Benefits and Risks Associated with Lease Approval

CEQA Guidelines section 15093, subdivision (a) requires the decision-making agency to balance, as applicable, the economic, legal, social, technological, or other benefits, including region-wide or statewide environmental benefits, of a proposed project against its unavoidable environmental risks when determining whether to approve the project. The Phase 1 Project would provide benefits as presented in CPUC's Statement of Overriding Considerations (Attachment B-1).

C. Commission Adoption of Statement of Overriding Considerations

As noted above, under Public Resources Code section 21081, subdivisions (a)(3) and (b), and CEQA Guidelines section 15093, subdivision (a), the decision-making agency is required to balance, as applicable, the economic, legal, social, technological, or other benefits, including region-wide or state-wide environmental benefits, of a proposed project against its unavoidable environmental risks when determining whether to approve a project.

For purposes of CEQA, if these benefits outweigh the unavoidable significant environmental effects of a proposed project, the decision-making agency may approve the underlying project. CEQA, in this respect, does not prohibit the Commission from approving the Phase 1 Project, even if the activities authorized by that approval may cause significant and unavoidable environmental effects. This balancing is particularly difficult given the significant and unavoidable impacts on the resources discussed in the Final EIR/EIS and these Findings. Nevertheless, the Commission finds, as set forth below, that the benefits anticipated by implementing the Phase 1 Project outweigh and override the expected significant effects based on the information currently known.

The Commission has balanced the benefits of the Phase 1 Project, as described in Attachment B-1, against the significant unavoidable impacts that will remain after approval of the lease associated with the Phase 1 Project and with implementation of all feasible mitigation in the Final EIR/EIS that is adopted as enforceable conditions of the Commission's approval of the Phase 1 Project. Based on all available information, the Commission finds that the benefits of the Phase 1 Project outweigh the significant and unavoidable adverse environmental effects, and considers such effects acceptable.

The Commission adopts and makes this Statement of Overriding Considerations with respect to the impacts identified in the Final EIR/EIS and these Findings that cannot be reduced to a less than significant level. Each benefit set forth in Attachment B-1 constitutes an overriding consideration warranting approval of the Phase 1 Project, independent of the other benefits, despite each and every significant unavoidable impact.

5.0 CONCLUSION

The Commission has considered the Final EIR/EIS and all of the environmental impacts described therein including those that cannot be mitigated to a less than significant level and those that may affect Public Trust uses of State sovereign land. Based on the foregoing and pursuant to Public Resources Code section 21081 and CEQA Guidelines sections 15096 subdivision (h) and 15093, the Commission has considered the fiscal, economic, legal, social, environmental, and public health and safety benefits of the Phase 1 Project and has balanced them against the Phase 1 Project's significant and unavoidable and unmitigated adverse environmental impacts and, based upon substantial evidence in the record, has determined that the benefits of the Phase 1 Project outweigh the adverse environmental effects. The Commission finds that the remaining significant unavoidable impacts of the Phase 1 Project are acceptable in light of these benefits. Such benefits outweigh such significant and unavoidable impacts of the Phase 1 Project and provide the substantive and legal basis for this Statement of Overriding Considerations.

The Commission finds that to the extent that any impacts identified in the Final EIR remain unmitigated, mitigation measures have been required to the extent feasible, although the impacts could not be reduced to a less than significant level.

Based on the above discussion, the Commission finds that the benefits of the Phase 1 Project outweigh the significant unavoidable impacts that could remain after mitigation is applied and considers such impacts acceptable. Based upon the objectives identified in the Final EIR/EIS and the detailed mitigation measures imposed upon the Phase 1 Project, the Commission has determined that the expected benefits from the project outweigh the policy of reducing or avoiding significant impacts sufficient to warrant approving the Phase 1 Project.

Attachment B-1

California Public Utilities Commission

Statement of Overriding Considerations

construction, a 4.8 mgd desalination alternative would not provide water supply sufficient to meet demand consistent with the project objectives. Furthermore, prudent water planning and applicable water planning standards and guidelines require planning for all types of water years, including inevitable droughts. Under drought circumstances when little to no water is available from the ASR system, there would be insufficient supply to reliably meet, and be able to satisfy, peak month and peak day demands. Seasonal variability and potential drought conditions would exacerbate the water deficit of a 4.8 mgd desalination plant, even with PWM water available. (See Final EIR/EIS Section 8.2.13.5, pages 8.2-117 through 8.2-118 and Appendix L.) For these reasons, a smaller capacity desalination plant would not come close to meeting the basic project objectives and thus was not analyzed in detail in the EIR/EIS or considered by the CPUC.

In addition, a smaller capacity desalination plant was not analyzed or considered because it does not appear that such an option would avoid or substantially lessen any significant impacts of the Project. Many significant impacts would result from construction of the Project and those would remain as described for the Project since the same infrastructure would be constructed (pipelines, etc.), the desalination plant would be on the same site and the same five well pads would be needed at the CEMEX site. While operation of a 4.8 mgd desalination plant would require less energy and therefore generate fewer greenhouse gas emissions, the change may not be a substantial reduction in impacts and the Project would not have unavoidable adverse impacts in these areas in any event. As stated on page 8.5-663 of the Final EIR/EIS: "The magnitude of any potential adverse impacts resulting from the implementation of a desalination plant that is reduced in size from Alternative 5a and 5b would be reduced from what was evaluated for Alternatives 5a and 5b in EIR/EIS Section 5.5. However, it is expected that the classifications of all such impacts would remain the same as set forth in the EIR/EIS, as would the suggested mitigation measures." The purpose of exploring alternatives in an EIR/EIS is to seek and fully consider a reasonable range of options that would alleviate or substantially reduce significant environmental impacts of the Project. Since a further reduced capacity alternative would not meet this goal (and, as discussed above, would fall short of meeting project objectives), it need not be considered by the CPUC and is deemed infeasible.[6]

On the bases discussed herein, a further reduced capacity desalination alternative is neither a feasible nor an environmentally superior alternative to the Project.

XI. STATEMENT OF OVERRIDING CONSIDERATIONS

a. OVERRIDING CONSIDERATIONS

The CPUC has considered the Project's significant and unavoidable impacts set forth above, and weighed the benefits of the Project against the significant unavoidable environmental impacts under CEQA. The CPUC hereby finds that for the reasons set forth below, the Project's benefits and economic, legal, social, environmental and other considerations associated with the Project outweigh and make acceptable the unavoidable impacts identified above, and the CPUC adopts and makes this statement of overriding considerations. The CPUC further finds that each benefit specified below independently provides a sufficient basis to outweigh the Project's significant unavoidable impacts. The CPUC further finds that the benefits of the Project outweigh the benefits of any of the other alternatives examined, including the alternatives deemed infeasible in Section X above. The CPUC specifically finds that the benefits of the Project (some of which

[6] Note that the Final EIR/EIS did indeed discuss a 4.8 mgd plant in myriad places and include data on such infeasible option. (See EIR/EIS Section 8.2.13.5, pages 8.2-117 through 8.2-118; EIR/EIS page 8.5-663; and Appendix L.)

extend beyond the CalAm Monterey service territory) outweigh the environmental impacts that the Project will have on sensitive receptors in communities outside of CalAm's Monterey service territory, including those within the City of Marina.

b. BENEFITS OF THE PROJECT

The expected benefits of the Project are:

1. The Project would provide adequate, reliable water supplies for customers in CalAm's Monterey District.

The Project would result in the provision of 7,167 afy of replacement water supplies for residents of the Monterey Peninsula. CalAm services 39,621 accounts, approximately 150,000 residents or 33% of the population of the County. These residents would particularly benefit from the Project. The Project will also allow residential, commercial (including tourism) and industrial activities to continue to exist and flourish within the CalAm's Monterey District and within the greater Monterey area.

2. Cease CalAm's illegal diversions from the Carmel River and meet its obligations under the State Water Board's CDOs.

The Project will ensure that CalAm complies with its legal obligations under the State Board's CDOs to meet the key milestones in the CDOs, and ultimately terminate its unlawful diversions from the Carmel River. Under the CDOs, if CalAm were unable to demonstrate tangible process in developing an alternative water supply that would enable it to reduce and terminate its unlawful diversions, the State Board would reduce CalAm's annual diversion limit. Therefore, this Project ensures that CalAm's service district will not experience severe water cutbacks, and allows CalAm to adhere to the milestones in the CDOs.

3. Cease extracting water beyond its allocated limit from the Seaside Groundwater Basin.

This Project will ensure that CalAm has alternative sources of water to supply its service area and will no longer need to over extract from the Seaside Groundwater Basin to meet demand. The alternative water source provided by this Project will allow CalAm to abide by the Court's adjudication and pay back its obligation to the Seaside Basin.

4. Protect and promote the Monterey economy.

Implementation of the Project will provide local and regional economic benefits to the Monterey Peninsula area. Construction will boost temporary new local employment opportunities, increased spending on construction materials, equipment, and services.

5. Ensuring long-term water supply in the Monterey Peninsula area will boost the region's economic vitality, particularly the County's "four pillars" – agriculture, tourism, education, and research, by substantially enhancing the reliability of water resources and water infrastructure. The Project will allow residential, commercial (including

tourism) and industrial activities to continue to exist and flourish within the greater Monterey area, benefitting those who live and work throughout the greater Monterey area (and not merely in the CalAm Monterey service territory). **Significant environmental benefits to the Carmel River.**

The Project would result in a reduction of CalAm's pumping of river subflows from the Carmel River by as much as 7,354 afy compared to existing conditions. By allowing this water to remain in the Carmel River, the Project will result in significant environmental benefits to habitat and wildlife and marine species.

6. Arrest seawater intrusion for the Salinas Valley Groundwater Basin.

Based on the groundwater modeling, the Project would be expected to retard future inland migration of the seawater intrusion front, by intercepting and capturing some of the seawater that currently migrates inland across the coastline. The Project would, therefore, facilitate the reduction of seawater intrusion in the Salinas Valley Groundwater Basin in the long term, and may actually improve the Basin's seawater intrusion issue.

7. Return component of the Project will supply reliable and clean municipal water for Castroville.

The Castroville Community Services District ("CCSD") provides municipal and domestic water service to the Town of Castroville and currently relies on about 780 afy of groundwater from the SVGB to meet Castroville's water demands, and increasingly has experienced water supply challenges because the water is getting saltier. In order to fulfill its SVGB return water obligation, CalAm would make return water available for other water suppliers, including CCSD, rather than pumping groundwater from the SVGB. Castroville can rely on this clean municipal water to service its residents.

ATTACHMENT C

Monterey County
Board of Supervisors

168 West Alisal Street, 1st Floor
Salinas, CA 93901
831.755.5066

Board Order

A motion was made by Supervisor Luis A. Alejo, seconded by Supervisor Chris Lopez to:

Adopt Resolution No. 19-258 to:
a. Certify the County considered the Environmental Impact Report/Environmental Impact Statement (SCH #2006101004) previously certified by the California Public Utilities Commission for the Monterey Peninsula Water Supply Project;
b. Deny the appeal by the Marina Coast Water District from the April 24, 2019 Planning Commission's decision approving the Combined Development Permit (PLN150889)
c. Deny the appeal by Public Water Now from the April 24, 2019 Planning Commission's decision approving a Combined Development Permit (PLN150889)
d. Approve a Combined Development Permit consisting of:
    1. A Use Permit to allow construction and operation of a 6.4 MGP desalination plant; and
    2. An Administrative Permit and Design Approval to allow:
        i. Pretreatment, reverse osmosis (RO), and post-treatment systems;
        ii. Backwash supply and filtered water equalization tanks;
        iii. Treated water storage and conveyance facilities;
        iv. Brine storage and conveyance facilities;
        iv. Administration building and laboratory;
        vi. Other related operational facilities; and
        vii. 91,0000cy of grading (of 51,000cy of cut and 40,000cy of fill), to be balanced onsite.
e. Adopt a Mitigation Monitoring and Reporting Plan

[PLN150889, California-American Water Company, 14175 Del Monte Blvd; Greater Monterey Peninsula Area Plan (APN: 229-011-021-000)]

PASSED AND ADOPTED on this 15th day of July 2019, by the following vote, to wit:

AYES: Supervisors Alejo, Lopez and Phillips
NOES: Supervisors Adams and Parker
ABSENT: None

I, Valerie Ralph, Clerk of the Board of Supervisors of the County of Monterey, State of California, hereby certify that the foregoing is a true copy of an original order of said Board of Supervisors duly made and entered in the minutes thereof of Minute Book 82 for the meeting July 15, 2019.

Original Board Order Issue Date: July 24, 2019
3rd Revision Date: September 9, 2019
Agenda Item No. 1
File ID: RES 19-098

Valerie Ralph, Clerk of the Board of Supervisors
County of Monterey, State of California

Joel G. Pablo, Deputy

Before the Board of Supervisors of the
County of Monterey, State of California

Resolution No. 19-258
In the matter of the application of:
CALIFORNIA AMERICAN WATER COMPANY (PLN150889)
(Desalination Component of the Monterey Peninsula Water Supply Project)
Resolution by the Monterey County Board of Supervisors:

1) Certifying that the County considered the Environmental Impact Report/Environmental Impact Statement (SCH #2006101004) previously certified by the California Public Utilities Commission for the Monterey Peninsula Water Supply Project ;
2) Denying the appeal by the Marina Coast Water District from the April 24, 2019 Planning Commission's decision approving a Combined Development Permit (PLN150889)
3) Denying the appeal by Public Water Now from the April 24, 2019 Planning Commission's decision approving a Combined Development Permit (PLN150889)
4) Approving a Combined Development Permit consisting of:
   a. A Use Permit to allow construction and operation of a 6.4 MGD desalination plant; and
   b. An Administrative Permit and Design Approval to allow construction of the following buildings/facilities associated with the desalination plant, with approximate square footage: 3299 square foot Filter Building, a 26,002 square foot Reverse Osmosis Building, a 6,276 square foot Administration Building, 7 filter vessels totaling 540 square feet, 2 filtered water tanks totaling 1,963 square feet, a 7080 square foot pump pad, 2 treated water tanks totaling 8,012 square feet, a 1269 square foot Cal-Flo containment basin, a CO_2 tank and solution water pumps, 2 Backwash Reclamation basins totaling 17,000 square feet, a 344 square foot recycle pump station, a 61,000 square foot Brine EQ Basin, a 560 square foot Brine Pump Station. Infrastructure and facilities necessary to the construction and operation of the facilities are also included (e.g., pump pad, transformers, switchgear, standby generator, powerhouse/remote mcc building, hydropneumatic surge tanks, permeate/flush water tank and pumps, conveyance pipelines, raw water intake/flow meter/flash mix, saline sump pump station, sanitary sewer lift station, leak detection sumps, groundwater monitoring wells, stormwater bioretention ponds, trash enclosure, brine aeration system, access and driveway improvements, security fencing and gates, parking areas, bicycle racks/lockers, and associated landscaping/features)
5) Adopting a Mitigation Monitoring and Reporting Plan

[PLN150889, California-American Water Company 14175 Del Monte Blvd; Greater Monterey Peninsula Area Plan (APN: 229-011-021-000)].....

The appeals by the Marina Coast Water District and Public Water Now from the decision of the Monterey County Planning Commission to approve a Combined Development Permit (PLN150889/ California-American Water Company) came on for a public hearing before the Monterey County Board of Supervisors on July 15, 2019. Having considered all the written and documentary evidence, the administrative record, the staff report, oral testimony, and other evidence presented, the Board of Supervisors finds and decides as follows:

FINDINGS

1. **FINDING:** **PROCESS –** The County has processed the subject Combined Development Permit application (RMA-Planning File No. PLN150889 – CALIFORNIA AMERICAN WATER COMPANY) ("Project") in compliance with all applicable procedural requirements.

   a) On September 2, 2016, the California-American Water Company ("CalAm" or "Applicant") filed an application for a Combined Development Permit consisting of:

      1. A Use Permit to allow construction and operation of a 6.4 MGD desalination plant; and
      2. An Administrative Permit and Design Approval to allow construction of the following buildings/facilities associated with the desalination plant, with approximate square footage: 3299 square foot Filter Building, a 26,002 square foot Reverse Osmosis Building, a 6,276 square foot Administration Building, 7 filter vessels totaling 540 square feet, 2 filtered water tanks totaling 1,963 square feet, a 7080 square foot pump pad, 2 treated water tanks totaling 8,012 square feet, a 1269 square foot Cal-Flo containment basin, a CO2 tank and solution water pumps, 2 Backwash Reclamation basins totaling 17,000 square feet, a 344 square foot recycle pump station, a 61,000 square foot Brine EQ Basin, a 560 square foot Brine Pump Station. Infrastructure and facilities necessary to the construction and operation of the facilities are also included (e.g., pump pad, transformers, switchgear, standby generator, powerhouse/remote mcc building, hydropneumatic surge tanks, permeate/flush water tank and pumps, conveyance pipelines, raw water intake/flow meter/flash mix, saline sump pump station, sanitary sewer lift station, leak detection sumps, groundwater monitoring wells, stormwater bioretention ponds, trash enclosure, brine aeration system, access and driveway improvements, security fencing and gates, parking areas, bicycle racks/lockers, and associated landscaping/features.)

   b) The project was set for a public hearing before the Monterey County Planning Commission on April 24, 2019. Notices of the public hearing were published in the *Monterey County Weekly* on April 11, 2019, posted near the project site on April 12, 2019, and mailed to property owners and interested parties on April 10, 2019.

c) On April 24, 2019, the Monterey County Planning Commission held a duly noticed public hearing and approved the Combined Development Permit by a vote of 6-4 (Monterey County Planning Comm'n Resol. No. 19-008.)

d) Pursuant to Section 21.80.050 of Title 21 (inland zoning ordinance) of the Monterey County Code, Melodie Chrislock, on behalf of Public Water Now (PWN), timely filed an appeal from the April 24, 2019 decision of the Planning Commission. The appeal challenges the Planning Commission's approval and contends that there was a lack of fair or impartial hearing, that the findings or conditions are not supported by the evidence, and the decision was contrary to law. See finding No. 18 (PWN Appeal) for the summary of PWN's specific contentions and the County responses to those contentions.

e) A complete copy of the appeal is on file with the Clerk of the Board of Supervisors as Attachment H to the staff report to the Board of Supervisors for the July 15, 2019 hearing.

f) Pursuant to Section 21.80.050 of Title 21, the Marina Coast Water District, represented by attorney Howard F. Wilkins III of Remy Moose Manley, timely filed an appeal from the April 24, 2019 decision of the Planning Commission. The appeal challenged the Planning Commission's approval and contends that the findings and decision are not supported by evidence and the decision was contrary to law. See finding No.17 (MCWD Appeal) for the summary of MCWD's specific contentions and the County responses to those contentions. A complete copy of the appeal is on file with the Clerk of the Board of Supervisors as Attachment G to the staff report to the Board of Supervisors for the July 15, 2019 hearing.

g) Pursuant to Section 21.80.050 of Title 21, an appeal shall be filed with the Clerk of the Board of Supervisors within 10 days after written notice of the decision of the Appropriate Authority has been mailed to the Applicant. The Monterey County Planning Commission resolution was mailed to the Applicant on May 9, 2019. PWN filed its appeal with the Clerk of the Board of Supervisors on May 16, 2016 and filed a "Supplemental Addendum" to its appeal on May 20, 2016. MCWD filed its appeal with the Clerk of the Board of Supervisors on May 20, 2019. Both appeals were filed within the 10-day timeframe prescribed by Section 21.80.050 of Title 21 and brought to hearing within 60 days of receipt of the appeals. The appeal hearing is de novo.

h) The Board of Supervisors conducted a duly noticed public hearing on the appeals and the project on July 15, 2019. The hearing is de novo. Notice of the hearing on the matter before the Board of Supervisors was published on July 4, 2019 in the *Monterey County Weekly*; notices were mailed and emailed on June 28, 2019 to all property owners and occupants within 300 feet of the project site, and to all persons who requested notice; and at least (3) notices were posted at and near the project site by June 29, 2019.

2. **FINDING:** **CONSISTENCY** – The Project, as conditioned, is consistent with the applicable plans and policies which designate this area as appropriate for development

EVIDENCE: a) During the course of review of this application, the project has been reviewed for consistency with the text, policies, and regulations in:

- The 2010 Monterey County General Plan;
- Greater Monterey Peninsula Area Plan
- Monterey County Zoning Ordinance (Title 21 of the Monterey County Code (MCC));

No conflicts were found to exist. Although the appellants allege that the Project is inconsistent with certain County plans and regulations, the County's determination is that these allegations do not have merit, as set forth below and in the responses to appeal contentions below.

b) The Project consists of a Combined Development Permit, including a Use Permit, Administrative Permit, and Design Approval, for a 6.4mgd (million gallons per day) desalination plant and associated infrastructure as a component of the California- American Water Company Monterey Peninsula Water Supply Project (MPWSP). The Combined Development Permit consists of the following: A Use Permit to allow construction and operation of a 6.4 MGD desalination plant; and an Administrative Permit and Design Approval to allow construction the following buildings/facilities associated with the desalination plant, with approximate square footage as follows: 3299 square foot Filter Building, a 26,002 square foot Reverse Osmosis Building, a 6,276 square foot Administration Building, 7 filter vessels totaling 540 square feet, 2 filtered water tanks totaling 1,963 square feet, a 7080 square foot pump pad, 2 treated water tanks totaling 8,012 square feet, a 1269 square foot Cal-Flo containment basin, a CO_2 tank and solution water pumps, 2 Backwash Reclamation basins totaling 17,000 square feet, a 344 square foot recycle pump station, a 61,000 square foot Brine EQ Basin, a 560 square foot Brine Pump Station. Infrastructure and facilities necessary to the construction and operation of the facilities are also included (e.g., pump pad, transformers, switchgear, standby generator, powerhouse/remote mcc building, hydropneumatic surge tanks, permeate/flush water tank and pumps, conveyance pipelines, raw water intake/flow meter/flash mix, saline sump pump station, sanitary sewer lift station, leak detection sumps, groundwater monitoring wells, stormwater bioretention ponds, trash enclosure, brine aeration system, access and driveway improvements, security fencing and gates, parking areas, bicycle racks/lockers, and associated landscaping/features.) The MPWSP is a project by CalAm, a privately owned public utility, to develop a new water supply for CalAm's Monterey District service area. The desalination plant is one component of the MPWSP, and it requires discretionary approval by the County of Monterey because it is located in the unincorporated area of the County and therefore is within County's land use permitting jurisdiction. This Combined Development Permit, consisting of a Use Permit, Administrative Permit, and Design Approval, pertains only to construction of the desalination plant component of the MPWSP.

c) One additional component of the MPWSP, the Carmel Valley Pump Station, is also located in unincorporated Monterey County and also requires discretionary land use entitlement from the County. The Carmel Valley Pump Station is in a different location within unincorporated Monterey County, and is being processed separately under a separate application under PLN150653. The Monterey County Planning Commission approved the entitlement for the Carmel Valley Pump Station on April 24, 2019, and the Marina Coast Water District appealed that Planning Commission decision to the Board of Supervisors. The hearing on that appeal will be held separately.

d) The desalination plant has associated infrastructure components that are part of the whole desalination plant project although they do not require County discretionary permits, including: a source water pipeline, a brine discharge pipeline, a new desalinated water pipeline, a Castroville pipeline, and the pipeline to the Castroville Seawater Intrusion Pond. These portions of the project are not included in the entitlements of this resolution; however, their environmental impacts have been considered in the CEQA analysis.

e) The property is a 46 acre parcel (Assessor's Parcel Number APN: 229-011-021-000), located off of the private Charlie Benson Lane, which is accessed by Del Monte Blvd, within the Greater Monterey Peninsula Area Plan area north of the City of Marina. The parcel is zoned Permanent Grazing/40-acres per unit, Design Control and Site Plan overlays (PG/40-D-S) and Farmland/40-acres per unit with Design Control and Site Plan overlays (F/40-D-S). The portion of the parcel proposed for this development is zoned PG/40-D-S, which allows water system facilities including wells and storage tanks serving fifteen (15) or more service connections with a Use Permit; therefore, this project is an allowed land use for this site.

f) The parcel zoning includes a Design Control ("D") overlay, which provides a district for the regulation of the location, size, configuration, materials, and colors of structures and fences in those areas of the County of Monterey where the design review of structures is appropriate to assure protection of the public viewshed, neighborhood character, and to assure the visual integrity of certain developments without imposing undue restrictions on private property. The proposed desalination plant site is bordered by other industrial facilities, including the Monterey Regional Environmental Park, and the Monterey Regional Water Pollution Control Agency's (Monterey One Water) Regional Wastewater Treatment Plant and drying beds. Structures are proposed to be constructed of metal, and colors will be varying shades of green to complement the agricultural/industrial surroundings.

g) The parcel's zoning includes a Site Plan Review ("S") overlay, which is intended to provide district regulations for review of development in those areas of the County of Monterey where development, by reason of its location, has the potential to adversely affect or be adversely affected by natural resources or site constraints, without imposing undue restrictions on private property. The development has been sited on a flat portion of the site close to other adjacent industrial activities. This

location allows direct access to the site from the existing Charlie Benson Ln, a private road. Siting the development on the upper terrace of the 46-acre parcel avoids the 1.7 acre portion of the parcel containing prime farmland. Additionally, siting the development on this portion of the parcel avoids environmentally sensitive habitat located on the lower terrace.

h) The project meets all development criteria for the PG zoning district. The maximum allowable height per zoning is 35 feet. The tallest structure, the treated water tanks, will be 33.5 feet tall. Required minimum setbacks in the PG zoning district are:
Front: 30 feet; side: 20 feet; and rear: 20 feet.
The proposed setbacks from the property lines to the nearest structures are:
Front: 177 feet; side (east): 459 feet; side (west): 528 feet; rear: over 481 feet.
Allowed coverage is 5 percent. Proposed coverage of the 46 acre parcel is 1.22 acres, or 3 percent.

i) The project planner conducted a site inspection on May 10, 2018 to verify that the project on the subject parcel conforms to the plans listed above.

j) Monterey County GIS does not identify the parcel as containing potentially significant habitat; however, biological surveys conducted for the EIR identified Monterey Spineflower, and the potential for sensitive plant species to occur, including Congdon's tarplant. No sensitive species were identified within the proposed area of disturbance. Monterey Spineflower was identified northeast of the area of disturbance, on the opposite side of the access road, with the closest occurrence approximately 50 feet. Additionally, the EIR found that several animal species could possibly be impacted due to the site's proximity to the Salinas River, including: California red-legged frog, California tiger salamander, Coast Range newt, and American Badger. The site could provide nesting habitat and foraging areas for bird species such as red-tailed hawk, red-shouldered hawk, and American kestrel, special status bat species, short-eared owl, northern harrier, white-tailed kite, American peregrine falcon, California horned lark and loggerhead shrike and common passerines. Implementation of mitigation measures identified in the EIR will reduce impacts to a less than significant level (See Finding 9), so the project is consistent with the standards for environmentally sensitive habitat areas (ESHA) in Section 21.66.020 of Title 21 (inland zoning ordinance) of the Monterey County Code. Section 21.66.020(C) provides:
C. Regulations: Biological Survey Requirement.
1. A biological survey shall be required for all proposed development meeting one or more of the following criteria:
a. The development is proposed within a known environmentally sensitive habitat, based on the most current resource maps, other reliable other available resource information, or through the planner's on-site investigation;
b. The development is located within one hundred (100) feet of an environmentally sensitive habitat, and has potential negative impact on the long-term maintenance of the habitat.

2. The survey shall be required, submitted, and meet approval of the Director of Planning prior to the project application being determined complete.
3. The survey shall be prepared by a qualified biologist, as selected from the County's list of consulting biologists maintained by the Planning Department. Report preparation shall be at the applicant's expense.
4. The biological survey shall contain the following elements:
a. Identify the property surveyed, with accompanying location map and site plan showing topography and all existing and proposed structures and roads, and the proposed project site or sites;
b. Describe the method of survey;
c. Identify the environmentally sensitive habitat found on the site and within one hundred (100) feet of the site with an accompanying map delineating the habitat location or locations.
d. Describe and assess potential impacts of the development on the environmentally sensitive habitat(s) identified in the survey found on the site or on neighboring properties;
e. Recommend mitigation measures which will reduce impacts;
f. Assess whether the mitigation measures will reduce the development's impact to an insignificant level.
The FEIR states (pg 4.6-6) that multiple surveys were conducted by Environmental Science Associates (ESA), and AECOM, between 2012 and 2016. The applicant submitted a map of the Desal Plant Biological Survey to the County, which identifies habitat types and occurrences of Monterey Spineflower.

The development is not proposed within ESHA, but is proposed within 100 feet of ESHA. Consistent with the above requirements, the surveys conducted for the FEIR, on which the County relied, fulfill this requirement. The FEIR described potential impacts of the development on the environmentally sensitive habitat and recommended mitigation measures which will reduce impacts to a less than significant level. Section 21.66.020(D) provides:

D. General Development Standards.

1.Development, including vegetation removal, excavation, grading, filling, and construction of roads and structures be prohibited in environmentally sensitive habitats. exception, resource dependent uses, including nature education and research, hunting, fishing and aquiculture, may be allowed within environmentally sensitive habitats if it has been determined through the biological survey that impacts of such uses will not harm the habitat's long-term maintenance.

2. Development on parcels containing or within one hundred (100) feet of environmentally sensitive habitats, shall be permitted only they will not have a significant adverse impact on the habitat's long-term maintenance, either on a development or cumulative basis. Development shall only be approved where conditions of approval are available which will mitigate adverse impacts to and allow for the long-term maintenance of the habitat, as determined through the biological survey.

3. Removal of indigenous vegetation and land disturbance, such as grading, excavation, paving, and fill, in or within one hundred (100) feet of environmentally sensitive habitats shall be limited to that necessary for the structural improvements and driveway access. Modifications to the proposal shall be made for siting, location, design, bulk, vegetation

removal, and grading where such modifications will reduce impacts to the habitat.

4. The use of native species consistent with and found in the project area shall be required in landscaping required as a condition of project approval.

5.Development activities which would adversely affect the breeding habitat of rare, threatened and endangered birds shall be regulated by conditions of project approval to avoid significant impacts during their breeding and nesting seasons.

The project is not proposed within environmentally sensitive habitat (ESHA). It is proposed within 100 feet of ESHA, and consistent with D.2 above, will not have a significant adverse impact on the habitat's long term maintenance. The FEIR included mitigation measures which will mitigate adverse impacts to allow for the long-term maintenance of the habitat. The County has required implementation of the mitigation measures relevant to the desalination plant through Condition 5. Proposed development is limited to the structural improvements and access for the desalination plant and has been sited to avoid ESHA. Landscaping with native species is required by Condition No. 4. Mitigations to avoid significant impacts to Western Burrowing Owl (Mitigation Measure 4.6-1h) and to nesting birds (Mitigation Measure 4.6-1i) are also included in the Mitigation Monitoring and Reporting Program. (See Finding 15.)

k) The project is in a moderate archeological sensitivity zone. A records search and a field survey were conducted in preparation for the EIR, which fulfills the requirement for a Phase 1 report as required by Section 21.66.050. No prehistoric archaeological resources have been previously identified in the direct area of the MPWSP Desalination Plant. No prehistoric archaeological resources were identified in the project area during the 2010-2016 survey effort. One historic-era resource, a railroad grade, was previously identified in the project area in 1998; however, there were no remains of this resource present on-site during the 2010 survey effort. The reports concluded that the site does not contain archaeological resources, so no additional review is necessary. Mitigation Measures 4.15-2b and 4.15-4 require work to stop and proper notification and procedures to occur in the event that resources or human remains are inadvertently discovered. (See Finding 16.)

l) Chapter 10.72 of the Monterey County Code, pertaining to County permits for construction and operation of desalination facilities, does not apply to this project. Pursuant to the Settlement Agreement and Mutual Release dated December 4, 2012 among Cal Am, the County of Monterey, and the Monterey County Water Resources Agency, the County agreed not to apply Chapter 10.72 to the project. Additionally, the California Public Utilities Commission decision granting the Certificate of Public Convenience and Necessity for the Monterey Peninsula Water Supply Project found that Chapter 10.72 was preempted as to the MPWSP and therefore not applicable to the

MPWSP. (Order Modifying Decision (D) 18-09-017 and Denying Rehearing of Decision, as Modified (CPUC, dated Feb. 5, 2019), at pp. 17-18.)

m) The project is exempt from Policy PS-3.1 of the Public Services Element of the General Plan. PS-3.1 requires proof of a long-term, sustainable water supply to serve new development but exempts certain categories of development. PS-3.1(b) provides that this requirement "shall not apply to ... specified development... designed to provide a) public infrastructure or b) private infrastructure that provides critical or necessary services to the public, and that will have a minor or insubstantial net use of water (e.g. water facilities, wastewater treatment facilities, road construction projects, recycling or solid waste transfer facilities)." The proposed project is within this exception because a desalination plant proposed by Cal Am will provide water for Cal Am's Monterey District service area and is necessary because Cal Am must replace its existing diversions of water from the Carmel River in excess of Cal Am's legal entitlement in accordance with State Water Resources Control Board Orders 95-10 and 2016-0016. (See Decision Approving a Modified Monterey Peninsula Water Supply Project, Adopting Settlement Agreements, Issuing Certificate of Public Convenience and Necessity and Certifying Combined Environmental Report, CPUC Decision No. 18-09-017, dated September 13, 2018 ("D. 18-09-017" or "CPUC Decision"), at pp. 11, 65-70, modified on other grounds by Order Modifying Decision 18-09-017 and Denying Rehearing of Decision, as Modified.) The project proposes an insubstantial new use of water by desalinating sea water and returning groundwater component that is used to agricultural users in the Salinas Valley Groundwater Basin in lieu of an equal amount of groundwater pumping.. (See FEIR pg 3-38.)

n) The project is consistent with Monterey County General Plan Policy S-7.8, which requires a pre-construction vibration study for all discretionary projects that propose to use heavy construction equipment with the potential to create vibrations that could cause structural damage to adjacent structures within 100 feet. There are no structures within 100 feet of the proposed construction.

o) The project is consistent with Monterey County General Plan Policy S-7.10, which applies standard noise protection measures including:
   - Construction shall only occur during times allowed by ordinance/code unless such limits are waived for public convenience
   - All equipment shall have properly operating mufflers,
   - Lay-down yards and semi-stationary equipment such as pumps or generators shall be located as far from noise-sensitive land uses as practical.

   Construction is proposed to occur only during daytime hours (7 a.m. to 7 p.m, Monday through Saturday). (See Condition No. 20 and draft Construction Management Plan, dated April 11, 2019.) Mitigation Measure 4.12-1b requires construction equipment to have sound control

devices, and staging areas to be located as far as possible from sensitive receptors.

p) The project is consistent with Monterey County Code Section 10.60.030 (Operation of Noise-producing Devices Restricted), which prohibits operation of any machine which produces a noise level exceeding 85dBA measured 50 feet therefrom, and Section 10.60.040 (Regulation of Nighttime Noise), which prohibits any unreasonable sound between 10pm and 7am. The nearest sensitive receptors are two rural residences on Neoponset Road, 2,200 feet and 3,900 feet from the project area. The EIR found that construction-related noise increases at sensitive receptors would not exceed the speech interference threshold of 70dBA and would not exceed the sleep threshold of 60dBA. Construction is not proposed to take place during nighttime hours. The adopted Mitigation Monitoring and Reporting Plan includes measures applicable to all MPWSP components to further protect against noise impacts, including designation of a construction disturbance contractor (MM 4.12-1a).

q) The EIR identified a potential inconsistency with Monterey County General Plan Policy OS-10.6, which states that the Monterey Bay Air Resources District's Air Pollution control strategies, air quality monitoring, and enforcement activities shall be supported. Cumulative project construction activities would generate short-term NO_X emissions in quantities that would exceed MBARD's threshold. The cumulative impact of MPWSP construction emissions associated with the potential to contribute to a violation of an ambient air quality standard and conflict with implementation of the applicable air quality plan. The EIR identified mitigation measures to lessen this impact, and a statement of overriding considerations was adopted.

r) The project was not referred to a Land Use Advisory Committee (LUAC) for review because the site does not fall within the jurisdiction of any LUAC.

s) The application, project plans, and related support materials submitted by the project applicant to Monterey County RMA-Planning for the proposed development found in Project File PLN150889; Decision Approving a Modified Monterey Peninsula Water Supply Project, Adopting Settlement Agreements, Issuing Certificate of Public Convenience and Necessity and Certifying Combined Environmental Report, CPUC Decision No. 18-09-017, dated September 13, 2018; Order Modifying Decision 18-09-017 and Denying Rehearing of Decision, as Modified.

3. **FINDING:** **SITE SUITABILITY** – The site is physically suitable for the use proposed.

EVIDENCE: a) The project has been reviewed for site suitability by the following departments and agencies: RMA- Planning, North County Fire Protection District, RMA-Public Works, RMA-Environmental Services, and Monterey County Health Department-Environmental Health Bureau. There has been no indication from these departments/agencies that the site is not suitable for the proposed development. Conditions recommended have been incorporated.

b) A Final Environmental Impact Report/Environmental Impact Statement ("EIR/EIS" or "EIR") for the Monterey Peninsula Water Supply Project (SCH #2006101004) was prepared by the California Public Utilities Commission (CPUC) as lead agency under the California Environmental Quality Act (CEQA) and by the National Oceanic and Atmospheric Administration (NOAA) as lead agency under the National Environmental Policy Act (NEPA). The CPUC certified the EIR/EIS on September 13, 2018. The EIR identified potential impacts to geologic resources, biological resources, hazards and hazardous materials, traffic and transportation, air quality, greenhouse gas emissions, noise and vibration, public services, aesthetic resources, cultural and paleontological resources, energy conservation, socioeconomics and environmental justice. Mitigation measures identified in the EIR will reduce all impacts, except for air quality impacts to a less than significant level. The County, as a responsible agency, has required through Condition No. 5, proof that mitigation measures related to the desalination plant have been carried out. The CPUC adopted a statement of overriding considerations for cumulative impacts related to traffic and transportation and cumulative Air Quality Impacts resulting from construction, and the County is also adopting a statement of overriding considerations. (See below.)

c) Staff conducted a site inspection on May 10, 2018 to verify that the site is suitable for this use.

d) The application, project plans, and related support materials submitted by the project applicant to the Monterey County RMA - Planning for the proposed development found in Project File PLN150889; Final Environmental Impact Report/Environmental Impact Statement for the Monterey Peninsula Water Supply Project (SCH #2006101004); D. 18-09-017, Appendix C (CEQA/NEPA Findings).

4. **FINDING:** **HEALTH AND SAFETY** - The establishment, maintenance, or operation of the project applied for will not under the circumstances of this particular case be detrimental to the health, safety, peace, morals, comfort, and general welfare of persons residing or working in the neighborhood of such proposed use, or be detrimental or injurious to property and improvements in the neighborhood or to the general welfare of the County.

EVIDENCE: a) The project was reviewed by the RMA - Planning, North County Fire Protection District, Public Works, Environmental Health Bureau, and RMA-Environmental Services. The respective agencies have recommended conditions, where appropriate, to ensure that the project will not have an adverse effect on the health, safety, and welfare of persons either residing or working in the neighborhood.

b) Necessary public facilities are available. The property will receive domestic sewer service from Monterey One Water. The property will receive domestic water service by connecting to the desalination plant's treated water pipeline.

c) Construction noise is not anticipated to exceed noise standards of Monterey County Code Sections 10.60.030 or 10.60.040 at the nearest

sensitive receptors, which are two rural residences on Neponset Road that are located 2,200 feet and 3,900 feet to the west. The EIR identified mitigation measures, which are consistent with Policy S-7.10 of the Safety Element of the General Plan, to ensure construction noise is minimized, including advance notice to residents (Mitigation Measure 4.12-1A) and sound control devices for construction equipment (Mitigation Measure 4.12-1B). All applicable Mitigation Measures have been carried forward through Condition 5, which requires verification of implementation of all measures identified as applying to the "desalination plant site" in the CalAm Monterey Peninsula Water Supply Project Mitigation Monitoring and Reporting Program (attached to this resolution as Exhibit C and incorporated herein by reference).

d) The EIR found that construction of the MPWSP elements would have significant and unavoidable impacts to traffic and transportation and air quality. (See finding 11.) The Mitigation Monitoring and Reporting Program (Exhibit C) includes mitigation measures to reduce these impacts to the extent feasible, which have been carried forward by Condition 5, but the measures do not reduce these impacts to less than significant. The CPUC adopted a statement of overriding considerations based on project benefits, and the County is also adopting a statement of overriding considerations (see below).

e) Staff conducted a site inspection on May 10, 2018 to verify that the site is suitable for this use.

f) The application, project plans, and related support materials submitted by the project applicant to the Monterey County RMA - Planning for the proposed development found in Project File PLN150889; Final Environmental Impact Report/Environmental Impact Statement for the Monterey Peninsula Water Supply Project (SCH #2006101004); Final CPUC Decision, Appendix C (CEQA/NEPA Findings)..

5. **FINDING:** **AGRICULTURAL RESOURCES** – The project is consistent with the agricultural protection policies of the Agriculture Element of the General Plan.

EVIDENCE: a) Consistent with Policy AG-1.1 of the General Plan, the project does not propose development on viable farmlands designated as Prime, of Statewide Importance, Unique, or of Local Importance. The proposed development has been sited to avoid 1.7 acre Farmland-zoned portion of the parcel that contains Prime Farmland.

b) Consistent with Policy AG-1.2 of the Monterey County General Plan, the project provides a 200-foot buffer between the desalination plant facilities and the adjacent farmland west of the site. Existing agricultural activities would not be impacted by the project because no agricultural activity is currently present on the site. The site has not been used for grazing or any other agricultural purpose since 1956.

6. **FINDING:** **NO VIOLATIONS** - The subject property is in compliance with all rules and regulations pertaining to zoning uses, subdivision, and any

other applicable provisions of the County's zoning ordinance. No violations exist on the property.

EVIDENCE: a) Staff reviewed Monterey County RMA - Planning and Building Services Department records and is not aware of any violations existing on subject property.

b) Staff conducted a site inspection on May 10, 2018 and researched County records to assess if any violations exists on the subject property.

c) The application, plans and supporting materials submitted by the project applicant to Monterey County RMA-Planning for the proposed development are found in Project File PLN150889.

7. **FINDING:** **CEQA (Previously Adopted EIR) –** The Board of Supervisors has considered the Environmental Impact Report/Environmental Impact Statement (SCH #2006101004) for the Monterey Peninsula Water Supply Project (MPWSP) that was previously certified by the California Public Utilities Commission (CPUC) (hereinafter referred to as "the EIR" or the "EIR/EIS".) .

EVIDENCE: a) A Final EIR/ Final EIS (hereafter referred to as EIR) for the project was prepared by the CPUC as lead agency under the California Environmental Quality Act (CEQA) and by the National Oceanic and Atmospheric Administration (NOAA) as lead agency under the National Environmental Policy Act (NEPA). The CPUC certified the EIR/EIS on September 13, 2018. (See Draft Environmental Impact Report/Environmental Impact Statement ("DEIR") for Monterey Peninsula Water Supply Project, which was circulated for public review from January 13, 2017 to March 29, 2017, and Final EIR/EIS ("FEIR") for the Monterey Peninsula Water Supply project (SCH#2006101004), dated March 2018, certified by the CPUC on September 13, 2018.) The EIR assessed the current environmental conditions and evaluated the environmental effects associated with the construction and operation of all project components, including the desalination plant. The CPUC EIR analyzed a 9.6 mgd desalination plant as the project and, as an alternative, a smaller 6.4 mgd desalination plant (Alternative 5a in the EIR). The CPUC approved the smaller 6.4 mgd desalination plant, and it is that smaller desalination plant which is the project before the County and the subject of the CEQA findings herein.

b) The County is a responsible agency under CEQA due to the County's permitting authority for some of the project elements that are within the unincorporated area of the County, including the desalination plant. As a responsible agency, the County's role is more limited than a lead agency. The County has responsibility for mitigating or avoiding only the direct and indirect environmental effects of those parts of the project which it decides to "... approve." (California Code of Regulations, Title 14 (CEQA Guidelines) sec. 15097(g).) The County has considered the environmental effects of the desalination project as analyzed in the EIR and has required all feasible mitigation measures within the County's powers for the component of the MPWSP within the County's jurisdiction and found no feasible alternative (See findings below). To

the extent there is pending litigation challenging the CPUC certification of the EIR and compliance with CEQA, the County as responsible agency must assume that the EIR for the project does comply with CEQA, and that the approval of the project herein constitutes permission to proceed with the project at the applicant's risk pending final determination of such litigation. (Pub. Res. Code sec. 21167.3.)

c) The EIR includes mitigation measures that will reduce all impacts to a less than significant level, with the exception of cumulative impacts related to Traffic and Transportation and Air Quality impacts. (See findings below.) The CPUC adopted a Mitigation Monitoring and Reporting Plan with its decision on September 13, 2018. As a responsible agency, the County is adopting a Mitigation Monitoring and Reporting Program that requires Cal Am to verify that all mitigation measures identified by the CPUC pertaining to the desalination plant site are implemented. Pursuant to CEQA Guidelines section 15097(g), the County has also required any additional feasible mitigation measures applicable to the desalination plant site as identified in the EIR. (See Condition 5.)

d) Issues that were analyzed in the EIR include: geology/soils, hydrology/water quality, groundwater resources, marine resources, biological resources, hazards and hazardous materials, land use/land use planning/recreation, traffic/transportation, air quality, greenhouse gas emissions, noise/vibration, public services/utilities, aesthetic resources, cultural/paleontological resources, agriculture/forestry resources, mineral resources, energy conservation, population/housing, socioeconomics/environmental justice. Findings with respect to each of the identified significant effects are set forth below pursuant to CEQA Guidelines sections 15091 and 15093.

8. **FINDING:** **CEQA (NO SUPPLEMENTAL OR SUBSEQUENT EIR IS NEEDED).** The Board of Supervisors finds that no Supplemental or Subsequent EIR is required pursuant to Public Resources Code Section 21166 and CEQA Guidelines, Sections 15162 or 15163 since adoption of the Final EIR. Pursuant to Public Resources Code section 21166, "no subsequent or supplemental environmental impact report shall be required by the lead agency or by the responsible agency" unless major revisions of the EIR are required due to substantial changes in the project or substantial changes in circumstances or "new information, which was not known and could not have been known at the time the environmental impact report was certified as complete, becomes available."

a) There have not been any substantial changes to the project which require major revisions to the previous EIR due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified effects. The EIR analyzed the same project for which the applicant is seeking the Use Permit, Administrative Permit and Design Approval.

b) No substantial changes have occurred with respect to the circumstances under which the project is undertaken which will require major revisions of the previous EIR due to the involvement of new significant

environmental effects or a substantial increase in the severity of previously identified significant effect.

c) No new information of substantial importance has been presented, which was not known and could not have been known with the exercise of reasonable diligence at the time the previous EIR was certified as complete, that shows any of the following: that "the project will have one or more significant effects not discussed in the previous EIR"; that significant effects previously examined in the EIR "will be substantially more severe than previously shown in the previous EIR"; that "mitigation measures or alternatives previously found not to be feasible would in fact be feasible and would substantially reduce one or more significant effects of the project, but the project proponents decline to adopt the mitigation measure or alternative"; or that "mitigation measures or alternatives which are considerably different from those analyzed in the previous EIR would substantially reduce one or more significant effects of the project, but the project proponents decline to adopt the mitigation measure or alternative." (CEQA Guidelines section 15162.) A Final EIR was adopted by the CPUC on September 13, 2018. Appellants contend that significant new information has been presented since certification of the EIR that meets the standard for supplemental environmental review. For the reasons set forth in the response to the appeal contentions below, the County finds appellant's contentions on this point without merit and finds that supplemental environmental review is not required under CEQA for the desalination plant project which is the subject of the discretionary entitlement issued herein by the County.

9. **FINDING:** **CEQA: EFFECTS WITH NO IMPACT OR LESS THAN SIGNIFICANT IMPACT** – The FEIR found that construction of the desalination plant will have no impact or less than significant impacts on the areas listed below and fully detailed in the FEIR.

a) The following impacts, fully detailed in the FEIR, would have no impact: 4.2-2, 4.2-5, 4.2-6, 4.2-8, 4.2-9, 4.2-10, 4.2-11, 4.3-3, 4.3-6, 4.3-9, 4.3-10, 4.3-10, 4.4-4, 4.5-1, 4.5-2, 4.5-3, 4.6-7, 4.6-8, 4.6-9, 4.6-10, 4.7-3, 4.7-4, 4.8-2, 4.9-5, 4.9-7, 4.12-4, 4.15-1, 4.16-2, 4.16-3,

b) The following impacts, fully detailed in the FEIR, would be less than significant: 4.2-1, 4.2-3, 4.2-4, 4.2-7, 4.3-1, 4.3-7, 4.3-8, 4.3-11, 4.4-1, 4.4-2, 4.4-3, 4.4-C, 4.5-4, 4.5-5, 4.5-6, 4.5-C, 4.6-3, 4.7-1, 4.7-5, 4.7-6, 4.8-1, 4.8-C, 4.9-1, 4.9-2, 4.9-4, 4.9-8, 4.10-3, 4.10-4, 4.10-5, 4.12-1, 4.12-2, 4.12-3, 4.12-5, 4.12-6, 4.13-3, 4.14-1, 4.14-2, 4.14-3, 4.14-4, 4.15-3, 4.15-C, 4.16-1, 4.17-1, 4.17-C, 4.18-2, 4.18-3, 4.19-1, 4.19-2 4.19-C, 4.20-2. As described below, with respect to Impacts 4.2-1 4.12-1, 4.12-2, 4.12-3, 4.12-5, 4.14-1, 4.14-2, 4.14-3, 4.14-4, although the EIR identified these as less than significant, the following measures are required in the MMRP as adopted by the CPUC and made applicable by this approval.
Impact 4.2-1: Mitigation Measures 4.6-2b and 4.16-1
Impact 4.12-1: Mitigation Measures 4.12-1a, 4.12-1b, 4.12-1c, and 4.12-1e.
Impact 4.12-2: Mitigation Measures 4.12-1b and 4.12-1c.

Impact 4.12-3: Mitigation Measure 4.12-3.
Impact 4.12-5: Mitigation Measure 4.12-5.
Impact 4.14-1: Mitigation Measure 4.14-1.
Impact 4.14-2: Mitigation Measure 4.14-2.
Impact 4.14-3: Mitigation Measures 4.13-3a and 4.14-3b.
Impact 4.14-4: Mitigation Measure 4.14-2.

c) Final EIR/EIS ("FEIR") for the Monterey Peninsula Water Supply project (SCH#2006101004), dated March 2018, certified by the CPUC on September 13, 2018.

10. **FINDING:** **EIR-ENVIRONMENTAL IMPACTS MITIGATED TO LESS THAN SIGNIFICANT** - The EIR identified potentially significant impacts to Geology, Soils, and Seismicity, Surface Water Hydrology and Water Quality, Terrestrial and Biological Resources, Hazards and Hazardous Materials, Land Use, Planning and Recreation, Traffic and Transportation, Greenhouse Gas Emissions, Noise and Vibration, Public Services and Utilities, Aesthetic Resources, Cultural and Paleontological Resources, Agricultural Resources, Energy Conservation, and Socioeconomics and Environmental Justice, which could result from the project as originally submitted. Changes or alterations have been required in or incorporated into the project which avoid or substantially lessen the potentially significant environmental effects of the desalination plant construction and operation as identified in the Final EIR. For each potential impact summarized below, the mitigation measures are identified that reduce that potential impact to less than significant. (For full text of the referenced mitigation measure, see the MMRP, attached hereto as Exhibit C.)

EVIDENCE: a) Geology, Soils, and Seismicity. The proposed project would potentially have an adverse effect on Geology, Soils, and Seismicity.

IMPACT 4.2-1: The proposed Project could cause substantial soil erosion or loss of topsoil during construction.

Mitigation Measure 4.6-2b from the EIR includes requirements to return impacted areas to pre-project conditions or greater, restore native vegetation, and provisions for salvaging topsoil. Mitigation measure 4.16-1 from the EIR includes measures for preserving topsoil and subsoil layers, avoiding over-compaction, and ripping following construction activities to allow the uppermost 3 feet of soil to achieve appropriate soil density, inspecting existing agricultural drainage systems, and restoring disturbed areas to pre-construction conditions.

b) Surface Water Hydrology and Water Quality. The proposed project would potentially have an adverse effect on Surface Water Hydrology and Water Quality.

IMPACT: 4.3-2: Degradation of water quality could occur from construction-related discharges or dewatering effluent from open excavations and water produced during well drilling and development. Mitigation Measure 4.7-2b from the EIR requires a groundwater dewatering control and disposal plan to specify how contaminated

groundwater (if encountered) will be handled and disposed of in a safe, appropriate, and lawful manner. Contaminated groundwater can be disposed of at a permitted waste management facility or discharged, under permit, to a publicly owned treatment works.

IMPACT: 4.3-4;4.3-5: The project would potentially violate water quality standards or waste discharge requirements or degrade water quality from increased salinity as a result of brine discharge from the operation of the desalination plant. Although the analysis of salinity levels indicates that for all scenarios modeled the MPWSP brine-only discharges and discharges of brine combined with varying amounts of wastewater will meet 2016 California Ocean Plan salinity and dissolved oxygen standards and will not result in hypoxia on the ocean floor, the Ocean Plan requires a Monitoring and Reporting Plan be submitted to the Regional Water Quality Control Board for Approval. Mitigation Measure 4.3-4 requires CalAm to implement a comprehensive Monitoring and Reporting Plan following review and approval by RWQCB and MBNMS that is consistent with the requirements and monitoring guidelines for the Ocean Plan and MBNMS Guidelines for desalination plants. Mitigation Measure 4.3-5 requires CalAm to conduct a water quality assessment and waste disposal study to ensure that operational discharges meet the NPDES water quality requirements, and to take specified operational actions if the discharges do not meet those requirements.

c) Terrestrial Biological Resources. The project would potentially result in significant impacts to terrestrial biological resources.

IMPACT 4.6-1: The project could result in substantial adverse effects on species identified as candidate, sensitive, or special status, either directly, indirectly, or through habitat modification, during construction.

Mitigation Measure 4.6-1a requires Cal Am to retain a lead biologist to oversee compliance with and implementation of avoidance and mitigation measures.

Mitigation Measure 4.6-1b requires training for all construction workers to ensure they are aware of special status species and measures to avoid, minimize, and/or mitigate impacts.

Mitigation Measure 4.6-1c requires the construction contractor to implement avoidance and minimization measures to protect special-status species and sensitive natural communities.

Mitigation Measure 4.6-1e requires focused botanical surveys to be conducted for special status plants in all potentially suitable habitat during the appropriate blooming period for each species and in accordance with guidelines established by the CDFW and to implement avoidance measures as appropriate.

Mitigation Measure 4.6-1i requires a biologist to conduce pre-construction nesting surveys for all nesting birds protected by the federal Migratory Bird Treaty Act and Section 3503 of the California Fish and Game Code. If nests are found, continuous monitoring shall occur and appropriate avoidance and minimization measures shall be applied.

Mitigation Measure 4.6-1j requires biologist conducted preconstruction surveys for American badger dens, excavation of potential dens to prevent use during construction, and avoidance and minimization measures for active dens.

Mitigation Measure 4.6-1l requires a preconstruction habitat assessment by a qualified biologist within 100 feet of construction activities for bat species and avoidance and minimization measures if appropriate.

Mitigation Measure 4.6-1n requires development and submittal of a Habitat Mitigation and Monitoring Plan to appropriate resource agencies.

Mitigation Measure 4.6-1o requires preconstruction surveys for California red-legged frog and California tiger salamander, and if necessary, relocation plans, and avoidance buffers. Habitat restoration must be completed upon completion of construction activities. Compensatory mitigation in the form of permanent on-site or off-site creation, restoration, enhancement, or preservation for permanent impacts shall be provided at a minimum ratio of 2:1.

Mitigation Measure 4.6-1p requires Best Management Practices in construction areas within or adjacent to native plant communities that may be susceptible to non-native plant species invasion.

Mitigation Measure 4.14-2 requires measures to protect nighttime views from exterior lighting, including lot intensity fixtures and downward and shielded fixtures.

Mitigation Measures 4.6-1f, 4.6-1g, and 4.6-1h require avoidance and minimization measures to protect Smith's Blue Butterfly, protected lizard species, and Western Burrowing Owl, respectively.

IMPACT 4.6-2: Although there is no critical habitat at the 25-acre MPWSP Desalination Plant Site, critical habitat for south/central California coast steelhead and tidewater goby occurs along the Salinas River, approximately 670 feet north of the proposed MPWSP Desalination Plant development area. Construction would not directly impact these species; however, soil-disturbing activities at the site could result in soil erosion and the migration of eroded soil and sediment downgradient towards the Salinas River.

Mitigation Measures 4.6-1a, 4.6-1b, 4.6-1c, 4.6-1n, and 4.6-1p, described above, also address this impact.

Mitigation Measure 4.6-2b requires avoidance, minimization, and compensation measures for sensitive natural communities, the special status species that utilize these sensitive communities and ESHA as defined by the California Coastal Commission.

IMPACT 4.6-4: The proposed project could be inconsistent with local policies for biological resources, such as with local tree ordinances.

Mitigation Measure 4.6-4 requires CalAm to identify measure and map trees subject to local tree removal ordinances and to comply with applicable ordinances or permit requirements. Current plans for the desalination plant indicate that only Monterey Cypress trees will be removed, which is not a protected species within the Greater Monterey Peninsula Area Plan area.

IMPACT 4.6-5: The project could introduce or spread invasive non-native species during construction.

Mitigation Measures 4.6-1a, and 4.6-1p, described above, require oversight by a lead biologist, and implementation of special status species and sensitive natural community protective measures such as cleaning tools and equipment, to reduce the introduction or spread of invasive species.

IMPACT 4.6-6: The salinity of the brine in the MPWSP brine storage basin could impacts waterfowl using the basin over long periods of time, who could become sick from salt toxicosis.

Mitigation Measure 4.6-6 requires the use of bird deterrents such as reflective flagging, whistles, or a falconer to discourage migratory waterfowl from using the Brine Storage Basin.

d) Hazards and Hazardous Materials. The EIR identified potentially significant impacts related to hazards and hazardous materials.

IMPACT 4.7-2: The project could encounter hazardous materials from other hazardous materials release sites during construction.

Mitigation Measure 4.7-2a requires a site-specific Health and Safety Plan including designation of a site safety and health supervisor and procedures for safety, protection, and decontamination.

Mitigation Measure 4.7-2b requires a groundwater control and disposal plan specifying procedures for handling contaminated groundwater.

e) Traffic and Transportation. The project would potentially result in significant impacts to traffic and transportation.

IMPACT 4.9-3: The project could result in increased traffic safety hazards for vehicles, bicyclists, and pedestrians on public roadways during construction.

Mitigation Measure 4.9-1 requires CalAm to obtain all necessary encroachment permits, and to develop a traffic control and safety assurance plan with measures to ensure safe and convenient access through circulation and detour plans, traffic control devices, scheduling truck trips around peak commute hours and heavy recreational use periods. Encroachment permits are required for work performed in the County right-of-way. Additionally, the County has required submittal of a Construction Management Plan (Condition No. 20) coordinated with the plans and information required by this Mitigation Measure.

IMPACT 4.9-6: The project could result in increased wear and tear on designated haul routes used by construction vehicles.

Mitigation Measure 4.9-6 requires CalAm to enter into an agreement with the affected jurisdictions to document the pre-construction condition of roads and agree to a rehabilitation agreement to return all roads to pre-construction condition. The County has required submittal of a Construction Management Plan (Condition No. 20) coordinated with the plans and information required by this Mitigation Measure.

f) Greenhouse Gas Emissions. The project would potentially result in significant impacts related to Greenhouse Gas Emissions.

IMPACT 4.11-1: Total construction and operation emissions from the project would exceed the 2,000 metric tons per year significance threshold, which could constitute a significant impact without mitigation.

Mitigation Measure 4.11-1 Requires a GHG Emissions Reduction Plan that details the carbon footprint of all operational components, and a summary of recovery and conservation technologies available. CalAm is required to ensure that operational electricity use results in net zero GHG emissions through renewable energy, Renewable Energy Certificates, and Carbon Offsets.

See Mitigation Measure 4.18-1 in Impact 4.18 below.

IMPACT 4.11-2: The project could conflict with Executive Order B-30-15 due to exceeding emissions significance thresholds.

See Mitigation Measure 4.11-1, described above.

See Mitigation Measure 4.18-1 below.

IMPACT 4.11-3: The project could conflict with AB 32 Climate Change Scoping Plan.

See Mitigation Measure 4.11-1.

g) Public Services and Utilities. The project would potentially result in significant impacts to Public Services and Utilities.

IMPACT 4.13-1: Construction of the desalination plant could damage or interfere with existing water, sewer, stormwater drainage, natural gas, electric, or communication utility service lines, potentially interrupting service.

Mitigation Measure 4.13-1a requires location of all utility lines that could be encountered during excavation.

Mitigation Measure 4.13-1b requires coordination with affected utilities and notification of residents and businesses of any interruption in service.

Mitigation Measure 4.13-1c requires measures to safeguard employees.

Mitigation Measure 4.13-1d requires CalAm to prepare an emergency response plan with procedures to follow in the event of a leak or explosion.

Mitigation Measure 4.13-1e requires notification of the fire department in advance of any work that is to be performed within or adjacent to any gas lines.

Mitigation Measure 4.13-1f requires CalAm to contact utility providers to reconnect any disconnected utility lines as soon as it is safe to do so.

IMPACT 4.13-2 The project could exceed landfill capacity or be out of compliance with federal, state, and local statutes and regulations related to solid waste during construction.

Mitigation Measure 4.13-2 requires a Construction Waste Reduction and Recycling Plan.

IMPACT 4.13-4 The project could exceed wastewater treatment requirements of the Central Coast RWQCB, or result in a determination by the wastewater treatment provider that it has inadequate treatment or outfall capacity to serve the project.

See Mitigation Measures 4.3-4 and 4.3-5.

IMPACT 4.13-5 The project could result in increased corrosion of the MRWPCA outfall and diffuser as a result of brine discharge associated with project operations.

Mitigation Measure 4.13-5a requires CalAm to protect the offshore segment of the MRWPCA ocean outfall from corrosion by replacing existing clamps in the nearshore portion of the ocean outfall with new corrosion-resistant clamps, and to perform ongoing inspections.

Mitigation Measure 4.13-5b requires CalAm to line the land segment of the outfall with a protective liner system.

h) Energy Conservation. The project would potentially result in significant impacts to energy conservation.

IMPACT 4.18-1: The project could use large amounts of fuel and energy in an unnecessary, wasteful, or inefficient manner during construction.

Mitigation Measure 4.18-1 requires a Construction Equipment Efficiency Plan to identify measures and standards to maximize efficiency of construction equipment and vehicles, to provide opportunities for worker carpooling, and to use existing electricity over portable generators when feasible.

i) Noise and Vibration. The project would potentially result in significant impacts concerning noise and vibration.

IMPACT 4.12-1: The project could result in a substantial temporary or periodic increase in ambient noise levels in the project vicinity during construction. Although the nearest residence is located over 2,200 feet from the project site, mitigation measures are included to reduce any potential noise impacts due to the length and scale of construction activities.

Mitigation Measure 4.12-1a requires neighborhood notice and designation of a Construction Disturbance Coordinator who is responsible for responding to complaints about construction disturbances.

Mitigation Measure 4.12-1b requires sound control devices for construction equipment.

Mitigation Measure 4.12-1c requires a Noise Control Plan for Pipeline Construction.

IMPACT 4.12-5: The project could result in a substantial permanent increase in ambient noise levels in the project vicinity during project operations.

Mitigation Measure 4.12-5 requires that an acoustical engineer design stationary-source noise controls and ensure applicable noise standards are met.

j) Cultural and Paleontological Resources. The project would potentially result in significant impacts to Cultural and Paleontological Resources.

IMPACT 4.15-2: The project could cause a substantial adverse change during construction in the significance of an archaeological resource.

Although no known archaeological resources have been identified on the project site and the field survey did not indicate any potential for archaeological resources, unknown resources could be disturbed during construction.

Mitigation Measure 4.15-2b identifies procedures that must be followed in the event of inadvertent discovery of cultural resources, including stopping work within 100 feet and notifying lead agencies, a qualified archaeologist, and the appropriate Native American representative.

IMPACT 4.15-4: While no known human remains have been documented within the project area, there is a possibility of potential discovery of human remains.

Mitigation Measure 4.15-4 identifies procedures that must be followed in the event of inadvertent discovery of Human Remains, including

stopping work within 100 feet and notifying the Monterey County Coroner, and the Native American Heritage Commission, which will make recommendations on how to proceed if the remains are determined to be Native American.

k) Socioeconomics and Environmental Justice. The project could result in impacts concerning socioeconomics and environmental justice.

IMPACT 4.20-1: Pipeline construction could affect access to businesses, streets, parking spaces, and trails, which could result in impacts to individual impacts in affected locations.

See Mitigation Measure 4.9-1, which requires CalAm to obtain all necessary encroachment permits, and to develop a traffic control and safety assurance plan with measures to ensure safe and convenient access through circulation and detour plans, traffic control devices, scheduling truck trips around peak commute hours and heavy recreational use periods. The County has required submittal of a Construction Management Plan (Condition No. 20) coordinated with the plans and information required by this Mitigation Measure.

l) Final EIR/EIS for the Monterey Peninsula Water Supply project (SCH#2006101004), dated March 2018, certified by the CPUC on September 13, 2018.

m) CPUC Decision Approving a Modified Monterey Peninsula Water Supply Project, Adopting Settlement Agreements, Issuing Certificate of Public Convenience and Necessity and Certifying Combined Environmental Report.Dated 9/20/2018.

n) Condition 5 has been added to require implementation of Mitigation Measures applicable to the Desalination Plant.

11. **FINDING:** **EIR-CUMULATIVE IMPACTS MITIGATED TO LESS THAN SIGNIFICANT** – The EIR identified cumulative impacts to Geology, Soils, and Seismicity, Surface Water Hydrology and Water Quality, Agricultural Resources, Energy Resources, Agricultural Resources, Energy Resources, Aesthetic Resources, Socioeconomics and Environmental Justice, Greenhouse Gas Emissions, Public Services and Utilities, Public Services and Utilities Terrestrial Biological Resources, and Hazards and Hazardous Materials, Noise and Vibration. Changes or alterations have been required in or incorporated into the project which avoid or substantially lessen the potentially significant cumulative environmental effects of the desalination plant construction and operation as identified in the Final EIR. For each potential impact summarized below, the mitigation measures are identified that reduce that potential impact to less than significant. (For full text of the referenced mitigation measure, see the MMRP, attached hereto as Exhibit C.)

a) Cumulative Impacts to Geology, Soils and Seismicity. The project could contribute to cumulative impacts on Geology, Soils, and Seismicity.

IMPACT 4.2-C: The MPWSP project could contribute to a cumulative loss of topsoil.

See Mitigation Measures 4.6-2a, which includes measures to avoid impacts to Sensitive Species and Environmentally Sensitive Habitat Areas, including preserving native vegetation and topsoil, and 4.16-1, minimizing disturbance to Farmland.

b) Cumulative Impacts to Surface Water Hydrology and Water Quality. The project could have cumulative impacts on Surface Water Hydrology and Water Quality.

IMPACT 4.3-C: Nearly all cumulative projects involve excavation and use of heavy equipment during construction and have the potential to degrade surface water quality. During construction, if the MPWSP's dewatering effluent from open excavations were to contain materials from previous spills or leaks, discharges or contaminated dewatering effluent to vegetated upland areas or the local storm drain system could result in a significant impact. During project operations, operational discharges from implementation of the MPWSP could exceed Ocean Plan water quality objectives for certain constituents, which would result in a significant impact.

See Mitigation measure 4.7-2b, which requires a groundwater dewatering control and disposal plan to specify how contaminated groundwater (if encountered) will be handled and disposed of in a safe, appropriate, and lawful manner. Contaminated groundwater can be disposed of at a permitted waste management facility or discharged, under permit, to a publicly owned treatment works; 4.3-4, which requires water quality monitoring; and 4.3-5, which requires implementation of protocols to avoid exceeding water quality objectives.

c) Cumulative Impacts to Agricultural Resources. The project could contribute to cumulative impacts on agricultural resources.

IMPACT 4.16-C: The project would temporarily disrupt agricultural uses along the north side of Charlie Benson Lane, and construction activities of the MPWSP as a whole could result in the loss of topsoil and soil compaction that could reduce agricultural productivity. Other projects in the vicinity would also have short-term construction-related effects that could result in the conversion of agricultural land to non-agricultural uses.

Mitigation Measure 4.16-1 requires CalAm to incorporate measures to minimize impacts to farmland areas, including notifying property owners 90 days prior to initiating construction activities, stockpiling surface and subsurface soil layers separately during trenching activities, using the separated soil horizons as backfill in the appropriate location in the soil profile, backfilling with 5 percent of the original density; ripping the uppermost 3 feet of soil to avoid compaction, inspecting agricultural drainage systems before and after construction, and restoring disturbed areas to preconstruction conditions following construction. This is a cumulative impact related to the MPWSP as a whole and other projects in the vicinity of all MPWSP project components. The desalination plant site itself has not been in agricultural use since 1956, and the site plans include

agricultural buffers to avoid impacts to surrounding agricultural properties.

d) Cumulative Impacts Related to Energy Resources. The project could result in cumulative impacts to energy resources.
IMPACT 4.18-C: Construction of the desalination plant could use large amounts of fuel or energy in a wasteful or inefficient manner, which in the context of local regional energy supplies, in combination with the energy demands of other projects, could result in a significant cumulative impact.
See Mitigation measures 4.10-1b, which requires idling restrictions, and 4.18-1, which requires a Construction Equipment Efficiency Plan to identify measures and standards to maximize efficiency of construction equipment and vehicles, to provide opportunities for worker carpooling, and to use existing electricity over portable generators when feasible.

e) Cumulative Impacts related to Socioeconomics and/or Environmental Justice. The project, combined with other project in the area, could result in cumulative impacts to socioeconomics and/or environmental justice.
IMPACT 4.20-C Access to businesses and recreational opportunities may be temporarily impacted by pipeline construction. This impact, combined with impacts to access from cumulative projects, could result in a significant impact on some individual businesses in the affected locations.
See Mitigation measure 4.9-1.

f) Cumulative Impacts related to Greenhouse Gas emissions. The project may have cumulative impacts related to greenhouse gas emissions.
IMPACT 4.11-C: Construction and operation of the MPWSP could result in GHG emissions greater than 2,000 metric tons per year, conflict with Executive Order B-30-15 Emissions Reduction Goal, and conflict with AB 32 scoping plan measures.
See Mitigation measures 4.11-1 and 4.18-1.

g) Cumulative Impacts to Public Services and Utilities. The project may have cumulative impacts to greenhouse gas emissions.
IMPACT 4.13-C: Construction of the desalination plant could damage or interfere with existing utility lines. Other MPWSP construction activities could involve accidental damage, temporary disconnection, or relocation of utility lines, which could interrupt service. All cumulative projects involving future construction could cause utility impacts similar to those described for the MPWSP. Construction could be inconsistent with the Monterey County Integrated Waste Management Plan. If all cumulative projects dispose of solid waste at the Monterey Peninsula Landfill, a cumulatively considerable contribution to this impact could occur if cumulative projects generating solid waste do not adhere to State requirements for diversion of solid waste from landfills.
Operation of the MPWSP's brine stream, when combined with the Regional Urban Water Augmentation Project Desalination Element (RUWAP) brine stream, could have the potential to contribute a

considerable cumulative impact regarding exceedances of Ocean Plan water quality objectives.

Secondary impacts from implementation of Mitigation Measure 4.13-5a, which would involve replacing the WEKO seal clamps in the ocean outfall, could cause substantial impacts on special-status species and habitat. The Beach Junction Structure Replacement Project would begin directly after the WEKO seal clamps are installed, which has the potential to adversely impact special-status species and habitats similar to those potentially disturbed for implementation of Mitigation Measure 4.13-5a.

See Mitigation Measures 4.13-a through 4.13-f, 4.13-2, 4.3-4, 4.3-5, 4.13-5a and 4.13-5b.

h) Cumulative Impacts to Aesthetic Resources. The project could result in cumulative impacts to aesthetic resources.

IMPACT 4.14-C: The MPWSP could result in a cumulatively significant nighttime lighting impact if construction overlaps with other cumulative projects.

Mitigation Measure 4.14-2 requires low-intensity exterior lighting, downcast fixtures, and placement to minimize glare. Additionally, nighttime lighting impacts at the desalination plant during construction will not be an issue since construction at the desalination plant is not proposed to occur after 7pm pursuant to the Construction Management Plan.

i) Cumulative impacts related to Terrestrial Biological Resources. The project could have cumulative impacts to terrestrial biological resources.

IMPACT: 4.6-C: Construction and operation of the MPWSP, including the desalination plant and other MPWSP facilities, combined with other concurrent projects identified in the EIR, could result in a significant cumulative impact on sensitive natural communities through vegetation trimming or removal, elevated noise and dust levels, and increased human presence.

Construction and operation of the MPWSP could temporarily impact wetlands and other waters. Cumulative projects identified in the EIR could also cause temporary or permanent impacts on wetlands or other waters. Concurrent construction and/or operation of these projects could result in significant cumulative impacts on these resources through wetlands fill or draining and increased human presence, to which the MPWSP could have a significant contribution. Construction of the desalination plant is not expected to contribute to any impacts on wetlands or other waters.

See Mitigation Measures 4.6-1a, 4.6-1b, 4.6-1c, 4.6-li, 4.6-1m, 4.6-1n, 4.6-1o, 4.6-2b, 4.6-4, 4.6-6, 4.2-2a, 4.6-1d, 4.6-1e, 4.6-1f, 4.6-1g, 4.6-1h, 4.6-1j, 4.6-1k, 4.6-1l, and 4.6-1p.

Mitigation Measure 4.6-3 requires a jurisdictional wetland delineation to determine the extent of waters of the U.S. and waters of the state within the project area. The project must be designed to avoid and/or minimize impacts to wetlands. Horizontal Directional Drilling or other

trenchless or above water methods will be used at all pipeline crossings of wetlands or other waters of the U.S. and of the state. See also Mitigation Measures 4.14-2, 4.12-b, and 4.12-5.

j) Cumulative Impacts related to Hazards and Hazardous Materials. The project could result in cumulative impacts related to hazards and hazardous materials.
IMPACT 4.7-C: The MPWSP could result in the release or exposure to hazardous materials in soil or groundwater that could have a significant contribution to a potentially significant cumulative impact resulting from such releases from more than one project.
See Mitigation Measures 4.7-2a and 7.7-2b.

k) Cumulative Impacts related to Noise and Vibration. The project could result in cumulative impacts to noise and vibration.
IMPACT 4.12-C: Construction -related vibration could cause construction related damages to any sensitive structures within 120 feet of the construction site. Although there are no sensitive structures in this vicinity at risk of damage, combined with cumulative projects, this construction-related vibration could have a potentially significant cumulative effect.
Mitigation Measure 4.12-3 requires construction practices that do not generate vibration levels above the standard that could cause damage when work is conducted close to sensitive receptors. Additionally, in the case of this project, there are no sensitive structures within 120 feet of the construction site.

12. **FINDING:** **EIR-ENVIRONMENTAL IMPACTS NOT MITIGATED TO LESS THAN SIGNIFICANT** –The desalination plant would result in significant and unavoidable impacts that would not be mitigated to a less than significant level even with incorporation of mitigation measures, as further described in the evidence below. Specific economic, legal, social, technological, or other considerations, including provision of employment opportunities for highly trained workers, make infeasible mitigation measures that would reduce these impacts to less than significant. The County makes the following findings with respect to the following significant and unavoidable impacts of the desalination plant project.

EVIDENCE: a) IMPACT 4.9-C Traffic and Transportation. The FEIR found that cumulative impacts related to traffic and transportation could result from concurrent construction of the MPWSP and other cumulative projects impacting a short-term increase in vehicle traffic, reductions in the number or the available width of travel lanes on roads where construction would occur, increased wear and tear on the designated haul routes used by construction vehicles, and increases in demand for parking spaces to accommodate construction worker vehicles. Concurrent construction of these projects could create traffic safety hazards for vehicles, bicycles, and pedestrians on public roadways. Access to adjacent land uses and streets for both general traffic and emergency vehicles could be disrupted.

Mitigation Measures 4.9-1 and 4.9-7 apply to all project components to reduce traffic impacts of the entire MPWSP. Mitigation Measure 4.9-C requires CalAm to coordinate with the appropriate planning agency within each affected jurisdiction to develop and implement a Construction Traffic Coordination Plan. The purpose of the plan shall be to lessen the cumulative effects of the MPWSP and local development project construction-related traffic delays and congestion. The plan shall address construction-related traffic associated with all project sites in the vicinity of Project components (i.e., within 1 mile or would use the same roads) and whose construction schedules overlap that of the MPWSP. In accordance with these mitigation measures, Cal Am has submitted a Preliminary Draft Construction Management Plan, dated April 11, 2019, and as a condition of approval, County is requiring Cal Am to submit to the County a Construction Management Plan in substantial conformance with the draft plan. (Condition 20.)

The Mitigation Measures would reduce the MPWSP's incremental contribution to congestion and traffic delays on area roadways, safety hazards, emergency access, alternative transportation facilities, wear and tear, and parking impacts. However, given the size of the MPWSP, along with the number of cumulative projects and uncertainty regarding cumulative project construction timing, the residual MPWSP transportation impacts could still contribute substantially to cumulative local and regional traffic and roadway capacity disruptions, which is a cumulatively considerable significant impact.

b) Air Quality. The project could result in cumulative impacts to Air Quality which cannot be mitigated below a level of significance. IMPACT 4.10-1: Short-term emissions associated with construction of the MPWSP could contribute to an exceedance of a state and/or federal standard for ozone, NO_2, and, PM_{10} based on estimated maximum daily mass emissions levels. This would be a significant impact.

Mitigation Measure 4.10-la requires CalAm and/or its construction contractor to make a good faith effort to use available construction equipment that meets the highest USEPA-certified tiered emission standards or is alternatively powered (e.g., with electricity, natural gas, propane, methanol and ethanol blends, or gasoline). For all pieces of equipment that would neither meet Tier 4 emission standards nor be alternatively powered, CalAm or its construction contractor shall provide to the CPUC documentation from two local heavy construction equipment rental companies that indicate that the companies do not have access to higher-tiered equipment or alternatively powered equipment for the given class of equipment. Mitigation Measure 4.10-lb, requires CalAm and/or its construction contractor(s) to prepare and implement a written idling policy and distribute it to all equipment operators. The idling policy shall extend the 5-minute idling limit to cover all on-road vehicles (regardless of gross vehicular weight rating) and shall further require that for all diesel-powered off-road engines, the idling limit is reduced to 2 minutes, while maintaining the exceptions specified in Title 13 CCR

Section 2449(d)(3). Clear signage of these requirements shall be provided for construction workers at all access points to construction areas.

Mitigation Measure 4.10-1c, requires CalAm to require its construction contractor(s) to implement a dust control plan that includes measures to water active construction areas at least three times per day; cover haul trucks; use water sweepers at construction sites and/or adjacent roads; apply soil stabilizers to inactive construction areas; cover exposed stockpiles; limit speeds on unpaved roads to 15 mph; install erosion control measures; replant native vegetation; wash wheels before exiting certain construction areas; and post publicly-available signs for dust complaint contacts.

Mitigation Measure 4.10-1e, requires CalAm to work with the Monterey Bay Air Resources District ("MBARD") and put forth a good faith effort to fund an off-site mitigation program that would be contemporaneous with construction of the MPWSP to offset construction-related NOx.

Exceedances of ozone and $N0_2$ standards would remain a significant and unavoidable impact even with implementation of Mitigation Measures 4.10-1a, 4.10- lb, and 4.10-le. Implementation of Mitigatlon Measures 4.10-la through 4.10-lc would reduce the impact of PM10 standard exceedances to a less-than-significant level by requiring equipment to meet the highest tiered emission standards, by imposing idling restrictions, and by requiring the implementation of a dust control plan.

IMPACT 4.10-2: The project could conflict with the 2012 AQMP. Any project that could conflict with the MBARD 's goal of attaining the state 8-hour ozone standard would be considered to conflict with the intent of the 2012 AQMP. MPWSP project-related short-term construction emissions with mitigation measures incorporated would exceed the significance threshold for NO_X; therefore, the MPWSP would not support the primary goal of the 2012 AQMP, and the impact associated with conflicting or obstructing implementation of the applicable air quality plan would be significant.

Mitigation Measures 4.10- la, 4.10-lb, and 4.10-le, described above also address impact 4.10-2; however, implementation of these measures would not reduce MPWSP project-related NO_X emissions to below the significance threshold. Therefore; this impact is significant and unavoidable even with implementation of mitigation.

IMPACT 4.10-C: The projects construction activities would generate short-term NO_X emissions in quantities that would exceed MBARD's threshold. The cumulative impact of MPWSP construction emissions associated with the potential to contribute to a violation of an ambient air quality standard and conflict with implementation of the applicable air quality plan and would be significant when combined with the emissions associated with cumulative projects, and the MPWSP's incremental contribution to the cumulative impact would be cumulatively significant.

Implementation of Mitigation Measures 4.10-la through 4.10-1e would reduce emissions of PM_{10} during MPWSP construction activities to a level that would be below the MBARD threshold. Conformance with the MBARD threshold ensures that an individual project would not have a cumulative impact with respect to overall air quality within the air basin; therefore, the MPWSP's incremental contribution of construction-related PM^{IO} emissions would result in a less than significant cumulative impact. Even with implementation of Mitigation Measures 4.10-la, 4.10-lb, and 4.10-le, the MPWSP's cumulatively considerable contribution to the significant cumulative impact associated with NO_X emissions would remain significant and unavoidable.

13. **FINDING:** **EIR-CEQA ALTERNATIVES TO THE PROPOSED PROJECT -** The EIR considered several alternatives to the proposed project in compliance with CEQA Guidelines Section 15126.6. Alternative 5a, which is the project approved by the CPUC and the project that is the subject of this approval, was identified as the Environmentally Superior Alternative. The EIR considered alternatives described below and as more fully described in the FEIR. Specific economic, legal, social, technological, or other considerations, including provision of employment opportunities for highly trained workers, make infeasible other alternatives that would reduce the significant and unavoidable impacts to less than significant, as explained further below.

EVIDENCE: a) No Project Alternative. The no project alternative involves not constructing the desalination plant. CalAm would continue to operate its Monterey District facilities in compliance with the Cease and Desist Orders and the Seaside Groundwater Basin Adjudication. Pursuant to the State Water Resources Control Board Order WR 2016-0016 ("Revised CDO"), amending State Water Board Order WR 2009-0060, Cal Am must cease its unlawful diversions from the Carmel River by December 31, 2021. This is an extension from the December 31, 2016 deadline established by Order WR 2009-0060. At the end of the Revised CDO extension period, CalAm would have an estimated 6,380 afy of potable water available for delivery within its service area from existing sources, and would not "payback" any water to the Seaside Groundwater Basin. The No Project/No Action alternative would have the least significant environmental impacts; however, it would not meet the project objective to develop a water supply for the Cal am Monterey District to replace existing Carmel River diversions in excess of Cal Am's legal entitlement. It would not provide a replacement water supply for CalAm customers, it would not provide water supply reliability and it would not provide supply to allow for replenishment of water that CalAm previously pumped from the Seaside Basin in excess of CalAm's adjudicated right. In addition, it would not provide supply for the development of vacant legal lots of record or supply to meet other demand. The limited available water supply could trigger rationing measures and could lead to water shortages throughout the Monterey District service area. Further, the

Project benefit served by the return water for the community of Castroville would not come to fruition. Additionally, although the No Project Alternative may involve the least amount of direct impact on the physical environment, there would be different impacts given the failure to supply sufficient water for customers within the CalAm service area. The No Project Alternative does not meet the Project goals and objectives and is not a feasible alternative.

b) Alternative Locations: The FEIR evaluated two alternative locations for the desalination plant: the East Tank Farm Road Parcel, and the Moss Landing Green Commercial Park. The FEIR determined that the East Tank Farm Road Parcel would have a similar level of environmental effects for most topic areas compared to the proposed site, but would result in increased impacts on terrestrial biology, noise and vibration, and aesthetics. The Moss Landing Green Commercial Park site would have a similar level of environmental effects for most of the topic areas, but would result in increased impacts on surface water hydrology, due to its location in the 100-year flood zone, and on terrestrial biology. Therefore, the FEIR found that there are no potential impacts associated with development of the project at the proposed site that would be avoided or minimized by either of the two alternative sites. The County finds these alternatives are infeasible because they do not avoid or minimize the potential impacts of the project, but rather move them to another area.

c) Expanded Pure Water Monterey Project. Monterey One Water (M1W) is considering the potential expansion of the Pure Water Monterey Project from the approved 5mgd size to 7.6 mgd (PWM Expansion). This alternative was not included in the FEIR, but has been suggested as a possibility to replace the Desalination Project or to allow for a reduced size desalination plant and was addressed by the CPUC Decision. This alternative is not legally feasible at this time due to factors beyond County's control. Monterey One Water has yet to approve an expansion of the Pure Water Monterey Project, and that expansion would require permits from agencies other than the County. While M1W and the Monterey Peninsula Water Management District (MPWMD) have recently allocated money for supplemental environmental review and planning, taking steps to evaluate and process the expansion project is not approval of the expansion, which remains uncertain and unknown. (See response to MCWD contention #2 in Finding 17 below.)

Additionally, CalAm and Monterey County Water Resources Agency have expressed uncertainty in the PWM project's long term water supply since reliable source water to support the expansion has not been clearly identified. While the expansion can be assumed to provide additional water, it may not be a consistently reliable supply at the scale needed to meet demand. The CPUC determined that even under a maximum expansion scenario, the Pure Water Monterey Project would be insufficient to satisfy the Peninsula's water demand (See D.18-09-017, at p. 40; and Appx. C, at pp. C-70 to C-71). This project would require the project owner to complete environmental review and obtain

necessary permits, all of which has not yet occurred and is not within the County's control. Thus, at this time, it is not a legally feasible alternative.

d) Monterey County Water District Sale of Water to CalAm. During the CPUC's proceeding, the Marina Coast Water District indicated that it may be willing to sell to CalAm approximately 774 afy of water from the PWM Project for use in lieu of Seaside Basin groundwater pumping during the Seaside Basin replenishment period. This alternative was not in the EIR. However, the CPUC found that this option is unable to meet the basic MPWSP objectives and infeasible on the following independent bases: (a) the MCWD proposal involves only a relatively small amount of water insufficient to substitute for the MPWSP or to make the MPWSP smaller in size, (b) the water would be available to CalAm only on a short-term basis and thus does not provide a permanent and reliable water source, and (c) there is no proposed agreement for such sale before the CPUC. In addition, there is no evidence that this option would eliminate or reduce any significant effects of the MPWSP, or would eliminate the need for the desalination plant now or in the future. Further, the approval of a water purchase agreement is outside the scope of the County's jurisdiction. Therefore, the County finds that the sale of MCWD water to Cal-Am is not a feasible alternative to construction and operation of the desalination plant.

e) Smaller Reduced Capacity Alternative. Some parties to the CPUC's proceeding requested consideration of a further reduced capacity desalination alternative, smaller than 6.4 mgd. The CPUC found that a smaller desalination plant would fail to meet the basic MPWSP objectives and thus is not feasible. Given that each desalination unit is 1.6 mgd in size, the next reduced desalination plant size would be 4.8 mgd. Even when considered in conjunction with water expected to be supplied by the PWM project currently under construction, a 4.8 mgd desalination alternative would not provide water supply sufficient to meet demand consistent with the MPWSP objectives. For these reasons, a smaller capacity desalination plant would not meet the basic project objectives and thus was not analyzed in detail in the EIR/EIS or considered by the CPUC. In addition, a smaller capacity desalination plant does not appear to avoid or substantially lessen any significant impacts of the desalination plant. The desalination plant would be on the same site and construction methods would remain the same. While operation of a 4.8 mgd desalination plant would require less energy and therefore generate fewer greenhouse gas emissions, the change may not result in a substantial reduction in impacts and the MPWSP would not have unavoidable adverse impacts in these areas in any event. As stated on page 8.5-663 of the FEIR/EIS: "The magnitude of any potential adverse impacts resulting from the implementation of a desalination plant that is reduced in size from Alternative 5a and 5b would be reduced from what was evaluated for Alternatives 5a and 5b in EIR/EIS Section 5.5. However, it is expected that the classifications of all such impacts would remain the same as set forth in the EIR/EIS,

as would the suggested mitigation measures." Therefore, the County finds that a further reduced capacity desalination alternative is not a feasible alternative to the project. (See also response to MCWD contention, below.)

14. **FINDING:** **EIR-STATEMENT OF OVERRIDING CONSIDERATIONS -** In accordance with Section 15093 of the CEQA Guidelines, the County has evaluated the economic, legal, social, technological, or other benefits of the proposed project against its unavoidable significant environmental impacts in determining whether to approve the proposed project, and has determined that the benefits of the project outweigh its unavoidable adverse environmental effects so that the adverse environmental effects may be considered "acceptable." The proposed project will result in development that will provide benefits described herein to the surrounding community and the County has a whole.

EVIDENCE: a) Pursuant to the State Water Resources Control Board Order WR 2016-0016 ("Revised CDO"), amending State Water Board Order WR 2009-0060, Cal Am must cease its unlawful diversions from the Carmel River by December 31, 2021. Although Cal Am has lowered its diversions from the Carmel River since the adoption of State Water Board WR 2009-0060, the State Board noted that Cal Am's "diversions still remain thousands of acre feet per annum above the amount available under Cal Am's lawful water rights." (Revised CDO, at p. 1.)
The MPWSP project, of which the desalination plant is a critical component, would cease CalAm's illegal diversions from the Carmel River and meet its obligations under the State Water Board's Cease and Desist Orders.

b) The project would ensure that CalAm has alternative sources of water to supply its service area and will no longer need to over extract from the Seaside Groundwater Basin to meet demand.

c) The project will provide local and regional economic benefits to the Monterey Peninsula area. Construction will boost temporary new local employment opportunities, increased spending on construction materials, equipment, and services.

d) The project will improve long-term water supply in the Monterey Peninsula area and substantially enhance the reliability of water resources and water infrastructure.

e) The project will result in reduced pumping of river subflows from the Carmel River by as much as 7,354 afy, which will benefit habitat and wildlife and marine species by allowing this water to remain in the river.

f) In fulfilling the Salinas Valley Groundwater Basin return water obligation, CalAm would make return water available for other water suppliers, including Castroville Community Services District, which currently relies on 780 afy of groundwater from the Salinas Valley Groundwater Basin and has experienced water supply challenges. The

Castroville Community Services District supplies water to Castroville, a disadvantaged community.

15. **FINDING:** **ENVIRONMENTALLY SENSITIVE HABITAT AREAS** –The project is consistent with Section 21.66.020 (Standards for Environmentally Sensitive Habitats) of the Monterey County Code, which requires that development on parcels containing Environmentally Sensitive Habitats (ESHA) be permitted only if it will not have a significant adverse impact on the habitat's long-term maintenance.

EVIDENCE: a) The project site has been regularly mowed or disked and consists mostly of non-native grassland. Biological surveys were conducted for the area of disturbance and the surrounding area for the EIR, and fulfill the requirement of Section 21.66.020(C), which provides:

Regulations: Biological Survey Requirement.
1. A biological survey shall be required for all proposed development meeting one or more of the following criteria:
a. The development is proposed within a known environmentally sensitive habitat, based on the most current resource maps, other reliable other available resource information, or through the planner's on-site investigation;
b. The development is located within one hundred (100) feet of an environmentally sensitive habitat, and has potential negative impact on the long-term maintenance of the habitat.
2. The survey shall be required, submitted, and meet approval of the Director of Planning prior to the project application being determined complete.
3. The survey shall be prepared by a qualified biologist, as selected from the County's list of consulting biologists maintained by the Planning Department. Report preparation shall be at the applicant's expense.
4. The biological survey shall contain the following elements:
a. Identify the property surveyed, with accompanying location map and site plan showing topography and all existing and proposed structures and roads, and the proposed project site or sites;
b. Describe the method of survey;
c. Identify the environmentally sensitive habitat found on the site and within one hundred (100) feet of the site with an accompanying map delineating the habitat location or locations.
d. Describe and assess potential impacts of the development on the environmentally sensitive habitat(s) identified in the survey found on the site or on neighboring properties;
e. Recommend mitigation measures which will reduce impacts;
f. Assess whether the mitigation measures will reduce the development's impact to an insignificant level.
The FEIR states (pg 4.6-6) that multiple surveys were conducted by Environmental Science Associates (ESA), and AECOM, between 2012 and 2016. The applicant submitted a map of the Desal Plant Biological Survey to the County, which identifies habitat types and occurrences of Monterey Spineflower.

The development is not proposed within ESHA, but is proposed within 100 feet of ESHA. Consistent with the above requirements, the surveys conducted for the FEIR, on which the County relied, fulfill this requirement. The FEIR described potential impacts of the development on the environmentally sensitive habitat and recommended mitigation

measures which will reduce impacts to a less than significant level. Surveys identified Monterey spineflower on the parcel, on the opposite side of the access road, with the closest location approximately 50 feet from the edge of the area of disturbance, as well as the potential for sensitive plant species to occur, including Congdon's tarplant. Additionally, the EIR found that several animal species could possibly be impacted due to the site's proximity to the Salinas River, including: California Red-legged frog, California tiger salamander, Coast Range newt, and American Badger. The site could also provide nesting habitat and foraging areas for bird species such as red-tailed hawk, red-shouldered hawk, and American kestrel, special status bat species, short-eared owl, northern harrier, white-tailed kite, American peregrine falcon, California horned lark and loggerhead shrike and common passerines.

b) The EIR recommended mitigation measures which, when implemented, will reduce impacts to a less than significant level, making the project consistent with Section 21.66.020(D), which provides:

General Development Standards.

1.Development, including vegetation removal, excavation, grading, filling, and construction of roads and structures be prohibited in environmentally sensitive habitats. exception, resource dependent uses, including nature education and research, hunting, fishing and aquiculture, may be allowed within environmentally sensitive habitats if it has been determined through the biological survey that impacts of such uses will not harm the habitat's long-term maintenance.

2. Development on parcels containing or within one hundred (100) feet of environmentally sensitive habitats, shall be permitted only they will not have a significant adverse impact on the habitat's long-term maintenance, either on a development or cumulative basis. Development shall only be approved where conditions of approval are available which will mitigate adverse impacts to and allow for the long-term maintenance of the habitat, as determined through the biological survey.

3. Removal of indigenous vegetation and land disturbance, such as grading, excavation, paving, and fill, in or within one hundred (100) feet of environmentally sensitive habitats shall be limited to that necessary for the structural improvements and driveway access. Modifications to the proposal shall be made for siting, location, design, bulk, vegetation removal, and grading where such modifications will reduce impacts to the habitat.

4. The use of native species consistent with and found in the project area shall be required in landscaping required as a condition of project approval.

5.Development activities which would adversely affect the breeding habitat of rare, threatened and endangered birds shall be regulated by conditions of project approval to avoid significant impacts during their breeding and nesting seasons.

The project is not proposed within environmentally sensitive habitat (ESHA). It is proposed within 100 feet of ESHA, and consistent with D.2 above, will not have a significant adverse impact on the habitat's long term maintenance. The FEIR included mitigation measures which

will mitigate adverse impacts to allow for the long-term maintenance of the habitat. Mitigation measures include: designating a lead biologist to oversee and ensure implementation of special-status species protective measures; requiring worker training to ensure that workers are aware of the special-status species and the measures necessary to avoid, minimize, or mitigate impacts; general measures such as installation of exclusion fencing, trash abatement program to ensure special-status species predators are not attracted to the site, limiting construction to non-nesting season when feasible or requiring a no-disturbance buffer around active nests; a Habitat Mitigation and Monitoring Plan to describe all restoration and compensatory requirements; avoidance and minimization measures for the California tiger salamander and red-legged frog (including pre-construction surveys, relocation procedures, exclusion fencing, and monitoring of vegetation removal and grading); measures to avoid impacts to wetlands; compliance with tree removal requirements if applicable (no tree removal is proposed); and requiring low-intensity exterior lighting. The County has required implementation of the mitigation measures relevant to the desalination plant through Condition 5.

Proposed development is limited to the structural improvements and access for the desalination plant and has been sited to avoid ESHA. Landscaping with native species is required by Condition No. 4. Mitigations to avoid significant impacts to Western Burrowing Owl (Mitigation Measure 4.6-1h) and to nesting birds (Mitigation Measure 4.6-1i) are also included in the Mitigation Monitoring and Reporting Program. (See Finding 15.)

c) The County, as a responsible agency, has required verification that mitigation measures pertaining to the desalination plant are implemented according to the Mitigation Monitoring and Reporting Plan (Condition 5).

16. **FINDING:** **ARCHAEOLOGICAL RESOURCES** – The project, as conditioned, is consistent with County standards for archeological resources.

EVIDENCE: a) The project site is in an area designated as having medium archaeological sensitivity. A records search and a field survey was conducted in preparation for the EIR, which fulfilled the requirement for a Phase 1 report as required by Section 21.66.050. No prehistoric archaeological resources have been previously identified in the direct area. No prehistoric archaeological resources were identified in the project area during the 2010-2016 survey effort. One historic-era resource, a railroad grade, was previously identified in the project area in 1998; however, there were no remains of this resource present on-site during the 2010 survey effort. The reports concluded that the site does not contain archaeological resources, so no additional review is necessary.

b) Mitigation Measures 4.15-2b and 4.15-4 require work to stop and proper notification and procedures to occur in the event that resources or human remains are inadvertently discovered.

17. **FINDING:** **Response to MCWD Appeal –** Pursuant to Section 21.80.050 of Title 21, the Appellant Marina Coast Water District timely filed an appeal from the April 24, 2019, decision of the Planning Commission. Upon consideration of the written and documentary evidence, the staff report, oral testimony, other evidence presented, and the administrative record as a whole, the Board responds as follows to the Appellant's contentions:

EVIDENCE: a) A summary of the Appellant's contentions and the County's responses to those contentions are set forth in Evidences b, c, d, e, f, g, h, i, j, k, and l below.

b) **Appellant's Contention No. 1:** *Supplemental CEQA review is required due to new information presented after the CPUC's adoption of the Final EIR. The Planning Commission Resolution found that no new information had been presented; however, the Marina Coast Water District as well as other agencies, submitted new information prior to the Planning Commission hearing. Significant new information of substantial importance includes information showing that alternatives found not to be feasible would be feasible and would substantially reduce one or more significant effects of the MPWSP.*

County Response No. 1:. MCWD submitted a comment letter, with hundreds of pages of attachments, at 5:58 p.m. on April 23 for the Planning Commission hearing on the project scheduled for 9 a.m. on the following morning, April 24. MCWD has attached the same letter to its appeal, which permits County to provide a more detailed response to MCWD's contention that supplemental environmental review is needed. MCWD argues that new information of substantial importance since certification of the EIR has been presented that requires supplemental environmental review; MCWD contends, in sum, that new information shows: expansion of Pure Water Monterey is a feasible alternative; the Seaside Basin has opportunities for storage and banking of groundwater which, together with PWM expansion, is a feasible alternative; and there is new information about MPWSP's potential groundwater impacts. County addresses each of these points below and concludes that the information is not new information that would require supplemental review under CEQA. As explained in the following findings, information submitted by the appellant and other agencies does not require additional environmental review because it does not show significant effects that were not addressed in the previous EIR or effects that would be substantially more severe than those addressed, or show that alternatives deemed feasible are in fact feasible .

c) ***Appellant's Contention No. 2:*** *The Planning Commission Resolution found that Expanding the Pure Water Monterey Project was not a legally feasible alternative, but this finding is not supported by evidence in light of new information from Monterey One Water (M1W) and Cal Am's decision not to pursue the expansion alternative at this time. M1W's letter states that "M1W and other parties have moved forward to stand ready to provide viable water supply."*

County Response No. 2: , The CPUC considered the expansion of the Pure Water Monterey Project – this is not new. The CPUC concluded that it "cannot rely upon the concept of potential expansion of the PWM project absent more concrete and specific information to find that additional supply is available to Cal Am." (D. 18-09-017, at p. 18.) The CPUC ordered Cal Am to file a Tier 2 advice letter within 180 days of the Decision to provide Cal Am's assessment of pursuing additional water supply to be provided by a PWM expansion. (D. 18-09-017 at p. 214, para. 37.) The information submitted by MCWD to the County since the CPUC Decision does not change the conclusion that the PWM expansion is infeasible at this time as an alternative to the desalination plant. The documents submitted by MCWD with its appeal show that the expansion is only in the planning phase, and there is still uncertainty as to whether it would be approved and even if approved, whether it would serve only as a back up if the desalination plant is delayed. Cal Am's March 2019 advice letter states that Cal Am does not have the necessary information to determine if the potential expansion of Pure Water Monterey can be used to supply its Monterey District. (Cal Am Advice Letter No. 1231, attached to MCWD appeal.) On March 18, 2019, the Monterey Peninsula Water Management District (MPWMD) approved expenditure of up to $750,000 for supplemental environmental review and design and permitting work for the proposed expansion of Pure Water Monterey project so it could be closer to ready, but MPWMD acknowledges that "It is possible that an expansion of Pure Water Monterey will be deemed unnecessary or infeasible and the costs will be stranded." For this reason, the staff recommended that the MPWMD Board consider reimbursing Monterey One Water "if the expansion does not move forward." (March 18, 2019 staff report for MPWMD, attached to MCWD appeal.) M1W stated in response to Cal Am's advice letter that it had allocated $250,000 toward the cost of environmental review and design work while acknowledging MPWMD's decision to reimburse M1W if "the PWM project is deemed unnecessary or infeasible." (April 8, 2019 letter of Perkins Coie on behalf of Monterey One Water to CPUC, attached to MCWD appeal.) A Notice of Preparation has been issued for the Supplemental Environmental Impact Report for the Pure Water Monterey expansion (Attachment Q). The evidence shows that it is premature and pre-decisional to make conclusions about whether the PWM expansion would be approved and what the content of that approval would be, which can only be known after the appropriate decision makers evaluate the environmental review M1W is conducting and render a decision. M1W's letter also characterizes the PWM expansion as a solution if the Cal Am desalination plant is delayed, not as an alternative to prevent approval of the desalination plant in the first instance. Accordingly, the evidence shows that study and environmental review of the potential PWM expansion is occurring, but what that study and review will show and what will be approved are not yet known and are not within County's control. Therefore, this information is not new information showing that the PWM alternative is a feasible alternative to the desalination plant, and therefore

the information does not trigger the requirement for County to conduct supplemental environmental review.

c) **Appellant's Contention No. 3:** *The Planning Commission Resolution found, without supporting evidence, that a reduced size alternative (less than 6.4mgd) may not be a substantial reduction in impacts and the MPWSP would not have unavoidable adverse impacts in these areas in any event. CalAm's most recent demand numbers show that demand has remained flat and has not increased as a result of the fully recovered economy as the FEIR assumed. Since the CPUC determined that reducing the size of the facility from 9.6 to 6.4mgd would substantially reduce environmental impacts due to smaller slant wells and less volume of groundwater pumping, logic and common sense dictate that a further reduction in size would further reduce the same impacts.*

County Response No. 3: MCWD has not presented substantial evidence of new information that would change the conclusion reached by the CPUC that a smaller 4.8 mgd plant is not a feasible alternative. The CPUC analyzed and rejected a 4.8 mgd desalination plant alternative because it would not satisfy project objectives since it would not supply enough water to meet demand even with the PWM project currently under construction. D.18-09-017, at pp. 69-70, Appendix C (CPUC CEQA Findings), at pp. 72-73; Appendix J (Sept. 12, 2018 responses to comments received after publication of FEIR/EIS, at pp. 30-31.). Demand numbers were determined through the CPUC approval process, which heard considerable testimony on water demand in the FEIR approval process and determined that projections of future demand were reasonable based on growth of population, development, and tourism. The CPUC's decision explained that a further reduced capacity alternative would result in little to no cost differential, fail to provide a buffer for contingencies, and would not avoid or lessen any significant impacts of the project (D.18-09-017, pp. 69-70.).

d) **Appellant's Contention No. 4:** *New information of substantial importance shows that there are new alternatives which are considerably different from those analyzed in the previous EIR that would substantially reduce one or more significant effects on the environment. Specifically, the 2018 Seaside Groundwater Basin Management Action Plan revealed that the Basin has lost 43,500 Acre-Feet of groundwater storage over the last 30 years. This new information reveals that there are opportunities for storage and banking of groundwater in the Seaside basin, which could provide an alternative water supply that was not considered in the CPUC's EIR. CalAm could meet its supply and demand needs without a desalination component through an expansion of the Pure Water Monterey in conjunction with banking excess supply in the Seaside Groundwater Basin.*

County Response No. 4: MCWD cites to a 2018 Seaside Groundwater Basin Management Plan as new information, and contends "it would

appear that" Cal Am can meet demand by storage and banking together with expansion of the PWM project. This plan is not substantial evidence of new information of a feasible alternative. Groundwater levels in the Seaside Groundwater Basin have been steadily declining for decades, so this does not represent new information. The 2018 Seaside Basin Plan Presentation does not advocate for banking of groundwater. It identifies the MPWSP as a supplemental water supply option to help with groundwater management and to protect against further decline of groundwater levels. Additionally, this alternative relies on storage and banking together with expansion of the PWM project, and the PWM expansion is a not feasible alternative to the desalination plant, as explained above.

e) **Appellant's Contention No. 5:** *New information of substantial importance shows that the MPWSP will have new or substantially more severe adverse impacts to groundwater resources compared to what was disclosed and analyzed in the CPUC's Final EIR, including impacts related to water quality and water supply. Most notably, this information includes evidence provided by multiple hydrogeologists and Dr. Rosemary Knight of Stanford University. In particular, the Final EIR dismissed the potential for groundwater impacts to occur based on inaccurate assumptions regarding groundwater gradients in the Dune Sand and 180-Foot Aquifers. The CPUC's Findings and Final EIR concluded that groundwater impacts would be less than significant based on the assumption that a landward (i.e., inland) hydraulic gradient was present in both aquifers and would not change over the life of the Project. New information first made available in the MPWPS's recent Monitoring Report No. 154, however, shows that gradients in the Dune Sand Aquifer have changed and were actually seaward in the fall of 2018. Thus, the gradient in the aquifers is the opposite of what was assumed in the Final EIR. As a result of the seaward gradient that currently exists in the Dune Sand Aquifer, the MPWSP will capture much of the freshwater that is presently recharging the underlying aquifers, and will result in significant groundwater impacts that were not analyzed in the Final EIR due to the assumptions used at that time.*

County Response No. 5:

This contention concerns the slant wells, but approval of the slant wells is not before the County. The project before the County is the desalination plant. The County, as a responsible agency, "has responsibility for mitigating or avoiding only the direct or indirect environmental effects of those parts of the project which it decides to .... approve." (CEQA Guidelines sec. 15096 (g)(1)..) Moreover, substantial evidence available within the administrative record of the MPWSP approval process and staff's discussions with the Monterey County Water Resources Agency confirm that MCWD's above contentions are incorrect. The model work for the EIR did not require the assumption of a gradient direction, landward or seaward. (See FEIR Section 4.4 Groundwater Resources and

Responses to comments Section 8.2-79 to 8.2-98 and Appendices E1-E3, the Hydrologic Working Group (HWG) Investigation Technical Report (October 2, 2017). The statement that gradients were seaward in Fall of 2018 is an incomplete picture. The Dune Sand Aquifer gradient is landward between the CEMEX monitoring well and Monitoring Well-8S (shallow aquifer) (located further inland) and is locally seaward between the CCEMED monitoring wells and Monitoring Well-7S (shallow aquifer). This is not unique to Fall 2018 and is not new information.

Cal Am correspondence from June 14, 2019 in response to the appeals of the Planning Commission's decision addressed this contention on page A-2 of their letter, explaining that the FEIR included a Master Response confirming that, based on extensive monitoring well data in the area "groundwater in both the Dune Sand Aquifer and 180/180-FTE Aquifer flows inland beneath the project area" (FEIR/EIS, p. 8.2-44). Prior to its decision, in responses to late comments on the MPWSP Final EIR/EIS, the CPUC addressed the issue, explaining that analyses presented in MCWD's comments "misrepresent the (existing) conditions because they disregard or understate the presence and influence of the ocean, a substantial recharge boundary, and overestimate the extent that groundwater would be captured from inland sources." (D.18-09-017, Appx. J. p. 16.) "The comments overstate the conditions under which the gradient would reverse and begin to flow seaward." (D., p. 17.) The new information that the appellant cites is additional monitoring data made available after the CPUC's decision; however, these data are not significantly different from monitoring data available prior to the CPUC decision and do not constitute new information requiring supplemental environmental review.

The Hydrogeologic Working Group "HWG", a team of hydrogeologists and groundwater modeling experts representing rate payers, environmental groups, business groups, local governments and government agencies, and key stakeholders on the Monterey Peninsula, also addressed the appellant's arguments. The HWG noted that the higher groundwater levels in 2018 were the result of an unusually wet 2016-2017 water year, and that an examination of the entire test well monitoring network from 2015 through 2018 shows there is no clear seaward gradient. (HWG Technical Response January 25, 2019, pg 2, 5, attached to June 14, 2019 letter from Cal Am to Board of Supervisors.).

The information from Dr. Knight is not new information requiring supplemental environmental review. The FEIR addressed airborne electromagnetic "AEM" technology and Dr. Rosemary Knight's findings in detail, including the limitations of AEM technology compared to groundwater monitoring well data. The AEM study did not change the fact that the MPWSP will only draw source water from the identified capture zone, and that any groundwater in that zone is already heavily intruded by seawater. The final AEM study was submitted to the CPUC after publication of the FEIR, and was evaluated by the HWG and the

CPUC (see HWG Technical Response (Aug. 15, 2018)), and the CPUC evaluated the final AEM study and HWG's report in the memorandum responding to late comments. (Appendix J to D.18-09-017). The CPUC found that the final AEM study did not change the FEIR's conclusion that the project would result in less-than-significant impacts to groundwater resources, as mitigated. Most of the source water will be drawn from the ocean and not from inland groundwater sources. The CPUC decision found that the AEM studies do not change the facts that the Project 1) will not capture fresh water that could be beneficially used without treatment; and 2) will result in less than significant impacts to groundwater resources as mitigated. (See pg A-5 of June 14, 2019 letter from Cal Am to Board of Supervisors).

f) **Appellant's Contention No. 6:** *Additional new information shows that the gradient in the aquifers will continue to shift seaward during the life of the project, further improving groundwater conditions in the SVGB. Most notably, the Salinas Valley Groundwater Basin Sustainability Agency (SVBGSA) is implementing a basin-wide approach to achieve sustainability within the SVB under the Sustainable Groundwater Management Act (SGMA). SVBGSA's articulation of its basin-wide approach in recent documents demonstrates the CPUC's finding that seaward gradients will not be achieved under SGMA during the Project's lifetime because basin-wide efforts are not being employed is no longer accurate.*

County Response No. 6: SVBGSA's approach under SGMA is not new information that triggers the requirement for supplemental environmental review. During the CPUC proceedings, CPUC addressed a similar contention that the EIR/EIS failed to consider that plans under SGMA could result in restoring groundwater levels and raise groundwater levels enough to flatten the gradient. (D. D.18-09-017, Appendix J., at 18.) The CPUC concluded that future actions and projects resulting from SGMA were too speculative to "opine about" in the EIR/EIS. (id. at p. 19.) That situation has not changed. Thus far, SVBGSA has only released draft chapters of various sustainability plans for public comment. The public release of some draft chapters of a larger plan that is not yet fully written and not adopted is not significant new information requiring supplemental review under CEQA.

g) **Appellant's Contention No. 7:** *The City of Marina Planning Commission, the first responsible agency to consider an approval for the MPWSP, has already found that there is significant new information of substantial importance that triggers subsequent CEQA review under Public Resources Code section 21166 and CEQA Guidelines Section 15162. Although the City denied the CDP on non-CEQA grounds, it concluded that "any responsible agency that approves a Permit for the Project is first required to conduct this subsequent CEQA review under these provisions." (Id. at p. 3.)*

As explained in the City Planning Commission Staff Report, there is ample substantial evidence requiring supplemental environmental review under CEQA.

County Response No. 7: The documents which MCWD cites for this contention are MCWD's own letter to the County Planning Commission and a City of Marina staff report. Neither are decisions of the City of Marina, and neither compel the County to conduct supplemental review. Notwithstanding the city staff report, the City of Marina Planning Commission did not require supplemental environmental review and instead chose to deny the project. The fact that MCWD advocated for supplemental review, as it does here , or that city staff made a recommendation not followed by the decision-making body, does not constitute a finding that supplemental review is required.

i) **Appellant's Contention No. 8:** *The Planning Commission resolution's finding that the MPWSP is exempt from Chapter 10.72 runs contrary to law. The County's Settlement Agreement is ultra vires and does not provide a basis for exempting the project from Chapter 10.72 because an agreement to circumvent applicable zoning laws is invalid and unenforceable. The County's reliance on the CPUC's advisory opinion is misplaced. The CPUC cannot preempt a local action where the local entity is acting pursuant to statewide, or general, as opposed to local authority. The CPUC's prior advisory opinion does not pre-empt the Sustainable Groundwater Management Act (a subsequently enacted state law)*

County Response No. 8:

Chapter 10.72 of the Monterey County Code sets out procedures and requirements for "desalinization facilities" to obtain a construction permit and operation permit from the Director of Environmental Health of the County of Monterey. (See copy of Ch. 10.72, attached to staff report to Board of Supervisors dated May 15, 2018, attached as Attachment [J] to the July 15, 2019 staff report to the Board.) It is settled that Chapter 10.72 does not apply to Cal Am's desalination plant project application currently before the County. By that certain Settlement Agreement and Mutual Release dated December 4, 2012 by and between Cal Am, the County of Monterey, and the Monterey County Water Resources Agency, the County agreed that Chapter 10.72 shall not apply to Cal Am or the Monterey Peninsula Water Supply Project. (Settlement Agreement, para. 7.) That settlement agreement was not challenged and is final. The County's decision to abide by an administrative decision issued by the CPUC is legally valid and binding and not the same as circumventing zoning regulations.

By way of background, in 2012, the County of Monterey filed suit in San Francisco Superior Court to obtain declaratory relief regarding the issue of preemption of Chapter 10.72 as applied to Cal Am's MPWSP application before the CPUC. Also in 2012, as the CPUC explained in

its February 2019 decision denying MCWD's petition for rehearing of the CPUC's approval of the MPWSP, the CPUC issued an administrative decision in 2012 -- D.12-10-30 – finding that the Commission's authority preempted Chapter 10.72. (See description of this history in D. 19-01-051, Order Modifying Decision (D.) 18-09-017 and Denying Rehearing of Decision, dated February 5, 2019, at p. 17.) In the settlement agreement, entered in December 2012 after the CPUC had issued the 2012 preemption decision described above, the parties agreed to abide by the CPUC decision in this case and not to apply Chapter 10.72 to Cal Am or its MPWSP application, and the County agreed to dismiss its declaratory relief lawsuit with prejudice. In 2013, following application for rehearing by MCWD among others of the CPUC's 2012 decision, the CPUC issued D.13-07-048, modifying the 2012 decision (D.12-10-30) and clarifying that Chapter 10.72 is preempted "when it impacted the Commission's exclusive jurisdiction and regulation of public utilities, including a water utility such as Cal-Am." (D. 19-01-051, at p. 17.) Although MCWD was one of the applicants for rehearing that precipitated the CPUC's 2013 decision, neither MCWD or other rehearing applicants brought suit challenging D.12-10-30, as modified by D.13-07-048. (D. 19-01-051 at p. 18.).

Although the CPUC determined that Chapter 10.72 does not apply to this project application, additional information is that, pursuant to a Board referral unrelated to Cal Am's application (Board referral No. 2018.09 to consider amendment of Ch. 10.72 to include desalination facilities that operate under a public private partnership model), the Board of Supervisors has directed County staff to initiate amendments to Chapter 10.72 for several reasons, including: the "public entity" provisions of Chapter 10.72 are ambiguous and subject to interpretation as to whether desalinization permits are restricted to public entities; desire to consider public/private partnerships as eligible for permits; concerns with duplication of or preemption by state law in that state law has evolved since 1989 when Chapter 10.72 was first adopted and state law now addresses many of the same issues; and staff recommendation to refocus the ordinance on the technical, managerial and financial requirements for desalination facilities that are not regulated by the CPUC. (Staff report to Board of Supervisors dated May 15, 2018, attached as Attachment J to the July 15, 2019 staff report to the Board.)

j) **Appellant's Contention No. 9:** *The County's approval of the proposed MPWSP violates Ordinances 5302 and 5303 that enacted moratorium on drilling new wells within the project area to "address seawater intrusion" in the coastal areas of the SVGB. Any claim that Cal Am's slant wells could be exempt from the moratorium is contradicted by the plain language of the County ordinance that enacted the moratorium, which exempts a well only if it "supplies potable water for the domestic needs" of a public supply system. The MPWSP slant wells are intended to supply*

water for industrial use in desalination. The desalination plant, not the wells, would later supply potable water for domestic needs but also for agricultural uses and injection.

County Response No. 9:

The County's approval of Cal Am's desalination plant does not violate nor is it prohibited by Ordinance No. 5302 or 5303. Ordinance No. 5302 is an interim urgency ordinance adopted pursuant to Government Code section 65858 to prohibit, on a temporary basis and pending development of new regulations, new wells within a defined Area of Impact where seawater intrusion is evident and in the Deep Aquifers in the Salinas Valley Groundwater Basin. Ordinance No. 5302, adopted by the Board of Supervisors on May 22, 2018, was an urgency measure of 45 day duration. Ordinance No. 5303, adopted by the Board of Supervisors on June 26, 2018, extended the temporary ban on new wells through May 21, 2020. (These ordinances are attached as Attachment O to the July 15, 2019 staff report to the Board of Supervisors.)

First, by the plain language of these ordinances, these ordinances do not apply to the project application under consideration because the application is for a desalination plant, not for new wells. Ordinance No. 5302, as extended by Ordinance No. 5303, specifically governs applications to construct a new well. (Section 4 of Ordinance No. 5302.) The County is not deciding on the wells for the MPWSP, and no well application for this project is before the County. The slant wells which are part of the MPWSP are not within the jurisdiction of the County; they are located in the City of Marina and under the jurisdiction of Marina and the California Coastal Commission. This point entirely disposes of MCWD's contention, without need of examination of the meaning of the exemptions in the ordinance. That said, it is worth pointing out that the ordinance exempts "municipal water supply wells," in "due regard for exigencies that may arise in respect to domestic water supply ..." (Section 1.C.9 and Section 5.A.4 of Ordinance No. 5302.) The clear intent is not to prevent the drilling of wells needed for provision of domestic water supply during the temporary period during which the interim ordinance is in effect.

j) **Appellant's Contention No. 10:** *The County's findings regarding environmentally sensitive habitat are inadequate. Section 21.66.020 prohibits development, including vegetation removal, excavation, grading, filling, and construction of roads and structures, located in environmentally sensitive habitats unless the proposed development is resource dependent and the biological survey has shown that impacts of such uses will not harm the habitat's long-term maintenance. The proposed development is not resource dependent. The staff report must disclose the extent and location of environmentally sensitive habitat at the project sites and on neighboring parcels. County code requires that a biological survey be completed prior to the application being deemed complete. The County must disclose whether other portions of the project that are not part of the current approvals (e.g. pipelines) are consistent*

with and can be approved under the County's standards for environmentally sensitive habitats.

County Response No. 10: As a responsible agency, the County was provided the opportunity to provide input on the preparation of the environmental document. The County reviewed the Draft EIR and provided comments during the public review period. The County accepted and agreed with the approach and analysis conducted to evaluate potential impacts to environmentally sensitive habitat areas, and accepted the proposed mitigation measures as sufficient to reduce potential impacts to a less than significant level. No additional surveys beyond those conducted for the Environmental Impact Report were required to be prepared. Habitat maps prepared for the project site show sensitive habitats on the lower terrace of the 46-acre parcel. Specifically, Monterey Spineflower was identified northeast of the project site on the opposite side of the access road. (See finding 14.) Sensitive habitat was not mapped within the area of disturbance, so the development is not located within ESHA; however, since there is potential for impacts to occur, mitigation measures were included in the FEIR. The County adopted the mitigation measures with Condition No 5.

Portions of the MPWSP within the Coastal Zone, including conveyance pipelines, will be processed as part of Consolidated Coastal Development Permit processing by the Coastal Commission per an agreement between the County of Monterey and the California Coastal Commission per Section 30601.3 of the California Coastal Act (Attachment N). Within the inland unincorporated area of the County, encroachment permits not requiring discretionary review are issued by Monterey County, through the Public Works division of the County Resource Management Agency. Most pipeline facilities are within road or railroad right-of-ways and are not near sensitive species. The EIR evaluated biological species that could be affected by pipeline construction. Although no impacts are expected to result from these areas, biological surveys show potentially sensitive species present within the study area, though not within the area of disturbance, of a few pipeline areas within County jurisdiction. Specifically, Figure 4.6-1b shows a small amount of Coyote Brush scrub in the pipeline area that extends southeast of the project site. Figure 4.6-1m identified areas of Coast Live Oak Woodland adjacent to the pipeline route. Figure 4.6-1n identified Coast Live Oak Woodland and Monterey Pine Woodland adjacent to the project area. Mitigation Measures, intended to reduce impacts to biological resources to less than significant levels, are identified as applying to pipeline construction in the Mitigation Monitoring and Reporting Plan. The County adopted the Mitigation Measures through Condition No. 5.

k.) **Appellant's Contention No. 11:** *The County cannot approve the project because Cal-Am does not have and cannot legally obtain, water rights. Monterey County General Plan (Policies PS-3.1 and PS-3.2) requires proof of a Long Term Sustainable Water Supply and an Adequate Water*

Supply System—including water rights—for any project requiring a discretionary permit.

County Response No. 11: The desalination project is exempt from Policy PS-3.1 and PS-3.2 (See Finding 2.m). As discussed in Finding 2.m, the project is exempt from PS 3.1. Policy PS 3.2 provides the criteria for the determination of the Long Term Sustainable Water Supply required by PS 3.1, but since the project is exempt, PS 3.2 does not apply. Accordingly, the General Plan does not require proof of water rights as a necessary prerequisite for County to grant a permit for a desalination plant. The project before the County is the desalination plant, not the slant wells. The County is not the appropriate agency to make a determination of water rights and is not making a determination as to water rights as part of this permit.

l) **Appellant Contention No. 12:** *The appellant contends that numerous findings in the Planning Commission Resolution are not supported by evidence or are otherwise erroneous, as evidenced by their contentions summarized above.*

County Response No. 12: This contention summarizes appellant's prior contentions. The County's response to these contentions have been detailed in the above responses.

18. **FINDING:** **Response to PWN Appeal:** Pursuant to Section 21.80.050 of Title 21, the Appellant Public Water Now timely filed an appeal from the April 24, 2019, decision of the Planning Commission. Upon consideration of the written and documentary evidence, the staff report, oral testimony, other evidence presented, and the administrative record as a whole, the Board responds as follows to the Appellant's contentions:

EVIDENCE: a) A summary of the appellant's contentions and the County's response to those contentions are set forth in evidences a, b, c, d, e, f, g, h, i, j, k, l, m, n, o, p, q, r, s, t, and u below.

b) **Appellant's Contention No. 1:** *The Planning Commission resolution, in the consistency, evidence "a" section, omitted review of the North County Local Coastal Plan, which declares that new water produced in that area shall be used for agriculture, as the highest priority.*

County Response No. 1: There is no "North County Local Coastal Plan."
The County has a certified Local Coastal Program (LCP) which governs in the coastal zone of the unincorporated County, and the North County Land Use Plan is one component of the LCP. The desalination plant (proposed project) is not located within the North County Land Use Plan area or within the coastal zone. Accordingly, the desalination plant, which is the subject of this permit, is not subject to the North County Land Use Plan.. The North County Land Use Plan policies do not apply to the desalination plant.

c) **Appellant's Contention No. 2:** *The Planning Commission resolution consistency finding states that no conflicts were found. No communications were received during the course of review of the project indicating any inconsistencies with the text, policies, and regulations in these documents. This statement misrepresents numerous public letters and comments calling attention to numerous conflicts and inconsistencies.*

County Response No 2: The Planning Commission resolution was prepared prior to receipt of the letters, and much of the correspondence was received the night before or day of the hearing. Letters received were distributed to the Planning Commission for consideration at the hearing. Moreover, the point of this standard sentence was that County did not find inconsistency, which is different than saying that none were alleged. In any event, the sentence has been clarified in this resolution.

d) **Appellant's Contention No. 3**: *Staff refers to the "Settlement Agreement and Mutual Release dated December 4, 2012 among Cal Am, the County of Monterey, and the Monterey County Water Resources Agency, the County agreed not to apply Chapter 10.72 to the project." Staff omitted the portion of the statement "The Agency and the County do not support the use of the 180-foot aquifer as a source of water for use in MPWSP." This indicates that staff is intentionally omitting it or negligently omitting it. The Planning Commission was deprived of key information.*

County Response No 3: The contention correctly quotes the settlement, and the Agency's and the County's position remain the same. The slant wells do not draw directly from the 180 foot aquifer; however, according to the Monterey County Water Resources Agency (MCWRA) staff with whom County has consulted, data from the model and test slant well have determined the quantity of feedwater needed cannot be met by pumping solely from the Dune Sands Aquifer and that the slant wells extract some water from the 180-foot aquifer. MCWRA is implementing an expanded monitoring program in the coastal area that will focus on identifying any impacts to the subbasin from the MPWSP. Additionally, the amount of fresh water extracted by the slant wells is proposed to be returned to the basin.

e) **Appellant Contention No. 4:** *Staff stated that the project is exempt from General Plan Policy PS-3.1, whereby proof of water supply is not required. Staff then ignores any reference to other policy that addresses the prevention of seawater intrusion.*

County Response No. 4: This contention does not cite a specific policy. If the reference is to Policy PS 3.5, Policy 3.5 applies, by its terms, to "construction of new wells in known areas of saltwater intrusion." This policy does not apply to the project which is for a desalination plant, not new wells; County is not deciding upon or authorizing construction of

new wells. Second, Policy PS 3.5 explicitly states that "this policy shall not apply to ... wells used in conjunction with a desalination project."

f) **Appellant Contention No. 5:** *Staff mischaracterized the status of the expansion of Pure Water Monterey as prescribed in the CPUC approval of the CPCN for CalAm's desal. The CPUC held evidentiary hearings on this alternative, and left it an open question. It required CalAm to file an update as of March 30th. Neither Cal Am nor the County staff reported the fact that Monterey Peninsula Water Management District, in partnership with Monterey One Water, committed $1 million to complete an EIR for the expanded project. Staff only reported Cal Am's opinion, and not the facts.*

County Response No. 5: See County response to MCWD contention #2 above in Finding 17.

g) **Appellant Contention No. 6:** *Staff stated that the project would provide local and regional benefits to the Monterey Peninsula area. Staff did not include that Peninsula ratepayers are already paying for the most expensive water in the USA and ignored the cost that will be added paying for the most expensive desal water in the world. If "economic benefits" are a relevant issue, the staff has omitted key and important facts to consider. The staff has shown bias, omission, or negligence.*

County Response No. 6: The Planning Commission adopted findings for overriding considerations, including that the desalination plant would provide local and regional economic benefits to the Monterey Peninsula area and stated that "construction will boost temporary new local employment opportunities, increased spending on construction materials, and services". This was only one of several benefits found in the statement of overriding considerations. Staff did not include a discussion of water rates because this is outside the scope of review. The County's review is limited to the portion of the project within its jurisdiction, the desalination plant, and does not have any authority over the setting of water rates.

h) **Appellant Contention No. 7:** *CalAm's proposal to sell water from its proposed plant to the Castroville Community Services District (CCSD) is illegal because CalAm has no rights to the groundwater that it intends to sell to Castroville for new developments. Any potential benefit to CCSD must be identified as resultant from illegal actions and an illegal conspiracy to effect the wrongful taking of innocent third parties' private property rights by both Cal Am and CCSD. CCSD's claim that it will stop pumping its wells is both unenforceable and, because CCSD is a junior appropriator, would result in CCSD's loss of its water rights because "the basin is in overdraft" and other senior water rights holders are "first in line" for any groundwater appropriations that are abandoned by junior, non-overlying appropriators (like CCSD).*

County Response No. 7: The County does not have authority to regulate the sale of water from one entity to another, nor to determine water rights. Proof of water rights is not a necessary prerequisite for County to grant a land use permit for a desalination plant, which is the project before the County and within the County's land use authority. The County is not the appropriate agency to make a determination of water rights and is not making a determination as to water rights as part of this permit. The County does not have evidence of an illegal conspiracy nor did PWN provide evidence to support its allegation.

i) **Appellant Contention No. 8:** Policies PS-3.1 and 3.2 of the 2010 General Plan mandates proof of groundwater rights. Staff has failed to identify these legal prohibitions to the processing of the Cal Am application, has failed to demand evidentiary proof of required groundwater rights from Cal AM, and has failed to identify mandatory mitigations for the resultant significant adverse environmental impacts, if any such mitigation could be conceptualized.

County Response No. 8: The project is exempt from policy PS 3.1 and PS 3.2. (See Finding 2, Evidence m.; and Finding 17, response to MCWD contention 11.) The County is not making a determination of water rights with the granting of the Combined Development Permit.

j) **Appellant Contention No. 9:** *The property is located on three sides by cultivated farmland. CalAm's mapping of the farmland in the area is incomplete and intentionally deceptive. The project results in the permanent loss of over half of the property for a completely non-agriculturally related, industrial land use that will decimate the potable drinking water and irrigation groundwater supplies upon which farmland owners adjacent to the site rely. This is a solely heavy industrial use that is not allowed under the existing agricultural zoning ordinance. CalAm has offered no replacement irrigation or drinking water as mitigation to the overlying farmland owners or the MCWD. All of the adjacent farmlands are dependent upon the existing potable groundwater aquifers and their senior overlying groundwater rights (to which Cal Am has NO rights or entitlements), which CalAm intends to wrongfully exploit with its desalination plant and the profits resulting therefrom.*

County Response No. 9: The portion of the parcel proposed for this development is zoned PG/40-D-S, which allows water system facilities including wells and storage tanks serving fifteen (15) or more service connections with a Use Permit; therefore, this project is an allowed land use for this site. The property has not been in agricultural use since 1956, so the desalination plant will not impact current agricultural activities on the site. Maximum coverage allowed in the PG zoning designation is 5 percent. Title 21 defines coverage as "any area covered by a structure, structures, or structure protrusions…" The area covered by structures is 1.22 acres, or .03 percent of the 46 acre parcel. The total area of disturbance is 25 acres. The remainder of the parcel, including

the area containing farmland zoning, will remain undisturbed. (See also finding 5, above.)

PWN's appeal includes includes three maps depicting the North Monterey County LCP area and Ag Land Trust farm with the CalAm test well site and the Ag Land Trust well identified (Exh. 2 of PWN appeal). Exhibit 2 states that the Cal Am map misrepresents the location the Test Well and the drawdown contours of the cone of depression from the Test Well. The appellant states that the adjusted cone of depression covers 75% of the Ag Land Trust property and shows seawater intrusion into the Big Well.

The intake wells for the MPWSP are located within the City of Marina. The County does not have jurisdiction over this area. The submitted map references the Ag Land Trust property within the North Monterey County LCP; however, no portion of the MPWSP under the permitting authority of the County is located within this area, so the County's LCP does not apply. For informational purposes in evaluating the whole of the MPWSP, the FEIR found that the MPWSP will not deplete existing potable water supplies in the SVGB, but Cal-Am will fund the expansion of the existing regional groundwater monitoring program to include any areas where the Project may impact nearby production wells to ensure that owners of existing supply wells suffer no harm during the life of the Project. (FEIR pp. 4.4-80, 4.4-87 to 4.4-89.) As part of this applicant-proposed mitigation measure, Cal-Am will coordinate with well owners to repair or replace damaged wells or compensate the owner for increased pumping costs.

k) **Appellant Contention No. 10:** *Staff did not address the legislative mandate of the Sustainable Groundwater Management Act, which prohibits "significant and unreasonable seawater intrusion as an "Undesirable Result" that must be avoided in the management of potable groundwater basins, and Specifically in the Salinas Valley.*

County Response No. 10: The project before the County is the desalination plant, not wells and not the entire MPWSP project. SGMA directs the preparation of Groundwater Sustainability Plans (GSP), which are currently under preparation. In the case of the MPWSP, the FEIR concluded that "the MPWSP would not exacerbate seawater intrusion, and groundwater extraction from the coast, as part of project operations, would be expected to retard future inland migration of the seawater intrusion front (p. 4.4-92).

l) **Appellant Contention No. 11:** *Data from the test slant well Hydrogeologic Working Group is informative. Monitoring Well 4 middle, located about a half mile from the test well site, is the threshold inland data point for tracking impacts of extraction. The final reading in January 2018 shows the highest levels of total dissolved solids (tds) for the entire*

long-term test (about 30 months). Ocean water percentage rose from 53%, before the test well began operation in early 2015, to 70% at its conclusion. This fact is contrary to the claim by CalAm that the test well has had an insignificant impact on seawater intrusion. Cal Am's wells are polluting the 180 foot aquifer with salt, yet no mitigation or compensation of any kind has been identified for this previously anticipated significant adverse environmental impact that is resulting in the wrongful taking of the property rights of innocent overlying rights holders and senior appropriators. Cal Am's project will cause massive risk to the health and safety, and to the sole source potable water supply of thousands of residents of the City of Marina. This massive environmental threat, and the permanent loss of a public groundwater supply due to wrongfully induced seawater pollution, has not been quantified nor have mitigations been identified to provide a replacement source of water at no cost to the residents of Marina.

County Response No. 11: This contention relates to the entire MPWSP, but the project before the County is only the desalination plant, not the entire project. As a responsible agency, the County has responsibility for mitigating or avoiding only those parts of the project over which the County has permitting authority. (CEQA Guidelines sec. 15097). Although not germane to the specific decision before the County, the Monterey County Water Resources Agency has reviewed this contention and the monitoring data. The ocean water percentages reported by PWN are incorrect. The test slant well began pumping on April 22, 2015 with an ocean water percentage of 73%. The test slant well evaluation was completed on February 28, 2018, and the ocean water percentage was 87%. Percentage of ocean water varies seasonally and climatically depending on rainfall, droughts and wet years, among other factors. The highest ocean water percentage reached during the period of test slant well operation was 93%, during the most recent drought cycle. This increase in ocean water percentage is both to be expected and ideal. Water will flow into the slant wells through the "shortest and least resistant" pathway, which will be mostly ocean water flowing through the sandy seafloor instead of groundwater flowing through comparatively tighter packed material of the Salinas Valley Basin geology.

Additionally, the salinity levels remained in compliance with the conditions imposed by the Coastal Commission in the Coastal Development Permits for the test slant well and did not indicate worsening seawater intrusion as a result of test slant well pumping. (FEIR p. 8.2-71.) Furthermore, one of Marina's municipal supply wells is located in the aquifers from which the MPWSP will draw its source water. (FEIR p. 4.4-69.) The FEIR concluded that the MPWSP is not expected to exacerbate seawater intrusion, so no mitigations were required.

m) **Appellant Contention No. 12:** *Planning staff omitted issues of groundwater rights law, specifically that voluntary water conservation*

(by landowners who intentionally reduce groundwater pumping) of groundwater supplies, as an intended consequence of the payment for and development of supplemental water supplies, does not result in forfeiture, or loss of groundwater rights by those overlying landowners or senior appropriators who have been paying for the supplemental water.

County Response No. 13: Determination of groundwater rights is not within the County's purview. As a responsible agency, the County is granting permits for only those portions of the MPWSP that lie within the boundaries of the County's jurisdiction, including the desalination plant. The County is not the appropriate agency to make a determination of water rights and is not making a determination as to water rights as part of this permit.

n) **Appellant Contention No. 14:** *Cal Am has not contributed to any of the assessments for the dams at Lake Nacimiento, Lake San Antonio, the "purple valve" reclamation system, or the "rubber dam". Cal Am intends to knowingly compromise the intent and goals of these publicly paid for, comprehensive, decades-long water development, conservation and protection programs by intentionally inducing seawater pollution into protected groundwater aquifers.*

County Response No. 14: This comment reflects the appellant's opinion of Cal Am's intentions. See also responses to contentions above.

o) **Appellant Contention No. 15:** *Cal Am intends to wrongfully export groundwater out of the Salinas Valley groundwater basin in violation of the express prohibition of such exports memorialized in the authorizing statute of the Monterey County Water Resources Agency. The water sold to the CCSD will go into the CCSD sewer lines and be discharged from the regional sewer plant into the ocean.*

County Response No. 15: The Monterey County Water Resources Agency and Cal-Am have entered into the Return Water Settlement Agreement to ensure MPWSP's compliance with the Agency Act. The Agency has stated that the Return Water Agreement satisfies the requirements of the Monterey County Water Resources Agency Act (Water Code Appendix, Ch. 52.).The MPWSP will extract mostly seawater and a small amount of seawater-intruded brackish groundwater. Any source water pumped from the slant wells that is not 100% ocean water will be required to be returned to the Salinas Valley Basin (Basin). The quantity to be returned will be calculated and offered to the Castroville Community Service District (District), which is a disadvantaged community (DAC) and will allow the District to reduce pumping in the Basin, in an area that is currently intruded by seawater. The County does not consider discharging water through sewer lines exportation of groundwater. It is typical practice for water to enter sewer lines after it has been put to beneficial use. Additionally, in the greater Monterey Bay and surrounding areas this sewer water is recycled and

used in the Castroville Seawater Intrusion Project or will be used in an aquifer storage and recovery (ASR) project and injected into the adjudicated Seaside Groundwater Basin.

p) **Appellant's Contention No. 16:** *Cal Am's claims that they can prove they are "salvaging water" is not valid. Cal Am has no water rights. Cal Am's representative deceived the Agriculture Advisory Board by stating that the issue of water rights was already litigated.*

County Response No. 16: The County is not the appropriate agency to make a determination of water rights and is not making a determination as to water rights as part of this permit. The meeting of the County's Agricultural Advisory Committee was an open meeting noticed and held in accordance with the Brown Act, at which all members of the public had the opportunity to testify as to the matters before the Committee and to contest any information presented to the Committee.

q) **Appellant's Contention No 17:** *County staff failed to identify the massive and permanent extractions of groundwater that the Cal Am project proposes. Cal Am is using its violation of state laws to push for an oversized plant that is massively growth inducing and is not currently needed by Monterey Peninsula residents. It is unfair to burden current ratepayers with the $329 million cost of a project from which they will receive no benefit.*

County Response No. 17: The CPUC approved the 6.4 mgd reduced size desalination plant based on evaluation of water demand and other factors. (D. 18-09-017, at pp. 126-27.) The CPUC rejected the larger proposed 9.6 mgd plant as well as the smaller 4.8 mgd plant size and concluded that "[T]he 6.4 mgd desalination plant combined with the water purchase agreement for GWR water will meet the demands of Cal-am's customers." (Id. at p. 127.) Water produced by the project is intended to meet current demand and to serve existing legal lots of record. The EIR evaluated Growth Inducing Impacts and determined that the project would indirectly support growth by removing some water supply limitations as an obstacle to growth, thereby enabling a degree of growth under the approved general plans within the area served by the MPWSP. The proposed project, the reduced size (6.4mgd) desalination plant, was found to reduce growth-inducing impacts to a less than significant level, although significant and unavoidable cumulative indirect growth-inducing impact remains. The County does not have authority over the setting of rates.

r) **Appellant's Contention No. 18:** *No input from the Monterey County Water Resources Agency was included in the staff report or the decision document. This agency has a decades-long concern and has financed a comprehensive government program to fight against and reverse seawater intrusion. These ongoing government programs and capital projects are funded by assessments levied by the County of Monterey on*

property owners whose water rights are being stolen by Cal Am. Cal Am's project specifically draws from the 180-foot aquifer, where seawater intrusion is most severe. There are hydrogeologic opinions that differ, but there is massive data that indicates seawater intrusion may be aggravated by Cal Am's project. By not even mentioning this issue, the staff has structured the information to keep the Planning Commission away from its consideration.

County Response No. 18: The County's permitting authority for this project only concerns the desalination plant. This comment concerns potential impacts of the slant wells. Nevertheless, RMA-Planning consulted with Monterey County Water Resources Agency (MCWRA) staff prior to the hearing and verbally confirmed their agreement with the findings of the CPUC and the conclusions of the FEIR. MCWRA testified at the Planning Commission hearing on April 24, 2019 to explain that the SVGB is seawater intruded and that the water within the Project's capture zone is saline, not freshwater. RMA-Planning staff conferred with MCWRA staff again following receipt of the appeal documents to discuss the contentions. MCWRA provided input to inform the responses included in this resolution, in particular those pertaining to contentions regarding the potential impacts on the basin. MCWRA staff have reported that they remain in agreement with the findings of the CPUC and the FEIR that the project is not expected to contribute to seawater intrusion of the Salinas Valley Groundwater Basin.

s) **Appellant's Contention No. 19:** *The Cal Am Combined Development Permit application is an illegal piecemeal application of a much larger project wherein the true significant adverse environmental consequences and the adverse legal impacts upon senior property (percolated groundwater) rights holders were not disclosed to the Monterey County Planning Commission nor to the Agricultural Advisory Committee*

County Response No. 19: The CPUC evaluated all components of the Monterey Peninsula Water Supply Project in the EIR/EIS and certified the EIR/EIS as lead agency under CEQA. The County is a responsible agency under CEQA. As a responsible agency, the County "is more limited than a Lead Agency. A Responsible Agency has responsibility for mitigating or avoiding only the direct or indirect environmental effects of those parts of the project which it decides to carry out, finance, or approve." (CEQA Guidelines sec. 15096(g)(1).) The desalination plant, the subject of this application, and the Carmel Valley Pump Station (PLN150653), are the only two elements of the project requiring discretionary approval within County jurisdiction. The County does not have permitting authority over the slant wells and is not making a water rights determination. The County is complying with CEQA by reviewing that part of the project within its permitting authority.

t) **Appellant's Contention No. 20:** *The project violates Article X, Section 2 of the California Constitution. The intentional inducement of salt*

pollution into a potable aquifer wherein the polluter (Cal-Am) holds no water rights is not a "reasonable use of water".

County Response No. 20: The project before the County in this permit is only the desalination plant component. Per the responses above, the County is not the appropriate agency to make a determination of water rights and is not making a determination as to water rights as part of this permit. Factually, as discussed in the responses above, the FEIR found and the administrative record supports, that the MPWSP will not exacerbate seawater intrusion or induce saltwater pollution of the SVGB.

u) **Appellant's Contention No. 21:** *The project intends to intentionally violate the State Water Resources Control Board's (SWRCB) Statewide 1968 Non-Degradation Policy as adopted in the Basin Plan by intentionally contaminating potable groundwater supplies. Potable and statutorily protected groundwater resources have been identified by independent researchers from Stanford university, yet this required environmental data and information has not been in the FEIR, or in staff's presentations.*

County Response No. 21: The project before the County in this permit is only the desalination plant component. Factually, as discussed in the responses above, the FEIR found and the administrative record supports, that the MPWSP will not exacerbate seawater intrusion or induce saltwater pollution of the SVGB. A non-specific reference to research from Stanford University does not constitute substantial evidence. See also response to MCWD's contention #5 in Finding 17 above.

19. **FINDING:** **APPEALABILITY** - The decision on this project is final.

EVIDENCE: a) Section 21.80.090(I) states that the decision of the appeal authority shall be final.

DECISION

NOW, THEREFORE, based on the above findings and evidence, the Board of Supervisors of the County of Monterey does hereby:

1. Certify that foregoing findings are true and correct and incorporated herein by reference;
2. Certify that the County has considered the Final Environmental Impact Report/Environmental Impact Statement for the Monterey Peninsula Water Supply project (SCH#2006101004), , certified by the California Public Utilities Commission on September 13, 2018;
3. Deny the appeal by the Marina Coast Water District from the April 24, 2019 Planning Commission's decision approving a Combined Development Permit (PLN150889)
4. Deny the appeal by Public Water Now from the April 24, 2019 Planning Commission's decision approving a Combined Development Permit (PLN150889)
5. Approve a Combined Development Permit consisting of:
    a. A Use Permit for construction and operation of a 6.4 MGD desalination plant ; and

b. An Administrative Permit and Design Approval to allow construction of the following buildings/facilities associated the desalination plant, within the Site Plan zoning district, with approximate square footage as follows:
   i. A 3299 square foot Filter Building,
   ii. A 26,002 square foot Reverse Osmosis Building
   iii. A 6,276 square foot Administration Building,
   iv. 7 filter vessels totaling 540 square feet,
   v. 2 filtered water tanks totaling 1,963 square feet,
   vi. 2 treated water tanks totaling 8,012 square feet,
   vii. A Co2 tank and solution water pumps,
   viii. 2 Backwash Reclamation basins totaling 17,000 square feet,
   ix. A 344 square foot recycle pump station,
   x. A 61,000 square foot Brine EQ Basin,
   xi. A 560 square foot Brine Pump Station; and
   xii. Additional infrastructure and facilities necessary to the construction and operation of the facilities are also included (e.g., pump pad, transformers, switchgear, standby generator, powerhouse/remote mcc building, hydropneumatic surge tanks, permeate/flush water tank and pumps, conveyance pipelines, raw water intake/flow meter/flash mix, saline sump pump station, sanitary sewer lift station, leak detection sumps, groundwater monitoring wells, stormwater bioretention ponds, trash enclosure, brine aeration system, access and driveway improvements, security fencing and gates, parking areas, bicycle racks/lockers, and associated landscaping/features); and

in general conformance with the attached plan set and subject to the Conditions of Approval, including Mitigation Measures, all being attached hereto, and incorporated herein by reference

6. Adopt the attached Mitigation Monitoring and Reporting Program.

PASSED AND ADOPTED this 15th day of July, 2019 upon motion of Supervisor Luis A. Alejo, seconded by Chris Lopez, by the following vote:

AYES: Supervisor Alejo, Lopez and Phillips
NOES: Supervisors Adams and Parker
ABSENT: None
ABSTAIN: None

I, Valerie Ralph, Clerk of the Board of Supervisors of the County of Monterey, State of California, hereby certify that the foregoing is a true copy of an original order of said Board of Supervisors duly made and entered in the minutes thereof of Minute Book 82 for the meeting on July 15, 2019.

Original Board Resolution Issue Date: July 24, 2019

3rd Revision Date: September 9, 2019
(Corrected Conditions and format)

Valerie Ralph, Clerk of the Board of Supervisors
County of Monterey, State of California

By _____
Joel G. Pablo, Deputy

ATTACHMENT D

September 14, 2025

Tim O'Halloran
Project Manager
California American Water
511 Forest Lodge Road
Pacific Grove, CA 93950

RE: Notice to Proceed Request No. 5a (NTPR-5a) for the Monterey Peninsula Water Supply Project – (A.12-04-019) – Desalination Plant (Phase 1)

Dear Mr. O'Halloran:

On September 13, 2018, the California Public Utilities Commission (CPUC) certified the Final Environmental Impact Report/Environmental Impact Statement (EIR/EIS) for the California American Water (CalAm) Monterey Peninsula Water Supply Project (MPWSP) and issued a Certificate of Public Convenience and Necessity (Decision D.18-09-017). The decision conditionally authorizes construction of the Project with implementation of Applicant Proposed Measures and Mitigation Measures identified in the Final Mitigation Monitoring, Compliance and Reporting Program (MMCRP).

As proposed by CalAm and approved by the CPUC, the MPWSP includes multiple components (source water intake system, desalination plant, desalinated water conveyance facilities, and expanded aquifer storage and recovery system). Separate Notices to Proceed (NTPs) are being issued for the various components or phases of the MPWSP. This is a typical process for projects with multiple components. Given that the MPWSP has been approved by the CPUC, as described above, this phased construction review process allows CalAm to proceed with individual project components where compliance with all applicable mitigation measures and conditions can be documented. NTP-1 (Seaside Transmission Main) was issued by the CPUC on September 13, 2019. Construction of this phase of the MPWSP was completed in fall 2019. NTP-2 (Ryan Ranch-Bishop Interconnection Improvements) was issued by the CPUC on February 3, 2020, with construction completed in November 2020. NTP-3 (Carmel Valley Pump Station) was issued by the CPUC in September 2020, with construction completed September 2022.

CalAm submitted this NTPR-5a to proceed with the construction of the Desalination Plant (Phase 1) on an approximately 25-acre vacant site owned by CalAm in unincorporated Monterey County along Charles Benson Road, west of Del Monte Boulevard intersection. The plant will house the seawater desalination infrastructure used to desalinate 6.4 million gallons of water per day. The plant will include auxiliary facilities, including source water receiving tanks; pretreatment, reverse osmosis, and post-treatment systems; chemical feed and storage facilities; brine storage and facilities; and other associated non-process facilities. Project maps and drawings are provided in NTPR-5a, **Appendix B**.

Construction activities would include pre-construction surveys and site preparation activities such as vegetation and tree removal, site grading, collapsing mammal burrows, installing exclusionary fencing and security fencing, installing stormwater best management practices (BMPs), extending temporary electricity to the site, and establishment of temporary construction access The following equipment types would be used during construction: excavators, dozers, skip loaders, track loaders, boom/bucket trucks, cranes, forklifts, and pickup trucks.

The construction duration for completion of actions authorized under NTPR-5a is anticipated to take approximately 16–20 weeks, with initial ground-disturbing activities commencing in October 2025. Equipment operation would typically occur for 8 hours a day. However, at times, workers and equipment could be on-site up to 12-hours per day. Thus, typical hours of operation would be within 7:00 a.m. and 7:00 p.m., Monday through Friday.

This letter documents the CPUC's thorough evaluation of all activities covered in NTPR-5a, including the Tables of Applicable Mitigation Measures Identified in Approved MMRP provided as Appendix A to NTPR-5a. The evaluation process ensures that all mitigation measures applicable to the location and activities covered in the Notice to Proceed are implemented as required in the CPUC's Decision.

Table 1 provides the status of the Applicant Proposed Measures (APMs) and Mitigation Measures (MMs) described in the MMCRP that require pre-construction implementation for actions proposed under NTPR-5a (Table 1).

Applicant Proposed Measure / Mitigation Measure	**Implementing Actions**	**Status/Determination**
MM 4.6-1a: Retain a Lead Biologist to Oversee Implementation of Protective Measures	Secure approvals from all resource agencies, with jurisdiction of special-status species with potential to occur on the Project site, of the qualifications and the retention of a Lead Biologist.	Lead Biologist previously approved and documentation provided.
MM 4.6-1b: Construction Worker Environmental Awareness Training and Education Program	Provide copy of training program and signed acknowledgement forms of all construction workers that completed training.	Documentation previously provided under NTPR-1. All construction personnel associated with this NTPR will undergo the construction WEAT program prior to the start of construction and documentation will be provided.

Applicant Proposed Measure / Mitigation Measure	Implementing Actions	Status/Determination
MM 4.6-1c: General Avoidance and Minimization Measures	Submit applicable general avoidance and minimization measures to CPUC for review prior to commencement of construction activities.	The Lead Biologist that will be responsible for overseeing on-going monitoring in connection with construction-related activities. On-site biological monitors will be present during construction consistent with the requirements of this mitigation measure.
MM 4.6-1d: Protective Measures for Western Snowy Plover	N/A	This species does not occur within or immediately surrounding the project.
MM 4.6-1e: Avoidance and Minimization Measures for Special-status Plants	Provide and obtain approval from CPUC and USFWS/CDFW of final design submittals which incorporate the required botanical surveys and habitat maps and demonstrate either that facilities are sited to avoid impacts on special-status plants/habitat elements or that required restoration will be achieved by way of a Habitat Mitigation and Monitoring Plan or compensatory credits approved by all required resource and local agencies consistent with the requirements of this MM.	Pre-construction surveys were conducted between March and July 2025 and documentation of the results were provided.
MM 4.6-1f: Avoidance and Minimization Measures for Smith's Blue Butterfly	N/A	This species does not occur within or immediately surrounding the project.
MM 4.6-1g: Avoidance and Minimization Measures for Black Legless Lizard, Silvery Legless Lizard, and Coast Horned Lizard	N/A	This species does not occur within or immediately surrounding the project.
MM 4.6-1h: Avoidance and Minimization Measures for Western Burrowing Owl	Provide the CPUC with the name of the biologist(s) to conduct protocol and preconstruction owl surveys, copies of all survey results and copies of all CDFW-approved owl buffers and related plans.	Protocol pre-construction surveys were conducted in 2024 and the names of the surveying biologists were provided. Ground disturbing work would occur outside of the non-breeding season buffer.

Applicant Proposed Measure / Mitigation Measure	Implementing Actions	Status/Determination
MM 4.6-1i: Avoidance and Minimization Measures for Nesting Birds	Provide documentation of pre-construction survey.	Pre-construction surveys to be completed prior to construction and submitted to CPUC following completion of survey.
MM 4.6-1j: Avoidance and Minimization Measures for American Badger	Provide documentation of pre-construction survey.	Pre-construction surveys to be completed prior to construction and submitted to CPUC following completion of survey.
MM 4.6-1k: Avoidance and Minimization Measures for Monterey Dusky-Footed Woodrat	N/A	This species does not occur within or immediately surrounding the project.
MM 4.6-1l: Avoidance and Minimization Measures for Special-Status Bats	Provide documentation of pre-construction survey.	Pre-construction surveys to be completed prior to construction and submitted to CPUC following completion of survey.
MM 4.6-1m: Avoidance and Minimization Measures for Native Stand of Monterey Pine	N/A	This species does not occur within or immediately surrounding the project.
MM 4.6-1n: Habitat Mitigation and Monitoring Plan	Provide the CPUC with the required HMMP and all approvals thereof issued by the resource and local agencies.	The Habitat Monitoring and Mitigation Plan for Phase 1 of the MPWSP was submitted to the CPUC as part of NTPR-1.
MM 4.6-1o: Avoidance and Minimization Measures for California Red-Legged Frog and California Tiger Salamander	Provide documentation of pre-construction survey.	Pre-construction surveys to be completed prior to construction and submitted to CPUC following completion of survey. In addition, a relocation plan will be submitted to the USFWS and CDFW for approval prior to the start of construction.
MM 4.6-2b. Avoid, Minimize, and Compensate for Construction Impacts to Sensitive Communities and Environmentally Sensitive Habitat Areas	N/A	This sensitive habitat does not occur within the project site.

Applicant Proposed Measure / Mitigation Measure	Implementing Actions	Status/Determination
MM 4.6-4. Compliance with Local Tree Ordinances	Provide the name and qualifications of the biologist(s) to conduct the comprehensive tree survey to the CPUC for approval. Provide a copy of the survey and related maps and copies of all required tree removal permits issued by applicable local agencies prior to construction.	The trees that are to be removed are not protected under local tree ordinances and do not require a tree removal permit. As a result, this mitigation measure is not applicable.
MM 4.7-2a: Health and Safety Plan	Submit Health and Safety Plan to CPUC for review prior to commencement of construction activities.	Accident Prevention and Safety Program and Site-Specific Safety Plan submitted and determined to be complete.
MM 4.7-2b: Soil and Groundwater Management Plan	Submit Soil and Groundwater Management Plan to CPUC for review prior to commencement of construction activities.	Plan submitted and determined to be complete.
MM 4.9-1: Traffic Control and Safety Assurance Plan	N/A	No work is proposed within public rights-of-way; therefore, this mitigation measure is not applicable.
MM 4.9-6: Roadway Rehabilitation Program	Provide documentation of agreement regarding roadway rehabilitation program.	Documentation provided in Monterey County Encroachment Permit.
MM 4.9-C: Construction Traffic Coordination Plan	N/A	No work is proposed within public rights-of-way; therefore, this mitigation measure is not applicable.
MM 4.10-1a: Equipment with High-Tiered Engine Standards	Provide documentation demonstrating procurement of non-diesel-fueled construction equipment or diesel-fueled equipment that meets U.S. EPA Tier 4 emission standards.	Documentation provided in Construction Equipment and Vehicle Efficiency Plan.
MM 4.10-1b: Idling Restrictions	Provide documentation of idling policy.	Construction Equipment and Vehicle Efficiency Plan submitted in conjunction with MM 4.10-1a and the Construction Equipment Idling Plan includes adequate idling restrictions
MM 4.10-1c: Construction Fugitive Dust Control Plan	Submit Construction Fugitive Dust Control Plan to CPUC for review prior to commencement of construction activities.	Plan submitted and determined to be complete.

Applicant Proposed Measure / Mitigation Measure	Implementing Actions	Status/Determination
MM 4.10-1e. Off-site Mitigation Program	Provide a fully-executed copy of the MBARD agreement to fund the required off-site mitigation program at least two weeks prior to construction or documentation demonstrating that CalAm and MBARD determined such a program was infeasible given the MPWSP construction schedule	Coordination with MBARD is ongoing to document compliance with this mitigation measure and will be provided when available.
MM 4.11-1. GHG Emissions Reductions Plan	N/A	This measure is not applicable at this stage
MM 4.12-1a: Neighborhood Notice and Construction Disturbance Coordinator	Provide name and contact information for Construction Disturbance Coordinator and copies of the required notice before commencement of construction.	CDM Smith has designated a Construction Disturbance Coordinator as part of the Noise Management Plan. Notification of residential properties will be provided prior to construction.
MM 4.12-1b: General Noise Controls for Construction Equipment and Activities	Provide documentation of required noise controls.	Noise Management Plan submitted that adequately addresses noise emissions control, impact tools, and location of noisy activities.
MM 4.13-1a: Locate and Confirm Utility Lines	Submit Underground Service Alert (USA) clearance tickets.	USA notification will be submitted to the CPUC prior to the start of construction.
MM 4.13-1b: Coordinate Final Construction Plans with Affected Utilities	Provide documentation of compliance.	Coordination with local utility service providers will occur prior to the start of construction.
MM 4.13-1c: Safeguard Employees from Potential Accidents Related to Underground Utilities	Provide documentation of compliance.	Accident Prevention and Safety Program and Site-Specific Safety Plan submitted and determined to be complete.
MM 4.13-1d: Emergency Response Plan	Submit Emergency Response Plan to CPUC for review prior to commencement of construction activities.	Accident Prevention and Safety Program and Site-Specific Safety Plan submitted and determined to be complete.
MM 4.13-1e: Notify Local Fire Departments	Submit verification of consultation with local fire departments.	Correspondence with MCRFD will be submitted to the CPUC prior to the start of construction.

Applicant Proposed Measure / Mitigation Measure	Implementing Actions	Status/Determination
MM 4.13-2: Construction Waste Reduction and Recycling Plan	Submit Construction Waste Reduction and Recycling Plan to CPUC for review prior to commencement of construction activities.	Plan submitted and determined to be complete.
MM 4.14-2. Site-Specific Nighttime Lighting Measures	N/A	No nighttime lighting is proposed as part of this NTPR.
MM 4.18-1: Construction Equipment and Vehicle Efficiency Plan	Submit Construction Equipment and Vehicle Efficiency Plan to CPUC for review prior to commencement of construction activities.	Plan submitted and determined to be complete.

CalAm is authorized to proceed with the proposed construction activities associated with NTPR-5a provided that all proposed actions and construction is carried out in accordance with the methods and conditions described in NTPR-5a and subject to completion of the following implementing actions by CalAm prior to the start of construction:

- CalAm will implement the MMCRP to ensure implementation of all Applicant Proposed Measures (APMs), applicable Project Mitigation Measures (MMs), compliance plans, and permit conditions during construction activities. Some measures are on-going and/or have time-sensitive requirements and shall be implemented prior to and during construction as applicable. A copy of the MMCRP will be kept at the construction site.
- Copies of all permits, compliance plans (e.g., MMCRP), and the NTP shall be maintained on-site for the duration of the construction activities.
- CalAm will submit documentation of pre-construction species surveys, as identified in the table above, prior to construction.
- In accordance with MM 4.6-1o, CalAm will submit a relocation plan to the USFWS and CDFW for approval prior to the start of construction.
- In accordance with MM 4.9-6, CalAm will provide pre-construction photos as part of the Roadway Rehabilitation Program.
- In accordance with MM 4.10-1e, CalAm will provide a fully-executed copy of the agreement entered into with MBARD at least two weeks prior to construction.
- In accordance with MM 4.12-1a, CalAm will notify residential properties prior to construction.
- In accordance with MM 4.13-1a, CalAm will submit Underground Service Alert (USA) clearance tickets prior to construction.
- In accordance with MM 4.13-1b, CalAm will coordinate with local utility service providers prior to the start of construction.
- In accordance with MM 4.13-1e, CalAm will submit verification of consultation with local fire departments.

- Prior to construction activities, CalAm will conduct a Worker Environmental Awareness Program (WEAP) for all Project personnel, including construction and monitoring personnel. CalAm will maintain training logs at the construction site and they will be made available upon request.

Sincerely,

John E. Forsythe, AICP
CPUC Environmental Project Manager

cc: Phillip Peters, ESA
Even Holmboe, ESA

ATTACHMENT E

May 29, 2026

Tim O'Halloran
Project Manager
California American Water
511 Forest Lodge Road
Pacific Grove, CA 93950

RE: Notice to Proceed Request No. 5b (NTPR-5b) for the Monterey Peninsula Water Supply Project – (A.12-04-019) – Desalination Plant (Phase 2)

Dear Mr. O'Halloran:

On September 13, 2018, the California Public Utilities Commission (CPUC) certified the Final Environmental Impact Report/Environmental Impact Statement (EIR/EIS) for the California American Water (CalAm) Monterey Peninsula Water Supply Project (MPWSP) and issued a Certificate of Public Convenience and Necessity (Decision D.18-09-017). The decision conditionally authorizes construction of the Project with implementation of Applicant Proposed Measures and Mitigation Measures identified in the Final Mitigation Monitoring, Compliance and Reporting Program (MMCRP).

As proposed by CalAm and approved by the CPUC, the MPWSP includes multiple components (source water intake system, desalination plant, desalinated water conveyance facilities, and expanded aquifer storage and recovery system). Separate Notices to Proceed (NTPs) are being issued for the various components or phases of the MPWSP. This is a typical process for projects with multiple components. Given that the MPWSP has been approved by the CPUC, as described above, this phased construction review process allows CalAm to proceed with individual project components where compliance with all applicable mitigation measures and conditions can be documented. NTP-1 (Seaside Transmission Main) was issued by the CPUC on September 13, 2019. Construction of this phase of the MPWSP was completed in fall 2019. NTP-2 (Ryan Ranch-Bishop Interconnection Improvements) was issued by the CPUC on February 3, 2020, with construction completed in November 2020. NTP-3 (Carmel Valley Pump Station) was issued by the CPUC in September 2020, with construction completed September 2022. NTP-5a (Desalination Plant Phase 1, including pre-construction surveys and site preparation activities) was issued by the CPUC on September 14, 2025, and its construction is ongoing.

CalAm submitted this NTPR-5b to proceed with the construction of the Desalination Plant (Phase 2) on an approximately 25-acre vacant site owned by CalAm in unincorporated Monterey County along Charles Benson Road, west of Del Monte Boulevard intersection. The plant will house the seawater desalination infrastructure used to desalinate 6.4 million gallons of water per day. The plant will include auxiliary facilities, including source water receiving tanks; pretreatment, reverse osmosis, and post-treatment systems; chemical feed and storage facilities; brine storage and facilities; and other associated non-process facilities. Project maps and drawings are provided in NTPR-5b, **Appendix B**.

Activities covered under this NTPR include construction of the Desalination Plant. Specifically, this NTPR covers construction of all structures and improvements associated with the Desalination Plant, including, but not limited to the Filter Building, Reverse Osmosis Building, Administrative Building, Recycle Pump Station, Brine Equalization ("EQ") Basin, Brine Pump Station, and support infrastructure (e.g., filter vessels, water pumps, storage basins, electrical equipment, and pipelines). The following equipment types would be used during construction: excavators, backhoes, graders, pavers, rollers, bulldozers, concrete trucks, flatbed trucks, boom trucks, cranes, forklifts, welding equipment, dump trucks, air compressors, and generators.

The construction duration for completion of actions requested under NTPR-5b is anticipated to take approximately 24 months with an approximate start in June 2026. Construction equipment would typically operate for eight (8) hours a day. However, at times, workers and equipment could be on site for up to 12 hours per day. Thus, construction activities would likely occur between 7:00 AM and 7:00 PM, Monday through Saturday. No 24-hour construction activities are currently proposed as part of this NTPR.

This letter documents the CPUC's thorough evaluation of all activities covered in NTPR-5b, including the Tables of Applicable Mitigation Measures Identified in Approved MMCRP provided as Appendix A to NTPR-5b. The evaluation process ensures that all mitigation measures applicable to the location and activities covered in the Notice to Proceed are implemented as required in the CPUC's Decision.

Table 1 provides the status of the Mitigation Measures (MMs) described in the MMCRP that require pre-construction implementation for actions proposed under NTPR-5b (Table 1):

Table 1. Pre-Construction Mitigation Measure Implementing Actions and Status/Determinations Summary

Mitigation Measure	Implementing Actions	Status/Determination
MM 4.6-1a: Retain a Lead Biologist to Oversee Implementation of Protective Measures	Secure approvals from all resource agencies, with jurisdiction of special-status species with potential to occur on the Project site, of the qualifications and the retention of a Lead Biologist.	Lead Biologist previously approved and documentation provided.
MM 4.6-1b: Construction Worker Environmental Awareness Training and Education Program	Provide copy of training program and signed acknowledgement forms of all construction workers that completed training.	Documentation previously provided under NTPR-1. All construction personnel associated with this NTPR will undergo the construction WEAT program prior to the start of construction and documentation will be provided.
MM 4.6-1c: General Avoidance and Minimization Measures	Submit applicable general avoidance and minimization measures to CPUC for review prior to commencement of construction activities.	The Lead Biologist will be responsible for overseeing on-going monitoring in connection with construction-related activities. On-site biological monitors will be present during construction consistent with the requirements of this mitigation measure.

Mitigation Measure	Implementing Actions	Status/Determination
MM 4.6-1d: Protective Measures for Western Snowy Plover	N/A	This species does not occur within or immediately surrounding the project.
MM 4.6-1e: Avoidance and Minimization Measures for Special-status Plants	Provide and obtain approval from CPUC and USFWS/CDFW of final design submittals, which incorporate the required botanical surveys and habitat maps and demonstrate either that facilities are sited to avoid impacts on special-status plants/habitat elements or that required restoration will be achieved by way of a Habitat Mitigation and Monitoring Plan or compensatory credits approved by all required resource and local agencies consistent with the requirements of this MM.	Pre-construction surveys were conducted prior to ground disturbing activities associated with Phase 1 of this project and Monterey spineflower was found adjacent to but outside of the Project disturbance area. The population has been fenced and is being avoided during the ground disturbing activities. CalAm/Denise Duffy & Associates will provide survey reports to the CPUC.
MM 4.6-1f: Avoidance and Minimization Measures for Smith's Blue Butterfly	N/A	This species does not occur within or immediately surrounding the project.
MM 4.6-1g: Avoidance and Minimization Measures for Black Legless Lizard, Silvery Legless Lizard, and Coast Horned Lizard	Provide documentation of pre-construction survey.	Pre-construction surveys were conducted prior to ground disturbing activities associated with Phase 1 of this project. A legless lizard was observed during fence installation and was relocated pre the agency-approved relocation plan. Documentation of the preconstruction survey will be provided to CPUC prior to construction.
MM 4.6-1h: Avoidance and Minimization Measures for Western Burrowing Owl	Provide the CPUC with the name of the biologist(s) to conduct protocol and preconstruction owl surveys, copies of all survey results and copies of all CDFW-approved owl buffers and related plans.	The names of the biologists were provided with NTPR-5a. Pre-construction surveys were conducted prior to ground disturbing activites associated with Phase 1 of this project and no burrowing owls were found within survey limits. CalAm/Denise Duffy & Associates will provide survey reports to the CPUC.
MM 4.6-1i: Avoidance and Minimization Measures for Nesting Birds	Provide documentation of pre-construction survey.	Pre-construction surveys were conducted and active bushtit and red-winged blackbird nest were found within survey limits. A 50-foot non-disturbance buffer has been established around all active nests. Documentation of the preconstruction survey will be provided to CPUC prior to construction.

Mitigation Measure	Implementing Actions	Status/Determination
MM 4.6-1j: Avoidance and Minimization Measures for American Badger	Provide documentation of pre-construction survey.	Pre-construction surveys were conducted prior to ground disturbing activities associated with Phase 1 of this project. Documentation of the preconstruction survey will be provided to CPUC prior to construction.
MM 4.6-1k: Avoidance and Minimization Measures for Monterey Dusky-Footed Woodrat	N/A	This species does not occur within or immediately surrounding the project.
MM 4.6-1l: Avoidance and Minimization Measures for Special-Status Bats	Provide documentation of pre-construction survey.	Pre-construction surveys were conducted prior to ground disturbing activities associated with Phase 1 of this project. Documentation of the preconstruction survey will be provided to CPUC prior to construction.
MM 4.6-1m: Avoidance and Minimization Measures for Native Stands of Monterey Pine	N/A	This species does not occur within or immediately surrounding the project.
MM 4.6-1n: Habitat Mitigation and Monitoring Plan	Provide the CPUC with the required HMMP and all approvals thereof issued by the resource and local agencies.	The Habitat Monitoring and Mitigation Plan was submitted to the CPUC as part of NTPR-5a and is applicable to NTPR-5b and no changes are to the Plan are proposed.
MM 4.6-1o: Avoidance and Minimization Measures for California Red-Legged Frog and California Tiger Salamander	Provide documentation of pre-construction survey.	Pre-construction surveys were conducted prior to ground disturbing activities associated with Phase 1 of this project. Weekly checks of the exclusion fence will occur throughout Phase 2 (NTPR-5b) The Relocation Plan was approved by USFWS and CDFW and provided to the CPUC. Documentation of the preconstruction survey will be provided to CPUC prior to construction.
MM 4.6-2a. Consultation with Local Agencies and the California Coastal Commission Regarding Environmentally Sensitive Habitat Areas	N/A	This project site is not in the Coastal Zone and does not include Environmentally Sensitive Habitat Areas.
MM 4.6-2b. Avoid, Minimize, and Compensate for Construction Impacts to Sensitive Communities and Environmentally Sensitive Habitat Areas	N/A	This sensitive habitat does not occur within the project site.
MM 4.6-3. Avoid, Minimize, and or Mitigate Impacts to Wetlands	N/A	Wetlands do not occur within the project site.

Mitigation Measure	Implementing Actions	Status/Determination
MM 4.6-4: Compliance with Local Tree Ordinances	N/A	No tree removal is proposed as part of NTPR-5b. As a result, this mitigation measure is not applicable.
MM 4.6-6: Installation and Monitoring of Bird Deterrents at the Brine Storage Basin.	N/A	This measure is applicable to the operation of the Brine Storage Basin.
MM 4.7-2a: Health and Safety Plan	Submit Health and Safety Plan to CPUC for review prior to commencement of construction activities.	Accident Prevention and Safety Program and Site-Specific Safety Plan was submitted and determined to be complete.
MM 4.7-2b: Soil and Groundwater Management Plan	Submit Soil and Groundwater Management Plan to CPUC for review prior to commencement of construction activities.	Plan was submitted and determined to be complete.
MM 4.9-1: Traffic Control and Safety Assurance Plan	N/A	No work is proposed within public rights-of-way; therefore, this mitigation measure is not applicable.
MM 4.9-6: Roadway Rehabilitation Program	Provide documentation of agreement regarding roadway rehabilitation program.	CalAm provided preconstruction photos January 27, 2026, of the County roadways that will be used during construction. Roadway agreement with ReGen Monterey to be provided prior to using Charles Benson Road. The fully executed agreement is to be provided to the CPUC before construction.
MM 4.9-C: Construction Traffic Coordination Plan	N/A	Construction Traffic Coordination Plan is not required because there are no active construction projects within 1 mile. If a new construction project begins within 1 mile of the project site, then CDM Smith will prepare a Construction Traffic Coordination Plan consistent with the requirements of this mitigation measure.
MM 4.10-1a: Equipment with High-Tiered Engine Standards	Provide documentation demonstrating procurement of non-diesel-fueled construction equipment or diesel-fueled equipment that meets U.S. EPA Tier 4 emission standards.	Tier 4 certification documentation was provided for Phase 1. Additional Tier 4 certifications for any additional pieces of construction equipment that will be on site will be provided prior to the equipment entering the site.
MM 4.10-1b: Idling Restrictions	Provide documentation of idling policy.	Construction Equipment and Vehicle Efficiency Plan was submitted in conjunction with MM 4.10-1a and the Construction Equipment Idling Plan includes adequate idling restrictions.

Mitigation Measure	Implementing Actions	Status/Determination
MM 4.10-1c: Construction Fugitive Dust Control Plan	Submit Construction Fugitive Dust Control Plan to CPUC for review prior to commencement of construction activities.	Plan submitted and determined to be complete.
MM 4.10-1e. Off-site Mitigation Program	Provide a fully-executed copy of the MBARD agreement to fund the required off-site mitigation program at least two weeks prior to construction or documentation demonstrating that CalAm and MBARD determined such a program was infeasible given the MPWSP construction schedule.	Coordination with MBARD is ongoing to document compliance with this mitigation measure and will be provided prior to the start of construction.
MM 4.11-1. GHG Emissions Reductions Plan	Submit to the CPUC for review and approval the name and credentials of the qualified professional proposed to prepare the required GHG Emissions Reductions Plan, and the Plan will be submitted to CPUC for approval prior to commencement of construction.	GHG Emissions Reductions Plan to be completed prior to construction.
MM 4.12-1a: Neighborhood Notice and Construction Disturbance Coordinator	N/A	There are no sensitive receptors near this site.
MM 4.12-1b: General Noise Controls for Construction Equipment and Activities	N/A	There are no sensitive receptors near this site.
MM 4.13-1a: Locate and Confirm Utility Lines	Submit Underground Service Alert (USA) clearance tickets.	USA ticket was obtained for Phase 1 of the project on 1/26/2026 and expired on 2/16/2026.
MM 4.13-1b: Coordinate Final Construction Plans with Affected Utilities	Provide documentation of compliance.	Coordination with local utility service providers will occur prior to the start of construction.
MM 4.13-1c: Safeguard Employees from Potential Accidents Related to Underground Utilities	Provide documentation of compliance.	Addressed in the Accident Prevention and Safety Program and Site-Specific Health and Safety Plan that was submitted and determined to be complete.
MM 4.13-1d: Emergency Response Plan	Submit Emergency Response Plan to CPUC for review prior to commencement of construction activities.	Addressed in the Accident Prevention and Safety Program and Site-Specific Health and Safety Plan that was submitted and determined to be complete.
MM 4.13-1e: Notify Local Fire Departments	Submit verification of consultation with local fire departments.	Correspondence with MCRFD will be submitted to the CPUC prior to the start of construction.

Mitigation Measure	Implementing Actions	Status/Determination
MM 4.13-2: Construction Waste Reduction and Recycling Plan	Submit Construction Waste Reduction and Recycling Plan to CPUC for review prior to commencement of construction activities.	Plan submitted and determined to be complete.
MM 4.14-2. Site-Specific Nighttime Lighting Measures	N/A	No nighttime lighting is proposed as part of this NTPR. However, if nighttime lighting is necessary, CalAm will submit documentation to the CPUC showing compliance with this measure.
MM 4.18-1: Construction Equipment and Vehicle Efficiency Plan	Submit Construction Equipment and Vehicle Efficiency Plan to CPUC for review prior to commencement of construction activities.	Plan submitted and determined to be complete.

CalAm is authorized to proceed with the proposed construction activities associated with NTPR-5b provided that all proposed actions and construction are carried out in accordance with the methods and conditions described in NTPR-5b and subject to completion of the following implementing actions by CalAm prior to the start of construction:

- CalAm will implement the MMCRP to ensure implementation of all applicable Project Mitigation Measures (MMs), compliance plans, and permit conditions during construction activities. Some measures are on-going and/or have time-sensitive requirements and shall be implemented prior to and during construction as applicable. A copy of the MMCRP will be kept at the construction site.
- Copies of all permits, compliance plans (e.g., MMCRP), and the NTP approval shall be maintained on-site for the duration of the construction activities.
- CalAm will submit documentation of pre-construction species surveys, as identified in the table above, prior to construction.
- In accordance with MM 4.6-1i, CalAm will establish a non-disturbance buffer around active bird nests, the distance of which shall be determined by wildlife regulatory agencies and/or the CPUC.
- In accordance with MM 4.10-1e, CalAm will provide a fully-executed copy of the agreement entered into with MBARD at least two weeks prior to construction.
- In accordance with MM 4.11-1, CalAm will provide a GHG Emissions Reduction Plan prior to the start of construction.
- In accordance with MM 4.13-1b, CalAm will coordinate with local utility service providers prior to the start of construction.
- In accordance with MM 4.13-1e, CalAm will submit verification of consultation with local fire departments.
- Prior to construction activities, CalAm will conduct a Worker Environmental Awareness Program (WEAP) for all Project personnel, including construction and monitoring personnel. CalAm will maintain training logs at the construction site and they will be made available upon request.

Sincerely,



John E. Forsythe, AICP
CPUC Environmental Project Manager

cc: Phill Peters, ESA
Even Holmboe, ESA

ATTACHMENT F

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

April 2, 2026

California American Water Company
P.O. Box 951
50 Ragsdale Drive, Suite 100
Monterey, California 93940-5758

Subject: Five-Year Reaffirmation of California Environmental Quality Act (CEQA) Compliance for State Revolving Fund Financing Application

Reference: California American Water Company (CalAm's) Monterey Peninsula Water Supply Project (MPWSP) (A.12-04-019)

On September 13, 2018, acting as the lead agency under the California Environmental Quality Act (CEQA), the California Public Utilities Commission (CPUC) certified the Final Environmental Impact Report/Environmental Impact Statement (EIR/EIS) (SCH# 2006101004) for the California American Water Company (CalAm) Monterey Peninsula Water Supply Project (MPWSP) and issued a Certificate of Public Convenience and Necessity for the project (D.18-09-017). The decision conditionally authorizes construction of a 6.4 million gallons per day (mgd) version of the MPWSP with implementation of Applicant Proposed Measures and Mitigation Measures identified in the CPUC's adopted Final Mitigation, Monitoring, Compliance and Reporting Program.

As proposed by CalAm and approved by the CPUC, the MPWSP includes multiple components (source water intake system, desalination plant, desalinated water conveyance facilities, and expanded aquifer storage and recovery system). Since the CPUC approved the MPWSP, CalAm has been pursuing other necessary permits and approvals for MPWSP construction and operation.

The CPUC has issued multiple Notices to Proceed (NTPs) for various MPWSP components or phases, which is typical for projects with multiple components. The NTPs document the CPUC's thorough evaluation of all activities covered in CalAm's requests to confirm that MPWSP development remains consistent with the CPUC's analysis in the certified EIR/EIS. As recently as September 2025, the CPUC issued an NTP for the construction of the Desalination Plant component of the MPWSP.[1]

[1] The CPUC issued NTP-1 (Seaside Transmission Main) in September 2019, and construction of this phase of the MPWSP was completed in fall 2019. In February 2020, the CPUC issued NTP-2 (Ryan Ranch-Bishop Interconnection Improvements), with construction completed in November 2020. In September 2020, the CPUC issued NTP-3 (Carmel Valley Pump Station), with construction completed September 2022.

The CPUC affirms that the EIR/EIS continues to apply to the MPWSP. The MPWSP has not changed in a manner that affects the EIR/EIS's validity, or that requires preparation of an addendum, supplemental or subsequent CEQA document. The EIR/EIS and NTPs can be found on our project webpage at https://ia.cpuc.ca.gov/environment/info/esa/mpwsp/index.html.

Please contact me at michelle.wilson@cpuc.ca.gov or (415) 696-7371 with any questions.

Sincerely,



Michelle Wilson
Program and Project Supervisor
CEQA and FERC Branch, Energy Division
California Public Utilities Commission

cc:
John Forsythe, CPUC CEQA Project Manager
DJ Moore, Agent for CalAm, Paul Hastings LLP

ATTACHMENT G

California American Water
Monterey Water Supply Project
Single Family Bill Impacts

Monterey SF - Current (2029)	
# Days in Billing period:	30
Customer Assistance Program (CAP)	No
Meter Size	5/8 x 3/4"
Estimated consumption (CGL's)	34.93
Customer Class	Residential

Monterey SF - Proposed (2030)	
# Days in Billing period:	30
Customer Assistance Program (CAP)	No
Meter Size	5/8 x 3/4"
Estimated consumption (CGL's)	34.93
Customer Class	Residential

Monterey SF - Current (2029)			
Water Service Charge	5/8 x 3/4"		$59.13
Subtotal Meter Charges			$59.13
Water Usage Charge:	Rate/Unit	Units (per CGL)	Charge
Tier 1	30.00	$0.8748	$26.24
Tier 2	4.93	$1.7734	$8.75
Tier 3	0.00	$2.6720	$0.00
Tier 4	0.00	$3.7204	$0.00
Total Usage Charge (100 Gal)	34.93		$34.99
Subtotal Base Bill			**$94.12**
Surcharges:	Units	Rates	Surcharge
CAP	Flat	$3.25	$3.25
MPWMD User Fee	94.12	8.33%	$7.84
MPWMD Purchased Water	34.09	$0.69	$23.54
Subtotal Surcharges			**$34.63**
Taxes and Fees:		Rates	Charge
Commission Surcharge	$128.75	0.70%	$0.90
Utility User Tax	$128.75	3.58%	$4.61
Franchise Fee	$128.75	0.87%	$1.12
Subtotal Taxes & Fees			**$6.63**
Total Bill			**$135.38**

Monterey SF - Proposed (2030)			
Water Service Charge	5/8 x 3/4"		$102.65
Subtotal Meter Charges			$102.65
Water Usage Charge:	Rate/Unit	Units (per CGL)	Charge
Tier 1	30.00	$1.5210	$45.63
Tier 2	4.93	$3.0658	$15.12
Tier 3	0.00	$4.6106	$0.00
Tier 4	0.00	$6.4129	$0.00
Total Usage Charge (100 Gal)	34.93		$60.75
Subtotal Base Bill			**$163.40**
Surcharges:	Units	Rates	Surcharge
CAP	Flat	$3.25	$3.25
MPWMD User Fee	94.12	8.33%	$7.84
MPWMD Purchased Water	34.09	$0.69	$23.54
Allocation of MPWSP from CAP	Flat	$1.27	$1.27
SRF	5/8 x 3/4"	Flat	$2.70
WRRB Surcharge			
WRRB Meter Rate	5/8 x 3/4"	$25.61	$25.61
WRRB Tier 1 Rate	30.00	$0.36	$10.82
WRRB Tier 2 Rate	4.93	$0.72	$3.56
WRRB Tier 3 Rate	0.00	$1.08	$0.00
WRRB Tier 4 Rate	0.00	$1.50	$0.00
Total WRRB Surcharge			$39.99
Subtotal Surcharges			**$78.58**
Taxes and Fees:		Rates	Charge
Commission Surcharge	$239.28	0.70%	$1.67
Utility User Tax	$239.28	3.58%	$8.56
Franchise Fee	$239.28	0.87%	$2.08
Subtotal Taxes & Fees			**$12.32**
Total Bill			**$254.29**

California American Water
Monterey Water Supply Project
Multi Family Bill Impacts

Monterey MF - Current (2029)	
# Days in Billing period:	30
Customer Assistance Program (CAP)	No
Meter Size	5/8 x 3/4"
Estimated consumption (CGL's)	172.30
Customer Class	Residential

Monterey MF - Proposed (2030)	
# Days in Billing period:	30
Customer Assistance Program (CAP)	No
Meter Size	5/8 x 3/4"
Estimated consumption (CGL's)	172.30
Customer Class	Residential

Monterey MF - Current (2029)			
Water Service Charge	5/8 x 3/4"		$59.13
Subtotal Meter Charges			$59.13
Water Usage Charge:	Rate/Unit	Units (per CGL)	Charge
Tier 1	133.00	$1.1088	$147.48
Tier 2	39.30	$2.2415	$88.09
Tier 3	0.00	$5.0731	$0.00
Tier 4	0.00	$7.0552	$0.00
Total Usage Charge (100 Gal)	172.30		$235.56
Subtotal Base Bill			**$294.69**
Surcharges:	Units	Rates	Surcharge
CAP	Flat	$3.25	$3.25
MPWMD User Fee	294.69	8.33%	$24.53
MPWMD Purchased Water	172.30	$0.69	$118.98
Subtotal Surcharges			**$146.76**
Subtotal Taxes & Fees			**$22.72**
Total Bill			**$464.18**

Monterey MF - Proposed (2030)			
Water Service Charge	5/8 x 3/4"		$102.65
Subtotal Meter Charges			$102.65
Water Usage Charge:	Rate/Unit	Units (per CGL)	Charge
Tier 1	133.00	$1.9592	$260.57
Tier 2	39.30	$3.9422	$154.92
Tier 3	0.00	$8.8996	$0.00
Tier 4	0.00	$11.4057	$0.00
Total Usage Charge (100 Gal)	172.30		$415.49
Subtotal Base Bill			**$518.14**
Surcharges:	Units	Rates	Surcharge
CAP	Flat	$3.25	$3.25
MPWMD User Fee	294.69	8.33%	$24.53
MPWMD Purchased Water	172.30	$0.69	$118.98
Allocation of MPWSP from CAP	Flat	$1.27	$1.27
SRF	5/8 x 3/4"	Flat	$2.70
WRRB Surcharge			
WRRB Meter Rate	5/8 x 3/4"	$25.61	$25.61
WRRB Tier 1 Rate	133.00	$0.55	$73.28
WRRB Tier 2 Rate	39.30	$1.10	$43.30
WRRB Tier 3 Rate	0.00	$2.48	$0.00
WRRB Tier 4 Rate	0.00	$3.44	$0.00
Total WRRB Surcharge			$142.19
Subtotal Surcharges			**$292.92**
Subtotal Taxes & Fees			**$41.61**
Total Bill			**$852.67**

California American Water
Monterey Water Supply Project
Non-Residential - Division 1 Bill Impacts

Monterey NR DV1- Current (2029)	
# Days in Billing period:	30
Customer Assistance Program (CAP)	No
Meter Size	1"
Division	1
Estimated consumption (CGL's)	218.97
Customer Class	Residential

Monterey NR DV1- Proposed (2030)	
# Days in Billing period:	30
Customer Assistance Program (CAP)	No
Meter Size	1"
Division	1
Estimated consumption (CGL's)	218.97
Customer Class	Residential

Monterey NR DV1- Current (2029)			
Water Service Charge	1"		$243.92
Subtotal Meter Charges			$243.92
Water Usage Charge:	Rate/Unit	Units (per CGL)	Charge
Tier 1	218.97	$2.2634	$495.62
Tier 2	0.00	$2.5493	$0.00
Tier 3	0.00	$2.8352	$0.00
Tier 4	0.00	$5.6941	$0.00
Total Usage Charge (100 Gal)	218.97		$495.62
Subtotal Base Bill			**$739.53**
Surcharges:	Units	Rates	Surcharge
CEBA	218.97	$0.00	$0.00
CAP	Flat	$3.25	$3.25
MPWMD User Fee	739.53	8.33%	$61.57
MPWMD Purchased Water	218.97	$0.69	$151.21
Subtotal Surcharges			**$216.03**
Subtotal Taxes & Fees			**$49.18**
Total Bill			**$1,004.74**

Monterey NR DV1- Proposed (2030)			
Water Service Charge	1"		$423.42
Subtotal Meter Charges			$423.42
Water Usage Charge:	Rate/Unit	Units (per CGL)	Charge
Tier 1	218.97	$3.9699	$869.30
Tier 2	0.00	$4.4691	$0.00
Tier 3	0.00	$4.9683	$0.00
Tier 4	0.00	$9.9604	$0.00
Total Usage Charge (100 Gal)	218.97		$869.30
Subtotal Base Bill			**$1,292.72**
Surcharges:	Units	Rates	Surcharge
CEBA	218.97	$0.00	$0.00
CAP	Flat	$3.25	$3.25
MPWMD User Fee	739.53	8.33%	$61.57
MPWMD Purchased Water	218.97	$0.69	$151.21
Allocation of MPWSP from CAP	Flat	$1.27	$1.27
SRF	1"	Flat	$11.12
WRRB Surcharge			
WRRB Meter Rate	1"	$105.66	$105.66
WRRB Tier 1 Rate	218.97	$1.06	$231.25
WRRB Tier 2 Rate	0.00	$1.19	$0.00
WRRB Tier 3 Rate	0.00	$1.32	$0.00
WRRB Tier 4 Rate	0.00	$2.64	$0.00
Total WRRB Surcharge			$336.91
Subtotal Surcharges			**$565.32**
Subtotal Taxes & Fees			**$95.06**
Total Bill			**$1,953.10**

California American Water
Monterey Water Supply Project
Non-Residential - Division 2 Bill Impacts

Monterey NR DV2- Current (2029)	
# Days in Billing period:	30
Customer Assistance Program (CAP)	No
Meter Size	1"
Division	2
Estimated consumption (CGL's)	218.97
Customer Class	Residential

Monterey NR DV2- Proposed (2030)	
# Days in Billing period:	30
Customer Assistance Program (CAP)	No
Meter Size	1"
Division	2
Estimated consumption (CGL's)	218.97
Customer Class	Residential

Monterey NR DV2- Current (2029)			
Water Service Charge	1"		$243.92
Subtotal Meter Charges			$243.92
Water Usage Charge:	Rate/Unit	Units (per CGL)	Charge
Tier 1	0.00	$2.2634	$0.00
Tier 2	218.97	$2.5493	$558.22
Tier 3	0.00	$2.8352	$0.00
Tier 4	0.00	$5.6941	$0.00
Total Usage Charge (100 Gal)	218.97		$558.22
Subtotal Base Bill			**$802.14**
Surcharges:	Units	Rates	Surcharge
CAP	Flat	$3.25	$3.25
MPWMD User Fee	802.14	8.33%	$66.78
MPWMD Purchased Water	218.97	$0.69	$151.21
Subtotal Surcharges			**$221.24**
Subtotal Taxes & Fees			**$52.67**
Total Bill			**$1,076.05**

Monterey NR DV2- Proposed (2030)			
Water Service Charge	1"		$423.42
Subtotal Meter Charges			$423.42
Water Usage Charge:	Rate/Unit	Units (per CGL)	Charge
Tier 1	0.00	$3.9699	$0.00
Tier 2	218.97	$4.4691	$978.61
Tier 3	0.00	$4.9683	$0.00
Tier 4	0.00	$9.9604	$0.00
Total Usage Charge (100 Gal)	218.97		$978.61
Subtotal Base Bill			**$1,402.03**
Surcharges:	Units	Rates	Surcharge
CAP	Flat	$3.25	$3.25
MPWMD User Fee	802.14	8.33%	$66.78
MPWMD Purchased Water	218.97	$0.69	$151.21
Allocation of MPWSP from CAP	Flat	$1.27	$1.27
SRF	1"	Flat	$11.12
WRRB Surcharge			
WRRB Meter Rate	1"	$105.66	$105.66
WRRB Tier 1 Rate	0.00	$1.06	$0.00
WRRB Tier 2 Rate	218.97	$1.19	$260.15
WRRB Tier 3 Rate	0.00	$1.32	$0.00
WRRB Tier 4 Rate	0.00	$2.64	$0.00
Total WRRB Surcharge			$365.81
Subtotal Surcharges			**$599.44**
Subtotal Taxes & Fees			**$102.44**
Total Bill			**$2,103.91**

California American Water
Monterey Water Supply Project
Non-Residential - Division 3 Bill Impacts

Monterey NR DV3- Current (2029)	
# Days in Billing period:	30
Customer Assistance Program (CAP)	No
Meter Size	1"
Division	3
Estimated consumption (CGL's)	218.97
Customer Class	Residential

Monterey NR DV3- Proposed (2030)	
# Days in Billing period:	30
Customer Assistance Program (CAP)	No
Meter Size	1"
Division	3
Estimated consumption (CGL's)	218.97
Customer Class	Residential

Monterey NR DV3- Current (2029)			
Water Service Charge	1"		$243.92
Subtotal Meter Charges			$243.92
Water Usage Charge:	Rate/Unit	Units (per CGL)	Charge
Tier 1	0.00	$2.2634	$0.00
Tier 2	0.00	$2.5493	$0.00
Tier 3	218.97	$2.8352	$620.83
Tier 4	0.00	$5.6941	$0.00
Total Usage Charge (100 Gal)	218.97		$620.83
Subtotal Base Bill			**$864.74**
Surcharges:	Units	Rates	Surcharge
CAP	Flat	$3.25	$3.25
MPWMD User Fee	864.74	8.33%	$71.99
MPWMD Purchased Water	218.97	$0.69	$151.21
Subtotal Surcharges			**$226.45**
Subtotal Taxes & Fees			**$56.16**
Total Bill			**$1,147.36**

Monterey NR DV3- Proposed (2030)			
Water Service Charge	1"		$423.42
Subtotal Meter Charges			$423.42
Water Usage Charge:	Rate/Unit	Units (per CGL)	Charge
Tier 1	0.00	$3.9699	$0.00
Tier 2	0.00	$4.4691	$0.00
Tier 3	218.97	$4.9683	$1,087.93
Tier 4	0.00	$9.9604	$0.00
Total Usage Charge (100 Gal)	218.97		$1,087.93
Subtotal Base Bill			**$1,511.34**
Surcharges:	Units	Rates	Surcharge
CAP	Flat	$3.25	$3.25
MPWMD User Fee	864.74	8.33%	$71.99
MPWMD Purchased Water	218.97	$0.69	$151.21
Allocation of MPWSP from CAP	Flat	$1.27	$1.27
SRF	1"	Flat	$11.12
WRRB Surcharge			
WRRB Meter Rate	1"	$105.66	$105.66
WRRB Tier 1 Rate	0.00	$1.06	$0.00
WRRB Tier 2 Rate	0.00	$1.19	$0.00
WRRB Tier 3 Rate	218.97	$1.32	$289.06
WRRB Tier 4 Rate	0.00	$2.64	$0.00
Total WRRB Surcharge			$394.72
Subtotal Surcharges			**$633.56**
Subtotal Taxes & Fees			**$109.83**
Total Bill			**$2,254.72**

California American Water
Monterey Water Supply Project
Non-Residential - Division 4 Bill Impacts

Monterey NR DV4- Current (2029)	
# Days in Billing period:	30
Customer Assistance Program (CAP)	No
Meter Size	1"
Division	4
Estimated consumption (CGL's)	218.97
Customer Class	Residential

Monterey NR DV4- Proposed (2030)	
# Days in Billing period:	30
Customer Assistance Program (CAP)	No
Meter Size	1"
Division	4
Estimated consumption (CGL's)	218.97
Customer Class	Residential

Monterey NR DV4- Current (2029)			
Water Service Charge	1"		$243.92
Subtotal Meter Charges			$243.92
Water Usage Charge:	Rate/Unit	Units (per CGL)	Charge
Tier 1	0.00	$2.2634	$0.00
Tier 2	0.00	$2.5493	$0.00
Tier 3	0.00	$2.8352	$0.00
Tier 4	218.97	$5.6941	$1,246.86
Total Usage Charge (100 Gal)	218.97		$1,246.86
Subtotal Base Bill			**$1,490.78**
Surcharges:	Units	Rates	Surcharge
CAP	Flat	$3.25	$3.25
MPWMD User Fee	1490.78	8.33%	$124.11
MPWMD Purchased Water	218.97	$0.69	$151.21
Subtotal Surcharges			**$278.57**
Subtotal Taxes & Fees			**$91.07**
Total Bill			**$1,860.41**

Monterey NR DV4- Proposed (2030)			
Water Service Charge	1"		$423.42
Subtotal Meter Charges			$423.42
Water Usage Charge:	Rate/Unit	Units (per CGL)	Charge
Tier 1	0.00	$3.9699	$0.00
Tier 2	0.00	$4.4691	$0.00
Tier 3	0.00	$4.9683	$0.00
Tier 4	218.97	$9.9604	$2,181.06
Total Usage Charge (100 Gal)	218.97		$2,181.06
Subtotal Base Bill			**$2,604.48**
Surcharges:	Units	Rates	Surcharge
CAP	Flat	$3.25	$3.25
MPWMD User Fee	1490.78	8.33%	$124.11
MPWMD Purchased Water	218.97	$0.69	$151.21
Allocation of MPWSP from CAP	Flat	$1.27	$1.27
SRF	1"	Flat	$11.12
WRRB Surcharge			
WRRB Meter Rate	1"	$105.66	$105.66
WRRB Tier 1 Rate	0.00	$1.06	$0.00
WRRB Tier 2 Rate	0.00	$1.19	$0.00
WRRB Tier 3 Rate	0.00	$1.32	$0.00
WRRB Tier 4 Rate	218.97	$2.64	$578.12
Total WRRB Surcharge			$683.78
Subtotal Surcharges			**$974.73**
Subtotal Taxes & Fees			**$183.65**
Total Bill			**$3,762.86**

ATTACHMENT H

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Application of California-American Water Company (U210W) to Obtain Approval of an Updated Cost Cap for the Monterey Peninsula Water Supply Project and Updated Ratemaking Framework.	Application _____ (Filed ____, 2026)

CERTIFICATE OF SERVICE

APPLICATION OF CALIFORNIA-AMERICAN WATER COMPANY (U210W) TO OBTAIN APPROVAL OF AN UPDATED COST CAP FOR THE MONTEREY PENINSULA WATER SUPPLY PROJECT AND UPDATED RATEMAKING FRAMEWORK

NOTICE OF AVAILABILITY

Cathy Hongola-Baptista
Nicholas A. Subias
California-American Water Company
550 California Street, Suite 650
San Francisco, CA 94104
(415) 293-3023
cathy.hongola-baptista@amwater.com

Lori Anne Dolqueist
Matt Menezes
Nossaman LLP
50 California Street
34th Floor
San Francisco, CA 94111
(415) 398-3600
ldolqueist@nossaman.com

Attorneys for California-American Water Company

October 23, 2026

CERTIFICATE OF SERVICE

I, Demetrio A. Marquez, declare as follows:

I am employed in the City and County of San Francisco, California. I am over the age of eighteen years and not a party to this action. My business address is 550 California St., Suite 650, San Francisco, CA 94104. On the below date, I served the within:

APPLICATION OF CALIFORNIA-AMERICAN WATER COMPANY (U210W) TO OBTAIN APPROVAL OF AN UPDATED COST CAP FOR THE MONTEREY PENINSULA WATER SUPPLY PROJECT AND UPDATED RATEMAKING FRAMEWORK

NOTICE OF AVAILABILITY

on the interested parties in this action addressed as follows:

See attached service list

☒ **(BY E-MAIL SERVICE)** By transmitting such document(s) electronically from California-American Water Company, San Francisco, California. I am readily familiar with the practice of California-American Water Company for transmitting documents by electronic mail, said practice being that in the ordinary course of business, such electronic mail is transmitted immediately after such document has been tendered for filing. Said practice also complies with Rule 1.10 of the Public Utilities Commission of the State of California and all protocols described therein.

☒ **(BY U.S. MAIL)** By placing such document(s) in a sealed envelope, addressed as set forth on the Official Service List, with postage thereon fully prepaid for first-class mail, for collection and mailing at Nossaman LLP, Los Angeles, California, following the ordinary business practice. I am readily familiar with the practice of Nossaman LLP for collection and processing of correspondence for mailing with the United States Postal Service, said practice being that in the ordinary course of business, correspondence is deposited in the United States Postal Service the same day as it is placed for collection.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration was executed on **October 23, 2026**, in San Francisco, California.

/s/ Demetrio A. Marquez

CPUC EMAIL LISTS

A.12-04-019 CPUC Email Service List

DFranklin@SheppardMullin.com	DARREN M.	FRANKLIN
SProm@Surfrider.org	STALEY	PROM
rmcglothlin@bhfs.com	RUSSELL M.	MCGLOTHLIN
norm@montereycfb.com	NORMAN C.	GROOT
ronweitzman@redshift.com	RON	WEITZMAN
JRBobMcK@gmail.com	BOB	MCKENZIE
MGBisme@yahoo.com	MICHAEL	BAER
LLong@CityofMarina.org	LAYNE P.	LONG
liesbethvisscher@yahoo.com	LIESBETH	VISSCHER
nisakson@mbay.net	NANCY	ISAKSON
attys@wellingtonlaw.com	ROBERT	WELLINGTON
citymanager@cityofpacificgrove.org	BEN	HARVEY
dave@laredolaw.net	DAVID C.	LAREDO
rcsg.carlos@gmail.com	CARLOS	RAMOS
ccaro@adamsbroadwell.com	CHRISTINA	CARO
jfarrow@mrwolfeassociates.com	JOHN H.	FARROW
vy2@cpuc.ca.gov	Vanessa	Baldwin
Cathy.Hongola-Baptista@amWater.com	CATHY	HONGOLA-BAPTISTA
rmuzzin@friedmanspring.com	RUTH STONER	MUZZIN
Sarah.Leeper@amwater.com	SARAH E.	LEEPER
Michael@RRI.org	MICHAEL	WARBURTON
LarrySilver@earthlink.net	LAURENS H.	SILVER
dcarroll@downeybrand.com	DAN L.	CARROLL
JMinton@PCL.org	JONAS	MINTON
GeorgeTRiley@gmail.com	GEORGE T.	RILEY
jgeever@surfrider.org	JOE	GEEVER
Karen.Grimmer@noaa.gov	KAREN	GRIMMER
kybiala@icloud.com	KATHY	BIALA
kvandermaaten@mcwd.org	KEITH	VAN DER MAATEN
AppRhg@cpuc.ca.gov	LEGAL	DIVISION
mgk333@sbcglobal.net	MICHAEL	KENNEDY
sdamron@surfrider.org	SARAH	DAMRON
lwhouse@innercite.com	LON W.	HOUSE, PH.D
don.evans8@gmail.com	DON	EVANS
rmz@cpuc.ca.gov	Ritta	Merza
Duncan.Moore@lw.com	DUNCAN JOSEPH	MOORE
Winston.Stromberg@LW.com	WINSTON	STROMBERG
email@Geoscience-water.com	DENNIS E.	WILLIAMS
kathryn.horning@amwater.com	KATHRYN	HORNING

Kevin.Tilden@amwater.com	KEVIN	TILDEN
ABeaumont@PerkinsCoie.com	ANNE B.	BEAUMONT
Jennifer.Roy@LW.com	JENNIFER K.	ROY
lzagar@perkinscoie.com	LAURA	GODFREY ZAGAR
Winston.Stromberg@LW.com	WINSTON	STROMBERG
ahowe@surfrider.org	ANGELA	HOWE
mckeecj@co.monterey.ca.us	CHARLES J.	MCKEE
ChardavoyneDE@co.monterey.ca.us	DAVID E.	CHARDAVOYNE
janetb@montereybay.com	JANET	BRENNAN
engellj@comcast.net	JULIE	ENGELL
llowrey@nheh.com	LLOYD W.	LOWREY, JR.
jason@burnettforcarmel.com	JASON K.	BURNETT
MWChrislock@redshift.com	MELODIE	CHRISLOCK
iga@att.net		
directorshriner@gmail.com	JAN	SHRINER
JHofmann@redshift.com	JULI	HOFMANN
LABerkley@gmail.com	LISA	BERKLEY
Bridget.Hoover@noaa.gov	BRIDGET	HOOVER
mike@mpwmd.net	MIKE	MCCULLOUGH
paul@mrwpca.com	PAUL	SCIUTO
DStoldt@mpwmd.net	DAVID	STOLDT
atersol@gmail.com	ANTHONY J.	TERSOL
fran@laredolaw.net	FRANCES M.	FARINA
heidi@laredolaw.net	HEIDI A..	QUINN
josh.stratton@amwater.com	JOSH	STRATTON
GeneralManager@mpccpb.org	MICHAEL	BOWHAY
SSannadan@AdamsBroadwell.com	SHEILA M.	SANNADAN
Schexnayder@SMWlaw.com	EDWARD T.	SCHEXNAYDER
rbm@landwater.com	ROGER B.	MOORE
bl4@cpuc.ca.gov	Bradley	Leong
dk4@cpuc.ca.gov	Daphne	Goldberg
kc4@cpuc.ca.gov	Kelsey	Choing
yay@cpuc.ca.gov	Yasemin	Akay
Demetrio.Marquez@amwater.com	DEMETRIO	MARQUEZ
ross@smwlaw.com	GABRIEL M.B.	ROSS
lsobczynski@fbm.com	LINDA	SOBCZYNSKI
NKu@friedmanspring.com	NATHANIEL	KU
Nicholas.Subias@AMwater.com	NICHOLAS	SUBIAS, ESQ.
AShimko@bwslaw.com	ANNA	SHIMKO
cberte@perkinscoie.com	CATHERINE	BERTE
ServiceList.cpuc@PerkinsCoie.com	JAMES W.	MCTARNAGHAN
SWaggener@bwslaw.com	SIGRID	WAGGENER
EZigas@esassoc.com	ERIC	ZIGAS
LDolqueist@Nossaman.com	LORI ANNE	DOLQUEIST, ESQ

SSpaulding@SFlaw.com	PAUL P. (SKIP)	SPAULDING, III
VidhyaPrabhakaran@dwt.com	VIDHYA	PRABHAKARAN
WHon@Nossaman.com	WILLIS	HON
ca.reg1204019@amwater.com		
SSMyers@att.net	SARA STECK	MYERS
MeganMMyers@yahoo.com	MEGAN M.	MYERS
jbrezack@brezack.com	JAMES	BREZACK
nelsonp34@hotmail.com	PATRICIA	NELSON
ptaregulatory@gmail.com		
erobinson@kmtg.com	ERIC	ROBINSON
red@eslawfirm.com	ROBERT E.	DONLAN
chris.ungson@cpuc.ca.gov	CHRIS	UNGSON
jonathan.koltz@cpuc.ca.gov	JONATHAN	KOLTZ
Leuwam.Tesfai@cpuc.ca.gov	LEUWAM	TESFAI
Richard.Rauschmeier@cpuc.ca.gov	RICHARD	RAUSCHMEIER
vt4@cpuc.ca.gov	VIET	TROUNG
bmd@cpuc.ca.gov	Bruce	DeBerry
jo2@cpuc.ca.gov	Jamie	Ormond
jzr@cpuc.ca.gov	Jonathan J.	Reiger
jmi@cpuc.ca.gov	Justin	Menda
lt3@cpuc.ca.gov	Leuwam	Tesfai
rwh@cpuc.ca.gov	Robert	Haga
sel@cpuc.ca.gov	Selina	Shek
sst@cpuc.ca.gov	Stephen	St. Marie
ts2@cpuc.ca.gov	Terence	Shia
ttf@cpuc.ca.gov	Travis	Foss
bwm@cpuc.ca.gov	Burton	Mattson
jf8@cpuc.ca.gov	John	Forsythe

CALIFORNIA PUBLIC UTILITIES COMMISSION
Service Lists

PROCEEDING: A1204019 - CAL-AM WATER CO. - F
FILER: CALIFORNIA-AMERICAN WATER COMPANY
LIST NAME: LIST
LAST CHANGED: APRIL 3, 2026

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Parties

DARREN M. FRANKLIN
ATTORNEY
SHEPPARD, MULLIN, RICHTER & HAMPTON LLP
333 SOUTH HOPE ST., 43RD FL.
LOS ANGELES, CA 90071-1422
FOR: GEOSCIENCE SUPPORT SERVICES, INC.

STALEY PROM
ATTORNEY
SURFRIDER FOUNDATION
PO BOX 73550
SAN CLEMENTE, CA 92673
FOR: SURFRIDER FOUNDATION

RUSSELL M. MCGLOTHLIN
ATTORNEY
BROWNSTEIN HYATT FARBER SCHRECK, LLP
1021 ANACAPA STREET
SANTA BARBARA, CA 93101
FOR: MONTEREY PENINSULA REGIONAL WATER AUTHORITY

NORMAN C. GROOT
MONTEREY COUNTY FARM BUREAU
PO BOX 1449 / 931 BLANCO CIRCLE
SALINAS, CA 93902-1449
FOR: MONTEREY COUNTY FARM BUREAU

RON WEITZMAN
PRESIDENT
WATER PLUS
PO BOX 146
CARMEL, CA 93921
FOR: WATER PLUS

BOB MCKENZIE
WATER ISSUES CONSULTANT
COALITION OF PENINSULA BUSINESSES
PO BOX 223542
CARMEL, CA 93922
FOR: COALITION OF PENINSULA BUSINESSES

MICHAEL BAER
PUBLIC WATER NOW
PO BOX 223388
CARMEL, CA 93922
FOR: PUBLIC WATER NOW (PWN)

LAYNE P. LONG
CITY MANAGER
CITY OF MARINA
211 HILLCREST AVENUE
MARINA, CA 93933
FOR: CITY OF MARINA

LIESBETH VISSCHER
CHAIR
CITIZENS FOR JUST WATER
2712 BUNGALOW DRIVE
MARINA, CA 93933
FOR: CITIZENS FOR JUST WATER (JUST WATER)

NANCY ISAKSON
PRESIDENT
SALINAS VALLEY WATER COALITION
3203 PLAYA COURT
MARINA, CA 93933
FOR: SALINAS VALLEY WATER COALITION (SVWC)

ROBERT WELLINGTON
WELLINGTON LAW OFFICES
857 CASS STREET, STE. D
MONTEREY, CA 93940
FOR: MONTEREY REGIONAL WATER POLLUTION CONTROL AGENCY (MRWPCA)

BEN HARVEY
CITY MANAGER
CITY OF PACIFIC GROVE
300 FOREST AVENUE
PACIFIC GROVE, CA 93950
FOR: CITY OF PACIFIC GROVE

DAVID C. LAREDO
ATTORNEY
DE LAY & LAREDO
606 FOREST AVENUE
PACIFIC GROVE, CA 93950-4221
FOR: MONTEREY PENINSULA WATER MANAGEMENT DISTRICT (MPWMD)

CARLOS RAMOS
1048 BROADWAY AVENUE
SEASIDE, CA 93955
FOR: LATINO WATER-USE COALITION-MONTEREY PENINSULA/LATINO SEASIDE MERCHANTS ASSOC./COMMUNIDAD EN ACCION

CHRISTINA CARO
ADAMS BROADWELL JOSEPH & CARDOZO
601 GATEWAY BLVD., STE. 1000
SOUTH SAN FRANCSICO, CA 94080
FOR: CALIFORNIA UNIONS FOR RELIABLE ENERGY (CURE)

JOHN H. FARROW
M.R. WOLFE & ASSOCIATES, P.C.
555 SUTTER STREET, SUITE 405
SAN FRANCISCO, CA 94102
FOR: LANDWATCH MONTEREY COUNTY

VANESSA BALDWIN
CALIF PUBLIC UTILITIES COMMISSION
LEGAL DIVISION
ROOM 5031
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214
FOR: PUBLIC ADVOCATES OFFICE (FORMERLY THE OFFICE OF RATEPAYER ADVOCATES) ORA

CATHY HONGOLA-BAPTISTA
SR. DIR - CORPORATE COUNSEL
CALIFORNIA-AMERICAN WATER COMPANY
550 CALIFORNIA STREET, STE. 650
SAN FRANCISCO, CA 94104
FOR: CALIFORNIA-AMERICAN WATER COMPANY

RUTH STONER MUZZIN
FRIEDMAN & SPRINGWATER LLP
350 SANSOME STREET, SUITE 800

SARAH E. LEEPER
PRESIDENT
CALIFORNIA AMERICAN WATER COMPANY

SAN FRANCISCO, CA 94104
FOR: MARINA COAST WATER DISTRICT

555 MONTGOMERY ST., STE. 816
SAN FRANCISCO, CA 94111
FOR: CALIFORNIA-AMERICAN WATER COMPANY

MICHAEL WARBURTON
EXEC. DIR.
THE PUBLIC TRUST ALLIANCE
187 EAST BLITHEDALE AVE.
MILL VALLEY, CA 94941
FOR: THE PUBLIC TRUST ALLIANCE, A PROJECT OF THE RESOURCE RENEWAL INSTITUTE

LAURENS H. SILVER
ATTORNEY
CALIFORNIA ENVIRONMENT LAW PROJECT
PO BOX 667
MILL VALLEY, CA 94942
FOR: SIERRA CLUB

DAN L. CARROLL
ATTORNEY AT LAW
DOWNEY BRAND, LLP
621 CAPITOL MALL, 18TH FLOOR
SACRAMENTO, CA 95814
FOR: COUNTY OF MONTEREY / MONTEREY COUNTY WATER RESOURCES AGENCY

JONAS MINTON
WATER POLICY ADVISOR
PLANNING AND CONSERVATION LEAGUE
1107 - 9TH STREET, SUITE 901
SACRAMENTO, CA 95814-3618
FOR: PLANNING AND CONSERVATION LEAGUE

Information Only

GEORGE T. RILEY
EMAIL ONLY
EMAIL ONLY, CA 00000

JOE GEEVER
WATER PROGRAMS MANAGER
SURFRIDER FOUNDATION
EMAIL ONLY
EMAIL ONLY, CA 00000

KAREN GRIMMER
NATIONAL OCEANIC & ATMOSPHERIC ADMIN.
MONTEREY BAY NATIONAL MARINE SANCTUARY
EMAIL ONLY
EMAIL ONLY, CA 00000

KATHY BIALA
CITIZENS FOR JUST WATER
EMAIL ONLY
EMAIL ONLY, AA 00000

KEITH VAN DER MAATEN
GENERAL MANAGER
MARINA COAST WATER DISTRICT
EMAIL ONLY
EMAIL ONLY, CA 00000

LEGAL DIVISION
CPUC
EMAIL ONLY
EMAIL ONLY, CA 00000

MICHAEL KENNEDY
CITIZENS FOR JUST WATER
EMAIL ONLY
EMAIL ONLY, AA 00000

SARAH DAMRON
SURFRIDER FOUNDATION
EMAIL ONLY
EMAIL ONLY, CA 00000

LON W. HOUSE, PH.D
WATER & ENERGY CONSULTING
10645 N. ORACLE RD., STE 121-216

DON EVANS
MCWO
8550 WEST CHARLESTON, STE. 102-394

ORO VALLEY, AZ 85737

LAS VEGAS, NV 89117

RITTA MERZA
CALIF PUBLIC UTILITIES COMMISSION
LEGAL DIVISION
320 West 4th Street Suite 500
Los Angeles, CA 90013

DUNCAN JOSEPH MOORE
LATHAM & WATKINS LLP
355 SOUTH GRAND AVENUE, SUITE 100
LOS ANGELES, CA 90071
FOR: CALIFORNIA-AMERICAN WATER COMPANY

WINSTON STROMBERG
LATHAM & WATKINS LLP
355 SOUTH GRAND AVENUE, SUITE 100
LOS ANGELES, CA 90071
FOR: CALIFORNIA-AMERICAN WATER COMPANY

DENNIS E. WILLIAMS
PRESIDENT
GEOSCIENCE SUPPORT SERVICES, INC.
PO BOX 220
CLAREMONT, CA 91711

KATHRYN HORNING
CALIFORNIA-AMERICAN WATER COMPANY
655 W. BROADWAY, STE. 1410
SAN DIEGO, CA 92101

KEVIN TILDEN
PRESIDENT
CALIFORNIA-AMERICAN WATER COMPANY
655 W. BROADWAY, STE. 1410
SAN DIEGO, CA 92101

ANNE B. BEAUMONT
PERKINS COIE LLP
11988 EL CAMINO REAL, SUITE 350
SAN DIEGO, CA 92130

JENNIFER K. ROY
ATTORNEY
LATHAM & WATKINS LLP
12670 HIGH BLUFF DRIVE
SAN DIEGO, CA 92130
FOR: CALIFORNIA-AMERICAN WATER COMPANY

LAURA GODFREY ZAGAR
PERKINS & COIE LLP
11988 E CAMINO REAL, STE. 350
SAN DIEGO, CA 92130

WINSTON STROMBERG
LATHAM & WATKINS LLP
12670 HIGH BLUFF DR.
SAN DIEGO, CA 92130

ANGELA HOWE
SURFRIDER FOUNDATION
PO BOX 6010
SAN CLEMENTE, CA 92674

CHARLES J. MCKEE
COUNTY COUNSEL
COUNTY OF MONTEREY
168 WEST ALISAL ST., 3RD FLR
SALINAS, CA 93901

DAVID E. CHARDAVOYNE
GENERAL MANAGER
MONTEREY COUNTY WATER RESOURCES AGENCY
PO BOX 930
SALINAS, CA 93902

JANET BRENNAN
LANDWATCH MONTEREY COUNTY
PO BOX 1876
SALINAS, CA 93902

JULIE ENGELL
LANDWATCH MONTEREY COUNTY
PO BOX 1876
SALINAS, CA 93902

LLOYD W. LOWREY, JR.
NOLAND, HAMERLY, ETIENNE & HOSS
PO BOX 2510
SALINAS, CA 93902-2510

JASON K. BURNETT
MONTEREY PENINSULA REGIONAL WATER AUTH
PO BOX 7202
CARMEL, CA 93921

MELODIE CHRISLOCK
MANAGING DIR
PUBLIC WATER NOW
26235 ATHERTON PLACE
CARMEL, CA 93923

OFFICE MANAGER
SALINAS VALLEY WATER COALITION
PO DRAWER 2670
GREENFIELD, CA 93927

JAN SHRINER
MARINA COAST WATAER DISTRICT
11 RESERVATION ROAD
MARINA, CA 93933

JULI HOFMANN
3201 MARTIN CIRCLE
MARINA, CA 93933

LISA BERKLEY
CITIZENS FOR JUST WATER
3201 MARTIN CIR
MARINA, CA 93933
FOR: CITIZENS FOR JUST WATER (JUST WATER)

BRIDGET HOOVER
DIR - WATER QUALITY PROTECTION
MONTEREY BAY NATIONAL MARINE SANCTUARY
99 PACIFIC STREET, BLDG. 455
MONTEREY, CA 93940

MIKE MCCULLOUGH
ASSISTANT GENERAL MANAGER
MONTEREY PENINSULA WATER MGMT DISTRICT
5 HARRIS COURT â€" BLDG. G
MONTEREY, CA 93940

PAUL SCIUTO
MONTEREY REGN'L. WTR. POLLUTION CONTROL
5 HARRIS CT., BLDG D
MONTEREY, CA 93940
FOR: MONTEREY REGIONAL WATER POLLUTION CONTROL AGENCY (MRWPCA)

DAVID STOLDT
GEN. MGR.
MONTEREY PENINSULA WATER MNGMNT. DIST.
PO BOX 85
MONTEREY, CA 93942-0085

ANTHONY J. TERSOL
SURFRIDER FOUNDATION - MONTEREY CHAPTER
319 FOREST AVE.
PACIFIC GROVE, CA 93950

FRANCES M. FARINA
ATTORNEY AT LAW
DE LAY & LAREDO
606 FOREST AVENUE
PACIFIC GROVE, CA 93950
FOR: MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

HEIDI A.. QUINN
DE LAY & LAREDO
606 FOREST AVENUE
PACIFIC GROVE, CA 93950

JOSH STRATTON
MANAGER OF EXTERNAL AFFAIRS
CALIFORNIA AMERICAN WATER
511 FOREST LODGE ROAD, SUITE 100
PACIFIC GROVE, CA 93950

MICHAEL BOWHAY
MONTEREY PENINSULA COUNTRY CLUB
PO BOX 2090
PEBBLE BEACH, CA 93953-2090

SHEILA M. SANNADAN
LEGAL ASSISTANT
ADAMS BROADWELL JOSEPH & CARDOZO
601 GATEWAY BLVD., STE 1000

SO. SAN FRANCISCO, CA 94080

EDWARD T. SCHEXNAYDER
ATTORNEY
SHUTE MIHALY & WEINBERGER, LLP
396 HAYES STREET
SAN FRANCISCO, CA 94102

ROGER B. MOORE
PARTNER
ROSSMANN AND MOORE, LLP
380 HAYES STREET
SAN FRANCISCO, CA 94102

BRADLEY LEONG
CALIF PUBLIC UTILITIES COMMISSION
WATER AND SEWER ADVISORY BRANCH
AREA
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

DAPHNE GOLDBERG
CALIF PUBLIC UTILITIES COMMISSION
WATER BRANCH
ROOM 4208
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

KELSEY CHOING
CALIF PUBLIC UTILITIES COMMISSION
ELECTRIC PLANNING AND MARKET DESIGN BRAN
AREA
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

YASEMIN AKAY
CALIF PUBLIC UTILITIES COMMISSION
CEQA AND FERC BRANCH
AREA
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

DEMETRIO MARQUEZ
MGR - PARALEGAL
CALIFORNIA-AMERICAN WATER COMPANY
550 CALIFORNIA STREET, STE. 650
SAN FRANCISCO, CA 94104

GABRIEL M.B. ROSS
ATTORNEY
SHUTE, MIHALY & WEINBERGER LLP
550 CALIFORNIA STREET, SUITE 1200
SAN FRANCISCO, CA 94104
FOR: SURFRIDER FOUNDATION

LINDA SOBCZYNSKI
ATTORNEY
FARELLA BRAUN + MARTEL, LLP
235 MONTGOMERY STREET, 17TH FL.
SAN FRANCISCO, CA 94104

NATHANIEL KU
ATTORNEY
FRIEDMAN & SPRINGWATER LLP
350 SANSOME STREET, SUITE 210
SAN FRANCISCO, CA 94104

NICHOLAS SUBIAS, ESQ.
ATTORNEY - CORP. COUNSEL
CALIFORNIA-AMERICAN WATER COMPANY
550 CALIFORNIA STREET, STE. 650
SAN FRANCISCO, CA 94104

ANNA SHIMKO
BURKE, WILLIAMS & SORENSEN
101 HOWARD ST., STE. 400
SAN FRANCISCO, CA 94105

CATHERINE BERTE
PERKINS COIE LLP
505 HOWARD STREET, SUITE 1000
SAN FRANICSCO, CA 94105

JAMES W. MCTARNAGHAN
ATTORNEY
PERKINS COIE LLP
505 HOWARD STREET, STE. 1000
SAN FRANCISCO, CA 94105
FOR: MONTEREY REGIONAL WATER POLLUTION
CONTROL AGENCY (MRWPCA)

SIGRID WAGGENER
BURKE, WILLIAMS & SORENSEN
101 HOWARD STREET, STE. 400
SAN FRANCISCO, CA 94105

ERIC ZIGAS
ENVIRONMENTAL SCIENCE ASSOCIATES/WATER
550 KEARNY ST., STE. 800
SAN FRANCISCO, CA 94108-2512

LORI ANNE DOLQUEIST, ESQ
ATTORNEY AT LAW
NOSSAMAN LLP
50 CALIFORNIA STREET, 34TH FLR
SAN FRANCISCO, CA 94111

PAUL P. (SKIP) SPAULDING, III
SHARTSIS FRIESE LLP
ONE MARITIME PLAZA, 18TH FLOOR
SAN FRANCISCO, CA 94111
FOR: CITY OF MARINA

VIDHYA PRABHAKARAN
ATTORNEY
DAVIS WRIGHT TREMAINE LLP
50 CALIFORNIA STREET, 23RD FLR
SAN FRANCISCO, CA 94111
FOR: CITY OF PACIFIC GROVE

WILLIS HON
ATTORNEY
NOSSAMAN LLP
50 CALIFORNIA STREET, 34TH FL.
SANF RANCISCO, CA 94111

CALIFORNIA-AMERICA WATER COMPANY
555 MONTGOMERY STREET, SUITE 816
SAN FRANCISCO, CA 94111

SARA STECK MYERS
ATTORNEY AT LAW
122 28TH AVENUE
SAN FRANCISCO, CA 94121
FOR: CITY OF MARINA

MEGAN M. MYERS
COUNSEL
LAW OFFICES OF MEGAN M. MYERS
110 OXFORD STREET
SAN FRANCISCO, CA 94134

JAMES BREZACK
BREZACK & ASSOCIATES PLANNING
3000 CITRUS CIRCLE, SUITE 210
WALNUT CREEK, CA 94598

PATRICIA NELSON
PUBLIC TRUST ALLIANCE, RESOURCE RENEWAL
130 EDWARD AVENUE
SAN RAFAEL, CA 94903

PUBLIC TRUST ALLIANCE - REGULATORY
187 E. BLITHEDALE AVENUE
MILL VALLEY, CA 94941

ERIC ROBINSON
ATTORNEY
KRONICK MOSKOVITZ TIEDERMANN & GIRARD
400 CAPITOL MALL, 27TH FLOOR
SACRAMENTO, CA 95814
FOR: SALINAS VALLEY WATER COALITION (SVWC)

ROBERT E. DONLAN
ELLISON, SCHNEIDER & HARRIS, L.L.P.
2600 CAPITOL AVENUE, SUITE 400
SACRAMENTO, CA 95816-5905

State Service

CHRIS UNGSON
CPUC - PUBLIC ADVOCATES OFFICE
EMAIL ONLY
EMAIL ONLY, CA 00000

JONATHAN KOLTZ
CALIFORNIA PUBLIC UTILITIES COMMISSION
EMAIL ONLY
EMAIL ONLY, CA 00000

LEUWAM TESFAI
ATTORNEY
CALIFORNIA PUBLIC UTILITIES COMMISSION
EMAIL ONLY
EMAIL ONLY, CA 00000

RICHARD RAUSCHMEIER
PUBLIC ADVOCATES OFFICE - WATER
CALIFORNIA PUBLIC UTILITIES COMMISSION
EMAIL ONLY
EMAIL ONLY, CA 00000

VIET TROUNG
CALIFORNIA PUBLIC UTILITIES COMMISSION
EMAIL ONLY
EMAIL ONLY, CA 00000

BRUCE DEBERRY
CALIF PUBLIC UTILITIES COMMISSION
WATER AND SEWER ADVISORY BRANCH
ROOM 3200
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

JAMIE ORMOND
CALIF PUBLIC UTILITIES COMMISSION
ADMINISTRATIVE LAW JUDGE DIVISION
AREA
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

JONATHAN J. REIGER
CALIF PUBLIC UTILITIES COMMISSION
LEGAL DIVISION
AREA 5-B
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

JUSTIN MENDA
CALIF PUBLIC UTILITIES COMMISSION
WATER BRANCH
ROOM 4208
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

LEUWAM TESFAI
CALIF PUBLIC UTILITIES COMMISSION
EXECUTIVE DIVISION
ROOM 5137
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

ROBERT HAGA
CALIF PUBLIC UTILITIES COMMISSION
ADMINISTRATIVE LAW JUDGE DIVISION
ROOM 5015
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

SELINA SHEK
CALIF PUBLIC UTILITIES COMMISSION
LEGAL DIVISION
ROOM 4300
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

STEPHEN ST. MARIE
CALIF PUBLIC UTILITIES COMMISSION
WATER AND SEWER ADVISORY BRANCH
ROOM 5119
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

TERENCE SHIA
CALIF PUBLIC UTILITIES COMMISSION
DIVISION OF WATER AND AUDITS
ROOM 5306
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

TRAVIS FOSS
CALIF PUBLIC UTILITIES COMMISSION
LEGAL DIVISION
ROOM 5026
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

BURTON MATTSON
CALIF PUBLIC UTILITIES COMMISSION
ADMINISTRATIVE LAW JUDGE DIVISION
300 Capitol Mall
Sacramento, CA 95814

JOHN FORSYTHE
CALIF PUBLIC UTILITIES COMMISSION
CEQA AND FERC BRANCH
300 Capitol Mall
Sacramento, CA 95814

TOP OF PAGE
BACK TO INDEX OF SERVICE LISTS

A.21-11-024 CPUC Email Service List

james.gilpin@bbklaw.com	JAMES	GILPIN
JrBobMcK@gmail.com	ROBERT J.	MCKENZIE, JR.
MWChrislock@redshift.com	MELODIE	CHRISLOCK
Dave@LaredoLaw.net	DAVID C.	LAREDO
ayk@cpuc.ca.gov	Amy C.	Yip-Kikugawa
RMuzzin@FriedmanSpring.com	RUTH STONER	MUZZIN
LDolqueist@Nossaman.com	LORI ANNE	DOLQUEIST
SSMyers@att.net	SARA STECK	MYERS
AppRhg@cpuc.ca.gov	APPL	REHEARING
joshua.nelson@bbklaw.com	JOSHUA	NELSON
kybiala@icloud.com	KATHY	BIALA
AppRhg@cpuc.ca.gov	LEGAL	DIVISION
lonwhouse@waterandenergyconsulting.com	LON W.	HOUSE, PH.D
marlimelton@yahoo.com	MARLI	MELTON
mgk333@sbcglobal.net	MICHAEL	KENNEDY
bobj83@comcast.net	ROBERT	JAQUES
ZanCan@aol.com	ZAN	HENSON
Zancan@aol.com	ALEXANDER	HENSON
JHofmann@redshift.com	JULI	HOFMANN
LLong@CityofMarina.org	LAYNE P.	LONG
liesbethvisscher@yahoo.com	LIESBETH	VISSCHER
mike@mpwmd.net	MIKE	MCCULLOUGH
Paul@my1water.org	PAUL A.	SCIUTO
DStoldt@mpwmd.net	DAVE	STOLDT
JLear@mpwmd.net	JONATHAN	LEAR
karenppaull@gmail.com	KAREN	PAULL
SLocke@mpwmd.net	STEPHANIE	LOCKE
Fran@LaredoLaw.net	FRANCES	FARINA
bl4@cpuc.ca.gov	Bradley	Leong
cu2@cpuc.ca.gov	Chris	Ungson
dk4@cpuc.ca.gov	Daphne	Goldberg
cja@cpuc.ca.gov	Jack	Chang
mwi@cpuc.ca.gov	Michelle	Wilson
md6@cpuc.ca.gov	Mukunda	Dawadi
rra@cpuc.ca.gov	Richard	Rauschmeier
rwh@cpuc.ca.gov	Robert	Haga
syg@cpuc.ca.gov	Syreeta	Gibbs
tge@cpuc.ca.gov	Timothy	Gee
vs3@cpuc.ca.gov	Victor	Smith
CRoe@FriedmanSpring.com	CATHERINE M.	ROE

Cathy.Hongola-Baptista@amWater.com	CATHY	HONGOLA-BAPTISTA
Demetrio.Marquez@amwater.com	DEMETRIO	MARQUEZ
EHorne@friedmanspring.com	EMILY A.	HORNE
JFarrow@MRWolfeAssociates.com	JOHN H.	FARROW
JHeal@FriedmanSpring.com	JORIAN	HEAL
ctermyn@perkinscoie.com	CHRISTIAN W.	TERMYN
LZagar@PerkinsCoie.com	LAURA G.	ZAGAR
SSpaulding@SFlaw.com	PAUL P. (SKIP)	SPAULDING, III
WHon@Nossaman.com	WILLIS	HON
cawc-a2111024@amwater.onmicrosoft.com		
Paula.Tran@SJWater.com	PAULA	TRAN
tgz@cpuc.ca.gov	Thomas	Gutierrez

CALIFORNIA PUBLIC UTILITIES COMMISSION
Service Lists

PROCEEDING: A2111024 - CAL-AM WATER CO.- FO
FILER: CALIFORNIA-AMERICAN WATER COMPANY
LIST NAME: LIST
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Back to Service Lists Index

Parties

JAMES GILPIN
ATTORNEY AT LAW
BEST BEST & KRIEGER, LLP
655 WEST BROADWAY, 15TH FLOOR
SAN DIEGO, CA 92101
FOR: MONTEREY ONE WATER (M1W)

ROBERT J. MCKENZIE, JR.
CONSULTANT
COALITION OF PENINSULA BUSINESSES
PO BOX 223542
CARMEL, CA 93922
FOR: COALITION OF PENINSULA BUSINESSES

MELODIE CHRISLOCK
MANAGING DIR
PUBLIC WATER NOW
26235 ATHERTON PLACE
CARMEL, CA 93923
FOR: PUBLIC WATER NOW

DAVID C. LAREDO
ATTORNEY
DE LAY & LAREDO
606 FOREST AVENUE
PACIFIC GROVE, CA 93950
FOR: MONTEREY PENINSULA WATER MANAGEMENT DISTRICT (MPWMD)

AMY C. YIP-KIKUGAWA
CALIF PUBLIC UTILITIES COMMISSION
LEGAL DIVISION
ROOM 4300
505 VAN NESS AVENUE

RUTH STONER MUZZIN
ATTORNEY
FRIEDMAN & SPRINGWATER LLP
350 SANSOME STREET, SUITE 800
SAN FRANCISCO, CA 94104

SAN FRANCISCO, CA 94102-3214
FOR: PUBLIC ADVOCATES OFFICE

FOR: MARINA COAST WATER DISTRICT

LORI ANNE DOLQUEIST
ATTORNEY
NOSSAMAN LLP
50 CALIFORNIA STREET, 34TH FL.
SAN FRANCISCO, CA 94111
FOR: CALIFORNIA-AMERICAN WATER COMPANY

SARA STECK MYERS
ATTORNEY AT LAW
122 - 28TH AVENUE
SAN FRANCISCO, CA 94121
FOR: CITY OF MARINA

Information Only

APPL REHEARING
CPUC
EMAIL ONLY
EMAIL ONLY, CA 00000

JOSHUA NELSON
BEST BEST & KRIEGER LLP
EMAIL ONLY
EMAIL ONLY, CA 00000

KATHY BIALA
CITIZENS FOR JUST WATER
EMAIL ONLY
EMAIL ONLY, AA 00000

LEGAL DIVISION
CPUC
EMAIL ONLY
EMAIL ONLY, CA 00000

LON W. HOUSE, PH.D
WATER AND ENERGY CONSULTING
EMAIL ONLY
EMAIL ONLY, CA 00000

MARLI MELTON
EMAIL ONLY
EMAIL ONLY, CA 00000

MICHAEL KENNEDY
CITIZENS FOR JUST WATER
EMAIL ONLY
EMAIL ONLY, AA 00000

ROBERT JAQUES
COMCAST
EMAIL ONLY
EMAIL ONLY, CA 00000

ZAN HENSON
ATTORNEY
PUBLIC WATER NOW
EMAIL ONLY
EMAIL ONLY, CA 00000

ALEXANDER HENSON
ATTORNEY
PUBLIC WATER NOW
PO BOX 1381
CARMEL VALLEY, CA 93924

JULI HOFMANN
CITIZENS FOR JUST WATER
3201 MARTIN CIRCLE
MARINA, CA 93933

LAYNE P. LONG
CITY MANAGER
CITY OF MARINA
211 HILLCREST AVENUE
MARINA, CA 93933
FOR: CITY OF MARINA

LIESBETH VISSCHER
CHAIR
CITIZENS FOR JUST WATER

MIKE MCCULLOUGH
ASSISTANT GENERAL MANAGER
MONTEREY PENINSULA WATER MGMT DISTRICT

2712 BUNGALOW DRIVE
MARINA, CA 93933

5 HARRIS COURT â€" BLDG. G
MONTEREY, CA 93940

PAUL A. SCIUTO
MONTEREY ONE WATER
5 HARRIS COURT, BUILDING D
MONTEREY, CA 93940-5756

DAVE STOLDT
GEN. MGR
MONTEREY PENINSULA WATER MGMT DISTRICT
PO BOX 85
MONTEREY, CA 93942-0085

JONATHAN LEAR
WATER DEMAND MGR
MONTEREY PENINSULA WATER MGMT DISCTRICT
PO BOX 85
MONTEREY, CA 93942-0085

KAREN PAULL
MONTEREY PENINSULA WATER MGNT DISTRICT
PO BOX 85
MONTEREY, CA 93942-0085

STEPHANIE LOCKE
WATER DEMAND MANAGER
MONTEREY PENINSULA WATER MGMT DISCTRICT
PO BOX 85
MONTEREY, CA 93942-0085

FRANCES FARINA
ATTORNEY AT LAW
DE LAY & LAREDO
606 FOREST AVENUE
PACIFIC GROVE, CA 93950
FOR: MONTEREY PENINSULA WATER MANAGEMENT DISTRICT (MPWMD)

BRADLEY LEONG
CALIF PUBLIC UTILITIES COMMISSION
WATER AND SEWER ADVISORY BRANCH
COMMUNICATIONS
AREA
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

CHRIS UNGSON
CALIF PUBLIC UTILITIES COMMISSION
PUBLIC ADVOCATES OFFICE -

ROOM 3206
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

DAPHNE GOLDBERG
CALIF PUBLIC UTILITIES COMMISSION
WATER BRANCH
ROOM 4208
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

JACK CHANG
CALIF PUBLIC UTILITIES COMMISSION
ADMINISTRATIVE LAW JUDGE DIVISION
ROOM 5020
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

MICHELLE WILSON
CALIF PUBLIC UTILITIES COMMISSION
CEQA AND FERC BRANCH
AREA
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

MUKUNDA DAWADI
CALIF PUBLIC UTILITIES COMMISSION
WATER BRANCH
AREA
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

RICHARD RAUSCHMEIER
CALIF PUBLIC UTILITIES COMMISSION
PUBLIC ADVOCATES OFFICE
ROOM 4209
505 VAN NESS AVENUE

ROBERT HAGA
CALIF PUBLIC UTILITIES COMMISSION
ADMINISTRATIVE LAW JUDGE DIVISION
ROOM 5015
505 VAN NESS AVENUE

SAN FRANCISCO, CA 94102-3214

SAN FRANCISCO, CA 94102-3214

SYREETA GIBBS
CALIF PUBLIC UTILITIES COMMISSION
WATER BRANCH
AREA 4-A
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

TIMOTHY GEE
CALIF PUBLIC UTILITIES COMMISSION
WATER BRANCH
AREA
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

VICTOR SMITH
CALIF PUBLIC UTILITIES COMMISSION
EXECUTIVE DIVISION
AREA
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

CATHERINE M. ROE
ATTORNEY AT LAW
FRIEDMAN & SPRINGWATER LLP
350 SANSOME STREET, SUITE 800
SAN FRANCISCO, CA 94104

CATHY HONGOLA-BAPTISTA
SR. DIR - CORPORATE COUNSEL
CALIFORNIA-AMERICAN WATER COMPANY
550 CALIFORNIA STREET, STE. 650
SAN FRANCISCO, CA 94104

DEMETRIO MARQUEZ
MGR - PARALEGAL
CALIFORNIA-AMERICAN WATER COMPANY
550 CALIFORNIA STREET, STE. 650
SAN FRANCISCO, CA 94104

EMILY A. HORNE
ATTORNEY
FRIEDMAN & SPRINGWATER LLP
350 SANSOME STREET, SUITE 800
SAN FRANCISCO, CA 94104

JOHN H. FARROW
ATTORNEY
M. R. WOLFE & ASSOCIATES, P.C.
580 CALIFORNIA ST., STE. 1200
SAN FRANCISCO, CA 94104
FOR: LANDWATCH MONTEREY COUNTY

JORIAN HEAL
ATTORNEY
FRIEDMAN & SPRINGWATER LLP
350 SANSOME STREET, SUITE 800
SAN FRANCISCO, CA 94104
FOR: MARINA COAST WATER DISTRICT

CHRISTIAN W. TERMYN
PERKINS COIE LLP
505 HOWARD STREET, SUITE 1000
SAN FRANCISCO, CA 94105

LAURA G. ZAGAR
PERKINS COIE LLP
505 HOWARD STREET, SUITE 1000
SAN FRANCISCO, CA 94105

PAUL P. (SKIP) SPAULDING, III
SHARTSIS FRIESE LLP
ONE MARITIME PLAZA, 18TH FLOOR
SAN FRANCISCO, CA 94111
FOR: CITY OF MARINA

WILLIS HON
ATTORNEY
NOSSAMAN LLP
50 CALIFORNIA STREET, 34TH FL.
SANF RANCISCO, CA 94111

CALIFORNIA AMERICAN WATER COMPANY
555 MONTGOMERY STRET, SUITE 816
SAN FRANCISCO, CA 94111

PAULA TRAN

THOMAS GUTIERREZ

SAN JOSE WATER COMPANY
110 WEST TAYLOR STREET
SAN JOSE, CA 95110

CALIF PUBLIC UTILITIES COMMISSION
ADMINISTRATIVE LAW JUDGE DIVISION
300 Capitol Mall
Sacramento, CA 95814

TOP OF PAGE
BACK TO INDEX OF SERVICE LISTS

C.26-06-021 CPUC Email Service List

Dave@LaredoLaw.net	DAVID C.	LAREDO
RMuzzin@FriedmanSpring.com	RUTH STONER	MUZZIN
Cathy.Hongola-Baptista@AMWater.com	CATHY	HONGOLA-BAPTISTA
SSMyers@att.net	SARA STECK	MYERS
KarenpPaull@gmail.com	KAREN	PAULL
gk1@cpuc.ca.gov	Gerald F.	Kelly
LLong@CityofMarina.org	LAYNE P.	LONG
mmogensen@cityofmarina.org	MATT	MOGENSEN
RScherzinger@MCWD.org	REMLEH	SCHERZINGER
DStoldt@MPWMD.net	DAVID J.	STOLDT
Mike@mpwmd.net	MIKE	MCCULLOUGH
Fran@LaredoLaw.net	FRANCES M.	FARINA
Michael@LaredoLaw.net	MICHAEL D.	LAREDO
Robin@LaredoLaw.net	ROBIN	RAKOUSKA
bl4@cpuc.ca.gov	Bradley	Leong
dk4@cpuc.ca.gov	Daphne	Goldberg
CRoe@FriedmanSpring.com	CATHERINE M.	ROE
Demetrio.Marquez@amwater.com	DEMETRIO	MARQUEZ
SSpaulding@SFLaw.com	PAUL P. (SKIP)	SPAULDING, III
LDolqueist@nossaman.com	LORI ANNE	DOLQUEIST
mmenezes@nossaman.com	MATTHEW	MENEZES
Joe@JFWiedman.com	JOSEPH	WIEDMAN

CALIFORNIA PUBLIC UTILITIES COMMISSION
Service Lists

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Parties

DAVID C. LAREDO
ATTORNEY
DE LAY & LAREDO
606 FOREST AVENUE
PACIFIC GROVE, CA 93950
FOR: MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

RUTH STONER MUZZIN
ATTORNEY
FRIEDMAN & SPRINGWATER LLP
350 SANSOME STREET, SUITE 800
SAN FRANCISCO, CA 94104
FOR: MARINA COAST WATER DISTRICT

CATHY HONGOLA-BAPTISTA
ATTORNEY
CALIFORNIA-AMERICAN WATER COMPANY
555 MONTGOMERY STREET, STE. 816
SAN FRANCISCO, CA 94111
FOR: CALIFORNIA-AMERICAN WATER COMPANY

SARA STECK MYERS
ATTORNEY AT LAW
122 - 28TH AVENUE
SAN FRANCISCO, CA 94121
FOR: CITY OF MARINA

Information Only

KAREN PAULL
EMAIL ONLY
EMAIL ONLY, CA 00000

GERALD F. KELLY
CALIF PUBLIC UTILITIES COMMISSION
ADMINISTRATIVE LAW JUDGE DIVISION

320 West 4th Street Suite 500
Los Angeles, CA 90013

LAYNE P. LONG
CITY MANAGER
CITY OF MARINA
211 HILLCREST AVENUE
MARINA, CA 93933

MATT MOGENSEN
CITY MANAGER
CITY OF MARINA
211 HILLCREST AVENUE
MARINA, CA 93933

REMLEH SCHERZINGER
GENERAL MGR.
MARINA COAST WATER DISTRICT
DISTRICTS
920 2ND AVENUE, STE. B
MARINA, CA 93933

DAVID J. STOLDT
GEN. MGR
MONTEREY PENINSULA WATER MGMT

5 HARRIS COURT, BLDG G
MONTEREY, CA 93940
FOR: MONTEREY PENINSULA WATER MANAGEMENT DISTRICT (MPWMD)

MIKE MCCULLOUGH
ASSIST GEN. MGR.
MONTEREY PENINSULA WATER MGMT DISTRICT
PO BOX 85
MONTEREY, CA 93942-0085

FRANCES M. FARINA
DE LAY & LAREDO
606 FOREST AVENUE
PACIFIC GROVE, CA 93950
FOR: MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

MICHAEL D. LAREDO
DE LAY & LAREDO
606 FOREST AVENUE
PACIFIC GROVE, CA 93950

ROBIN RAKOUSKA
PARALEGAL / OFFICE MGR.
DE LAY & LAREDO
606 FOREST AVENUE
PACIFIC GROVE, CA 93950

BRADLEY LEONG
CALIF PUBLIC UTILITIES COMMISSION
WATER AND SEWER ADVISORY BRANCH
AREA
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

DAPHNE GOLDBERG
CALIF PUBLIC UTILITIES COMMISSION
WATER BRANCH
ROOM 4208
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

CATHERINE M. ROE
ATTORNEY AT LAW
FRIEDMAN & SPRINGWATER LLP
350 SANSOME STREET, SUITE 800
SAN FRANCISCO, CA 94104
FOR: MARINA COAST WATER DISTRICT

DEMETRIO MARQUEZ
MGR - PARALEGAL
CALIFORNIA-AMERICAN WATER COMPANY
550 CALIFORNIA STREET, STE. 650
SAN FRANCISCO, CA 94104

PAUL P. (SKIP) SPAULDING, III
ATTORNEY
SHARTSIS FRIESE LLP
425 MARKET STREET, 11TH FL.
SAN FRANCISCO, CA 94105

LORI ANNE DOLQUEIST
ATTORNEY
NOSSAMAN LLP
50 CALIFORNIA STREET, 34TH FLR.
SAN FRANCISCO, CA 94111

FOR: CITY OF MARINA

MATTHEW MENEZES
ATTORNEY AT LAW
NOSSAMAN LLP
50 CALIFORNIA STREET
SAN FRANCISCO, CA 94111

JOSEPH WIEDMAN
LAW OFFICE OF JOSEPH F. WIEDMAN
115 BROAD STREET SUITE 157
CLOVERDALE, CA 94525

TOP OF PAGE
BACK TO INDEX OF SERVICE LISTS

STATE SERVICE LIST

VIA E-MAIL

mukunda.dawadi@cpuc.ca.gov	Mukunda	Dawadi
bradley.leong@cpuc.ca.gov	Bradley	Leong
christine.hammond@cpuc.ca.gov	Christine	Hammond
terence.shia@cpuc.ca.gov	Terence	Shia
michelle.cooke@cpuc.ca.gov	Michelle	Cooke
DrinkingWaterSRF@waterboards.ca.gov		

ALL VIA U.S. MAIL ONLY[1]

Rob Bonta, Attorney General
State of California
Department of Justice
P.O. Box 944255
Sacramento, CA 94244-2550

Jason Kenney, Director
Department of General Services
Executive Office
707 Third Street
West Sacramento, CA 95605-2811

Michelle Baass
Director
Department of Health Care Services
P.O. Box 997413, MS 0000
Sacramento, CA 95899-7413

Dr. Erica Pan, Director
California Department of Public Health
PO Box 997377
MS 0500
Sacramento, CA 95899-7377

State of California
Department of Health Services
Safe Drinking Water State Revolving Fund Program
Attn: Chief, Safe Drinking Water State Revolving Fund and Small Water Systems Section
1616 Capitol Mall, MS 7418
Post Office Box 997413
Sacramento, CA 95899-7413
Sent via U.S. Certified Mail

State of California
Department of Water Resources
Safe Drinking Water Office, Room 804
Attention: Program Manager
Post Office Box 942836
Sacramento, CA 94236-0001
Sent via U.S. Certified Mail

[1] All U.S. Mail copy recipients are receiving paper copies of the Application, Notice of Availability, and Certificate of Service, only.

Sean Pope
Contracting Officer
Naval Facilities Engineering Systems Command, Southwest
Utilities and Energy Management (UEM)
750 Pacific Highway, 7th Floor
San Diego, CA 92132-0058

Eric Chaney
Contracting Officer
Mission and Installation Contracting Command
MICC-Presidio of Monterey
400 Gigling Road, Bldg. 4385, Room 1058
Seaside, CA 93955
Eric.j.chaney4.civ@army.mil

Aubry Rust, Contracting Officer
Devon Gilpatrick, Contract Specialist
NAVFACSY SCOM SOUTHWEST
750 Pacific Highway
San Diego, CA 92132-0001
Aubry.m.rust.civ@us.navy.mil
Devon.j.gilpatrick.civ@us.navy.mil

State of California
Department of Public Health
Safe Drinking Water State Revolving Fund Program
Attn: Section Chief, Drinking Water
Infrastructure Financing Section
Division of Drinking Water and Environmental Management
1616 Capital Ave, MS 7418
Post Office Box 997377
Sacramento, CA 95899-7377
Sent via U.S. Certified Mail

John Paul Blanco
Project Manager
State Water Board
Division of Financial Assistance
1001 I Street, 16th Floor
Sacramento, CA 95814
Sent via U.S. Certified Mail.
DrinkingWaterSRF@waterboards.ca.gov

State of California
Department of Public Health
Division of Drinking Water and Environmental Management
Safe Drinking Water State Revolving Fund Program
Attn: Chief, Drinking Water Technical
Programs Branch
Financing Section
1616 Capitol Avenue, MS 7418
Post Office Box 997377
Sacramento, CA 95899-7377
Sent via U.S. Certified Mail

State of California
Department of Water Resources
Attention: Program Manager
Safe Drinking Water State Revolving Fund Program
1416 9th Street, Room804
P.O. Box 942836
Sacramento, CA 94236-0001
Sent via U.S. Certified Mail

NORTHERN DIVISION

SACRAMENTO COUNTY SERVICE AREA

Florence Evans
County Clerk/Recorder
3636 American River Drive, Suite 110
Sacramento, CA 95864

Lisa Travis
County Counsel
700 H Street, Suite 2650
Sacramento, CA 95814

Ryan Ronco
Placer County Clerk-Recorder
175 Fulweiler Ave.
Auburn, CA 95603

Clayton Cook
Placer County Counsel
175 Fulweiler Ave.
Auburn, CA 95603

Amy Van
City Clerk
6360 Fountain Square Drive
Citrus Heights, CA 95621

Ryan Jones
City Attorney
6360 Fountain Square Drive
Citrus Heights, CA 95621

Nate Anderson (Deputy)
City Clerk
101 Second Street
Isleton, CA 95641

Rebeka Mojica
City Attorney
101 Second Street
Isleton, CA 95641

Stacy Leitner
City Clerk
2729 Prospect Park Drive
Rancho Cordova, CA 95670
Sent via U.S. Certified Mail

Adam Lindgren
City Attorney
2729 Prospect Park Drive
Rancho Cordova, CA 95670

Mindy Cuppy
City Clerk
915 I Street
Sacramento, CA 95814

Gustavo L. Martinez
City Attorney
915 I Street
Sacramento, CA 95814

Matt May
County Clerk
2222 M Street
Merced, CA 95340

Forrest Hansen
County Counsel
2222 M Street, Room 309
Merced, CA 95340

Scott McBride
City Clerk
678 West 18th Street
Merced, CA 95340

Craig Cornwell
City Attorney
678 West 18th Street
Merced, CA 95340

Jesse Salinas
Yolo County Clerk-Recorder
625 Court St, Room 204
Woodland, CA 95695

Phil Pogledich
Yolo County Counsel
625 South St., Room 201
Woodland, CA 95695

LARKFIELD SERVICE AREA

Deva Proto
Sonoma County Clerk-Recorder-Assessor
575 Administration Drive, Room 104A
Santa Rosa, CA 95403

Joshua Myers, County Counsel
Sonoma County
575 Administrative Drive, Room 104A
Santa Rosa, CA 95403

Mark West Area Community Services Committee
c/o Lescure Engineers
5468 Skylane Blvd. Ste. 203
Santa Rosa CA 95403

Mark West Area Chamber of Commerce
4787 Old Redwood Hwy, Suite 101
Santa Rosa, CA 95403

County Administrator
County of Sonoma
575 Administration Drive, Suite 104A
Santa Rosa, CA 95403
Sent via U.S. Certified Mail

HILLVIEW, BASS LAKE SERVICE AREAS

Rebecca Martinez
Madera County Clerk-Recorder
200 W. 4th Street
Madera, CA 93637

Regina Garza
Madera County Counsel
200 W. 4th Street
Madera, CA 93637

CENTRAL DIVISION

MONTEREY COUNTY SERVICE AREA

Xochitl Marina Camacho
Monterey County Clerk
168 West Alisal Street, 3rd Fl.
Salinas, CA 93901

Susan Blitch
Monterey County Counsel
168 West Alisal Street, 3rd Fl.
Salinas, CA 93901

Sandra Ann Kandell
City Clerk
300 Forest Ave., 2nd Floor
Pacific Grove, CA 93950

Alex Lorca, Esq.
City Attorney
300 Forest Ave., 2nd Floor
Pacific Grove, CA 93950

Patricia Soratos
City Clerk
200 Lincoln Ave.
Salinas, CA 93901

Christopher A. Callihan, Esq.
City Attorney
200 Lincoln Ave.
Salinas, CA 93901

Kerry Gage Lindstrom
City Clerk
1 Pendergrass Way
Sand City, CA 93955
Sent via U.S. Certified Mail

Adam Lindgren
City Attorney
1 Pendergrass Way
Sand City, CA 93955

Karen Minami
City Clerk
650 Canyon Del Rey Blvd.
Del Rey Oaks, CA 93940

Alex Lorca
City Attorney
650 Canyon Del Rey Blvd.
Del Rey Oaks, CA 93940

Nova Romero
City Clerk
PO Box CC
Carmel, CA 93921

Brian Pierik
City Attorney
PO Box CC
Carmel, CA 93921

Clementine Bonner Klein
City Clerk
580 Pacific Street
Monterey, CA 93940

Christine Davi
City Attorney
580 Pacific Street
Monterey, CA 93940

Dominique L. Davis
City Clerk
440 Harcourt Ave.
Seaside, CA 93955

Sheri Damon
City Attorney
440 Harcourt Avenue
Seaside, CA 93955

United States Army Legal Services Agency
Fort Belvoir, Virginia 22060-5000
Attn: Commanding General

Monterey Peninsula Water Management District
PO Box 85
Monterey, CA 93942

Greg McDanel
City Manager
440 Harcourt Avenue
Seaside, CA 93955
Sent via U.S. Certified Mail

Arthur McLoughlin
Central Coast Coalition of Communities for Wastewater Equity
9540 S. Century Oak Road
Salinas, CA 93907

Sara Senger
Las Palmas Wastewater Committee
2511 Garden Rd Ste A230
Monterey, CA 93940-5335

Bob MacKenzie
Coalition of Peninsula Businesses
P.O. Box 223542
Carmel, CA 93922

Commissioner Kate Daniels
County of Monterey District 5
Monterey Courthouse
1200 Aguajito Rd., Ste. 1
Monterey, CA 93940

Bob Jacques
Seaside Basin Watermaster
PO Box 51502
Pacific Grove, CA 93950

Regina M. Alcomendras
Santa Clara County Clerk/Recorder
110 West Tasman Drive, 1st Floor,
San Jose, CA 95134

Tony LoPresti
Santa Clara County Counsel
110 West Tasman Drive, 1st Floor,
San Jose, CA 95134

Chip Rerig
Interim City Manager
300 Forest Ave., 2nd Floor
Pacific Grove, CA 93950
Sent via U.S. Certified Mail

John Guertin
City Manager
650 Canyon Del Rey Blvd.
Del Rey Oaks, CA 93940
Sent via U.S. Certified Mail

Monterey County Public Works Department
Attn: Randell Ishi, Public Works Director
1441 Shilling Place, 2nd Floor
Salinas, CA 93901
Sent via U.S. Certified Mail

City of Monterey Public Works Administration
Andrea Renny, Public Works Director
580 Pacific Street, 2nd Floor
Monterey, CA 93940
Sent via U.S. Certified Mail

SOUTHERN DIVISION

LOS ANGELES SERVICE AREA

Dean C. Logan, County Clerk
Registrar-Recorder/County Clerk
12400 Imperial Highway
Norwalk, CA 90650

Dawyn R. Harrison, County Counsel
648 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012-2713

Laura M. Nieto
City Clerk
5050 N. Irwindale Ave
Irwindale, CA 91706

Adrian Guerra
City Attorney
5050 N. Irwindale Ave
Irwindale, CA 91706

Alice D. Atkins, CMC
City Clerk
415 S. Ivy Ave.
Monrovia, CA 91016

Craig A. Steele
City Attorney
415 S. Ivy Ave.
Monrovia, CA 91016

Diane Jensen
City Clerk
600 Winston Ave.
Bradbury, CA 91008

Cary S. Reisman
City Attorney
600 Winston Ave.
Bradbury, CA 91008

Frances Jimenez
City Clerk
1600 Huntington Drive
Duarte, CA 91010

Thai Viet Phan
City Attorney
1600 Huntington Drive
Duarte, CA 91010

Gabriel Ramirez
City Clerk
11333 Valley Boulevard
El Monte, CA 91731

Ricardo Olivarez
City Attorney
1133 Valley Boulevard
El Monte, CA 91731

Julie Nguyen
City Clerk
425 S. Mission Drive
San Gabriel, CA 91776

Keith Lemieux
City Attorney
425 S. Mission Drive
San Gabriel, CA 91776

Ericka Hernandez
City Clerk
8838 E. Valley Boulevard
Rosemead, CA 91770

Rachel H. Richman
City Attorney
8838 E. Valley Boulevard
Rosemead, CA 91770

Alison Walker
City Clerk
2200 Huntington Drive
San Marino, CA 91108

Joseph Montes
City Attorney
2200 Huntington Drive
San Marino, CA 91108

Peggy Kuo
City Clerk
9701 Las Tunas Drive
Temple City, CA 91780

Greg Murphy
City Attorney
9701 Las Tunas Drive
Temple City, CA 91780

Aisha L. Thompson
City Clerk
1 Manchester Boulevard
Inglewood, CA 90301

Rick R. Olivarez
City Attorney
1 Manchester Boulevard
Inglewood, CA 90301

Christopher Saenz
City Clerk
14403 E. Pacific Ave.
Baldwin Park, CA 91706

Christian L. Bettenhausen
City Attorney
14403 E. Pacific Ave.
Baldwin Park, CA 91706

Mark Jomsky
City Clerk
100 N. Garfield Ave.
Pasadena, CA 91109

Michele Bagneris
City Attorney
100 N. Garfield Ave., Room N-210
Pasadena, CA 91109

Philippe Eskandar
City Manager
2200 Huntington Drive
San Marino, CA 91108

Region 5 Director
Utility Workers Union of America
215 Avenida Del Mar, Suite M
San Clemente, CA 92674-0037

Mayra Ochiqui
City Clerk
16600 Civic Center Drive
Bellflower, CA 90706

Karl H. Berger
City Attorney
16600 Civic Center Drive
Bellflower, CA 90706

Linda Rodriguez
City Clerk
240 West Huntington Dr.
Arcadia, CA 91007

Michael J. Maurer
City Attorney
240 West Huntington Dr.
Arcadia, CA 91007

Martha Alvarez
City Clerk
1315 Valley Dr.
Hermosa Beach, CA 90254

Jason Baltimore
City Attorney
1315 Valley Dr.
Hermosa Beach, CA 90254

Patrice Y. Lattimore
City Clerk
200 North Main Street
Los Angeles, CA 90012

Hydee Feldstein Soto
City Attorney
200 North Main Street
Los Angeles, CA 90012

Los Angeles County Public Works
Attn: Survey/Mapping & Property
Management Division
900 South Fremont Ave
Alhambra, CA 91803

SAN DIEGO SERVICE AREA

Jordan Z. Marks
County Clerk
1600 Pacific Highway, Room 260
San Diego, CA 92101

Damon Brown
County Counsel
1600 Pacific Highway, Room 355
San Diego, CA 92101

Kerry K. Bigelow
City Clerk
276 Fourth Ave., Bldg. A
Chula Vista, CA 91910

Marco A. Verdugo
City Attorney
276 Fourth Ave.
Chula Vista, CA 91910

Kelsea Holian
City Clerk
Coronado City Hall
1825 Strand Way
Coronado, CA 92118

Johanna N. Canlas
City Attorney
1825 Strand Way
Coronado, CA 92118

Jacqueline M. Kelly MMC
City Clerk
825 Imperial Beach Boulevard
Imperial Beach, CA 91932

Jennifer Lyon
City Attorney
La Mesa Villa Plaza
8100 La Mesa Blvd., Suite 200
La Mesa, CA 91942

Diana J.S. Fuentes
City Clerk
202 C St., 2nd Floor
San Diego, CA 92101

Heather Ferbert
City Attorney
202 C Street
San Diego, CA 92101

Mayor Todd Gloria
City Manager/Mayor
City Administration Building
202 C Street, 11th Floor
San Diego, CA 92101

VENTURA SERVICE AREA

Carrie Weal, Interim
City Clerk
601 Carmen Drive
Camarillo, CA 93010

Rachel Richman
City Attorney
601 Carmen Drive
Camarillo, CA 93010

Laura B. Maguire
City Clerk
2100 E. Thousand Oaks Blvd.
Thousand Oaks, CA 91362

Tracy Noonan
City Attorney
2100 E. Thousand Oaks Blvd.
Thousand Oaks, CA 91362

Michelle Ascencion
County Clerk-Recorder
800 S. Victoria Ave.
Ventura, CA 93009

Tiffany North
County Counsel
800 S. Victoria Ave.
Ventura, CA 93009

City of Thousand Oaks Public Works Department
Attn: Nader Heydari, Public Works Director
2100 Thousand Oaks Blvd.
Thousand Oaks, CA 91362

ATTACHMENT I

Notice of California American Water's Rate Increase Request

California-American Water Company's (CalAm) Application to the California Public Utilities Commission (CPUC) A.26-10-XXX

What is Being Requested?

On October 23, 2026, CalAm filed its application to request authorization to increase the cost cap for the Monterey Peninsula Water Supply Project ("MPWSP" or the "Project") Desalination Project and update the associated financing and ratemaking plan with the CPUC. The application is requesting an increase to the cost cap for the MPWSP desalination plant, source wells, and associated conveyance facilities of $825 million, from the $239.2 million cost cap previously approved for the desalination plant in Decision 18-09-017.

The application also proposes an updated financing plan for the Project that relies on several lower-cost sources of financing in place of conventional utility financing. These potential sources include:

- **State Revolving Fund (SRF) Loans** — approximately $50 million in low-interest loans available through the state's SRF program for water infrastructure.
- **Department of Water Resources (DWR) Grant** — approximately $10 million in non-repayable grant funding from DWR.
- **Tax-Exempt Private Activity Bonds** — approximately $150 million in tax-exempt bond financing, which carries a lower interest rate than conventional taxable utility debt.
- **Securitization** — approximately $531.5 million in securitized bonds, which carry a lower interest rate than conventional utility debt or equity because they are supported by a dedicated, non-bypassable charge.
- **Short-Term Debt During Construction** — use of approximately $20 million in short-term debt during the construction period (to be repaid from the long-term financing sources above once the Project is placed in service) to reduce financing costs incurred prior to completion.

CalAm estimates that, if approved, this updated financing plan would save customers approximately $588 million over the Project's 40-year life (approximately $246 million on a present value basis), compared to traditional utility financing.

If the CPUC approves this application, CalAm will recover the costs associated with the increased cost cap in rates after underlying facilities are completed and placed into service. The desalination plant is expected to be in service in December 2029, and new rates are expected to take effect on or about January 1, 2030. This will increase your bill.

Monterey Main Service Area						
Year	Meter Size	Average Use (CGL[6])	Current Bill	% Increase	$ Increase	Total Bill
Jan 2027[1]	5/8-inch	34.93	$121.08	5.80%	$7.02	$128.10
Jan 2028[2]	5/8-inch	34.93	$128.10	2.76%	$3.54	$131.64
Jan 2029[3]	5/8-inch	34.93	$131.64	2.84%	$3.74	$135.38
Desalination Project Charges Begin – January 1, 2030						
Jan 2030[4]	5/8-inch	34.93	$135.38	87.84%	$118.91	$254.29
Jan 2030[5] — **Customer Assistance Program**	5/8-inch	34.93	$87.07	12.08%	$10.51	$97.59

*1 CGL = 100 gallons.

[1], [2], [3] Reflects estimated rates from CalAm's pending Test Year 2027 General Rate Case, A.25-07-003.

[4] Reflects the first full year of Project rates. Amounts are estimates and are subject to change based on the revenue requirement, rate design, and financing terms ultimately approved.

[5] For customers enrolled in the Customer Assistance Program, Project-related charges are limited to $10 per month. The % and $ increases include applicable taxes and fees. Amounts may not sum due to rounding.

[6] 1 CGL = 100 gallons.

How Would This Impact the Average Residential Customer?

If the request is approved, the average residential customer using 34.93 CGL's per month would see an increase of approximately $118.91 per month (87.84%) in 2030 related to the desalination project. The actual impact will vary based on usage and other factors.

Additional Information

An administrative law judge will hold hearings, consider evidence, testimony, and public comments before drafting a proposed decision on this application. CPUC Commissioners will then vote on a final decision at a public meeting.

You can read more about the utility's request and make public comment by visiting [apps.cpuc.ca.gov/c/AXXXXXXX]. For questions about participating in CPUC matters, you can contact the Public Advisor's Office at Public.Advisor@cpuc.ca.gov, 1-866-849-8390, or 505 Van Ness Ave., San Francisco, CA 94102. Please reference [A.XX-XX-XXX] in any communication with the CPUC.

Questions About the Request

For questions about this application, please contact California American Water at:
Email: CAWC.customeradvocacy@amwater.com
Phone: (619) 446-5520

Address: 1025 Palm Ave., Imperial Beach, CA 91932
Office Hours: Monday-Friday 7:30 am to 4:00 pm

Notice of California American Water's Customer Assistance Program Surcharge Increase Request

California-American Water Company's (CalAm) Application to the California Public Utilities Commission (CPUC) A.26-10-XXX

What is Being Requested?

On October 23, 2026, CalAm filed its application to request authorization to increase the cost cap for the Monterey Peninsula Water Supply Project ("MPWSP" or the "Project") Desalination Project and update the associated financing and ratemaking plan with the California Public Utilities Commission (CPUC). The application is requesting an increase to the statewide Customer Assistance Program surcharge expected to take effect on or about January 1, 2030.

Central Division						
Proposed Average Residential Customer Assistance Program Increase in 2030						
	Meter Size	**Average Use (CGL*)**	**Current Base Bill**	**$ Increase**	**Proposed Base Bill**	**% Increase**
Central Satellites	5/8-inch	75.35	$114.24	$1.27	$115.51	1.11%
West San Martin	5/8-inch	192.67	$108.14	$1.27	$109.41	1.17%

**1 CGL = 100 gallons*

Monterey Wastewater						
Proposed Average Residential Customer Assistance Program Increase in 2030						
	Meter Size	**Average Use (CGL*)**	**Current Base Bill**	**$ Increase**	**Proposed Base Bill**	**% Increase**
Monterey Wastewater - Passive	N/A	N/A	$101.32	$1.27	$102.59	1.25%

Monterey Wastewater - Active	N/A	N/A	$158.33	$1.27	$159.60	0.80%

How Would This Impact the Average Residential Customer?
If the request is approved, the average residential customer around the state who is not enrolled in the Customer Assistance Program would see an increase on the surcharge of $1.27.

Additional Information
An administrative law judge will hold hearings, consider evidence, testimony, and public comments before drafting a proposed decision on this application. CPUC Commissioners will then vote on a final decision at a public meeting.

You can read more about the utility's request and make public comment by visiting [apps.cpuc.ca.gov/c/AXXXXXXX]. For questions about participating in CPUC matters, you can contact the Public Advisor's Office at Public.Advisor@cpuc.ca.gov, 1-866-849-8390, or 505 Van Ness Ave., San Francisco, CA 94102. Please reference [A.XX-XX-XXX] in any communication with the CPUC.

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Northern Division						
Proposed Average Residential Customer Assistance Program Increase in 2030						
	Meter Size	**Average Use (CGL*)**	**Current Base Bill**	**$ Increase**	**Proposed Base Bill**	**% Increase**
Sacramento	5/8-inch	73.89	$71.54	$1.27	$72.81	1.78%
Larkfield	5/8-inch	64.06	$81.50	$1.27	$82.77	1.56%
Meadowbrook	5/8-inch	116.68	$64.59	$1.27	$65.86	1.97%
Bass Lake	5/8-inch	99.50	$127.23	$1.27	$128.50	1.00%
Dunnigan Wastewater	N/A	N/A	$54.74	$1.27	$56.01	2.32%

**1 CGL = 100 gallons*

How Would This Impact the Average Residential Customer?

If the request is approved, the average residential customer around the state who is not enrolled in the Customer Assistance Program would see an increase on the surcharge of $1.27.

Additional Information

An administrative law judge will hold hearings, consider evidence, testimony, and public comments before drafting a proposed decision on this application. CPUC Commissioners will then vote on a final decision at a public meeting.

You can read more about the utility's request and make public comment by visiting [apps.cpuc.ca.gov/c/AXXXXXXX]. For questions about participating in CPUC matters, you can contact the Public Advisor's Office at Public.Advisor@cpuc.ca.gov, 1-866-849-8390, or 505 Van Ness Ave., San Francisco, CA 94102. Please reference [A.XX-XX-XXX] in any communication with the CPUC.

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California-American Water Company's (CalAm) Application to the California Public Utilities Commission (CPUC) A.26-10-XXX

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Southern Division						
Proposed Average Residential Customer Assistance Program Increase in 2030						
	Meter Size	**Average Use (CGL*)**	**Current Base Bill**	**$ Increase**	**Proposed Base Bill**	**% Increase**
Baldwin Hills	5/8-inch	87.66	$90.90	$1.27	$92.17	1.40%
Bellflower	5/8-inch	84.94	$63.60	$1.27	$64.87	2.00%
Duarte	5/8-inch	104.67	$101.07	$1.27	$102.34	1.26%
East Pasadena	5/8-inch	67.00	$54.68	$1.27	$55.95	2.32%
Piru	5/8-inch	75.62	$63.46	$1.27	$64.73	2.00%
San Diego	5/8-inch	58.47	$84.79	$1.27	$86.06	1.50%
San Marino	5/8-inch	126.79	$118.24	$1.27	$119.51	1.07%
Ventura	5/8-inch	103.40	$115.11	$1.27	$116.38	1.10%
Yerba Buena	5/8-inch	82.70	$121.87	$1.27	$123.14	1.04%

**1 CGL = 100 gallons*

How Would This Impact the Average Residential Customer?

If the request is approved, the average residential customer around the state who is not enrolled in the Customer Assistance Program would see an increase on the surcharge of $1.27 per month.

Additional Information

An administrative law judge will hold hearings, consider evidence, testimony, and public comments before drafting a proposed decision on this application. CPUC Commissioners will then vote on a final decision at a public meeting.

You can read more about the utility's request and make public comment by visiting [apps.cpuc.ca.gov/c/AXXXXXXX]. For questions about participating in CPUC matters, you can contact the Public Advisor's Office at Public.Advisor@cpuc.ca.gov, 1-866-849-8390, or 505 Van Ness Ave., San Francisco, CA 94102. Please reference [A.XX-XX-XXX] in any communication with the CPUC.

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Office Hours: Monday-Friday 7:30 am to 4:00 pm

ATTACHMENT J

California-American Water Company

(a wholly-owned subsidiary of American Water Works Company, Inc.) Financial Statements

August 31, 2026

(Unaudited)

CALIFORNIA-AMERICAN WATER COMPANY
Statement of Operation (Unaudited)
Eight Months ended August 31, 2026
(Dollars in thousands)

	Eight Months Ended Aug 31 2026 Actual
Operating revenues	$ 271,212
Operating expenses	
Operation and maintenance	132,601
Depreciation	31,537
Amortization	3,588
General taxes	9,445
Gain on disposition of property	244
Impairment charges	-
Total operating expenses	177,416
Operating income	93,796
Other deductions(income)	
Interest on long-term debt	17,755
Interest on short-term debt to affiliate	3,353
Other interest, net	(338)
Nonoperating benefit costs, net	400
Loss on extinguishment of debt	52
AFUDC	(14,729)
Amortization of debt expense	379
Other (income)/deductions, net	1,450
Total other net deductions	8,322
Income(loss) before income taxes	85,474
Income tax provision	20,482
Net income(loss)	$ 64,993

CALIFORNIA-AMERICAN WATER COMPANY
Balance Sheets (Unaudited)
As of August 31, 2026
(Dollars in thousands)

	Actuals
Assets	
Utility Plant in Service	1,823,274
Construction Work in Progress	544,682
Utility Plant Accumulated Depreciation/Amortization	(519,255)
Total Utility Plant Adjustments	22,316
Utility property net of accumulatd depreciation	1,871,017
Nonutility property net of accumulatd depreciation	2,037
Total Property Plant and Equipment	1,873,054
Cash and Cash Equivalents	1,867
Restricted funds-current	1,141
Accounts receivable net	39,448
Unbilled Revenues	25,211
Materials and supplies	2,277
Prepaid other	0
Assets of discontinued operations	0
Other Current Assets	12,949
Total Current Assets	82,893
Regulatory assets	141,788
Operating lease right-of-use-assets	18,012
Other investments	6
Restricted Funds - Long-term	1,158
Goodwill	823
Intangible assets	0
Other Long Term Assets	331
Total Regulatory & Other L/T Assets	162,118
Total Assets	2,118,065

CALIFORNIA-AMERICAN WATER COMPANY
Balance Sheets (Unaudited)
As of August 31, 2026
(Dollars in thousands)

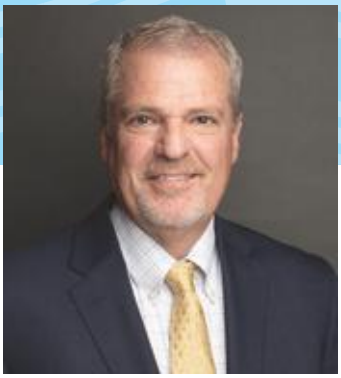
	Actuals
Capital & Liabilities	
Common Stock	92,478
Paid in Capital	477,421
Retained Earnings	276,699
Accumulated other comprehensive income	0
Treasury stock	0
Total Stockholders' equity	846,599
Preferred Stock without mandatory redemption requirements	0
Noncontrolling Interest	0
Total Equity	846,599
Long term debt	652,932
Redeemable preferred stock at redemption value	0
Total Long-term debt	652,932
Total Capitalization	1,499,530
Short Term Debt	101,835
Current Portion of Long-term Debt	885
Current portion of redeemable stock at redemption value	0
Accounts Payable	32,001
Accrued Liabilities	31,864
Taxes Accrued	3,294
Interest Accrued	10,735
Liabilities of Discontinued Operations	0
Other current liabilities	13,522
Total Current Liabilities	194,136
Customer Advances for Construction	27,970
Deferred Income Taxes	173,679
Deferred Investment tax credits	2
Regulatory liability	85,463
Accrued Pension	(13,137)
Accrued postretirement benefit expense	(9,180)
Operating lease liabilities	9,693
Other Deferred Credits	8,266
Regulatory & Other Long Term Liabilities	282,756
Contributions in aid of construction	141,642
Total Capital and Liabilities	2,118,065

AMERICAN WATER

WE KEEP LIFE FLOWING®



2026 Proxy Statement



AMERICAN WATER

March 24, 2026

Dear American Water Shareholder:

I am pleased to invite you to American Water's Annual Meeting of Shareholders on Wednesday, May 13, 2026, which will be conducted virtually to allow broad access to the meeting by shareholders and employees. For 2025, the Company continued to deliver strong financial and operating results, driven by its core strategy of growing its regulated businesses from infrastructure investment, acquisitions and organic growth. Also, during 2025, the Company continued to progress on initiatives to transform its business by driving efficiencies throughout its footprint, all to benefit its customers.

Most importantly, in October 2025, American Water announced a proposed merger with Essential Utilities, Inc., to combine as a leading regulated U.S. water and wastewater utility. The Board of Directors firmly believes this combination creates a value proposition that is unique in the utility sector and that, after closing, American Water will be better positioned for its future to help solve critical water and wastewater challenges across its combined footprint. The combined company expects to provide an attractive, long-term capital investment profile, thus continuing to deliver exceptional value for shareholders. Moreover, the combined company will bring together two exceptional teams with extensive experience in the regulated utility space, creating a stronger organization with deeper expertise and an enhanced ability to attract and retain top talent. On behalf of the Board of Directors, I want to thank you for the overwhelming vote of confidence you expressed for this proposed merger at our Special Meeting of Shareholders on February 10, 2026.

As the Company continues to plan for the completion of the merger and the eventual integration of the two companies, the Board of Directors and management maintain a strong focus on transparency and good corporate governance in the Company's current operations and as planned for the combined company. American Water will remain committed to its communities, maintaining the American Water headquarters in Camden, New Jersey as well as a strong, long-term operational presence in Essential Utilities' Bryn Mawr and Pittsburgh office locations. While the companies work to complete the merger, I want to let you know that American Water remains well-positioned to do what it does best — meet the needs of its customers in providing safe, clean, reliable and affordable water and wastewater services.

To conduct the business before shareholders at the Annual Meeting, it is important that your shares be represented and your vote counted. To do so, we encourage you to vote your shares in advance of the meeting by using one of the methods described in the accompanying proxy materials. On behalf of the Board of Directors, I thank you once again for your support and ownership of American Water.

Sincerely,

Karl F. Kurz
Board Chair

NOTICE OF VIRTUAL 2026 ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON MAY 13, 2026, at 10:00 a.m. ET

www.virtualshareholdermeeting.com/AWK2026

AMERICAN WATER

American Water Works Company, Inc., 1 Water Street, Camden, New Jersey 08102-1658

The 2026 Annual Meeting of Shareholders of American Water Works Company, Inc. (the "Company") will be held virtually (and not at a physical location) on Wednesday, May 13, 2026, at 10:00 a.m., Eastern time, to consider and take action on the following:

1. election of the ten (10) director nominees named in the accompanying proxy statement, each to serve until the date of the 2027 Annual Meeting of Shareholders and until their successor has been duly elected and qualified;
2. approval, on an advisory basis, of the compensation of the Company's named executive officers;
3. ratification of the appointment, by the Audit, Finance and Risk Committee of the board of directors, of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2026;
4. approval of amendments to, and a restatement of, the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan;
5. approval of amendments to, and a restatement of, the American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan;
6. approval of an amendment to the American Water Works Company, Inc. Restated Certificate of Incorporation to provide for officer exculpation; and
7. such other business, if any, as may properly be brought before the meeting or any adjournment, continuation or postponement of the meeting.

To permit broad access to the meeting by shareholders and employees, the 2026 annual meeting will be held virtually via remote communication, rather than at a physical location. You will not be able to attend the annual meeting in person. Please see pages 1 and 2 of the accompanying proxy statement for more information on attending virtually, and submitting your questions prior to and during, the meeting.

To be admitted to the meeting, please access the virtual meeting platform on the Internet at *www.virtualshareholdermeeting.com/AWK2026*. **In order to vote or submit questions during the annual meeting, shareholders or their legal proxies must be authenticated. To do so, you must enter the meeting website with the 16-digit control number included on your proxy card, Notice of Internet Availability of Proxy Materials or voting instruction form.** Online access to the meeting will open approximately 15 minutes prior to the start of the virtual meeting.

To vote or submit questions at the meeting, it is very important that you retain your proxy card, Notice of Availability, or voting instruction form, and all related materials, including your 16-digit control number, through the date of the meeting.

The Board of Directors has no knowledge of any other business to be transacted at the meeting. Only holders of record of shares of the Company's outstanding common stock as of the close of business on March 17, 2026, are entitled to notice of, and to vote at, the meeting.

A list of shareholders of record entitled to vote at the meeting will be available to any shareholder of record for examination beginning 10 days prior to the meeting. Please refer to page 2 of the accompanying proxy statement for more information about accessing the shareholder list before the meeting. The shareholder list will also be available for examination by any authenticated shareholder during the annual meeting on the meeting platform.

By Order of the Board of Directors,



Jeffrey M. Taylor
Senior Vice President and Secretary

March 24, 2026 ▪ Camden, New Jersey

Your vote is very important, and you have several convenient options to vote your shares. Whether or not you plan to attend the virtual 2026 Annual Meeting of Shareholders, ***you should read this proxy statement and submit your proxy or voting instructions as soon as possible****. For specific instructions on how to vote your shares, please refer to your proxy card, voting instruction form or instructions on the Notice of Internet Availability of Proxy Materials you received.*

PROXY STATEMENT SUMMARY

This summary highlights information generally contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider, and you should read the entire proxy statement carefully before voting your shares. For more complete information regarding the Company's 2025 performance, please review the Company's Annual Report on Form 10-K for the year ended December 31, 2025, which we refer to in this proxy statement as the 2025 Form 10-K.

ANNUAL MEETING INFORMATION



Wednesday, May 13, 2026, 10:00 a.m., Eastern time (online access will open at approximately 9:45 a.m., Eastern time)



The Annual Meeting will be held virtually only (and not at a physical location) at *www.virtualshareholdermeeting.com/AWK2026*



Record holders as of March 17, 2026 are entitled to notice of, and to vote at, the Annual Meeting

SUMMARY OF MATTERS TO BE VOTED UPON AT THE ANNUAL MEETING

The following table summarizes the items that will be brought for a vote of our shareholders at the meeting, along with the Board's voting recommendations and the required vote for approval.

Proposal No.	Description of Proposal	Required Vote for Approval	Board's Recommendation	
1	**To elect ten (10) director nominees**	For each director, majority of votes cast	☑ FOR EACH NOMINEE	See page 17
2	**To approve, on an advisory basis, the compensation of our named executive officers**	Majority of shares present and entitled to vote on Proposal 2	☑ FOR	See page 30
3	**To ratify the appointment of our independent registered public accounting firm**	Majority of shares present and entitled to vote on Proposal 3	☑ FOR	See page 67
4	**To approve the amending and restating of our 2017 Omnibus Equity Compensation Plan**	Majority of shares present and entitled to vote on Proposal 4	☑ FOR	See page 69
5	**To approve the amending and restating of our 2017 Nonqualified Employee Stock Purchase Plan**	Majority of shares present and entitled to vote on Proposal 5	☑ FOR	See page 79
6	**To approve an amendment to our Restated Certificate of Incorporation to provide for officer exculpation**	Majority of all outstanding shares entitled to vote on Proposal 6	☑ FOR	See page 85

COMPANY OVERVIEW, STRATEGY AND VALUES

American Water is the largest and most geographically diverse, publicly traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. We provide drinking water, wastewater and other related services to approximately 14 million people in 24 states.

The majority of our business is conducted through regulated utilities that provide our water and wastewater services. We also operate other businesses that provide water and wastewater services to the U.S. government on 18 military installations, as well as to municipalities. As of December 31, 2025, we employed approximately 7,000 professionals.

Our strategy spans three core areas of execution for our business: **operations**, **capital** and **regulatory**. **Operational execution** involves the day-to-day management of our water and wastewater systems that provide safe, clean, reliable and affordable service. We focus on the quality of execution and the need to operate our systems safely, efficiently and in compliance with all environmental requirements, for the benefit of our customers.

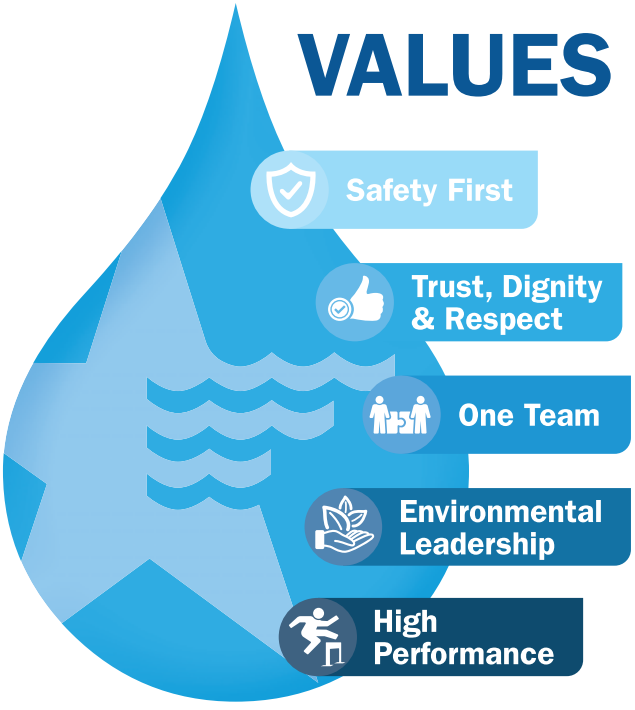
Capital execution supports the reliability and affordability aspects of our strategy. For 2026, we plan to invest approximately $3.7 billion to replace pipes and pumps, upgrade plants, and otherwise support the resiliency of our systems, as well as for acquisitions of water and wastewater systems to support growth and provide needed water quality and delivery improvements for new customers. Our capital execution requires extensive attention to planning, risk management and environmental compliance, as well as the timing and cost of our investment activity.

Regulatory execution focuses on our efforts to work with our regulators and policymakers to support the required level of investment, allow us to earn an appropriate and timely return on that investment, and help to keep our water and wastewater services affordable for customers. A substantial portion of our operations are subject to regulation by public utility commissions in the states in which they operate, with the primary goal of promoting the overall public interest by balancing the interests of customers and utility investors.

We undertake the execution of our strategy and daily operations with the commitment to conduct business responsibly, believing that "how" a company operates is just as important as "what" a company does. The foundation of this belief is grounded in our **core values**, which are as follows: (1) safety first; (2) trust, dignity and respect; (3) one team; (4) environmental leadership; and (5) high performance.

On October 26, 2025, American Water entered into a merger agreement with Essential Utilities, Inc., or Essential, to combine the two companies in a stock-for-stock transaction. Upon completion of the proposed merger, Essential will be a wholly owned subsidiary of American Water, and American Water will retain its existing name and remain headquartered in Camden, New Jersey. The completion of the proposed merger is subject to certain customary conditions, including obtaining required regulatory approvals. We currently estimate that the closing of the proposed merger will occur by the end of the first quarter of 2027.





We believe that executing our strategy in accordance with our core values directly supports and benefits each of our principal stakeholders, as summarized below:

CUSTOMERS	• We are committed to provide superior customer experience, based on the belief that every community should be stronger because we are there. • We support customer affordability by leveraging technology, working efficiently, investing prudently and focusing on day-to-day operational execution. • We seek to earn customers' trust by consistently meeting and/or exceeding water quality compliance standards.
PEOPLE	• Our number one focus is the safety of our employees and customers. • We strive to maintain an environment where our employees positively impact and understand the needs of the communities we serve. • By investing in the development of our employees, we seek to create a workplace where they can reach their fullest potential while feeling safe, respected and included.
INVESTORS	• We continue to offer investors a compelling growth opportunity while helping to address water and wastewater challenges in the United States. • Rate base growth forms the foundation of our earnings growth and supports a targeted 7 to 9 percent long-term earnings per share ("EPS") compounded annual growth rate. • Consistent with our expectations for earnings growth, we have had 17 consecutive years of dividend increases, with a compounded annual growth rate of 8.6 percent over the last five years. • As we partner with communities to seek water and wastewater solutions, we have targeted a 2 percent compounded annual growth rate in acquired customers to measure our acquisition performance.
REGULATORS/ POLICYMAKERS	• We seek to operate in constructive regulatory environments that support long-term service reliability and customer affordability. • To support these goals, we focus our work at the state and federal levels on policies such as customer assistance programs, drinking water standards that protect public health, and regulatory mechanisms that enable timely recovery of needed investment in our systems.

SUSTAINABILITY

We consider sustainability principles, such as environmental leadership and corporate governance, fundamental to our corporate strategy and values. We have developed a cross-functional approach that supports and drives our sustainability strategy, principles and reporting, which includes the direct involvement and participation of our executive leadership team and oversight from the Board.

We focus our sustainability efforts in three primary areas: **financial**, **operational** and **cultural**. We seek to achieve **financial sustainability** through our disciplined approach to capital investment and regulatory execution, which supports our efforts to grow our business and drive shareholder value while addressing water and wastewater challenges in the United States. Our capital investment program is financed with cash flows from operating activities and through a combination of debt and equity capital issuances structured to maintain a healthy balance sheet over the long term. The Company's approach to balance sheet management is centered on maintaining investment-grade metrics, substantial liquidity provided by highly-rated financial institutions, and interest rate management on new debt issuances through our hedging program.

Operational sustainability means focusing on our operating performance and the day-to-day management of our water and wastewater systems that provide safe, clean, reliable and affordable service. We focus on the quality of execution and the need to operate our systems safely, efficiently and in compliance with all environmental requirements, for the benefit of our customers. We believe this approach to operational sustainability is aligned with the values of our regulators and policymakers.

Cultural sustainability is reflected in our commitment to support a high performing workforce, while seeking to attract and retain employees who share our purpose and values and understand the needs of the communities in which we serve. We demonstrate this commitment to our employees through our values. We also believe that investing time, energy and resources in our workforce helps to generate new ideas, continuously improve operations and provide high-quality, reliable service for our customers and communities served.

Our values and actions have achieved various recognitions for demonstrating leadership in several areas related to trust, responsibility, sustainability and support of our communities, customers and employees. American Water was recognized on *Newsweek's* America's Most Responsible Companies 2025 and 2026 Lists, and *Newsweek's* World's Most Trustworthy Companies 2025. In addition, the Company was recognized as one of *Forbes's* America's Best Large Employers List for 2025 and *Forbes's America's* Best Employers for Company Culture 2025. American Water was also included on the *TIME* America's Best Mid-Size Companies 2025 list, among others.

AMERICAN WATER 2025 OPERATING PERFORMANCE HIGHLIGHTS

The charts below provide a summary of some of our key operating performance highlights for 2025:

Adjusted Diluted Earnings Per Share[1]

2023	2024	2025
$4.77	$5.18	$5.64

Total Debt to Total Capitalization Ratio
(as of December 31)

2023	2024	2025
56%	58%	59%

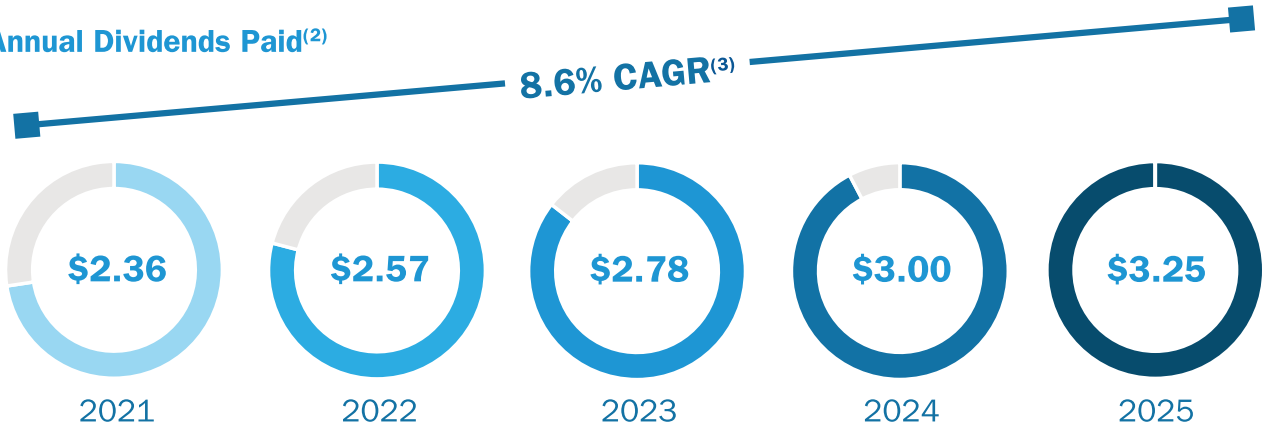
Operating Revenues
($ in Millions)

2023	2024	2025
$4,234	$4,684	$5,140

Capital Investments
($ in Billions)

2023	2024	2025
$2.7	$3.3	$3.2

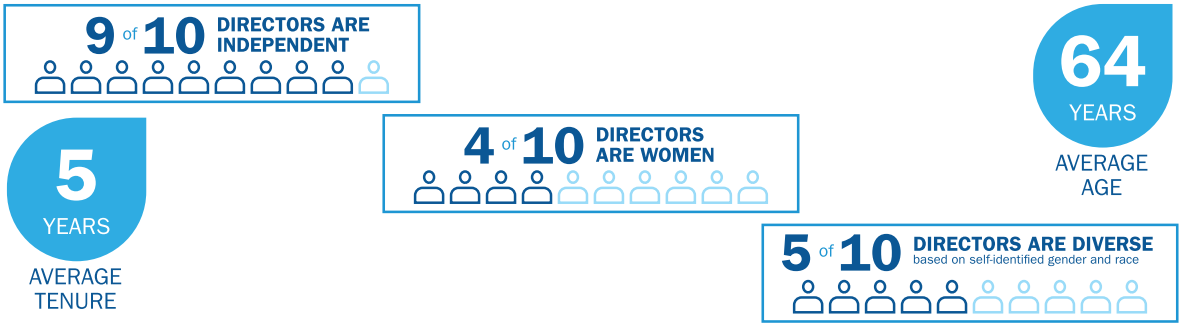
Annual Dividends Paid[2]



(1) Adjusted Diluted Earnings Per Share is a non-GAAP measure. See Parts A and D of Appendix A for a reconciliation and additional information. GAAP earnings per share for 2025, 2024 and 2023 was $5.69, $5.39 and $4.90, respectively.
(2) Annual Dividends Paid is rounded to two decimal places.
(3) Compounded Annual Growth Rate, or CAGR, is anchored off 2020 dividends paid.

BOARD OF DIRECTORS HIGHLIGHTS - BY THE NUMBERS

Presented below are certain key metrics about our director nominees:



DIRECTOR NOMINEES

The following table presents summary information about each of our 10 director nominees, as well as their standing committee memberships and positions as of the date of this proxy statement. The table below also discloses the Board's determination as to the independence of each director nominee under the listing standards of the New York Stock Exchange, or the NYSE, relevant rules of the Securities and Exchange Commission, or the SEC, and the Board's categorical standards for director independence. Each director is elected annually.

Name	Age	Director Since	Occupation	Independent?	Standing Committee Memberships/Position*
Jeffrey N. Edwards	65	2018	Vice Chairman, New Vernon Capital (non-executive officer)	Yes	• **Audit, Finance and Risk Committee (Chair)** • Nominating/Corporate Governance Committee, or Nominating Committee
John C. Griffith	59	2025	President and Chief Executive Officer of American Water (our principal executive officer)	No	None
Lisa A. Grow	60	2025	Director, President and Chief Executive Officer of IDACORP, Inc. and Idaho Power Company	Yes	• Nominating Committee • Safety, Environmental, Technology and Operations Committee, or SETO Committee
Laurie P. Havanec	65	2022	Retired Executive Vice President and Chief People Officer of CVS Health Corporation	Yes	• Executive Development and Compensation Committee, or ED&CC • SETO Committee
Julia L. Johnson	63	2008	President of Net Communications, LLC	Yes	• **Nominating Committee (Chair)** • ED&CC
Patricia L. Kampling	66	2019	Retired Chairman and Chief Executive Officer of Alliant Energy Corporation	Yes	• **ED&CC (Chair)** • Audit, Finance and Risk Committee
Karl F. Kurz	64	2015	Private investor and Retired Chief Operating Officer, Anadarko Petroleum Corporation	Yes	Non-Executive Board Chair
Michael L. Marberry	67	2022	Retired President and Chief Executive Officer of J.M. Huber Corporation	Yes	• **SETO Committee (Chair)** • Audit, Finance and Risk Committee • Nominating Committee
Stuart M. McGuigan	67	2024	Retired Global Chief Information Officer of Fresenius Medical Care AG	Yes	• ED&CC • SETO Committee
Raffiq Nathoo	59	2025	Managing Partner of T^{X3} Sage Rock	Yes	• Audit, Finance and Risk Committee • SETO Committee

DIRECTOR NOMINEE QUALIFICATIONS, EXPERIENCE AND REPRESENTATION

The following matrix highlights the key skills, qualifications, backgrounds and experiences, as well as director representation characteristics, of our director nominees. All information is based upon voluntary self-identification.

	Jeffrey N. Edwards	John C. Griffith	Lisa A. Grow	Laurie P. Havanec	Julia L. Johnson	Patricia L. Kampling	Karl F. Kurz (Board Chair)	Michael L. Marberry	Stuart M. McGuigan	Raffiq Nathoo
American Water Strategic Priorities										
Customer Experience	●	●	●	●	●	●	●	○	●	●
Customer Growth and Acquisitions	●	●	●	○	●	●	●	●	○	●
Safety	○	●	●	●	○	●	●	●	○	○
Human Capital Management	●	●	●	●	●	●	●	●	●	●
Investors/Financial	●	●	●	○	●	●	●	●	●	●
Regulators/Policymakers	●	●	●	○	●	●	●	○	●	●
Operational Execution	●	●	●	●	○	●	●	●	●	●
Additional Key Skills										
C-Suite	●	●	●	●	●	●	●	●	●	●
Governance/Risk Management	●	●	●	●	●	●	●	●	●	●
Legal	●	●	●	●	●	●	○	○	●	●
Sustainability	○	●	●	●	○	●	○	●	○	○
Technology and Cybersecurity	○	●	●	○	●	○	●	●	●	○
Representation										
Female			●	●	●	●				
Ethnically/Racially Diverse					●					●

● Technical Expertise ● Managerial Knowledge ○ Working Knowledge ● Representation

AMERICAN WATER EXECUTIVE COMPENSATION HIGHLIGHTS

We have summarized below key named executive officer, or NEO, compensation highlights for 2025:

- Compensation program is highly correlated to performance and focused on long-term value creation
- Considerable portion of pay is variable, rather than fixed, and is earned solely based on performance without incentivizing excessive risk-taking
- Formal chief executive officer (CEO) goal setting and performance assessment process utilized throughout each year
- Long-Term Performance Plan, or LTPP, is weighted significantly toward performance stock units
- Representative, relevant peer group is evaluated annually and used for performance and compensation benchmarking, as well as to compute relative total shareholder return, or TSR
- All NEO incentive-based compensation is subject to clawback provisions that exceed the requirements of applicable SEC and NYSE rules
- Executive stock ownership guidelines and retention requirements support alignment with shareholders' interests by requiring long-term retention of equity ownership
- Since 2017, executive equity compensation does not include stock options
- Perquisites and other personal benefits to NEOs are limited principally to executive physicals, Company-paid life insurance benefits and relocation benefits
- Double-trigger change-in-control provision in the 2017 Omnibus Equity Compensation Plan, or the 2017 Omnibus Plan, complements existing provision in Change of Control Severance Policy
- The ED&CC was advised by an independent compensation consultant throughout 2025
- NEOs have reasonable severance arrangements without excise tax gross-ups in the context of a change of control
- Annual shareholder advisory vote held on executive compensation, and management has adopted shareholders' last recommendation in 2023 to continue this practice
- Our cash-based annual performance plan, or APP, includes metrics related to safety and environmental leadership, highlighting our commitment to sustainability principles

ELECTRONIC DELIVERY OF PROXY MATERIALS

We encourage you to help us conserve natural resources and to reduce our annual meeting printing and mailing costs by electing to receive your proxy materials electronically via email. With electronic delivery, you will be notified via email as soon as future proxy materials are available on the Internet and can review and access those materials on any computer, tablet, smart phone or other similar device. You can also continue to vote online or by telephone, whichever is most convenient to you.

Electronic delivery helps eliminate duplicate mailings and reduces the amount of bulky paper documents you receive and maintain in your personal files. Your electronic delivery election will continue each year until you change it. Of course, should you wish to receive these materials in paper format, you may change your election accordingly.

If you would like to elect to receive electronic delivery of our proxy materials:

- If you hold shares registered in your own name, please contact our transfer agent, Equiniti Trust Company, LLC, or log into your account to enroll. Information on how to contact our transfer agent is provided on page 92 of this proxy statement.
- If you hold shares in "street name" (through a brokerage firm, trustee, bank, or other financial intermediary or nominee), please follow the instructions provided to you by your broker, trustee, bank or financial intermediary.

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American Water Works Company, Inc.
2026 Proxy Statement

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* * *

This proxy statement contains forward-looking statements based on the Company's current expectations and assumptions regarding future events, and readers are cautioned not to place undue reliance upon them. See "Other Matters—Forward-Looking Statements" beginning on page 94 of this proxy statement for further information regarding forward-looking statements.

*We strongly encourage you to help us conserve natural resources and reduce our printing and mailing costs by electing to receive proxy materials electronically via email, rather than in paper form. Please see **page 91** of this proxy statement for more information. Your prior election will continue each year until you change it.*

THE AMERICAN WATER ANNUAL MEETING

INFORMATION ABOUT THIS PROXY STATEMENT

Our Board is furnishing this proxy statement in connection with the solicitation of proxies to vote on matters to be submitted at our 2026 Annual Meeting of Shareholders and at any adjournment, continuation or postponement of the meeting. The Notice of Annual Meeting, this proxy statement, the accompanying proxy card and our 2025 Annual Report to Shareholders, or the 2025 Annual Report, were first sent or given on or about March 24, 2026, to shareholders of record as of March 17, 2026, which is referred to as the record date.

Throughout this proxy statement, unless the context otherwise requires:

- references to the "Board" or the "Board of Directors" mean the Board of Directors of American Water Works Company, Inc.;
- references to "common stock" mean the common stock, par value $0.01 per share, of American Water Works Company, Inc.;
- the terms the "meeting," the "virtual meeting," the "annual meeting," or the "2026 Annual Meeting" refer to the virtual 2026 Annual Meeting of Shareholders of American Water Works Company, Inc.;
- references to "we," "us," "our," the "Company" or "American Water" are to American Water Works Company, Inc., without its subsidiaries; and
- references to "our NEOs" and "our current NEOs" generally refer to our current named executive officers included in the Summary Compensation Table, while references to "all NEOs" or "all of our NEOs" would include former named executive officers included therein.

DATE AND TIME OF THE VIRTUAL ANNUAL MEETING

The meeting will be held at 10:00 a.m., Eastern time, on Wednesday, May 13, 2026. The meeting will be held solely in a virtual audio-only format accessible through the virtual meeting website, at *www.virtualshareholdermeeting.com/AWK2026*.

You will need the 16-digit control number set forth on your proxy card, Notice of Internet Availability of Proxy Materials or voting instruction form, as applicable, to vote or submit an appropriate question during the virtual annual meeting. Therefore, it is very important that you retain your proxy card, Notice of Availability or voting instruction form, and the related materials, including your assigned 16-digit control number, through the date of the annual meeting.

If you lose or misplace your 16-digit control number, please contact our Investor Relations team, at (856) 566-4005. All members of the public, including shareholders who have lost or misplaced their control number, will be able to access the meeting via the virtual meeting site as a guest; however, guest attendees will not be able to vote their shares on the virtual meeting platform or submit appropriate questions.

An audio webcast will be archived and available for at least 30 days after the meeting on our Investor Relations website at *ir.amwater.com.*

ATTENDING THE VIRTUAL ANNUAL MEETING

To permit broad shareholder and employee access to the meeting, we are holding the meeting solely via remote communications, also known as a "virtual meeting," rather than at a physical location. You will not be able to attend the meeting in person. However, this virtual meeting format will provide shareholders with an opportunity to participate in the meeting as they would at an in-person meeting. Instructions on how to attend and participate in the virtual meeting, as well as how to obtain technical and general support on the day of the meeting, will be available at *www.virtualshareholdermeeting.com/AWK2026.*

A shareholder may submit questions via the Internet in advance of the meeting before 11:59 p.m., Eastern time, on Tuesday, May 12, 2026, by accessing *www.proxyvote.com*, entering the shareholder's 16-digit control number set forth on the proxy card, Notice of Availability or voting instruction form, as applicable, and following the instructions to submit a question.

Shareholders may also submit questions once they have been admitted to the meeting as an authenticated shareholder. To do so, please access the virtual meeting platform at *www.virtualshareholdermeeting.com/AWK2026* via the Internet. **Shareholders or their legal proxies must enter the 16-digit control number found on the shareholder's proxy card, voting instruction form or other proxy materials**.

To attend the meeting, you will need a computer or a web-enabled phone, tablet or other device, together with appropriate Internet access. To attend the meeting, cast or change your vote, or submit questions, **you will also need to authenticate your status as a shareholder with your 16-digit control number**. Online access to the meeting will open approximately 15 minutes prior to the start of the meeting to permit you time to access and log into the virtual meeting platform. Your ability to be admitted to the meeting is also subject to potential capacity limits set by the virtual meeting platform provider.

Once admitted to the meeting as an authenticated shareholder, attendees may:

- listen to and participate in the meeting;
- submit appropriate questions germane to the matters to be voted on at the meeting;
- submit a vote or change a previously submitted vote; and
- during the meeting, view a list of shareholders of record as of the record date.

Members of the public, including shareholders who do not have their 16-digit control number, will be able to access the meeting as a guest in listen-only mode by visiting *www.virtualshareholdermeeting.com/AWK2026*. Shareholders and other persons without a 16-digit control number will not be able to otherwise participate in, vote at, or submit appropriate questions at, the meeting.

We intend to answer at the meeting, as time permits, properly submitted and appropriate questions that are germane to the matters to be voted on at the meeting. However, we reserve the right to exclude any inappropriate question, including any question that management believes to be (i) not pertinent to meeting matters; (ii) duplicative of another question; (iii) derogatory or in bad taste as determined under our rules of conduct for the meeting; (iv) related to pending or threatened litigation or personal grievances; or (v) otherwise excludable under the meeting's rules of conduct.

No recording or rebroadcasting of the meeting by participants will be permitted.

SHARES ENTITLED TO VOTE

All shareholders of record as of the record date are entitled to vote at the meeting. As of the close of business on the record date, 195,280,114 shares of our common stock were outstanding. Each outstanding share of common stock entitles the holder of record to one vote on each matter submitted to the vote of shareholders at the meeting. Holders of our unvested restricted stock units, or RSUs, and unvested performance stock units, or PSUs, as well as holders of awards as to which the receipt of underlying common stock has been deferred, are not entitled to vote any shares of common stock underlying those awards at the meeting.

Under our Amended and Restated Bylaws, the holders of a majority of the outstanding shares of our common stock at the close of business on the record date must be present at the meeting, either virtually or by proxy, to constitute a quorum and to transact business at the meeting. Abstentions and broker non-votes are included in the determination of shares present at the meeting for quorum purposes. See "—How to Vote Shares Held in Street Name" beginning on page 4 of this proxy statement for more information on "broker non-votes."

SHAREHOLDER LIST

If you are a shareholder of record, and you wish to examine the list of shareholders during the 10-day period preceding the annual meeting, please email your full legal name, address and daytime telephone number and a request to examine the shareholder list, to our Secretary at *svc_corpsecoffice@amwater.com*. You will be contacted by telephone or email to arrange for you to access the list.

MATTERS TO BE VOTED ON AT THE ANNUAL MEETING

The following table describes the items to be brought for a vote of our shareholders at the meeting, the vote required for adoption of each proposal, the treatment of abstentions and broker non-votes for each matter, and the Board's voting recommendation as to each matter:

Proposal No.	Brief Description of Proposal	Vote Required	Treatment of Abstentions	Treatment of Broker Non-Votes	Board's Recommendation
1	**Election of ten (10) director nominees**	Each director is elected by a majority of the votes cast **"FOR"** election	Not taken into account	Not taken into account	☑ **FOR** EACH NOMINEE
2	**Approval, on an advisory basis, of the compensation of our named executive officers**	A majority of the shares of common stock present and entitled to vote at the annual meeting on this proposal must be voted **"FOR"** approval	Counted as an **"AGAINST"** vote	Not taken into account	☑ **FOR**
3	**To ratify the appointment of our independent registered public accounting firm**	A majority of the shares of common stock present and entitled to vote at the annual meeting on this proposal must be voted **"FOR"** approval	Counted as an **"AGAINST"** vote	Not applicable, as this is considered to be a "routine" matter	☑ **FOR**
4	**To approve the amending and restating of our 2017 Omnibus Equity Compensation Plan**	A majority of the shares of common stock present and entitled to vote at the annual meeting on this proposal must be voted **"FOR"** approval	Counted as an **"AGAINST"** vote	Not taken into account	☑ **FOR**
5	**To approve the amending and restating of our 2017 Nonqualified Employee Stock Purchase Plan**	A majority of the shares of common stock present and entitled to vote at the annual meeting on this proposal must be voted **"FOR"** approval	Counted as an **"AGAINST"** vote	Not taken into account	☑ **FOR**
6	**To approve an amendment to our Restated Certificate of Incorporation to provide for officer exculpation**	A majority of all of the outstanding shares of common stock entitled to vote at the annual meeting on this proposal must be voted **"FOR"** approval	Counted as an **"AGAINST"** vote	Counted as an **"AGAINST"** vote	☑ **FOR**

HOW TO VOTE SHARES REGISTERED IN YOUR OWN NAME

If you own shares that are registered on our books and records in your own name, you can vote your shares in any of the following ways:



BY INTERNET

You can vote via the Internet at *www.proxyvote.com*. If you received printed proxy materials, follow the instructions for Internet voting printed on your proxy card. If you received a Notice of Availability, follow the instructions provided in the Notice of Availability.



CALL TOLL-FREE

Call toll-free 1-800-690-6903. You also can vote by telephone using the instructions provided on the Internet voting site, or, if you received printed proxy materials, by following the instructions provided on your proxy card.



BY MAIL

If we mailed you a printed copy of this proxy statement and a paper proxy card, you can vote by completing, signing and dating the proxy card, and returning it in the provided postage-paid envelope.



ATTEND

Attend the virtual meeting as an authenticated shareholder to vote. See "—Attending the Virtual Annual Meeting" beginning on page 1 of this proxy statement.

The internet and telephone voting for shareholders of record will close at 11:59 p.m., Eastern Time, on Tuesday, May 12, 2026.

Your signed proxy card, or the proxy you grant via the Internet or by telephone, will be voted in accordance with your instructions. If you return a signed proxy card or grant a proxy via the Internet or by telephone, but do not indicate how you wish your shares to be voted, your shares will be voted:

- "**FOR**" the election of each of the Board's ten (10) director nominees;
- "**FOR**" the approval, on an advisory basis, of the compensation of our named executive officers;
- "**FOR**" the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2026;
- "**FOR**" amending and restating our 2017 Omnibus Equity Compensation Plan;
- "**FOR**" amending and restating our 2017 Nonqualified Employee Stock Purchase Plan; and
- "**FOR**" amending our Restated Certificate of Incorporation to provide for officer exculpation.

In the absence of instructions to the contrary, proxies will be voted in accordance with the judgment and discretion of the person exercising the proxy on any other matter properly presented at the meeting and any adjournment, continuation or postponement thereof.

If you wish to vote your shares virtually at the meeting, you may vote online during the meeting as an authenticated shareholder by logging into the meeting website at *www.virtualshareholdermeeting.com/AWK2026*, entering your 16-digit control number, and following the on-screen instructions.

If you received more than one proxy card or Notice of Availability, your shares are likely held in more than one account, registered in different names or registered with different addresses. You must separately vote the shares shown on each proxy card or Notice of Availability that you receive in order for all of your shares to be voted at the meeting. For more information regarding the Notice of Availability, please see "Communications, Shareholder Proposals and Company Information—Delivering Proxy Materials Through Electronic Means" on page 91 of this proxy statement.

HOW TO VOTE SHARES HELD IN STREET NAME

If you hold shares through a brokerage firm, trustee, bank, or other financial intermediary or nominee, which is known as holding shares in "street name," you will receive a voting instruction form from that broker, trustee, bank or other financial intermediary or nominee, each of which we refer to as an

"intermediary." The form will explain how to direct the voting of your shares through the intermediary, which may include the ability to provide voting instructions via the Internet or by telephone.

If your shares are held in street name and you want to vote on any of Proposals 1, 2, 4, 5 or 6, you MUST indicate how you wish your shares to be voted. The broker will vote shares held by you in street name in accordance with your voting instructions, as indicated on your signed voting instruction form or by the instructions you provide via the Internet or by telephone. Absent such instructions, NYSE rules prohibit a broker from exercising discretion to cast a vote with respect to your shares. In that case, a proxy submitted by the broker with respect to your shares would indicate that the broker is unable to cast a vote with respect to the matter, which is commonly referred to as a "broker non-vote." With respect to Proposals 1, 2, 4 and 5, broker non-votes will have no impact on the outcome. As to Proposal 6, a broker non-vote is equivalent to a vote **"AGAINST"** the proposal.

Under NYSE rules, Proposal 3 is considered a "routine matter," and thus a broker would be permitted in its discretion to cast a vote on that proposal as to your shares in the event that you do not provide the broker with voting instructions. In that case, broker non-votes are not applicable. Accordingly, if your shares are held in street name, it is important that you provide voting instructions to the intermediary so that your vote will be counted.

If you received more than one voting instruction form or Notice of Availability, your shares are likely registered in different names or with different addresses or are in more than one account. You must separately follow the foregoing voting procedures for each voting instruction form or Notice of Availability that you receive in order for all of your shares to be voted at the meeting. For more information regarding the Notice of Availability, please see "Communications, Shareholder Proposals and Company Information—Delivering Proxy Materials Through Electronic Means" on page 91 of this proxy statement.

If you hold shares in street name and wish to vote your shares virtually at the meeting, you may vote online during the meeting as an authenticated shareholder by visiting *www.virtualshareholdermeeting.com/AWK2026*, entering your 16-digit control number, and following the on-screen instructions. The availability of online voting may depend on your intermediary's specific voting procedures. Please contact your intermediary for information.

REVOKING OR CHANGING A PROXY

If you own shares in your own name (including shares you may hold through American Water Stock Direct, our dividend reinvestment and direct stock purchase plan), you may revoke or change any prior proxy, regardless of how your proxy was originally submitted, by:

- sending a written statement to that effect to our Secretary, which must be received by us before the meeting;
- submitting a properly signed proxy card dated a later date;
- submitting a later dated proxy via the Internet or by telephone; or
- attending the meeting virtually as an authenticated shareholder and voting your shares online during the meeting.

Please see "Communications, Shareholder Proposals and Company Information—Contacting Us or Our Transfer Agent" on page 92 of this proxy statement for more information on providing our Secretary with written notice and "—Attending the Virtual Annual Meeting" beginning on page 1 of this proxy statement regarding the requirements for attending the virtual meeting.

If you hold shares in street name, you should follow the instructions provided on the voting instruction form you received from the intermediary or contact the intermediary for instructions on how to change or revoke your vote.

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

THE BOARD OF DIRECTORS

As of the date of this proxy statement, the Board is comprised of 10 members, consisting of nine independent directors and John C. Griffith, our President and Chief Executive Officer.

The Board held 10 meetings during 2025. During the period in 2025 for which each incumbent director served as such, each such director attended at least 75 percent of the combined number of Board meetings and meetings of the Board committees on which such director served. The average attendance during 2025 for all Board members was 95.0 percent.

The Board has adopted an attendance policy, set forth in our Corporate Governance Guidelines, under which attendance, whether in person or by remote communication, is expected at all Board and committee meetings, except for absences previously excused by the Board Chair or the Chair of the Nominating Committee, due to extraordinary circumstances. All members of the Board are expected to attend the annual meeting of shareholders, except for absences due to unavoidable or extenuating circumstances. All of the directors then on the Board in 2025 attended the annual meeting.

At most regularly scheduled meetings, the Board meets in executive session, without members of management present. Our independent, non-executive Board Chair presides over these sessions.

BOARD REVIEW OF RELATED PERSON TRANSACTIONS

The Board has approved a Related Person Transaction Policy, which serves to identify, review and approve transactions involving related persons. This policy supplements our Code of Ethics by prohibiting transactions with related persons unless specifically exempt or prior written approval is granted as discussed below. Related person transactions are non-exempt transactions, relationships or arrangements in excess of $120,000 in which American Water or any subsidiary was or is to be a participant and a related person had or will have a direct or indirect material interest. For purposes of this policy, a “related person” is:

- an executive officer or director of the Company;
- a beneficial owner of more than 5 percent of our common stock; or
- an immediate family member (as defined by the policy) of any of the foregoing.

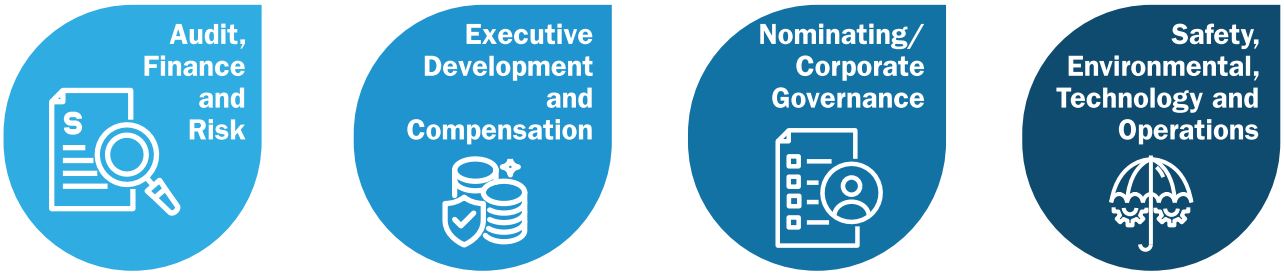
Approval of a related person transaction may only be granted in writing in advance by the disinterested members of either the Board or the Audit, Finance and Risk Committee. Before any related person transaction is approved, the following factors, among others, are to be considered:

- the purpose, and the potential benefits to American Water, of the transaction;
- the related person’s interest in the transaction;
- the dollar value of the transaction or the related person’s interest in the transaction without regard to the amount of any profit or loss;
- whether the transaction is to be undertaken in the ordinary course of business of American Water; and
- whether the transaction is on terms more favorable to American Water than a transaction with an unrelated third party.

Approval of a related person transaction under the policy will be granted only if it is determined that, under all of the circumstances, the transaction is in the best interests of American Water and only so long as those interests outweigh any negative effects that may arise from permitting the transaction to occur.

BOARD COMMITTEES

As of the date of this proxy statement, the Board has four separately designated standing committees:



Each standing committee has a charter that governs its operations and sets forth each such committee's duties and responsibilities. A copy of each such committee's charter is available on our Investor Relations website at *ir.amwater.com* and can also be obtained, free of charge, by sending us a written request. See "Communications, Shareholder Proposals and Company Information—Contacting Us or Our Transfer Agent" on page 92 of this proxy statement.

As needed, each standing committee sets a time to meet in executive session without management present. The ED&CC has its independent compensation consultant present in regular or executive sessions. The Audit, Finance and Risk Committee meets regularly in separate executive sessions with, among others:

- our Vice President of Internal Audit;
- our General Counsel and/or our Chief Compliance Officer; and
- representatives of our independent registered public accounting firm.

Also, each standing committee has the authority to retain outside advisors, including legal counsel or other experts, as it deems appropriate in its sole discretion and to approve the fees and expenses associated with such advisors.

The membership of each of the standing Board committees as of the date of this proxy statement, including the number of committee meetings held during 2025, are set forth in the table below:

Director	Age	Director Since	Independent?	Audit, Finance and Risk Committee	Executive Development and Compensation Committee	Nominating/ Corporate Governance Committee	SETO Committee
Jeffrey N. Edwards*	65	2018	Yes	C		M	
John C. Griffith	59	2025	No				
Lisa A. Grow	60	2025	Yes			M	M
Laurie P. Havanec	65	2022	Yes		M		M
Julia L. Johnson	63	2008	Yes		M	C	
Patricia L. Kampling*	66	2019	Yes	M	C		
Karl F. Kurz	64	2015	Yes				
Michael L. Marberry*	67	2022	Yes	M		M	C
Stuart M. McGuigan	67	2024	Yes		M		M
Raffiq Nathoo*	59	2025	Yes	M			M
Meetings held in 2025				(6)	(5)	(4)	(4)

M Committee Member C Committee Chair * Audit Committee Financial Expert

A description of each of our standing committees as of the date of this proxy statement, together with its primary responsibilities, is provided below.

Audit, Finance and Risk

- Coordinates oversight of financial planning and reporting
- Discusses policies with respect to risk assessment and enterprise risk management, major financial risk exposures and the monitoring and control thereof
- Coordinates oversight of operational risk management with the other committees and the Board
- Represents and assists the Board in fulfilling its responsibility to oversee:
  - the quality and integrity of our financial statements;
  - the adequacy and effectiveness of our system of internal controls;
  - our compliance with legal and regulatory requirements;
  - our independent auditor's qualifications and independence;
  - the performance of our internal audit function and that of our independent auditor;
  - issues regarding accounting principles, including changes in accounting and auditing principles and practices;
  - our risk assessment and risk management strategy; and
  - our financial policies and significant financial decisions
- Has sole authority and responsibility to appoint, compensate, retain, terminate and oversee our independent auditor
- Monitors, reviews and evaluates our:
  - financial forecasts, financial condition and anticipated financing requirements;
  - capital structure, including transactions involving debt and equity securities, and related credit ratings;
  - cash management and capital expenditure plan and strategies;
  - dividend payment policy; and
  - investment performance of benefit plan assets and investment guidelines
- Exercises Board authority as to long-term debt issuances and related guarantees and support obligations
- Reviews internal controls with respect to information and technology systems, security management systems and cybersecurity that could have a significant impact on our financial statements
- Recommends to the Board actions with respect to our directors' and officers' liability insurance programs
- Adopts, and oversees the enforcement of, our Code of Ethics, and the treatment of complaints thereunder
- No less frequently than every two years, reviews and approves the Internal Audit Charter, including any amendments thereto, and approves the internal audit plan

Executive Development and Compensation

- Establishes and reviews our overall compensation philosophy
- Reviews and recommends to the Board the compensation of the CEO and related goals and objectives, and reviews the CEO's performance in light of those goals and objectives
- Approves compensation paid to, and oversees benefit plans and programs for, our other Section 16 officers
- Reviews and makes recommendations to the Board regarding our equity-based compensation plans, and takes actions thereunder as required by the plans
- Reviews and approves performance-based cash compensation plans that apply to Section 16 officers
- Reviews periodically our executive compensation programs to determine whether they are properly coordinated and implemented and achieving their intended purpose
- Reviews and recommends to the Board compensatory contracts or other similar transactions, contracts and arrangements with the CEO, President, COO and CFO, and, subject to certain exceptions, approves such transactions, contracts and arrangements with respect to other Section 16 officers
- With input from the Board, oversees the process for executive succession planning, other than for the CEO
- At least annually, reviews and assesses our human capital and workforce management programs, culture and related engagement, and organizational/leadership development plans and programs, and programs designed to identify, attract and retain high-potential employees
- Reviews a risk assessment of our compensation policies and practices and makes appropriate recommendations to the Board
- Reviews and recommends to the Board the creation or revision of any compensation recoupment policy applicable to the Board or Section 16 officers
- Reviews and monitors employee retirement and other benefit plans
- Establishes, periodically reviews and approves stock ownership guidelines and retention requirements
- Reviews and recommends to the Board the form and amount of director and Board Chair compensation at least every two years

Nominating/ Corporate Governance



- Establishes criteria for the selection of new director candidates
- Identifies qualified director nominees and recommends their election to the Board
- Conducts appropriate background and qualification inquiries into director nominees
- Reviews and makes recommendations on the composition and size of the Board
- Considers making recommendations regarding a Board Chair and, if applicable, a lead director
- Recommends members to serve on Board committees and as committee chairs
- Establishes, monitors and recommends the structure, membership and operations of each committee of the Board and the creation or elimination of committees
- Oversees the annual evaluation of each director and the Board as a whole
- Develops and recommends to the Board amendments to its Corporate Governance Guidelines, and annually assesses their adequacy
- Considers and makes recommendations on questions of director independence
- Reviews the adequacy of our certificate of incorporation, bylaws and committee charters
- Oversees our continuing director education program
- Oversees, with input from the Board Chair and the current CEO, the process of CEO succession planning
- Reviews and recommends to the Board changes to our Political Contribution Policy and all public disclosures required under that policy
- Recommends to the Board whether to accept or reject a director resignation upon failing to receive a majority vote of the shareholders or after a substantial change in a director's professional responsibilities, occupation or business association

Safety, Environmental, Technology and Operations



- Represents and assists the Board in overseeing and reviewing:
  - our employee and public safety policies and practices;
  - our environmental policies and practices, including water quality and conservation and climate variability;
  - our technology policy, strategy and governance, including with respect to physical security and cybersecurity, the customer experience and major technology projects; and
  - operational performance and risk exposure and mitigation strategies not covered by another committee of the Board
- Reviews physical security and cybersecurity threat assessments, emerging issues and related initiatives
- Coordinates with the Audit, Finance and Risk Committee on matters related to cybersecurity risk
- Reviews and monitors:
  - significant environmental strategies and policy and planning of environmental issues of interest to the Company;
  - compliance with environmental laws and regulations; and
  - environmental performance in regards to Company metrics

Under the terms of its charter, the ED&CC has delegated authority to certain committees comprised of members of management to perform fiduciary, asset administration, and other administrative activities with respect to certain of the Company's retirement and other benefit plans. Also, as authorized by the terms of the 2017 Omnibus Plan, the ED&CC has delegated authority to the CEO to grant awards under the 2017 Omnibus Plan to Company employees who are not Section 16 officers, subject to an annual maximum number of shares that may be awarded utilizing this delegated authority.

In addition, the Board has designated an Emergency Executive Committee as a non-standing committee of the Board comprised of the Board Chair, as chair, and the chairs of each of the Board's standing committees, as the other members, to provide for Board action in the event of an emergency or other time-sensitive matter, as determined by the Board. The Emergency Executive Committee is authorized to act on behalf of the Board as to any matter, except as to matters that cannot be delegated to a committee under Delaware law. During 2025, the Emergency Executive Committee did not meet.

BOARD LEADERSHIP STRUCTURE

Since May 14, 2025, Mr. Griffith has served as our Chief Executive Officer and as a member of our Board. Mr. Griffith has also served as our President since August 1, 2024. Mr. Kurz has served as our Board Chair since May 11, 2018.

In accordance with our Corporate Governance Guidelines, the Board Chair is an independent director. We believe that the oversight function of a board of directors is enhanced when an independent director, serving as board chair, is in a position to set the agenda for, and preside over, meetings of the board of directors. We also believe that our leadership structure enhances the active participation of our independent directors.

The Board Chair is responsible for:

- setting the agenda for meetings of the Board, and presiding over Board meetings at which the Board Chair is present;
- coordinating the work of the Board committees;
- overseeing the distribution of materials by our Secretary to the members of the Board;
- serving as the independent director primarily responsible for Board consultations and communications between the Board and shareholders; and
- performing such other duties as the Board may, from time to time, require to assist it in the fulfillment of its duties.

If the Board Chair ceases to be an independent director, the Board shall select another Board Chair from among the members of the Board who are determined by the Board at that time to be independent directors. The Board Chair may be removed from that position at any time, by a majority of the members of the Board. The Nominating Committee may nominate or recommend a candidate for Board Chair for consideration by the Board.

Under the terms of the merger agreement with Essential, Mr. Kurz would remain Board Chair of the combined company as of the effective time of the merger. Mr. Franklin would be appointed to serve as Executive Vice Chair of the board of directors of the combined company.

BOARD ROLE IN RISK OVERSIGHT

One of the responsibilities of the Board is the oversight of our risk management activities, which is discharged by the Board as well as through the Audit, Finance and Risk Committee, the ED&CC and the SETO Committee. In discharging this responsibility, the Board and these committees, with the assistance of management, monitor and evaluate our major enterprise risks and oversee and monitor the design and implementation of guidelines and programs to manage these risks.

Our management has overall responsibility for conducting risk assessments and risk management strategy and programs. Our Enterprise Risk Management Committee, consisting of various Company executives, as well as certain functional and business unit employees and leaders, oversees enterprise risk management activities. The Enterprise Risk Management Committee meets at least four times a year. The Enterprise Risk Management Committee's areas of focus include competitive, economic, operational (including physical security and cybersecurity), financial (including accounting, internal audit, credit, liquidity and tax), legal, compliance, regulatory, health, safety and environmental, political and reputational risks.

Audit, Finance and Risk Committee Role

The Audit, Finance and Risk Committee is responsible for assisting the Board in overseeing the Company's accounting and disclosure controls, the design and performance of the internal audit, ethics and compliance functions, and the enterprise risk management process, including risk assessments and risk management strategy. The Audit, Finance and Risk Committee also has direct authority over the Company's independent registered public accounting firm.

In performing these responsibilities, the Audit, Finance and Risk Committee reviews, at least annually, with management our major financial and operational risk

exposures, including any risk concentrations and risk interrelationships, the magnitude and the likelihood of occurrence of risk, and management's activities to monitor and control these exposures. This committee also reviews our major financial risks, including credit, liquidity, market and funding risks. The Audit, Finance and Risk Committee coordinates oversight of operational risk management, including with respect to cybersecurity risks, with the SETO Committee. The Audit, Finance and Risk Committee also oversees our insurance risk management policies and programs and makes recommendations to the Board regarding the structure and renewal of our directors' and officers' liability insurance program.

Executive Development and Compensation Committee Role

The ED&CC assesses potential risks related to our compensation policies and practices. Management conducts and presents to the ED&CC for its review an annual risk assessment of our executive compensation, with a particular focus on performance-based compensation. This risk assessment is directly supported by our internal enterprise risk management function and our Enterprise Risk Management Committee, and includes an in-depth review of the risks associated with our compensation and variable pay programs, employing a risk identification methodology that is used throughout the business. In April 2025, the annual compensation-related risk assessment for 2024 was reviewed with the ED&CC. This assessment sought to identify whether features of our compensation policies or practices are reasonably likely to have a material adverse effect on the Company.

The risk assessment conducted by management found that our existing short-term and long-term compensation programs are coupled with design elements and other controls that discourage decision-making focused solely on compensatory consequences. These design elements and controls include, among other things:

- use of both financial and non-financial metrics that avoids over-emphasis on a single metric;
- oversight and approval of compensation decisions by the ED&CC and its retention of an independent compensation consultant;
- centralized data reporting platforms which permit information to be collected, reviewed and verified in compliance with internal policies;
- transparency as to the design, management and execution of our executive compensation program, including disclosures in our proxy statement and other required SEC filings;
- significant internal review of financial and operational performance metrics and performance reviews during the year regarding the operation of our business, as well as an audit of our financial statements by our independent registered public accounting firm; and
- a compensation recovery policy that exceeds the requirements of applicable SEC and NYSE rules.

On the basis of management's review of our executive compensation programs, management concluded, and advised the ED&CC, that no significant risks have been identified and, based on a review of the compensation programs, the Company does not believe it is reasonably likely that the compensation policies, practices or programs could have a material adverse effect on the Company. It is currently anticipated that the risk assessment for 2025 will be completed and reviewed with the ED&CC during the second quarter of 2026.

Safety, Environmental, Technology and Operations Committee Role

The SETO Committee reviews and monitors operational risk exposure and risk mitigation strategies together with the Audit, Finance and Risk Committee and the Board. In performing these responsibilities, the SETO Committee reviews management's processes for assessing business continuity risks and developing related contingency planning. The SETO Committee also reviews physical and cybersecurity preparedness and threat assessments, is updated on emerging issues and our related responses and initiatives, and coordinates with the Audit, Finance and Risk Committee and the Board on matters related to cybersecurity risk. The SETO Committee also reviewed and recommended the inclusion of the description of our cybersecurity program in our 2025 Form 10-K.

BOARD ROLE IN SUCCESSION PLANNING

The Corporate Governance Guidelines provide that a primary responsibility of the Board is planning for the succession of our CEO and other executive officers. The goal of our succession planning process is to identify executive talent at the Company and provide for continuity of effective leadership that can fulfill the long-term requirements of our business. The Corporate Governance Guidelines contemplate a collaborative effort between the Board (and certain of its committees) and the CEO; however, the Board retains full responsibility for the selection of the CEO.

Specifically, the Corporate Governance Guidelines provide that the CEO annually submits to the Board for its review a succession plan for the CEO and other executive officers. The succession plan includes a determination of key competencies and desired experiences for the particular role, an identification and assessment of internal candidates, development plans for internal candidates and, as appropriate, identification of external candidates. The criteria used to assess potential CEO candidates are formulated by the Board based on the Company's business strategies, and include the candidates' experience, as well as strategic and leadership qualities. The Board's deliberation on CEO succession is to include an emergency succession plan that addresses temporary delegation of authority if an unforeseen event such as death or disability occurs that prevents the CEO from continuing to fulfill the role. The Board may review executive development and succession planning more frequently as it deems appropriate.

Consistent with its responsibilities as described in this section, the Board has delegated the day-to-day responsibility for the process of providing a slate of CEO succession candidates for consideration by the Board to the Nominating Committee, with input from the Board Chair and the current CEO. The Board also has delegated authority to the ED&CC to collaborate with the CEO on processes for succession planning and development with respect to other executive officers.

As a practical matter, consideration of executive succession planning (especially for the CEO role) occurs throughout the year at Board meetings and involves regular interaction between and among the Board, the Chief Executive Officer and other members of management, as appropriate.

The succession and transition of Mr. Griffith as our Chief Executive Officer effective May 14, 2025 was implemented in accordance with the foregoing process.

BOARD REFRESHMENT AND DIRECTOR TENURE

The following graphic depicts the tenure of our Board nominees as of the date of this proxy statement:



As represented by the director tenure graphic above and evidenced by our longstanding process of Board refreshment, we seek to maintain a continual balance of directors with historical and institutional knowledge and experience coupled with new directors who have more recently joined the Board. While we believe that the current and proposed size and composition of the Board are appropriate, the Board continually devotes substantive attention and focus on Board succession planning and activities to meet the Board's future needs.

Our Corporate Governance Guidelines do not impose term limits on the service of our directors. The Nominating Committee reviews annually each director's continuation on the Board, which allows each director the opportunity to confirm their desire to continue as a director and provides the Board an opportunity to replace directors as needed. Also, the Nominating Committee periodically assesses the quality and efficacy of our Board tenure and refreshment policies, including based on feedback received from our shareholder outreach program (described in more detail below).

Our Corporate Governance Guidelines generally restrict a non-employee director who has reached their 75th

birthday prior to the date of our annual meeting of shareholders from being nominated for re-election to the Board. However, the Board may, in special circumstances and where deemed in the best interests of the Company, grant an exception to this policy on an annual basis. The Board must determine to make a special exception prior to each ensuing term of a director for which the special exception will be applicable. There are no director nominees standing for election at the annual meeting who are 75 years of age or older.

If the proposed merger with Essential is completed, which we anticipate will occur by the end of the first quarter of 2027, our size and market capitalization will significantly increase. To reflect the approximate relative proportional ownership of the combined company by the shareholders of American Water and Essential, the merger agreement provides that the combined company will have a 15-member board of directors, which will be comprised of (i) the 10 directors serving on the Board immediately prior to the closing of the proposed merger, including Messrs. Kurz and Griffith, and (ii) five directors then on Essential's board of directors as designated by Essential, including Christopher H. Franklin, Essential's Chairman, President and Chief Executive Officer.

SHAREHOLDER OUTREACH

During 2025, our Investor Relations team, together with key executives and management, engaged with over 300 investors. In addition, our Corporate Secretary and Investor Relations teams jointly led a shareholder outreach program focused on corporate governance, executive compensation, sustainability, customer affordability, environmental stewardship, shareholder disclosure and related topics. Through this outreach program, now in its twelfth consecutive year and held both during and after proxy season, shareholders who beneficially owned, in the aggregate, approximately 53 percent of our common stock, as well as leading proxy advisory firms, were contacted. The purpose of this outreach program is to better identify and understand the relevant topics that were most important to our shareholders. Through these sessions, we:

- discussed topics of interest to our shareholders;
- solicited shareholder viewpoints;
- conveyed our views on those topics; and
- gained a better understanding of areas of mutual consensus.

We received overall positive feedback regarding, among other things: our corporate governance framework, our Board composition, our proxy statement disclosures, our compensation practices, our annual sustainability report, our commitment to sustainability and customer affordability, including political contribution and lobbying governance and related disclosures. Also, shareholders expressed appreciation for our willingness to seek their views, and more importantly, the desire to establish an ongoing dialogue with them. Shareholders also encouraged us to continue to make voluntary disclosures, including by providing summaries of our key initiatives that will help them better understand our policies, procedures and how we run the business. The input and insight gleaned from our shareholder outreach program is shared with management and our Board.

We intend to continue to engage regularly with shareholders and proxy advisory firms to solicit their input, and we give careful consideration to the feedback we receive. We also use this outreach to consider meaningful avenues to respond to appropriate suggestions for further enhancement to our corporate governance standards and practices.

LIMITATIONS ON ADDITIONAL BOARD SERVICE, AND CHANGES IN JOB RESPONSIBILITIES

The Board's Corporate Governance Guidelines limit the service of Board members as directors of other public companies. Commonly referred to as "overboarding" provisions, the primary purpose of these limitations is to ensure that each director can devote sufficient time to perform their duties as a member of the Board.

Under these provisions, a director may not serve on the board of directors of more than four public companies, including American Water, and a director who is an executive officer of a public company, including American Water, may not serve on the board of directors of more than two public companies, including American Water. A director may not serve on the audit committee of more than two public companies, excluding American Water, without the prior approval of the Nominating Committee.

Also, for any potential service on a for-profit board not prohibited by these limitations, directors are required to advise and obtain the approval of the Nominating Committee chair (or the Board Chair, in the case of a director who is the Nominating Committee chair) in advance of accepting an invitation to serve on a for-profit board. Prior to approving such service, the Nominating Committee chair will review the proposed relationship for potential conflicts of interest and time demands, considering such facts as the chair deems relevant, including industry or operations of the other company and whether service on a greater number of boards would impair the director's ability to serve effectively on the Board.

Finally, if a director has a substantial change in professional responsibilities, occupation or business association, the director must notify the Board Chair and the Nominating Committee chair. This notice constitutes an offer to resign from the Board. The Nominating Committee will consider the appropriateness of the director's continued service on the Board and will make a recommendation to the Board as to whether it should accept the director's offer to resign.

GOVERNANCE POLICIES AND PROCEDURES

Our Code of Ethics applies to our directors, officers and employees and is designed to promote, among other things:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest in personal and professional relationships, and deter wrongdoing or even perceptions of wrongdoing;
- full, fair, accurate, timely and understandable disclosures in periodic reports we are required to file;
- accountability for adhering to the Code of Ethics; and
- compliance with applicable governmental laws, rules and regulations.

Our Code of Ethics provides for the prompt internal reporting of violations to an array of appropriate persons and confidential treatment of the reporting person, to the extent possible, during a compliance investigation. We intend to satisfy the disclosure requirements regarding any amendment to, or waiver from, a provision of the Code of Ethics that applies to our principal executive officer, principal financial officer, or principal accounting officer or controller (or persons performing similar functions) by making disclosures concerning such matters available on the Investor Relations page of our website.

We have also adopted an Anti-Corruption & Anti-Bribery Policy that reinforces our commitment to working ethically and maintaining the highest level of integrity when conducting business on behalf of the Company. This policy promotes truthful and transparent conduct in our interactions with our business partners, governmental agencies and government officials. We have a long-standing commitment to compliance with all applicable anti-corruption laws, and bribes, kickbacks, and other similar payments to or from third-parties are prohibited.

Our Corporate Governance Guidelines set out principles by which the Board will operate and execute its responsibilities in accordance with our Restated Certificate of Incorporation, our Amended and Restated Bylaws, the listing standards of the NYSE, and applicable laws.

Current copies of our Code of Ethics, Anti-Corruption & Anti-Bribery Policy and Corporate Governance Guidelines are available on our Investor Relations website at *ir.amwater.com* and can also be obtained by sending us a written request. See "Communications, Shareholder Proposals and Company Information—Contacting Us or Our Transfer Agent" on page 92 of this proxy statement.

PROXY ACCESS

Our Amended and Restated Bylaws include a proxy access provision pursuant to which any eligible shareholder, or eligible group of up to 20 shareholders, owning 3 percent or more of our common stock continuously for a three-year period and through the date of the next annual meeting of shareholders may, subject to certain limitations and conditions, nominate and include in our proxy materials for that annual meeting of shareholders, a number of director nominees not to exceed the greater of (a) two directors or (b) 20 percent of the directors then serving on the Board (rounded down to the nearest whole number).

POLITICAL CONTRIBUTION POLICY

As a company whose regulated operations can be significantly impacted by public policies, we participate responsibly in the political process and make reasonable political contributions consistent with all applicable laws and reporting requirements. We also hold memberships in a variety of industry, trade and business associations, which enable us to understand the views of others and obtain feedback on our positions.

As part of our commitment to good governance principles and transparency, we maintain a Political Contribution Policy that requires that our political contributions, which we define as direct contributions or expenditures (in cash or in kind) to a political party, a candidate for an elected office or a candidate's political campaign, or a political action committee, or PAC (subject to the exclusions referenced below), be made only:

- by the American Water Works Company, Inc. Employee Federal PAC, referred to as the Federal PAC; or
- to, or through, a PAC sponsored by or associated with one of our subsidiaries or lines of business, referred to as a Subsidiary PAC.

Political contributions, as defined under this policy, do not include amounts spent in connection with a core business function, such as a water or wastewater system acquisition, defense of a condemnation action filed against us, or other activities that impact or affect the operation of our business, unless made to support a political party, a candidate for an elected office or a political campaign. Also, a payment to a trade association or tax-exempt organization (other than a PAC, a Section 527 organization, or a similar entity) is not a political contribution under this policy, even if any portion of the payment is used for political purposes.

All political contributions by the Company must be approved in advance by our CEO. Political contributions by the Company's subsidiaries must first be approved by the subsidiary's or line of business's president, or similar officer. This pre-approval requirement does not apply to contributions by the Federal PAC or a Subsidiary PAC, which are governed by the PAC's own charter, policies and procedures. Our Political Contribution Policy does not regulate or apply to our employees' own political contributions.

Since 2019, we have disclosed annually on our website, within 180 days after the end of the preceding fiscal year, the following information regarding our political contributions:

- the payor, recipient, date and amount of each direct political contribution (as defined under the Political Contribution Policy) made, and the title of the person approving it;
- the payor, recipient, date and amount of each political contribution made by the Federal PAC and each Subsidiary PAC; and
- the payor, recipient and amount of each payment made to a trade association or tax-exempt organization (including Section 501(c)(4) organizations) during the last fiscal year, which, individually or in the aggregate, exceeded $50,000, if the association or organization provided a written statement that some or all of our payments were used for non-deductible political, electioneering or lobbying purposes, as well as the amount reported by the association or organization as attributable to these non-deductible activities.

Our governance and disclosure efforts regarding political contributions continue to be recognized by the Center for Political Accountability's CPA-Zicklin Index, which for 2025 placed us in the second quartile among S&P 500 companies.

The Nominating Committee reviews and evaluates the efficacy of our Political Contribution Policy at least annually and reviews and recommends to the Board for approval in advance the public disclosures required by the policy. The policy and our political contribution disclosures are available through our Investor Relations website at *ir.amwater.com*.

LOBBYING EXPENDITURES

We value our relationships with government officials and our interactions with them comply with applicable federal, state and local laws, regulations and rules. These rules are often complex and vary from state to state. However, we believe it is an important and necessary part of our mission to provide safe, clean, reliable and affordable water and wastewater services to our customers to engage in the public policy arena.

For these reasons, we do, from time to time, engage in lobbying activities, which we define generally as communications with government officials, legislators, regulators, executive branch officials or members of their staff.

We publicly disclose on our website, within 180 days after the end of each fiscal year, the amount of aggregate lobbying expenditures (as defined under applicable state or federal law and to the extent required to be reported to applicable election commissions). This reported amount includes all expenditures made during periods of time required to be reported for the last fiscal or calendar year by the Company or any subsidiary, and it may include expenditures for periods of time other than such year, as well as other exclusions and/or limitations provided for under state or federal election law. Members of senior management report annually to the Board on our lobbying activities to provide oversight for these activities.

PROPOSAL 1

ELECTION OF DIRECTORS

EXPLANATION OF THE PROPOSAL

In accordance with our Restated Certificate of Incorporation and Amended and Restated Bylaws, the number of directors is fixed from time to time by the Board. The size of the Board is currently fixed at 10 and 10 persons have been named as director nominees for election at the 2026 Annual Meeting.

On the recommendation of the Nominating Committee, the Board has nominated for election to the Board the following persons:

- Jeffrey N. Edwards
- John C. Griffith
- Lisa A. Grow
- Laurie P. Havanec
- Julia L. Johnson
- Patricia L. Kampling
- Karl F. Kurz
- Michael L. Marberry
- Stuart M. McGuigan
- Raffiq Nathoo

Each of these nominees is currently a member of the Board. If elected, each nominee would hold office until the date of the 2027 annual meeting of shareholders, and until their successor is elected and qualified, or until their earlier death, resignation or removal. Proxies may not be voted with respect to more than these 10 nominees.

Each director nominee identified in this proxy statement has confirmed that the nominee is willing and able to serve as a director, if elected. Should any of the nominees, prior to the meeting, become unable to serve as a director for any reason, the Board may either reduce the number of directors to be elected or select another nominee recommended by the Nominating Committee. If another nominee is selected, all proxies will be voted for the substitute nominee.

In accordance with our Amended and Restated Bylaws and our Corporate Governance Guidelines, prior to the meeting, each incumbent director nominee will submit a contingent resignation in writing to the Board Chair or the Secretary of American Water. The resignation becomes effective only if the director fails to receive a sufficient number of votes for re-election at the meeting, assuming a quorum is present and the Board accepts the resignation. In an uncontested election of directors, if any incumbent director nominated for re-election does not receive the affirmative vote of at least the majority of the votes cast at any meeting for the election of directors at which a quorum is present, the Nominating Committee will make a recommendation to the Board on whether to accept or reject such tendered resignation, or whether other action should be taken. The Board will act on the tendered resignation, taking into account the Nominating Committee's recommendation, and publicly disclose, by a press release, a filing with the SEC, or other broadly disseminated means of communication, its decision regarding the tendered resignation and the rationale behind the decision of the Board within 90 days from the date of the certification of the election results.

With respect to a tendered resignation, each of the Nominating Committee, in making its recommendation, and the Board, in making its decision, may consider any factors or other information that it considers appropriate and relevant. The director who tenders their resignation will not participate in the recommendation of the Nominating Committee or the decision of the Board with respect to their resignation. If a director's resignation is not accepted by the Board, such director will continue to serve until the 2027 annual meeting of shareholders and until their successor is duly elected, or their earlier death, resignation or removal. If a director's resignation is accepted by the Board, then the Board, in its sole discretion, may fill any resulting vacancy or may decrease the size of the Board.

DIRECTOR CRITERIA, QUALIFICATIONS AND EXPERIENCE

We believe that the backgrounds and qualifications of our directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will enable the Board to fulfill its responsibilities. In this regard, the Nominating Committee considers candidates based upon their background, skills,

experience, age, race, gender and ethnicity. The Board believes in balancing the value that longevity of director service can bring with the value of new ideas and insights that can come through new members. In addition, our Corporate Governance Guidelines provide that directors must be persons of good character and thus must possess all of the following personal characteristics:

- **Integrity:** Directors must demonstrate high ethical standards and integrity in their personal and professional dealings.
- **Accountability:** Directors must be willing to be accountable for their decisions as directors.
- **Judgment:** Directors must possess the ability to provide wise and thoughtful counsel on a broad range of issues.
- **Responsibility:** Directors must interact with each other in a manner which encourages responsible, open, challenging and informed discussion.
- **High Performance Standards:** Directors must have a history of achievement which reflects high standards for themselves and others.
- **Commitment and Enthusiasm:** Directors must be committed to, and enthusiastic about, their performance for American Water as directors, both in absolute terms and relative to their peers.
- **Courage:** Directors must possess the courage to express views openly, even in the face of opposition.

The Board strives to have members with knowledge, experience and skills in the following core competencies:

- accounting and finance
- business judgment
- management
- crisis response
- industry knowledge
- utility regulation
- leadership, including in other public companies
- environmental management
- human capital management
- strategy/vision
- technology

In addition, the Board is committed to having directors who add tangible value to American Water with a diversity of ideas, approaches and experiences and the interpersonal capacity to foster effective communication within the Board and with management.

Annually, the Nominating Committee reviews the profile, engagement and performance of each director to determine whether the director should be renominated for Board service. The Nominating Committee also considers whether, in light of our strategy or trends in our market environment, new skill sets or experiences would benefit us and our shareholders.

The process followed by the Nominating Committee to identify and evaluate candidates includes requests to members of the Board and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates, and interviews of selected candidates by members of the Nominating Committee and other members of the Board. The Nominating Committee may engage a third party to assist in the search for director candidates or to assist in gathering information regarding a director candidate's background and experience. If the Nominating Committee engages a third party, that committee would approve the fee that American Water pays for these services.

When evaluating the recommendations of the Nominating Committee, the Board should take into account all factors it considers appropriate, which may include:

- whether the candidate has exhibited behavior that indicates commitment to the highest ethical standards;
- whether the candidate has special skills, expertise and background that would complement the attributes of the existing directors, taking into consideration the communities and geographies in which the Company operates;
- whether the candidate has achieved prominence in their business, governmental or professional activities, and has built a reputation that demonstrates the ability to make the kind of important and sensitive judgments that the Board is called upon to make;
- whether the candidate will effectively, consistently and appropriately take into account and balance the legitimate interests and concerns of all of our shareholders and our other stakeholders in reaching decisions, rather than advancing the interests of a particular constituency;
- whether the candidate possesses a willingness to challenge management while working constructively as part of a team in an environment of collegiality and trust; and

- whether the candidate will be able to devote sufficient time and energy to the performance of their duties as a director.

In addition to our director skills matrix included on page vi of this proxy statement, the following highlights certain of the key skills, qualifications and experiences of our director nominees:

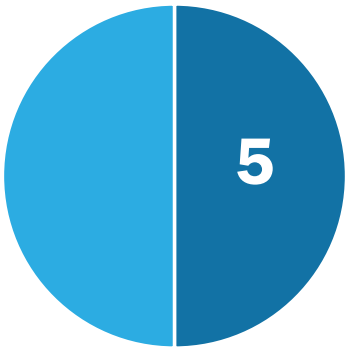
American Water Strategic Priorities

- Customer Experience
- Customer Growth and Acquisitions
- Safety
- Human Capital Management
- Investors/Financial
- Regulators/Policymakers
- Operational Execution

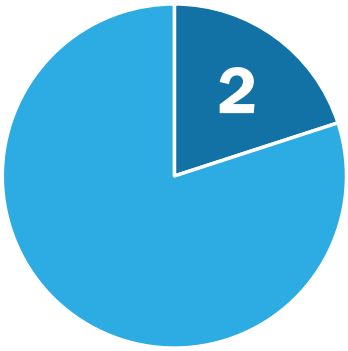
Additional Key Skills

- C-Suite
- Governance/Risk Management
- Legal
- Sustainability
- Technology and Cybersecurity

Information regarding our director nominees is shown below, based on voluntary, self-identification information provided by them.



50%
SELF-IDENTIFY AS GENDER/RACIALLY DIVERSE



20%
SELF-IDENTIFY AS DIVERSE BASED ON NON-GENDER MINORITY STATUS

DIRECTOR NOMINEES

We have provided for each of our ten (10) director nominees a summary of biographical and committee information as of the date of this proxy statement.



JEFFREY N. EDWARDS
Independent Director

Age
65

Director Since
2018

Committees
Audit, Finance and Risk (Chair)
Nominating

Other Current Public Company Boards:
- AAR CORP. (NYSE: AIR), a diversified worldwide provider of aviation and defense products and services, since 2024
- Raymond James Financial, Inc. (NYSE: RJF), a diversified financial services company, since 2014 (serving as Lead Independent Director since 2023)

Business Experience:
- Vice Chairman, New Vernon Capital, an investment advisory firm, since 2024, and Chief Operating Officer, New Vernon Capital, from 2009 to 2024
- Various senior executive positions held during 22 years at Merrill Lynch & Co., including Vice Chairman, Chief Financial Officer and Head of Global Capital Markets

Experience and Qualifications to Serve on the Board:
- Mr. Edwards' current executive leadership position with an investment advisory firm demonstrates focus on growth and strategic planning.
- Longstanding executive experience with a leading global capital markets and financial services firm provides Mr. Edwards with a substantive understanding of many issues confronting our business, including capital markets needs, strategic planning, growth opportunities and a variety of operational matters.



JOHN C. GRIFFITH
President and Chief Executive Officer

Age
59

Director Since
2025

Business Experience:
- President since August 2024, and Chief Executive Officer since May 14, 2025
- Executive Vice President and Chief Financial Officer, from May 2022 to August 2024
- Managing Director, Mergers and Acquisitions, Bank of America Securities, a diversified financial services company, from 2014 to May 2022
- Chief Executive Officer, HighWave Energy, a renewable fuels start-up company, from 2008 to 2014

Experience and Qualifications to Serve on the Board:
- Mr. Griffith's knowledge and experience regarding our business and industry by virtue of his service as our President and our Chief Executive Officer, and previously as our principal financial officer, enables him to have valuable insight regarding our strategy, operations, liquidity and financial strength, capital resources and overall administration.
- His extensive executive experience with a leading global capital markets and financial services firm, and as a principal executive officer of an operating business, provides Mr. Griffith with a deep and substantive understanding of many issues confronting our business, including with respect to capital markets, business development activities, growth and strategic planning.



LISA A. GROW
Independent Director

Age
60

Director Since
2025

Committees
Nominating
SETO

Other Current Public Company Boards:

- IDACORP, Inc. (NYSE: IDA), an electric utility engaged in the generation, transmission, distribution, sale and purchase of energy, since 2020

Business Experience:

- Various senior executive positions held during over 20 years at IDACORP and Idaho Power Company
  - Director, President and Chief Executive Officer, from 2020 to present
  - President, from 2019 to 2020
  - Senior Vice President and Chief Operations Officer, 2017 to 2019

Experience and Qualifications to Serve on the Board:

- Ms. Grow's current executive leadership position and long tenure with a regulated utility reflects deep knowledge and experience in regulatory and policy matters that affect our operations.
- Ms. Grow's significant experience in strategic leadership, operations, capital planning, legal and regulatory matters, corporate governance, risk management, customer perspective and environmental and safety matters allows her to contribute to the Board's oversight of these core functions.



LAURIE P. HAVANEC
Independent Director

Age
65

Director Since
2022

Committees
ED&CC
SETO

Business Experience:

- Executive Vice President, Chief People Officer, CVS Health Corporation, a health solutions company, from 2021 to 2024
- Executive Vice President, Chief People Officer, Otis Worldwide Corporation, an elevator and escalator manufacturing, installation and service company, from 2019 to 2021
- Vice President, Talent, United Technologies Corporation, from 2017 to 2019
- Vice President, Human Resources-Institution Business, Aetna Inc., from 2013 to 2017
- Vice President, Talent Management and Human Resources, Aetna International Business, Aetna Inc., from 2012 to 2013

Experience and Qualifications to Serve on the Board:

- Ms. Havanec's executive leadership background demonstrates strategic experience managing issues involving human resources and capital management, talent acquisition and development, change management, sustainability and governance, and culture.
- Her longstanding human resources experience across various public companies provides Ms. Havanec with deep substantive understanding on a wide range of issues confronting our business, including, for example: compensation and benefits; executive succession planning; employee safety; and labor and employee relations.



JULIA L. JOHNSON
Independent Director

Age
63

Director Since
2008

Committees
Nominating (Chair)
ED&CC

Other Current Public Company Boards:

- MasTec, Inc. (NYSE: MTZ), a utility infrastructure contractor, since 2002

Past Public Company Boards:

- FirstEnergy Corp., a transporter and producer of energy, from 2011 to 2022
- NorthWestern Corporation, a transporter and producer of energy, from 2004 to 2021

Business Experience:

- President of Net Communications, LLC, a strategy consulting firm specializing in the communications, energy and information technology public policy arenas, since 2001

Experience and Qualifications to Serve on the Board:

- Ms. Johnson's service on a state public service commission with regulatory oversight over Florida's electric, telecommunications and water and wastewater industries, as well as her current leadership of a firm specializing in regulatory analysis and legal strategy, enables her to provide valuable perspectives on regulatory and public policy matters affecting our operations.
- Ms. Johnson's current and past public company board experience enables her to share with the Board relevant and experiential insights on a variety of public company matters, including corporate governance.



PATRICIA L. KAMPLING
Independent Director

Age
66

Director Since
2019

Committees
ED&CC (Chair)
Audit, Finance and Risk

Other Current Public Company Boards:

- Xcel Energy Inc. (Nasdaq: XEL), a utility holding company, since 2020
- Board of Trustees, Fidelity's Equity and High Income Funds, since May 2020, and Advisory Board Member, from February 2020 to May 2020

Past Public Company Boards:

- Briggs and Stratton Corporation, a producer of gasoline engines for outdoor power equipment, from 2011 to 2021
- Alliant Energy Corporation, an investor-owned public utility holding company, from 2012 to 2019

Business Experience:

- Chief Executive Officer and Chairman of the Board, Alliant Energy Corporation, from 2012 to 2019
- Board Member, American Transmission Company, a privately held electricity transmission and distribution utility company, from 2011 to 2019

Experience and Qualifications to Serve on the Board:

- Ms. Kampling's experience in strategic leadership, operations, customer perspective, legal and regulatory, human resources/executive compensation, risk management and environmental and safety matters allows her to contribute significantly to the Board's oversight on these core strategic functions.
- Ms. Kampling's advocacy for human capital management, workforce development, and community vitality provides the Board with valuable insights on our focus on people, social responsibility and operational excellence.



KARL F. KURZ
Board Chair
Independent Director

Age
64

Director Since
2015

Board Chair Since
2018

Other Current Public Company Boards:

- Devon Energy Corporation (NYSE: DVN), a U.S. energy producer, since 2021
- Texas Pacific Land Corporation (NYSE: TPL), an owner of land in the State of Texas, since 2022

Past Public Company Boards:

- Royal Helium Ltd., a company focused on the exploration and development of primary helium in southern Saskatchewan, from May 2023 to January 2025
- WPX Energy, Inc., from 2014 until its merger of equals with Devon Energy Corporation in 2021
- SemGroup Corporation, from 2009 to 2019

Business Experience:

- Mr. Kurz is a private investor in the energy industry
- Various executive and management positions with Anadarko Petroleum Corporation, Vastar Resources, Inc. and ARCO Oil and Gas Company

Experience and Qualifications to Serve on the Board:

- Mr. Kurz's long history of working in the oil and gas industry is invaluable with respect to the national water-energy nexus discussion, smart water grid development and water supply issues.
- His experience in finance and capital markets brings additional insights to us and the Board regarding our operations, including with respect to liquidity and capital resources.



MICHAEL L. MARBERRY
Independent Director

Age
67

Director Since
2022

Committees
SETO (Chair)
Audit, Finance and Risk
Nominating

Past Public Company Boards:

- AdvanSix Inc., a manufacturer of nylon resin and other related chemical intermediates, from 2016 to 2023
- Sigma-Aldrich Corporation, a global life sciences and biotechnology company, from 2012 to 2015

Business Experience:

- Various senior executive positions over 25 years at J.M. Huber Corporation, a global, family-owned, specialty engineered materials manufacturing company, including:
  - President and Chief Executive Officer, from 2009 to 2022
  - President, Huber Engineered Materials, from 2006 to 2009
  - Chief Financial Officer, from 2002 to 2006
  - Senior Vice President, Corporate Strategy and Development, from 1997 to 2002

Experience and Qualifications to Serve on the Board:

- Mr. Marberry's long history of executive experience in the chemical manufacturing industry provides invaluable insights to the Board with respect to technology and water infrastructure and supply issues.
- His experience in finance and capital markets, occupational and safety processes, environmental management, and business development brings additional insights regarding safety, growth, sustainability and operational execution, among other areas.



STUART M. McGUIGAN

Independent Director

Age
67

Director Since
2024

Committees
ED&CC
SETO

Other Public Company Boards:

- Enhabit, Inc. (NASDAQ: EHAB), a provider of home health and hospice services, since March 2023

Business Experience:

- Global Chief Information Officer, Fresenius Medical Care AG, a provider of products and services for people with chronic kidney failure, from 2023 to 2024
- Chief Information Officer, U.S. Department of State, from 2019 to 2021
- Chief Information Officer, Johnson & Johnson, from 2012 to 2019
- Chief Information Officer, CVS Caremark, Inc., from 2008 to 2012

Experience and Qualifications to Serve on the Board:

- Mr. McGuigan's long history of executive experience in navigating cybersecurity and technology risks and related regulatory compliance in various industries and for the U.S. government provides invaluable insights to the Board with respect to cybersecurity risk management and technology innovation.
- His experience with implementing and managing information technology systems and developing enterprise applications brings additional insights regarding information management, human resources, finance and operational excellence, among other areas.



RAFFIQ NATHOO

Independent Director

Age
59

Director Since
2025

Committees
Audit, Finance and Risk
SETO

Other Public Company Boards:

- Cabot Corporation (NYSE: CBT), a global specialty chemicals and performance materials company, since May 2022

Business Experience:

- Managing Partner of T^{X3} Sage Rock, a private investment management firm, since August 2019
- Executive-in-Residence, New Mountain Capital, an alternative asset management firm, from 2015 to 2017
- Senior Managing Director, The Blackstone Group, a global investment and financial advisory firm, from 2000 to 2014
- Various positions, including Managing Director, at The Blackstone Group, from 1991 to 1999

Experience and Qualifications to Serve on the Board:

- Mr. Nathoo has significant leadership experience, international financial and capital markets expertise, both as an investor and an M&A advisor, and possesses broad strategic planning and risk management experience.
- Mr. Nathoo's strategic, financial and transactional advisory experience with utilities and other companies provides him with insights and perspectives regarding corporate strategy, capital allocation, business development and growth initiatives.

DIRECTOR INDEPENDENCE

The NYSE's listing standards require that:

- a majority of our directors and all of the members of the Nominating Committee satisfy the NYSE's independence standards applicable to all directors;
- all of the members of the Audit, Finance and Risk Committee satisfy the NYSE's independence standards applicable to audit committee members; and
- all of the members of the ED&CC satisfy the NYSE's independence standards applicable to compensation committee members.

Applying these standards, the Board has determined that nine of the 10 directors currently serving on the Board, consisting of Mses. Grow, Havanec, Johnson and Kampling, and Messrs. Edwards, Kurz, Marberry, McGuigan and Nathoo, qualify as independent. Due to his employment position with the Company, the Board determined that Mr. Griffith does not qualify as independent. Additionally, the Board determined in 2025 that Martha Clark Goss and Kimberly J. Harris, each of whom served as a director during 2025, qualified as independent. M. Susan Hardwick, who served as a director and our CEO until May 14, 2025, was determined by the Board not to be independent due to her employment position with the Company.

The Board also has determined that each of Ms. Kampling, and Messrs. Edwards, Marberry and Nathoo, satisfies the NYSE's independence standards for audit committee members, and that each of Mses. Havanec, Johnson and Kampling, and Mr. McGuigan, satisfies the NYSE's independence standards for compensation committee members.

For a director to be considered independent under the NYSE listing standards, a director cannot have any of the disqualifying relationships enumerated by those standards. Furthermore, the NYSE listing standards state that a director is not independent unless the board of directors affirmatively determines that the director has no material relationship with the listed company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company). In making this determination, the Board considers all relevant facts and circumstances when assessing the materiality of any relationship of a director with the Company, not only from the standpoint of the director but also from that of persons or organizations with which the director has an affiliation. Material relationships may include, for example, commercial, industrial, banking, consulting, legal, accounting, charitable, familial and personal relationships (which include, but are not limited to, friendships, mentorships and personal travel).

To assist the Board in considering whether a director has a material relationship with us, the Board has adopted categorical standards of material director relationships. Under these standards, which are based in part on the disqualifying relationships enumerated by the NYSE's listing standards, a director will not be deemed independent if any of the following relationships exist:

Type of Relationship (1)	Description of Relationship (1)(2)
Employee or executive officer of American Water	The director is, or has been within the last three years, an employee of American Water, or an immediate family member of the director is, or has been within the last three years, an executive officer of American Water. However, employment as an interim chief executive officer or other officer will not disqualify a director from being considered independent following that employment.

Relationships with internal or external auditor	Any of the following relationships exist:
	• the director is a current partner or employee of American Water's internal or external auditor
	• the director has an immediate family member who is a current partner of the internal or external auditor
	• the director has an immediate family member who:
	  ▪ is a current employee of the external auditor and
	  ▪ personally works on the Company's audit
	• the director or an immediate family member of the director was, within the last three years:
	  ▪ a partner or employee of the internal or external auditor and
	  ▪ personally worked on the Company's audit within that time

Type of Relationship (1)	Description of Relationship (1)(2)
Compensation Committee interlocks	The director or an immediate family member of the director is, or has been within the last three years, employed as an executive officer of another company where any of the Company's present executive officers at the same time serves or served on that company's compensation committee.
Receipt of direct compensation from American Water	The director or an immediate family member of the director received, during any 12-month period within the last three years, more than $120,000 in direct compensation from American Water, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service). Compensation received by a director for former service as an interim chief executive officer or other executive officer need not be considered in determining independence under this standard. Compensation received by an immediate family member for service as an employee of American Water (other than as an executive officer) need not be considered in determining independence under this standard.
Receipt of indirect compensation from American Water	The director is a current employee or holder of more than 10 percent of the equity of another company, or an immediate family member of the director is a current executive officer or holder of more than 10 percent of the equity of another company, that has made payments to, or received payments from, American Water or any subsidiary in any of the other company's last three fiscal years, that exceeds the greater of $1 million or two percent of such other company's consolidated gross revenues.
Charitable contributions by American Water	The director is a current executive officer of a charitable organization to which American Water or any subsidiary has made charitable contributions in any of the charitable organization's last three fiscal years that exceed the greater of $1 million or two percent of that charitable organization's consolidated gross revenues.

(1) A person's immediate family includes a person's spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, and brothers- and sisters-in-law and anyone (other than domestic employees) who shares such person's home.

(2) The term "executive officer" is defined to mean the following officers of American Water: President; Chief Financial Officer; Chief Accounting Officer; any Vice President in charge of a principal business unit, division or function; and any other officer who performs similar policy-making functions for American Water. The term also includes any other person who performs similar policy-making functions for American Water. An officer of a subsidiary of American Water would be deemed to be an "executive officer" for purposes of this standard if the officer performs such policy-making functions for American Water.

DIRECTOR EVALUATIONS AND ASSESSMENTS

Each year, directors complete a series of evaluations to assess the performance of the Board and each of the standing committees. The evaluations elicit responses in key areas of Board operation and function and subjective comments from each director. Each committee member evaluates how well the committees on which the member serves are functioning and provides suggestions for improvement.

Since 2017, the Board utilized a peer review process by which each director was asked to provide feedback on a number of characteristics of each of the other directors, including background, leadership, preparation, focus on shareholder interests, participation and independence.

In addition, annually, members of our executive leadership team, comprised of senior executives of the Company who regularly interact with the Board and the committees, are solicited to provide their input and perspective on the operation of the Board and how the Board might improve its effectiveness.

Finally, our Board Chair also interviews each director individually to obtain their assessment of director performance, Board dynamics and the effectiveness of the Board and its committees, and to discuss the results of the peer review process and their responses to these questions.

A summary of the responses to the questionnaires and the responses received from senior management's feedback are reviewed by the Board Chair. The summary and related responses with respect to the Board and each committee are ultimately discussed in executive session in meetings of the Board and each respective committee. The Board Chair considers all of the information received through the evaluation and assessment process, as appropriate, to assess the efficacy of the Board and its standing committees.

DIRECTOR COMPENSATION

As described in the table below, during 2025, our non-employee directors received annual cash retainers, paid in quarterly installments, for their service on the Board. Additionally, each non-employee director received an annual equity grant of approximately $175,000 ($275,000 for the Board Chair). Our CEOs serving as such during 2025 did not receive any additional compensation for serving as a director.

Our non-employee director cash compensation as of the date of this proxy statement is as follows:

Director	Annual Cash Retainer
Board Chair	$ 200,000
Audit, Finance and Risk Committee Chair	$ 145,000
ED&CC, Nominating Committee and SETO Committee Chairs	$ 140,000
Other Non-Employee Directors	$ 120,000

We do not pay our directors a separate fee for attendance at Board or committee meetings.

For calendar year 2025, Aon Human Capital Solutions, or Aon, the ED&CC's independent compensation consultant, reviewed American Water's non-employee director pay program for market competitiveness. The review determined that the cash and equity compensation paid to our non-employee directors and our Board Chair were positioned at the median of our 2025 peer group (as defined below in "Compensation Discussion and Analysis—Compensation Determinations and Pay Competitiveness in 2025" beginning on page 34 of this proxy statement), and that our Board Chair's total direct compensation was positioned at the median for non-executive chairpersons among the companies in our 2025 peer group with a non-executive chairperson.

As a result of the review, and based on, among other things, data and analyses provided by Aon, the ED&CC recommended, and the independent members of the Board approved, an increase in the annual director base equity grant from $165,000 to $175,000, and an increase in the equity premium paid to our non-executive Board Chair from $95,000 to $100,000, which brought the directors' and the Board Chair's total direct compensation to the 75th percentile of the compensation peer group. This compensation decision was effective as of May 14, 2025. No other changes were made to the cash retainer or to the premiums paid to our non-executive Board Chair or the committee chairs.

Equity compensation for our non-employee directors is paid in the form of stock units under our 2017 Omnibus Plan. The actual number of stock units granted is based on the closing price of our common stock on the date of grant, which is typically the date the director is elected or re-elected to the Board. The stock units vest on the date of grant and the shares underlying the stock units are distributed to the directors as soon as administratively practicable after the date of grant.

Non-employee directors are reimbursed for reasonable expenses incurred in attending Board and committee meetings or other Company-related functions, and reasonable and necessary expenses incurred for attending up to one director continuing education program each year.

DIRECTOR COMPENSATION TABLE

The following table presents information regarding compensation earned or paid in 2025 as to each person who served as a non-employee member of the Board during that year.

The table does not include amounts paid for reimbursement of travel expenses related to attending Board and committee meetings or other Company related functions, or any reimbursement of director educational expenses, and does not include compensation earned or paid as to the CEO. See "Executive Compensation" beginning on page 47 of this proxy statement for information relating to the CEO's compensation.

Name	Fee Earned or Paid in Cash ($)	Stock Awards ($)(1)	All Other Compensation ($)(2)	Total ($)
Jeffrey N. Edwards	$ 145,000	$ 175,037	$ —	$ 320,037
Martha Clark Goss (3)	$ 60,000	$ — (4)	$ 25,594	$ 85,594
Lisa A. Grow	$ 41,739	$ 124,949 (5)	$ —	$ 166,688
Kimberly J. Harris (6)	$ 35,000	$ —	$ —	$ 35,000
Laurie P. Havanec	$ 120,000	$ 175,037	$ —	$ 295,037
Julia L. Johnson	$ 132,637	$ 175,037 (7)	$ 43,220	$ 350,894
Patricia L. Kampling	$ 140,000	$ 175,037	$ —	$ 315,037
Karl F. Kurz	$ 200,000 (8)	$ 275,000	$ —	$ 475,000
Michael L. Marberry	$ 140,000 (9)	$ 175,037	$ —	$ 315,037
Stuart M. McGuigan	$ 140,870	$ 175,037	$ —	$ 315,907
Raffiq Nathoo	$ 67,253	$ 162,459 (10)	$ —	$ 229,712

(1) The amounts shown in this column reflect the grant date fair value of the stock units granted to the directors as part of their annual retainer. The grant date fair value was computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, *Compensation—Stock Compensation,* or ASC 718. See Note 10—Stock Based Compensation, in the Notes to Consolidated Financial Statements included in the 2025 Form 10-K for the assumptions used in determining grant date fair value.

(2) Represents dividend equivalents paid in cash in 2025 at the time of the distribution of shares underlying stock unit awards.

(3) Ms. Goss served as a member of the Board until May 14, 2025.

(4) All outstanding stock units and related dividend equivalents were paid to Ms. Goss when she retired.

(5) Ms. Grow was initially elected to the Board on August 26, 2025 and received a prorated equity award based on the date of such election.

(6) Ms. Harris served as a member of the Board until March 24, 2025.

(7) As of December 31, 2025, Ms. Johnson held 2,781 director stock units.

(8) Mr. Kurz elected to defer the receipt of 100 percent of his 2025 annual cash retainer fees.

(9) Mr. Marberry elected to defer the receipt of 50 percent of his 2025 annual cash retainer fees.

(10) Mr. Nathoo was initially elected to the Board on June 9, 2025 and received a prorated equity award based on the date of such election.

We did not grant stock options to non-employee directors in 2025 and none of the non-employee directors held any Company stock options as of December 31, 2025.

NON-EMPLOYEE DIRECTOR STOCK OWNERSHIP REQUIREMENTS

To align the interests of our directors and shareholders, we have a stock ownership policy for non-employee directors under which each such director is required to hold shares equaling five times the director's annual cash retainer by the fifth anniversary of the commencement of service as a director. Each of our non-employee directors satisfied the stock ownership requirement as of December 31, 2025, except for Mses. Grow and Havanec and Messrs. McGuigan and Nathoo, who are currently within their five-year compliance periods.

RECOMMENDATION OF THE BOARD

The Board unanimously recommends a vote "**FOR**" the election of each of the 10 director nominees as named in this proxy statement.

PROPOSAL 2

VOTE TO APPROVE, ON AN ADVISORY BASIS, THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

BACKGROUND OF THE PROPOSAL

Section 14A of the Securities Exchange Act of 1934, as amended, or the Exchange Act, requires that our shareholders receive the opportunity to vote to approve, on an advisory (non-binding) basis, the compensation of our NEOs as disclosed in this proxy statement in accordance with the SEC's rules. The disclosures related to compensation of our NEOs consist of the Compensation Discussion and Analysis, or CD&A, the 2025 Summary Compensation Table, and the other required executive compensation tables and related narrative disclosures in this proxy statement. In accordance with the advisory vote of our shareholders at our 2023 annual meeting of shareholders, we are providing to our shareholders the opportunity to vote annually to approve, on an advisory basis, the compensation of our NEOs.

Our executive compensation philosophy and programs are designed to create a positive correlation of pay to performance and reward our NEOs for delivering results without incentivizing excessive risk-taking. We seek to attract, motivate and retain high-caliber executives and to align the interests of those executives with the interests of our shareholders in order to build long-term, sustainable value for our shareholders.

Accordingly, the Board recommends that our shareholders vote **"FOR"** the following resolution:

> **RESOLVED**, that the shareholders of American Water Works Company, Inc. (the "Company") approve, on an advisory basis, the compensation of the Company's named executive officers, as disclosed pursuant to the compensation disclosure rules of the U.S. Securities and Exchange Commission, including the Compensation Discussion and Analysis, the executive compensation tables and the related narrative discussion in the Company's proxy statement for the 2026 annual meeting of shareholders.

While the vote is not binding on us, the ED&CC values the opinions expressed by our shareholders and will carefully consider the outcome of the vote when making future compensation decisions for our NEOs. Unless the Board modifies its policy on the frequency of holding this vote, the advisory vote is currently held every year, and the next vote on the frequency of the advisory vote will occur at the 2029 annual meeting of shareholders.

RECOMMENDATION OF THE BOARD

The Board unanimously recommends a vote "**FOR**" the approval, on an advisory basis, of the compensation of our NEOs.

COMPENSATION COMMITTEE REPORT

The ED&CC has reviewed and discussed with our management the Compensation Discussion and Analysis, or CD&A, required by Item 402(b) of Regulation S-K. Based on this review and discussion, the ED&CC recommended to the Board that the CD&A be included in this proxy statement.

Respectfully submitted,

Patricia L. Kampling (Chair)
Laurie P. Havanec
Julia L. Johnson
Stuart M. McGuigan

COMPENSATION DISCUSSION AND ANALYSIS

In this CD&A, we address our compensation philosophy and programs, the key decisions of the ED&CC with respect to these programs and the reasons for those decisions, principally with respect to all of our NEOs for 2025, who are:

- John C. Griffith, our President (since August 2024) and CEO (since May 14, 2025);
- M. Susan Hardwick, our former CEO (until May 14, 2025);
- David M. Bowler, our Executive Vice President and Chief Financial Officer;
- Cheryl Norton, our Executive Vice President and Chief Operating Officer;
- Stacy A. Mitchell, our Executive Vice President and General Counsel;
- Maureen Duffy, our Executive Vice President, Communications and External Affairs; and
- Melanie M. Kennedy, our former Executive Vice President, Chief Human Resources Officer (until March 1, 2025).

EXECUTIVE SUMMARY

CEO Transition

Following the Company's executive development and succession planning process, the Board appointed John C. Griffith as President and CEO of the Company following Ms. Hardwick's retirement as CEO on May 14, 2025. Mr. Griffith had served as President of American Water since August 2024, and previously served as Executive Vice President and Chief Financial Officer of American Water since May 2022.

With his promotion to President and CEO, we entered into a new employment offer letter with Mr. Griffith effective May 14, 2025. This offer letter set forth the terms of Mr. Griffith's compensation in that role for the remainder of 2025 and is consistent in form and content with the employment offer letters that we have historically provided to our NEOs. The employment offer letter was approved by the independent members of the Board upon the recommendation of the ED&CC, which reviewed data and analyses provided by Aon, its independent compensation consultant. Mr. Griffith's compensation in connection with his promotion to President and CEO is described in further detail in this CD&A.

Compensation Program Overview

Our executive compensation is highly correlated to performance and long-term value creation with a considerable portion of pay earned solely based on our performance. Our executive compensation philosophy, which is focused on paying all of our NEOs for positive performance, is demonstrated by the structure of the principal elements of our executive compensation:

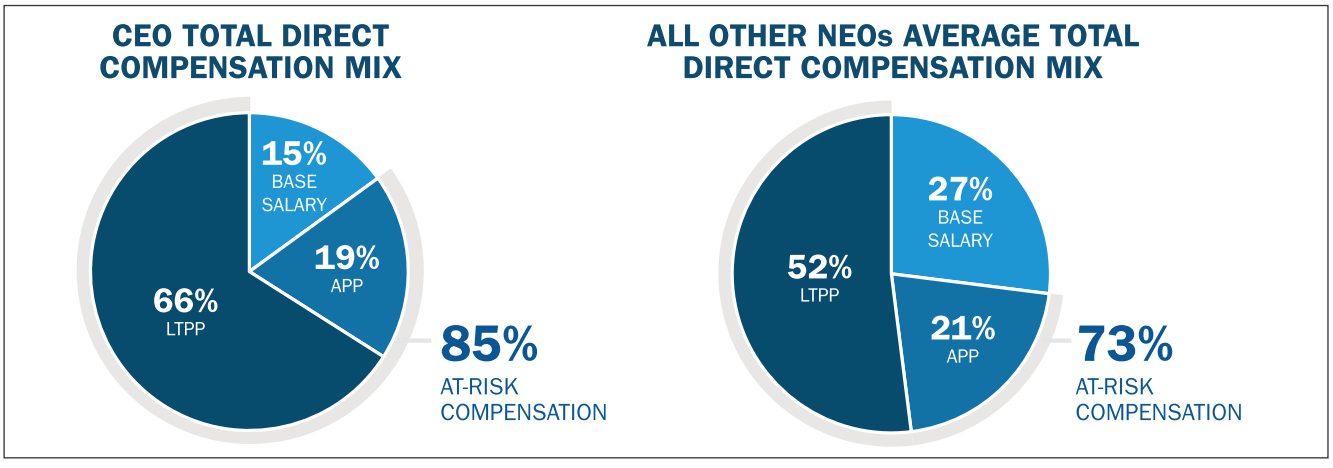
- annual base salary;
- our APP, which is our annual cash-based performance plan; and
- our LTPP, which is our long-term equity compensation program.

We also offer our NEOs various employee retirement and health and welfare benefit plans, as well as customary post-termination benefits under our Executive Severance Policy and Change of Control Severance Policy. Finally, we offer limited and customary perquisites, primarily consisting of executive physicals, Company-paid life insurance benefits, and, as applicable, relocation benefits.

Our allocation of compensation among these elements is designed to align our levels of NEO compensation with market pay, which we define as being within a competitive range of the median of our peer group and benchmarking data for a NEO's position. For 2025, our compensation program for all of our NEOs consisted of the following key elements:

Pay Element	Form of Compensation	Measurement Period	Performance	Description
Base Salary	Cash	**Base salary** is reviewed annually in the context of responsibilities, experience, relevant benchmarking data and individual performance.		
Annual Performance Plan	Cash	1 year	**Earnings Per Share** 50%	Key earnings metric which measures our financial and operational success.
			Core Business Strategies 50%	Performance metrics which align with our core business strategies of customer, safety, operational excellence, and people.
Long-Term Performance Plan	Performance Stock Units and Time-Based Restricted Stock Units	3 years	**Compounded EPS Growth** 35% **Return on Equity** 15%	Performance metrics that link achieving our earnings and strategic goals to long-term shareholder value.
			Relative Total Shareholder Return 20%	Performance metric that measures our TSR performance relative to the companies in our 2025 peer group.
			Time-Based Restricted Stock Units 30%	Stock award that vests while a participant remains employed with us; increased value based on stock price appreciation.
Benefits	Our NEOs are eligible for health and welfare benefits and qualified retirement plans that are generally available to all other salaried, non-union employees. In addition, our NEOs are eligible for certain non-qualified plans, an executive severance policy, a change of control severance policy, and limited perquisites.			

The following graphs depict, as of December 31, 2025, the total direct compensation mix for our President and CEO and, on an average basis, for all of our other presently employed NEOs as a group assuming annual and long-term performance-based compensation is paid at target levels:



Summary of Executive Compensation Practices

Below we summarize key components of our NEO compensation programs, which we consider practices that align the interests of our NEOs with those of our shareholders:

We do:

- Tie a considerable portion of executive pay to company performance
- Weight equity compensation heavily towards performance stock units
- Utilize an independent compensation consultant
- Require executives to abide by stock ownership guidelines and stock retention requirements
- Subject all incentive-based compensation to clawback provisions
- Complete an annual compensation program risk assessment, overseen by the ED&CC
- Utilize double-trigger vesting of equity awards upon a change of control
- Provide reasonable and customary severance arrangements to NEOs

We do not:

- Provide excise tax gross-ups in our change of control arrangements
- Provide employment agreements to our NEOs, other than customary employment offer letters
- Allow hedging, pledging or short selling of our common stock by employees or directors
- Allow buying of our common stock on margin by employees or directors
- Provide excessive perquisites for executives
- Distribute dividend equivalents on equity awards before they vest
- Allow executives to sell or transfer stock if not in compliance with stock ownership guidelines, subject to exceptions
- Provide for a supplemental executive retirement plan open to new participants

Our Performance in 2025

Some of our performance highlights for 2025 include the following:

Diluted Earnings Per Share, or EPS, Growth	Our 2025 full-year GAAP EPS results were $5.69 per share compared to GAAP EPS of $5.39 per share for 2024.
Adjusted Diluted Earnings Per Share, or Adjusted EPS, Growth	Our 2025 full-year adjusted EPS results were $5.64 per share compared to adjusted EPS of $5.18 per share for 2024. Our 2025 results reflect continued growth in the regulated businesses from infrastructure investment and acquisitions, as well as from organic growth. See Parts A and D of Appendix A for a reconciliation and additional information.
Total Debt to Total Capitalization Ratio	As of December 31, 2025, the Company's ratio of consolidated debt to consolidated capitalization was 0.59 to 1.00, compared to a ratio of 0.58 to 1.00 at December 31, 2024.
Regulated Businesses Customer Growth	Approximately 20,900 new customers added in 2025 through regulated acquisitions and approximately 18,900 new regulated customers added in 2025 through organic growth.
Annual Dividend Growth	8.6 percent overall five-year compounded annual growth rate of annual dividends anchored off 2020 dividends paid, and 17 years in a row of annual dividend increases.

In 2025, we continued to seek to achieve our growth objectives to support our future strength in our regulated businesses and the communities in which we operate, and to continue to demonstrate leadership and sustainability for the future to drive growth and value creation while also benefiting our

customers, employees and other stakeholders. In October 2025, we announced that we entered into a merger agreement with Essential to combine the companies in a stock-for-stock transaction, which we refer to as the Essential merger. The completion of the Essential merger is subject to customary closing conditions, including obtaining required regulatory approvals. Each company's shareholders overwhelmingly approved the various required merger-related proposals at their respective special meetings of shareholders held on February 10, 2026. We expect to complete the Essential merger by the end of the first quarter of 2027.

If completed, the Essential merger would bring together two industry leaders united by a shared mission to provide safe, clean, reliable and affordable water and wastewater services to our respective customers and a commitment to delivering excellent customer experiences. Our combined scale would serve to support continued investment in critical water and wastewater infrastructure, enabling us to continue to provide superior service to the combined company's customers at affordable rates. With increased financial flexibility, the combined company will support needed critical investments in infrastructure renewal, including investment in pipe replacement, upgrading aging water and wastewater treatment facilities and other key infrastructure, allowing us to better serve our combined customers and communities.

SHAREHOLDER ADVISORY VOTE

At our 2025 annual meeting of shareholders, the shareholders approved, on an advisory basis, the compensation paid to all of our NEOs in 2024, as required by the SEC. Often referred to as the "say-on-pay vote," the vote in favor was approximately 87.8 percent of the shares deemed present virtually or by proxy and eligible to vote at the meeting. We consider this advisory vote to be a favorable endorsement of our executive compensation program, practices and policies.

Based upon this support, the ED&CC did not believe that any corresponding action or change in our compensation program was needed. At our 2026 annual meeting, we will again hold our say-on-pay vote. In making executive compensation decisions, the ED&CC will continue to consider the results of the say-on-pay vote, as well as feedback obtained from our shareholders throughout the course of the year. Information regarding our shareholder outreach during 2025 can be found in "Board of Directors and Corporate Governance—Shareholder Outreach" on page 13 of this proxy statement.

COMPENSATION DETERMINATIONS AND PAY COMPETITIVENESS IN 2025

The ED&CC engaged Aon as its independent compensation consultant for 2025. Upon engagement, the ED&CC assessed the independence of Aon and concluded that Aon was independent as determined under SEC and NYSE rules.

In February 2025, the ED&CC reviewed and approved the compensation paid to all of our NEOs and made recommendations to the independent members of the Board with respect to compensation paid to the CEO and the President, which the independent members of the Board approved. The CEO and the President did not participate in the ED&CC's recommendations regarding their respective compensation and did not attend those portions of the ED&CC and Board meetings during which their respective compensation was deliberated and voted upon.

The ED&CC considered the CEO's and the President's assessments of the performance of all of the other NEOs, as well as the CEO's and the President's compensation recommendations regarding each such NEO's base salary and their APP and LTPP target award opportunities. The ED&CC, with the CEO's and the President's participation, discussed the performance of all NEOs other than the CEO and the President, and, after discussion and deliberation held in executive session, approved compensation determinations for such NEOs.

In connection with the promotion of Mr. Griffith to President and CEO on May 14, 2025, in April 2025, with input from the CEO, the ED&CC reassessed Mr. Griffith's compensation, and the independent members of the Board upon the recommendation of the ED&CC approved increases to his compensation. Mr. Griffith did not participate in the ED&CC's recommendations regarding his compensation and did not attend those portions of the ED&CC and Board meetings during which his compensation was deliberated and voted upon.

Through its review of relevant benchmarking data and executive compensation trends presented by its independent compensation consultant, the ED&CC is able to assess competitive market compensation practices. Two of the primary ways that the ED&CC evaluates and benchmarks our executive compensation arrangements and practices are to review them against companies in our compensation peer group, as described below, as well as market data in a Willis Towers Watson study comprised of 60 percent weighting on publicly traded utilities and 40 percent weighting on general industry companies. The ED&CC believes that there is a strong likelihood that a NEO's skills will be transferable among these companies, and thus we would expect to compete with these companies and others for NEO talent. The ED&CC referred to all of this benchmarking data as part of its review of compensation practices and trends.

In September 2024, the composition of our compensation peer group was reviewed by Aon and was reassessed by the ED&CC as part of its annual review to consider structural and methodology changes, as well as corporate transactions or other events that may affect the comparability of one or more of the constituent companies. In reviewing the appropriateness of our peer group companies, the ED&CC considers factors that most reflect our primary business of owning water and wastewater utilities subject to economic regulation by state utility commissions or similar entities, including, in decreasing order of relevance, consolidated total assets, market capitalization and consolidated revenues of companies that primarily operate as a regulated utility. After consideration of these factors, only companies that primarily operate as a regulated utility were selected as peer companies. In connection with this review, the ED&CC approved the peer group for 2025 without any changes from the 2024 peer group. Throughout 2025, compensation benchmarking decisions and grants of PSU awards based upon relative TSR were made using the 2025 peer group set forth in the table below.

2025 American Water Works Company, Inc. Compensation Peer Group		
Alliant Energy Corporation	Entergy Corporation	OGE Energy Corp.
Ameren Corporation	Essential Utilities, Inc.	Pinnacle West Capital Corporation
Atmos Energy Corporation	Evergy, Inc.	PPL Corporation
CenterPoint Energy, Inc.	Eversource Energy	Public Service Enterprise Group Incorporated
CMS Energy Corporation	NiSource Inc.	WEC Energy Group, Inc.

2025 COMPENSATION

Compensation Philosophy and Objectives

Our executive compensation program is designed to reward our NEOs for delivering results and building long-term sustainable value for our shareholders and customers. Our program's structure aligns the interests of our shareholders, customers, and NEOs by correlating pay to our short- and long-term performance.

We focused on the following objectives in making compensation decisions with respect to all of our NEOs in 2025:

- incentivize all of our NEOs to achieve superior financial and non-financial performance measures that align with safety, growth, customers, operational excellence and people, all of which we believe lead to long-term financial strength and value creation without incentivizing excessive risk-taking;
- focus pay on an appropriate mix of short- and long-term performance, with a proportionately greater emphasis on long-term compensation;
- build long-term, sustainable value for shareholders by emphasizing long-term performance- and equity-based compensation, and de-emphasizing short-term, cash-based compensation;
- align our core strategies with our short-term APP performance measures;
- provide compensation to all of our NEOs that reflects their responsibilities and contributions, and that is aligned to market pay—meaning within a competitive range of the median of compensation reflected in our benchmarking data—to attract, motivate and retain high-caliber executives; and
- align NEO and shareholder interests by requiring consistent, meaningful equity ownership.

Base Salaries

For 2025, the ED&CC approved base salaries as reflected in the table below. The ED&CC reviews base salary in the context of responsibilities, experience, relevant benchmarking data, and individual performance of each NEO. The following table sets forth the base salaries of our NEOs as of the end of the 2024 and 2025 calendar years or the end of employment date for former employees, and the percentage change from 2024.

As part of the annual salary review, Mr. Griffith's base salary was increased to $988,000 effective February 18, 2025. Mr. Griffith's base salary was reassessed upon his promotion as the Company's President and CEO, and his salary was further increased accordingly to $1,050,000 effective May 14, 2025.

Following the ED&CC's annual review of market compensation data, Mr. Bowler's base salary was increased by 10 percent to better align his base salary within the competitive range of the benchmarking data.

Named Executive Officer	2024 Base Salary	2025 Base Salary	Percent Change
John C. Griffith	$ 950,000	$ 1,050,000	10.5%
M. Susan Hardwick (1)	$ 1,125,000	$ 1,125,000	—%
David M. Bowler	$ 550,000	$ 605,000	10.0%
Cheryl Norton	$ 710,000	$ 745,500	5.0%
Stacy A. Mitchell	$ 550,000	$ 583,000	6.0%
Maureen Duffy (2)	$ —	$ 465,000	N/A
Melanie M. Kennedy (3)	$ 473,741	$ 487,953	3.0%

(1) Ms. Hardwick's retirement date with the Company was May 14, 2025, and she received a prorated base salary for 2025. Additional information on compensation related to her leadership transition is outlined in "—Compensation Related to Leadership Transitions" on page 41.
(2) Ms. Duffy was not a NEO in 2024.
(3) Ms. Kennedy's separation from service with the Company was effective March 1, 2025, and she received a prorated base salary for 2025. Additional information on compensation related to her leadership transition is outlined in "—Compensation Related to Leadership Transitions" on page 41.

2025 Annual Performance Plan

The APP is designed to provide a portion of a NEO's at-risk compensation to be paid upon the achievement of our annual business objectives. The APP provides an opportunity for NEOs to earn cash payouts tied to the satisfaction of annual corporate performance goals.

The 2025 target award opportunity for all NEOs was equal to a percentage of each NEO's base salary, based on the individual's position with American Water. An APP award target is set by the ED&CC, together with the NEO's other elements of compensation, in an effort to align the NEO's annual total direct compensation generally with market pay for their position.

Effective May 14, 2025, Mr. Griffith's APP target was increased from 100 percent to 120 percent of his base salary on a prorated basis to reflect his promotion to President and CEO.

Information used to calculate the 2025 APP award payouts for all of our NEOs is included in the table below.

Named Executive Officer	Percentage of Base Salary	2025 APP Target (1)	2025 APP Payout Percentage	2025 APP Award
John C Griffith	120%	$ 1,155,891	141.5%	$ 1,635,585
M. Susan Hardwick (2)	125%	$ 516,267	141.5%	$ —
David M. Bowler	80%	$ 478,214	141.5%	$ 676,673
Cheryl Norton	90%	$ 666,749	141.5%	$ 943,449
Stacy A. Mitchell	70%	$ 405,062	141.5%	$ 573,163
Maureen Duffy	60%	$ 279,000	141.5%	$ 394,785
Melanie M. Kennedy (3)	65%	$ 50,923	141.5%	$ 72,056

(1) Target amounts were based on the prorated base salaries earned in 2025. For Mr. Griffith, the target amount was also prorated based on the effective date of his respective APP target percentage change.
(2) Ms. Hardwick did not receive an award payout in accordance with the retirement provisions of the APP. See "—Compensation Related to Leadership Transitions" beginning on page 41 for additional information on compensation related to her leadership transition.
(3) Ms. Kennedy's award payout was prorated based on her separation from service effective date. See "—Compensation Related to Leadership Transitions" beginning on page 41 for additional information on compensation related to her separation from service.

The APP performance measures selected for 2025 align with core business strategies of growth, customers, safety, operational excellence (in this case, environmental leadership) and people. The following table provides details on each performance measure.

Strategy/ Stakeholder	Performance Measure	How We Calculate the Measure	Why We Use this Measure
Growth	**Adjusted EPS**	Adjusted EPS is a non-GAAP measure that is calculated as diluted EPS calculated in accordance with GAAP as reported in the Company's audited consolidated financial statements, adjusted to eliminate the impact of the items shown in Part B of Appendix A.	Adjusted EPS is a key measure of our financial and operational success, and achieving our earnings and strategic goals creates long-term shareholder value, provides greater total return to our shareholders, and benefits customers by contributing to strong credit metrics to provide for cost-effective financing of necessary capital and operational investments.
Customers	**Customer Satisfaction**	A quarterly survey is conducted by a third-party firm of random regulated water and wastewater customers, and the results are based on the number of states in the top quartile of the survey.	We are committed to delivering the best customer experience, setting our goal to achieve top customer satisfaction. Our service quality and ability to satisfy our customers are closely tied to the trust our customers extend to us each day.
Safety	**Serious Injury Incidence Rate (SIIR)**	SIIR is a safety measure used to calculate the frequency and severity of workplace injuries and illnesses by taking the number of incidents during the calendar year multiplied by 200,000 and divided by total hours worked.	SIIR allows us to continue our momentum toward becoming an industry leader with respect to safety by providing focus on preventing severe injuries in the workplace.
	Days Away, Restricted or Transferred (DART) Severity Rate	DART injury rate is a metric used by OSHA to measure the impact of workplace injuries and illnesses as recordable injuries that resulted in days away from work, work restrictions, or job duty/position transfer in the calendar year per 100 employees.	DART reflects serious incidents that result in the employee being placed in restricted duty or time away from work. This aligns with both our safety and people strategies as we believe that our employees should return home in the same or better condition than when they arrived at work.
Environmental Leadership	**Drinking Water Compliance Notices of Violation**	This metric is determined by counting the overall number of drinking water notices of violation, or NOVs, received by the Company in accordance with internally established procedures, which may exclude NOVs for newly acquired systems and third-party violations, among others.	As part of our sustainability initiatives, we are committed to protecting the environment and maintaining our history of materially complying with, and in many cases, surpassing, minimum standards required by applicable laws and regulations.
	Drinking Water Quality NOVs	This metric is determined by counting the overall number of drinking water NOVs for maximum contaminant level exceedances received by the Company in accordance with internally established procedures, which may exclude NOVs related to newly acquired systems and associated with third-party violations, among others.	We are committed to excellent water quality and maintaining our history of materially complying with, and in many cases, surpassing, minimum standards required by applicable laws and regulations.
People	**Women Representation**	This people metric is determined by dividing the number of employees who self-identify as female by the total employee headcount.	We are committed to an inclusive workforce where our employees bring experiences and perspectives to assist with the needs of our customers and communities.
	Ethnic and Racial Diversity Representation	This people metric is determined by dividing the number of employees who self-identify as a member of a diverse racial or ethnic group by the total employee headcount.	

The maximum payout for each of the performance measures is 200 percent of target. The ED&CC certifies the APP payout percentage, using the actual performance of each measure, as soon as reasonably practicable after the end of the year. The APP payout percentage is then computed by adding the weighted results achieved for each performance measure.

The ED&CC has implemented guidelines to permit management to make adjustments to EPS for purposes of computing APP performance achievement based on EPS, to the extent greater than $0.02 per share (this $0.02 limitation was removed for new adjustments reviewed by the ED&CC on or after December 2025). The ED&CC retains authority to approve APP performance adjustments. Please see Part B of Appendix A for details on Adjusted EPS.

The following table presents information regarding each of the performance measures used to determine the APP payout percentage, including the threshold, target and maximum performance levels for each measure, as well as the weighting assigned to each measure. If the threshold performance level for a performance measure is not exceeded, there is no payout for that measure.

The APP performance measures for 2025 were consistent with those used for fiscal 2024, except for fiscal 2025, the ED&CC replaced the OSHA Recordable Injury Rate measure with the SIIR measure. The SIIR measure was assigned a weighting of 7.5 percent, and the DART Severity Rate measure was reduced from 10 percent to 7.5 percent. Both changes were implemented to provide additional focus on preventing serious injury incidents within the workplace.

Performance Measure	Corporate Performance Factor Percentage	Threshold Performance (Weighting)	Target Performance (Weighting)	Maximum Performance (Weighting)	Actual Performance (Percentage Earned)
Growth: Adjusted EPS (1)	50.0%	$5.52 (0.0%)	$5.62 (50.0%)	$5.72 (100.0%)	$5.66 (70.0%)
Customer: Customer Satisfaction	15.0%	0 (0.0%)	4 (15.0%)	8 (30.0%)	3 (11.25%)
Safety: SIIR (2)	7.5%	0.09 (0.0%)	0.04 (7.5%)	0.01 (15.0%)	0.00 (15.0%)
Safety: DART Severity Rate (2)	7.5%	0.67 (0.0%)	0.39 (7.5%)	0.15 (15.0%)	0.19 (13.75%)
Environmental Leadership: Drinking Water Compliance	5.0%	13 (0.0%)	6 (5.0%)	4 (10.0%)	5 (7.5%)
Environmental Leadership: Drinking Water Quality	10.0%	4 (0.0%)	2 (10.0%)	0 (20.0%)	0 (20.0%)
People: Women Representation	2.5%	24.0% (0.0%)	25.0% (2.5%)	27.0% (5.0%)	24.7% (1.75%)
People: Ethnic and Racial Diversity Representation	2.5%	20.0% (0.0%)	21.0% (2.5%)	23.0% (5.0%)	20.9% (2.25%)

(1) Adjusted EPS is a non-GAAP measure. See Part B of Appendix A for a reconciliation.
(2) This goal would not have been earned in the event of a preventable employee fatality during the year. The Company experienced an employee fatality in 2025, which was determined by the ED&CC to have not been preventable for the purpose of certifying the actual performance rate and percentage earned for this goal.

Based upon our performance with regard to the financial and non-financial performance measures, the ED&CC certified an APP payout of 141.5 percent.

Cash awards under the APP are generally paid to participants by March 15 of the year following the performance year.

2025 Long-Term Performance Plan

The LTPP is designed to incentivize eligible participants to achieve our long-term business objectives by providing an opportunity to earn equity awards tied to our long-term goals and continued employment with the Company.

The 2025 LTPP awards are weighted 30 percent to time-based RSUs and 70 percent to PSUs, with the PSU component consisting of three performance measures: compounded EPS growth weighted at 35 percent of the total LTPP award, TSR relative to the

companies in the 2025 peer group weighted at 20 percent of the total LTPP award, and ROE weighted at 15 percent of the total LTPP award.

Generally, our RSU awards vest ratably over an approximate three-year period while a participant remains employed with us. PSU awards generally are earned ratably over a three-year performance period while employed, and the vesting of each PSU award is determined by the ED&CC following the end of the three-year performance period based on the satisfaction of pre-determined performance goals. To the extent an RSU award is unvested or a PSU award has not been earned, it is generally forfeited once a participant ceases to be employed with us or if the performance goals are not achieved; however, LTPP awards to certain NEOs may continue to be earned and/or vest after an early or normal retirement. See "—Ongoing and Post-Employment Arrangements and Benefit Plans—Terms of Outstanding Equity Grants" beginning on page 44 of this proxy statement for additional details.

The aggregate target market value of LTPP awards was based on a percentage of each NEO's 2025 base salary. The following LTPP target adjustments were made for 2025:

- Effective May 14, 2025, Mr. Griffith's LTPP target was increased from 340 percent to 430 percent to reflect his promotion as President and CEO.
- Mr. Bowler's 2025 LTPP target was increased from 160 percent to 210 percent, and Ms. Mitchell's 2025 LTPP target was increased from 150 percent to 165 percent. These increases were to maintain Mr. Bowler's and Ms. Mitchell's total direct compensation within the competitive range of the benchmarking data.

Generally, LTPP awards are granted by the ED&CC in February of each year, and additional LTPP awards may otherwise be granted to a NEO based on the reassessment of their job responsibilities or the appointment to a new position. The following table presents a summary, based on target market value, of LTPP awards granted in 2025 for all NEOs. Information regarding the number of shares underlying these awards is found in "Executive Compensation—2025 Grants of Plan-Based Awards" beginning on page 50 of this proxy statement.

Named Executive Officer	LTPP Target Award as a Percentage of Base Salary	Aggregate Target Market Value of LTPP Awards	Aggregate Market Value of RSUs	Aggregate Target Market Value of PSUs (TSR)	Aggregate Target Market Value of PSUs (EPS)	Aggregate Target Market Value of PSUs (ROE)
John C. Griffith (1)	430%	$ 4,093,733	$ 1,228,224	$ 818,773	$ 1,432,755	$ 613,981
M. Susan Hardwick	435%	$ 4,893,756	$ 1,468,178	$ 978,700	$ 1,712,853	$ 734,025
David M. Bowler	210%	$ 1,270,555	$ 381,128	$ 254,086	$ 444,713	$ 190,628
Cheryl Norton	245%	$ 1,826,416	$ 547,976	$ 365,232	$ 639,284	$ 273,924
Stacy A. Mitchell	165%	$ 961,914	$ 288,549	$ 192,408	$ 336,619	$ 144,338
Maureen Duffy	120%	$ 558,022	$ 167,356	$ 111,655	$ 195,333	$ 83,678
Melanie M. Kennedy (2)	120%	$ 585,618	$ 175,622	$ 117,124	$ 204,998	$ 87,874

(1) Mr. Griffith's aggregate LTPP target market value was prorated based on his LTPP target percentage change and base salary change effective May 14, 2025.
(2) Ms. Kennedy's 2025 LTPP awards were forfeited upon the effective date of her separation from service based on the terms of the LTPP and her grant documents.

The following table presents information regarding the performance measures and payout curves related to the PSUs granted in 2025.

Compounded EPS growth is based on the rate of EPS growth, compounded annually over the three-year period from January 1, 2025 through December 31, 2027, over our 2024 adjusted EPS. Compounded EPS growth is a key performance measure that links achievement of our financial and strategic goals to the creation of long-term shareholder value.

Relative TSR is based on American Water's total shareholder return compared to the total shareholder return performance of the companies in the 2025 peer group, during the three-year performance period from January 1, 2025 through December 31, 2027, assuming reinvestment of dividends during the performance period. The TSR metric enables us to encourage performance that increases shareholder value and also increases it to an extent that compares favorably relative to the companies in our 2025 peer group.

The ROE measure is based on the three-year average from January 1, 2025 through December 31, 2027, using a five-quarter average shareholders' equity for each year. ROE is a key performance measure that

aligns our interests with those of our shareholders by measuring our ability to efficiently generate profits relative to shareholders' equity.

The payout curves for each of these performance measures were approved by the ED&CC in December 2024 and were reflective of the relevant period of our long-term, five-year financial plan that was reviewed and approved by the Board. Any adjustments to earnings with respect to the 2025 LTPP awards will be consistent with those applied to the APP financial measure. The ED&CC retains the authority to approve LTPP performance adjustments.

Form of Compensation	Measurement Period	Performance	Description	Threshold Performance (Weighting)	Target Performance (Weighting)	Maximum Performance (Weighting)
Performance Stock Units and Time-Based Restricted Stock Units	**3 years** 2025–2027	**Compounded EPS Growth** 35%	Performance metric that links achieving our earnings and strategic goals to long-term shareholder value.	7.0% (0%)	8.0% (100%)	9.0% (200%)
		Relative Total Shareholder Return 20%	Performance metric that measures our TSR performance relative to the companies in our 2025 peer group.	25th percentile (25%)	50th percentile (100%)	90th percentile (200%)
		Return on Equity 15%	Performance metric that aligns our interests with those of our shareholders by measuring our ability to efficiently generate profits relative to shareholders' equity.	9.38% (0%)	10.38% (100%)	11.38% (200%)
		Time-Based Restricted Stock Units 30%	Stock award that vests while a participant remains employed with us; increased value based on stock price appreciation.			

We do not grant, and since 2017 have not granted, options as part of the LTPP. For this reason, the Company has not adopted a policy or practice on the timing of awards of options in relation to the disclosure of material nonpublic information.

Performance Vesting of PSUs Granted in 2023

In 2023, we granted two equally weighted types of PSUs to all of our NEOs: one with a three-year performance measure based on TSR relative to companies in our 2023 peer group, and the other with a three-year performance measure based on the annual rate of our compounded adjusted EPS growth. The payouts of the two types of PSUs are summarized in the table below:

Performance Measure	Threshold Performance (Weighting)	Target Performance (Weighting)	Maximum Performance (Weighting)	Actual Performance	Percentage of Target Award Earned
Relative Total Shareholder Return	25th percentile (25%)	50th percentile (100%)	90th percentile (200%)	6th percentile	0.00%
Compounded Adjusted EPS Growth Rate	5.8% (0%)	6.8% (100%)	8.0% (200%)	7.86% (1)	188.33%

(1) See Part C of Appendix A for a calculation of actual performance for the 2023 PSU awards.

Actual performance is based on the rate of EPS growth, compounded annually over the three-year period from January 1, 2023 through December 31, 2025, over our 2022 EPS. The ED&CC certified the achievement of the requisite PSU performance measures in February 2026.

Limited Perquisites and Other Benefits

We provide limited perquisites to our NEOs, consisting principally of reimbursement for executive physicals, Company-paid life insurance benefits, and, where applicable, relocation assistance. We believe that providing executives with limited perquisites supports our emphasis on performance-based pay, while providing NEOs with a benefit package that is competitive and supports executive retention. The incremental costs of certain of these perquisites for 2025 are described in footnote (5) to the Summary Compensation table on page 48 of this proxy statement.

Compensation Related to Leadership Transitions

In connection with Ms. Hardwick's successful transition of her CEO role to Mr. Griffith, Ms. Hardwick received compensation based on the value of her prorated award opportunity under the 2025 APP ($730,518 based on actual performance), a pro-forma base salary adjustment for 2025, and limited continuation of health and welfare benefits, resulting in an aggregate amount of $800,000. The ED&CC recommended and the independent members of the Board approved the payment to Ms. Hardwick.

In connection with Ms. Kennedy's separation from service, which was subject to the terms of the Executive Severance Policy as a termination without cause, the ED&CC approved a severance agreement and general release for Ms. Kennedy whereby her last day of employment with the Company was March 1, 2025. In consideration for entering into the severance agreement and executing and not revoking a release of claims in favor of the Company, Ms. Kennedy received cash severance equal to $787,953, a prorated performance-based 2025 APP award equal to $72,056 and limited Company-paid continued health and welfare benefits.

EXECUTIVE STOCK OWNERSHIP GUIDELINES AND STOCK RETENTION REQUIREMENTS

The Board has adopted, as updated in February 2025, executive stock ownership guidelines and complementary stock retention requirements that further emphasize the importance of linking the financial interests of our executives with those of our shareholders. The stock ownership guidelines are expressed as a multiple of the executive's annual base salary. Executives (directly or through immediate family members or controlled entities) are expected to hold a specified amount of common stock (including certain equivalents) based on the executive's position, as follows:

Officer Level	Multiple of Annual Base Salary
Chief Executive Officer or President	6 times
Executive Vice Presidents	3 times
Senior Vice Presidents, Senior Leadership Team members, and other Section 16 officers	2 times
Utility State Presidents and Line of Business Presidents	1 time

For purposes of the executive stock ownership guidelines, shares of common stock, shares underlying vested and unvested RSUs and shares underlying vested and earned PSUs count toward satisfying the ownership guidelines. Shares underlying vested or unvested stock options and unvested PSUs do not count.

Under our executive stock ownership guidelines, to sell or transfer shares of common stock, and subject to certain exceptions, each executive must be in compliance with the stock ownership guidelines at the time of the sale or transfer. Sales or transfers will be permitted to the extent they do not cause the executive's total ownership to fall below the required threshold.

Each executive at the Executive Vice President level and higher who becomes subject to the stock ownership guidelines has five years to comply with them. The stock ownership guidelines provide that in the event of a promotion that increases a NEO's multiple of annual base salary, a new five-year compliance period will begin to run for that executive as of the effective date of the promotion.

Mses. Norton and Duffy were in compliance with the stock ownership guidelines as of the record date, and all of our other presently employed NEOs were within their respective five-year compliance periods. The compliance period for Messrs. Griffith and Bowler and Ms. Mitchell ends in 2029.

POLICIES REGARDING THE OWNERSHIP OF AMERICAN WATER SECURITIES

In our 2025 Annual Report, we disclosed that we maintain an insider trading policy that covers, among others, our directors, officers and employees (but not the Company), and that governs the purchase, sale and other disposition of our securities by covered persons. We believe that the policy is reasonably designed to promote and enforce compliance by such covered persons with Federal insider trading laws, rules and regulations, and the listing standards of the NYSE related thereto.

Our insider trading policy also prohibits directors, officers (including our NEOs) and employees, including their immediate family members and controlled entities, from engaging in any hedging transaction. None of these covered persons may:

- enter into any hedging transaction, as described in the insider trading policy;
- buy or sell any security that derives its value from the price of any of our securities; or
- enter into any other transaction of a similar nature that has the effect of reducing or eliminating the investment risk associated with any of our securities owned by such covered person.

The above restrictions are intended to prohibit transactions by these covered persons in financial instruments involving our securities, including prepaid variable forward contracts, equity swaps, collars and exchange funds, as well as transactions that hedge or offset, or are designed to hedge or offset, any decrease in the market value of our equity and debt securities.

Our insider trading policy also prohibits these covered persons from (i) pledging our securities to a lender as collateral for a loan, (ii) using them in a margin account as collateral for any obligation incurred in connection with a purchase of securities, or (iii) entering into any other similar transaction that has the effect of using our securities as collateral or security for a loan or any other obligation. In addition, the policy prohibits these covered persons from short-selling, which is the practice of selling securities that are not owned by the seller. This prohibition includes "short sales against the box," where the seller actually owns the securities being sold but fails to deliver them to the purchaser within a specified time period after the sale. The insider trading policy requires directors and NEOs to obtain approval from senior executive management and the Company's SEC Counsel prior to implementing, amending or terminating any Rule 10b5-1 trading plan, and to comply with the applicable requirements of Rule 10b5-1 and the insider trading policy before doing so.

A copy of our insider trading policy is filed as an exhibit to our 2025 Form 10-K and included on our Investor Relations website at *ir.amwater.com.*

ONGOING AND POST-EMPLOYMENT ARRANGEMENTS AND BENEFIT PLANS

We have several agreements, plans and arrangements that enable our NEOs to accrue retirement benefits as they continue to work for us, provide severance benefits upon certain types of termination of employment, or provide other forms of deferred compensation. Not all of these plans apply to each NEO, as indicated in the discussion below. Our NEOs are not entitled to receive excise tax gross-up payments under any of the plans discussed below. The Company believes that these programs are important recruitment and retention tools.

American Water Savings Plan

The Savings Plan for Employees of American Water Works Company, Inc. and its Designated Subsidiaries, or the Savings Plan, is a tax-qualified 401(k) defined contribution plan available to employees of American Water, including our NEOs, and certain subsidiaries.

Under the Savings Plan, employees may contribute, subject to limitations imposed by the Internal Revenue Code of 1986, as amended, or the Code, up to 50 percent of their base salary and up to 100 percent of their APP payout, up to limits determined under the Code.

For a NEO participant hired before January 1, 2006 (for 2025, this applies only to Mses. Norton and Duffy), the matching contribution formula is 50 percent of a participant's base salary contributions to the Savings Plan for the plan year, up to a maximum of 5 percent. For NEO participants hired or rehired on or after January 1, 2006 (for 2025, this applies to all NEOs except Mses. Norton and Duffy), the matching contribution formula is (a) 100 percent of a participant's base salary and APP contributions to the Savings Plan for the plan year up to the first 3 percent, and (b) 50 percent of a participant's base salary and APP contributions to the Savings Plan for the plan year up to the next 2 percent. The Savings Plan does not match a participant's catch-up contributions. In addition, for NEO participants hired or rehired after January 1, 2006 (for 2025, this applies to all NEOs except Mses. Norton and Duffy), we provide an employer defined contribution equal to 5.25 percent of the participant's base salary, subject to limitations imposed under the Code. We provide more generous contributions to participants rehired or hired on or after January 1, 2006, because they are ineligible to participate in the defined benefit pension plans described below.

Amounts credited to an employee's account may be invested among a number of investment funds, and the value of a participant's account will increase or decrease to reflect the performance of selected investments.

Pension Plan and Executive Retirement Plan

The Pension Plan for Employees of American Water Works Company, Inc. and its Designated Subsidiaries, or the AWWPP, is a tax-qualified defined benefit pension plan that is generally available to eligible employees who commenced employment with us prior to January 1, 2006. The AWWPP provides an annual retirement benefit based on an employee's earnings and years of service. For executives hired prior to July 1, 2001, a grandfathered benefit is provided. Mses. Norton and Duffy are the only NEOs who participate in the AWWPP.

The American Water Works Company, Inc. Executive Retirement Plan, or the ERP, is a nonqualified defined benefit pension plan that provides pension benefits under the same formula as the AWWPP, but without the pay and benefit limitations that are applicable to the AWWPP under the Code. The ERP also provides a minimum benefit in accordance with the provisions of former executive retirement plans. Mses. Norton and Duffy are the only NEOs who participate in the ERP.

We closed the AWWPP (subject to certain exceptions) and the ERP to new employees on December 31, 2005, and replaced those plans with defined contribution plans. This action was taken for a number of reasons, including to allow us to incur fixed costs for retirement benefits on an ongoing basis. In contrast, we are subject to variable costs in connection with our defined benefit plans based on the performance of the plans' investment portfolios. For further information on these plans, see "Executive Compensation—Pension Benefits at December 31, 2025" and "Executive Compensation—Description of Pension and Other Retirement Plans" beginning on page 54 of this proxy statement.

Nonqualified Deferred Compensation Plan

The Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and its Designated Subsidiaries, or the Employee Deferred Compensation Plan, enables participants to defer up to 20 percent of their base salary and up to 100 percent of their APP payout and provides benefits in excess of the maximum benefits that may be provided under the Savings Plan as a result of limits imposed by the Code. We refer to compensation in excess of those limits as "excess compensation." Each of our NEOs is eligible to participate in the Employee Deferred Compensation Plan.

We provide matching contributions on excess compensation using the same matching formulas as described above under the Savings Plan. In addition, for participants rehired or hired on or after January 1, 2006 (for 2025, all NEOs except Mses. Norton and Duffy), we provide an employer defined contribution that is equal to 5.25 percent of the participant's APP award plus the participant's base salary in excess of the compensation limit imposed by the Code.

Each participant may allocate amounts credited to their account among several notional investments, and the value of the account will be increased or

decreased to reflect returns under the selected notional investments. The participant may elect to receive payment of deferred amounts in a lump sum or in annual installments, on or beginning at separation from service or a specified distribution date. See "Executive Compensation—2025 Nonqualified Deferred Compensation" beginning on page 55 of this proxy statement for additional information.

Executive Severance Policy

Under our Executive Severance Policy, we provide severance benefits to our NEOs. Our policy is designed to provide a clear statement of the rights of our executives if they are involuntarily terminated without cause (as defined under this policy), except in cases following a change of control, as discussed below. Among other things, the Executive Severance Policy provides for 18 months of salary continuation for the President and the CEO and 12 months of salary continuation for other NEOs, and a pro rata APP award for the year in which the termination date occurs to the extent a payment is earned under the terms of the APP. In addition, the policy provides for Company-paid welfare benefits for a specified number of weeks based on years of service, up to 12 months of outplacement services and credit for the severance period for purposes of vesting under any applicable nonqualified deferred compensation or defined benefit retirement plans. See "Executive Compensation—Potential Payments on Termination or Change of Control" beginning on page 56 of this proxy statement for further information.

Change of Control Severance Policy

The Change of Control Severance Policy provides benefits to each of our NEOs, if within 24 months after the consummation of a "change of control," the NEO's employment is involuntarily terminated without "cause" or if the NEO resigns from employment for "good reason" (each as defined in this policy). The occurrence or potential occurrence of a change of control transaction often creates uncertainty regarding the continued employment of a company's executive officers. In order to continue to encourage our NEOs to remain employed with us in connection with such a transaction, or to attract new executives in the midst of such a transaction, we provide our NEOs with specified severance benefits if the NEO's employment terminates for the reasons described above in connection with a change of control.

In the event of a covered termination, the President and the CEO would be eligible to receive three times, and the other NEOs would be eligible to receive two times, the sum of (1) such NEO's annual base salary on the termination date of employment and (2) the greater of the last APP award paid to the NEO and the average of the NEO's last three annual APP awards. Each NEO would also receive paid COBRA coverage for health, dental and vision benefits for the maximum statutory period, would continue to be eligible to participate for six months in our Employee Assistance Plan and would receive up to 12 months of outplacement services. The Change of Control Severance Policy also provides that, in the event of a covered termination, each NEO would be entitled to receive unpaid base salary due for periods prior to the termination date, all accrued and unused vacation through the termination date, and reimbursement of all properly documented reasonable and necessary expenses incurred in connection with employment prior to the termination date. In addition, the policy provides that benefits payable under the Employee Deferred Compensation Plan will be fully vested and paid in accordance with the terms of such plan.

The benefits and payments provided under this policy are designed to replace and enhance existing benefits payable under the Executive Severance Policy following a change of control.

See "Executive Compensation—Potential Payments on Termination or Change of Control" beginning on page 56 of this proxy statement for further information.

Terms of Outstanding Equity Grants

Acknowledging that executives serving in our CEO, President, CFO and COO positions consistently make decisions that are both in our short- and long-term interests, the ED&CC has approved the granting of long-term equity awards under the 2017 Omnibus Plan to persons serving in these roles with continued vesting after retirement, under circumstances as discussed in more detail below.

Except as contemplated in these limited circumstances, we do not provide for continued vesting of long-term equity awards granted under the

2017 Omnibus Plan in the event of retirement. For an executive serving in the CEO, President, CFO or COO role with at least three years of consecutive service in one or more of these positions, an equity award will continue to be earned and/or vest over the normal vesting schedule following a separation of service based upon either normal retirement or early retirement, as follows:

- in the event of a normal retirement, defined as having attained age 60 and five years of service at American Water (including with respect to Mses. Hardwick and Norton), 100 percent of the award will continue to be earned and/or vest; and
- in the event of an early retirement, defined as having attained age 55 and five years of service at American Water, 75 percent of the award will continue to be earned and/or vest.

In connection with the foregoing, PSUs will continue to be earned and vest and will be paid at the end of the three-year performance period based on actual performance.

Any stock option granted to an executive serving in the CEO, President, CFO and COO roles will remain exercisable for a period of two years after the retirement date; however, no stock options have been granted to any of our NEOs in these roles.

CHANGE OF CONTROL PROVISIONS IN EQUITY PLANS

Most of our compensation plans and policies do not contain change of control provisions affecting the compensation of our NEOs. Upon a change of control in which American Water is not the surviving entity, the 2017 Omnibus Plan requires all unexercised options and other grants of awards thereunder to be assumed by or converted to similar awards of the acquiring company. The vesting of such assumed or converted awards will be accelerated only if the participant's employment is terminated other than (i) for cause or (ii) due to death or disability, within 12 months after the change of control. To the extent that any such awards are not assumed or converted, option awards will become fully exercisable, all restrictions upon awards will lapse and all stock units will fully vest, upon the change of control. See "Executive Compensation—Potential Payments on Termination or Change of Control—Equity Awards" beginning on page 58 of this proxy statement for further information.

RECOVERY OF INCENTIVE COMPENSATION

We maintain an Incentive-Based Compensation Recovery Policy applicable to all Section 16 officers, which include each NEO. This policy complies with, and will be interpreted and administered in a manner consistent with, all applicable laws, the rules and regulations of the NYSE and Rule 10D-1 of the Exchange Act.

Under this policy, if the Company is required to prepare a restatement, the Company will, as promptly as reasonably possible, recover any incentive-based compensation erroneously received by a covered executive during the recovery period. The amount of compensation erroneously received by a covered executive will be equal to the excess of the incentive-based compensation received by such covered executive based on the erroneous data in the financial statements over such compensation based on the restated results, without respect to any tax liabilities incurred or paid by such covered executive. We may also seek to recover incentive-based payments if a covered executive commits acts of fraud, embezzlement, theft or other ethical misconduct (as determined by the Board in its sole discretion), and a restatement by the Company is not required. In addition to recovery, the Board may take any and all other actions it deems necessary, appropriate and in the Company's best interest, including termination of the covered executive's employment and initiating legal action against the covered executive. Moreover, the terms of the APP and the 2017 Omnibus Plan specifically require that grants under those plans be subject to this policy.

TAX AND ACCOUNTING CONSIDERATIONS

Tax Considerations

Under Section 162(m) of the Code, a public company is prohibited from deducting for federal income tax purposes compensation in excess of $1.0 million paid to certain of its executive officers. The ED&CC believes that the income tax impacts of compensation is only one of many other relevant considerations in setting compensation. The ED&CC also believes that the Section 162(m) tax deduction limitation should not be permitted to compromise the Company's ability to design and maintain executive compensation arrangements that, among other things, are intended to attract, retain and motivate talented, high-performing executives, and that are designed to discourage decision-making focused solely on compensatory consequences and excessive risk-taking.

Section 409A of the Code provides that amounts deferred under nonqualified deferred compensation plans are includible in an employee's income when vested unless certain requirements are met. If these requirements are not met, employees may be subject to additional taxes, interest and penalties. Our nonqualified deferred compensation arrangements are intended to satisfy the requirements of Section 409A.

Accounting Considerations

RSU and PSU awards are accounted for based on their grant date fair value, as determined under ASC 718, which is recognized over the service or vesting period applicable to the grant. Forfeitures are estimated, and the compensation cost of awards will be reversed if the employee does not remain employed by us throughout the service or vesting period.

EXECUTIVE COMPENSATION

2025 SUMMARY COMPENSATION TABLE

The following table sets forth information regarding the compensation of all of our NEOs for 2025.

Name and Principal Position	Year	Salary ($) (1)	Bonus ($)	Stock Awards ($) (2)	Non-Equity Incentive Plan Compensation ($) (3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (4)	All Other Compensation ($) (5)	Total ($)
John C. Griffith President and Chief Executive Officer (6)	2025	$1,026,418	$—	$4,060,491	$1,635,585	$ —	$ 333,173	$7,055,667
	2024	$ 855,657	$—	$2,479,082	$1,336,343	$ —	$ 211,563	$4,882,645
	2023	$ 748,982	$—	$1,884,974	$ 990,538	$ —	$ 163,754	$3,788,248
M. Susan Hardwick Former Chief Executive Officer (7)	2025	$ 458,658	$—	$4,817,643	$ —	$ —	$1,051,591	$6,327,892
	2024	$1,126,258	$—	$4,881,557	$2,197,831	$ —	$ 375,084	$8,580,730
	2023	$1,057,880	$—	$4,654,564	$1,678,611	$ —	$ 329,770	$7,720,825
David M. Bowler Executive Vice President and Chief Financial Officer (8) (9)	2025	$ 600,682	$—	$1,250,794	$ 676,673	$ —	$ 133,782	$2,661,931
	2024	$ 473,006	$—	$ 603,757	$ 477,488	$ —	$ 100,186	$1,654,437
Cheryl Norton Executive Vice President and Chief Operating Officer	2025	$ 743,720	$—	$1,798,012	$ 943,449	$2,781,477	$ 75,748	$6,342,406
	2024	$ 702,927	$—	$1,530,351	$ 956,166	$1,802,518	$ 54,794	$5,046,756
	2023	$ 659,678	$—	$1,336,248	$ 654,055	$2,496,415	$ 50,362	$5,196,758
Stacy A. Mitchell Executive Vice President and General Counsel (9) (10)	2025	$ 580,929	$—	$ 946,951	$ 573,163	$ —	$ 109,632	$2,210,675
	2024	$ 463,055	$—	$ 576,746	$ 460,968	$ —	$ 70,856	$1,571,625
Maureen Duffy Executive Vice President, Communications and External Affairs (11)	2025	$ 466,793	$—	$ 549,339	$ 394,785	$ 644,997	$ 33,669	$2,089,583
Melanie M. Kennedy Former Executive Vice President, Chief Human Resources Officer (12)	2025	$ 111,098	$—	$ 576,509	$ 72,056	$ —	$ 833,032	$1,592,695
	2024	$ 474,932	$—	$ 567,062	$ 481,943	$ —	$ 110,552	$1,634,489
	2023	$ 452,489	$—	$ 546,560	$ 388,974	$ —	$ 108,014	$1,496,037

(1) In 2025, the following NEOs deferred a portion of their base salary under the Employee Deferred Compensation Plan: Mr. Griffith—$61,181; Ms. Hardwick—$24,447; Mr. Bowler—$59,633; Ms. Norton—$36,995; Ms. Mitchell—$17,334; and Ms. Kennedy—$13,061.

(2) The amounts shown in this column reflect the aggregate grant date fair value of PSUs and RSUs granted to each of the NEOs in 2025, as follows:

Name	PSUs	RSUs
John C. Griffith	$ 2,832,267	$ 1,228,224
M. Susan Hardwick	$ 3,349,465	$ 1,468,178
David M. Bowler	$ 869,666	$ 381,128
Cheryl Norton	$ 1,250,036	$ 547,976
Stacy A. Mitchell	$ 658,402	$ 288,549
Maureen Duffy	$ 381,983	$ 167,356
Melanie M. Kennedy	$ 400,887	$ 175,622

With respect to the PSUs, the amounts disclosed in the table above include the grant date fair value based upon the target outcome of the performance conditions, determined at the grant date in accordance with ASC 718. See Note 10—Stock Based Compensation in the Notes to Consolidated Financial Statements in the 2025 Form 10-K for the assumptions that were made in determining grant date fair values of the PSU and RSU awards.

The following table shows the fair value of the PSU awards at the grant date, assuming the highest level of performance was achieved:

	Grant Date Fair Value		
Name	2025	2024	2023
John C. Griffith	$ 5,664,534	$ 3,463,446	$ 2,639,074
M. Susan Hardwick	$ 6,698,930	$ 6,826,828	$ 6,516,434
David M. Bowler	$ 1,739,332	$ 843,194	$ —
Cheryl Norton	$ 2,500,072	$ 2,139,178	$ 1,870,702
Stacy A. Mitchell	$ 1,316,804	$ 804,372	$ —
Maureen Duffy	$ 763,966	$ —	$ —
Melanie M. Kennedy	$ 801,774	$ 792,990	$ 765,236

(3) The amounts shown in this column constitute payments under the APP with respect to each performance year, which are generally paid in March of the next calendar year. The following NEOs deferred a portion of their APP payment with respect to 2025 under the Employee Deferred Compensation Plan: Mr. Griffith—$98,135; Mr. Bowler—$101,501; Ms. Mitchell—$17,195; and Ms. Kennedy—$7,206.

(4) The amounts shown in this column reflect the aggregate changes in the actuarial present values of accumulated benefits under our defined benefit pension plans. For further information on these pension plans, see "—Pension Benefits at December 31, 2025." None of the NEOs received "above-market" or "preferential" earnings (as defined by SEC regulation) under the Employee Deferred Compensation Plan.

(5) The totals shown in this column for 2025 consist of:

Name	Savings Plan Company Match	Savings Plan Company Defined Contribution Account (a)	Company Contributions to Employee Deferred Compensation Plan (b)	Executive Physical	Dividend Equivalents (c)	Company-Paid Life Insurance	Severance Payments	Transition Payment	Total All Other Compensation
John C. Griffith	$ 14,000	$ 18,375	$ 213,238	$ —	$ 87,128	$ 432	$ —	$ —	$ 333,173
M. Susan Hardwick	$ 14,000	$ 18,375	$ 12,853	$ —	$ 206,180	$ 183	$ —	$ 800,000	$ 1,051,591
David M. Bowler	$ 14,000	$ 18,375	$ 85,378	$ 1,950	$ 13,647	$ 432	$ —	$ —	$ 133,782
Cheryl Norton	$ 8,750	$ —	$ 9,747	$ 1,830	$ 54,989	$ 432	$ —	$ —	$ 75,748
Stacy A. Mitchell	$ 14,000	$ 18,375	$ 66,079	$ 1,830	$ 8,916	$ 432	$ —	$ —	$ 109,632
Maureen Duffy	8,750	$ —	$ —	$ 2,000	$ 22,487	$ 432	$ —	$ —	$ 33,669
Melanie M. Kennedy	$ 14,000	$ 5,028	$ —	$ —	$ 25,968	$ 83	$787,953	$ —	$ 833,032

(a) The Defined Contribution Account is an account in the Savings Plan to which American Water contributes 5.25 percent of each eligible employee's total cash compensation (which includes annual base salary), subject to Code limits on compensation that may be taken into account. Generally, only employees hired on or after January 1, 2006 are eligible for this contribution.

(b) The amounts in this column represent matching contributions with respect to 2025 made by the Company to the NEOs' accounts in the Employee Deferred Compensation Plan. These contributions are generally paid in the second quarter of the next calendar year. For further information on this plan, see "—2025 Nonqualified Deferred Compensation."

(c) Dividend equivalents are paid in cash with respect to PSUs and RSUs at such time, if ever, as the PSUs or RSUs are converted to common stock. Amounts in this column reflect PSU and RSU dividend equivalents that were paid out in 2025.

(6) Mr. Griffith has served as Chief Executive Officer since May 14, 2025, and has served as President since August 1, 2024. He also served as Executive Vice President and Chief Financial Officer from May 16, 2022 to July 31, 2024.

(7) Ms. Hardwick served as Chief Executive Officer from February 2, 2022 until her retirement effective May 14, 2025.

(8) Mr. Bowler was promoted to Executive Vice President and Chief Financial Officer effective August 1, 2024.

(9) The executive was not a named executive officer with respect to any year prior to 2024.

(10) Ms. Mitchell was promoted to Executive Vice President and General Counsel effective June 5, 2024.

(11) Ms. Duffy was promoted to Executive Vice President, Communications and External Affairs effective November 1, 2024 and was not a named executive officer with respect to any year prior to 2025.

(12) Ms. Kennedy was no longer employed by the Company effective March 1, 2025.

Comparison of Key Elements of Total Compensation

The following table presents a comparison of the key elements of total compensation for 2025 for the current NEOs named below, including the percentage of salary and bonus compared to total compensation. This section uses information contained in the 2025 Summary Compensation Table.

	Percentage of Total Compensation			
Name	Total Salary and Bonus	Incentive Compensation	Change in Pension Value	Other
John C. Griffith	14.6%	80.7%	—%	4.7%
David M. Bowler	22.6%	72.4%	—%	5.0%
Cheryl Norton	11.7%	43.2%	43.9%	1.2%
Stacy A. Mitchell	26.3%	68.8%	—%	4.9%
Maureen Duffy	22.3%	45.2%	30.9%	1.6%

Employment Offer Letters

Historically, when a new NEO joins us, we enter into an employment offer letter with the NEO (which is filed with the SEC) providing for the initial terms of the compensation for the NEO. The 2025 Summary Compensation Table above reflects compensation that is ultimately earned and paid to our NEOs under these offer letters.

Under the terms of their respective employment offer letters, each of Messrs. Griffith and Bowler and Ms. Norton receives annual base salary, an APP award opportunity and an LTPP award opportunity, the latter of which vests ratably over three years and has the continued vesting provisions applicable to an executive serving in the CEO, President, CFO or COO role. The employment offer letter with each of Mses. Mitchell and Duffy provides for similar terms, without the inclusion of a continued vesting provision.

2025 GRANTS OF PLAN-BASED AWARDS

The following table presents certain information regarding plan-based awards granted to the NEOs named below during the fiscal year ended December 31, 2025.

Name	Grant Date	Approval Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1) Target ($)	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1) Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards (2) Threshold (#)	Estimated Future Payouts Under Equity Incentive Plan Awards (2) Target (#)	Estimated Future Payouts Under Equity Incentive Plan Awards (2) Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)(3)	Grant Date Fair Value of Stock Awards ($)(4)
John C. Griffith									
APP	5/14/2025	4/30/2025	$ 1,155,891	$ 2,311,782	—	—	—	—	$ —
RSU	2/18/2025	2/18/2025	$ —	$ —	—	—	—	7,925	$ 1,007,822
RSU	5/14/2025	4/30/2025	$ —	$ —	—	—	—	1,647	$ 220,402
PSU	2/18/2025	2/18/2025	$ —	$ —	1,321	5,283	10,566	—	$ 619,590
PSU	2/18/2025	2/18/2025	$ —	$ —	2,311	9,245	18,490	—	$ 1,175,687
PSU	2/18/2025	2/18/2025	—	—	991	3,962	7,924	—	$ 503,847
PSU	5/14/2025	4/30/2025	$ —	$ —	275	1,098	2,196	—	$ 165,941
PSU	5/14/2025	4/30/2025	$ —	$ —	480	1,921	3,842	—	$ 257,068
PSU	5/14/2025	4/30/2025	$ —	$ —	206	823	1,646	—	$ 110,134
M. Susan Hardwick									
APP	2/18/2025	2/18/2025	$ —	$ —	—	—	—	—	$ —
RSU	2/18/2025	2/18/2025	$ —	$ —	—	—	—	11,545	$ 1,468,178
PSU	2/18/2025	2/18/2025	$ —	$ —	1,924	7,696	15,392	—	$ 902,587
PSU	2/18/2025	2/18/2025	$ —	$ —	3,367	13,469	26,938	—	$ 1,712,853
PSU	2/18/2025	2/18/2025	$ —	$ —	1,443	5,772	11,544	—	$ 734,025
David M. Bowler									
APP	2/18/2025	2/18/2025	$ 478,214	$ 956,428	—	—	—	—	$ —
RSU	2/18/2025	2/18/2025	$ —	$ —	—	—	—	2,997	$ 381,128
PSU	2/18/2025	2/18/2025	$ —	$ —	500	1,998	3,996	—	$ 234,325
PSU	2/18/2025	2/18/2025	$ —	$ —	874	3,497	6,994	—	$ 444,713
PSU	2/18/2025	2/18/2025	$ —	$ —	375	1,499	2,998	—	$ 190,628
Cheryl Norton									
APP	2/18/2025	2/18/2025	$ 666,749	$ 1,333,498	—	—	—	—	$ —
RSU	2/18/2025	2/18/2025	$ —	$ —	—	—	—	4,309	$ 547,976
PSU	2/18/2025	2/18/2025	$ —	$ —	718	2,872	5,744	—	$ 336,828
PSU	2/18/2025	2/18/2025	$ —	$ —	1,257	5,027	10,054	—	$ 639,284
PSU	2/18/2025	2/18/2025	$ —	$ —	539	2,154	4,308	—	$ 273,924
Stacy A. Mitchell									
APP	2/18/2025	2/18/2025	$ 405,062	$ 810,124	—	—	—	—	$ —
RSU	2/18/2025	2/18/2025	$ —	$ —	—	—	—	2,269	$ 288,549
PSU	2/18/2025	2/18/2025	$ —	$ —	378	1,513	3,026	—	$ 177,445
PSU	2/18/2025	2/18/2025	$ —	$ —	662	2,647	5,294	—	$ 336,619
PSU	2/18/2025	2/18/2025	$ —	$ —	284	1,135	2,270	—	$ 144,338
Maureen Duffy									
APP	2/18/2025	2/18/2025	$ 279,000	$ 558,000	—	—	—	—	$ —
RSU	2/18/2025	2/18/2025	$ —	$ —	—	—	—	1,316	$ 167,356
PSU	2/18/2025	2/18/2025	$ —	$ —	220	878	1,756	—	$ 102,972
PSU	2/18/2025	2/18/2025	$ —	$ —	384	1,536	3,072	—	$ 195,333
PSU	2/18/2025	2/18/2025	$ —	$ —	165	658	1,316	—	$ 83,678

Name	Grant Date	Approval Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1) Target ($)	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1) Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards (2) Threshold (#)	Estimated Future Payouts Under Equity Incentive Plan Awards (2) Target (#)	Estimated Future Payouts Under Equity Incentive Plan Awards (2) Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)(3)	Grant Date Fair Value of Stock Awards ($)(4)
Melanie M. Kennedy									
APP	2/28/2025	2/28/2025	$50,923	$101,846	—	—	—	—	$ —
RSU (5)	2/18/2025	2/18/2025	$ —	$ —	—	—	—	1,381	$175,622
PSU (5)	2/18/2025	2/18/2025	$ —	$ —	230	921	1,842	—	$108,015
PSU (5)	2/18/2025	2/18/2025	$ —	$ —	403	1,612	3,224	—	$204,998
PSU (5)	2/18/2025	2/18/2025	$ —	$ —	173	691	1,382	—	$ 87,874

(1) These columns represent target and maximum APP payout opportunities. The actual payments that were made under the APP for 2025 performance are shown in the 2025 Summary Compensation Table. There is no specified minimum award for participants in the APP, and therefore we did not include a column in the table for the threshold amount of such award. For further information on the APP, see "Compensation Discussion and Analysis—2025 Compensation—2025 Annual Performance Plan" beginning on page 36 of this proxy statement.

(2) These columns represent threshold, target and maximum payout opportunities under the LTPP with respect to our PSUs. For further information on the LTPP, under which the PSUs were granted, see "Compensation Discussion and Analysis—2025 Compensation—2025 Long-Term Performance Plan" beginning on page 38 of this proxy statement.

(3) This column represents grants of RSUs. For further information on the LTPP, under which all of the RSUs were granted, see "Compensation Discussion and Analysis—2025 Compensation—2025 Long-Term Performance Plan" beginning on page 38 of this proxy statement.

(4) This column represents the grant date fair values of the PSUs and RSUs, determined in accordance with ASC 718. See footnote (2) to the 2025 Summary Compensation Table for additional information.

(5) Ms. Kennedy's 2025 RSU and PSU awards were forfeited in connection with her separation from service effective March 1, 2025.

OUTSTANDING EQUITY AWARDS AT 2025 FISCAL YEAR-END

The following table presents information regarding equity awards held by the NEOs named below at December 31, 2025. None of our NEOs held any outstanding stock options as of December 31, 2025; thus, the table below omits all columns pertaining to option awards.

Name	Grant Date	Number of Shares or Units of Stock That Have Not Vested (#)(1)	Market Value of Shares or Units of Stock That Have Not Vested ($)(2)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(3)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(2)
John C. Griffith					
	2/14/2023	1,263	$ 164,822	12,765	$ 1,665,833
	2/13/2024	3,274	$ 427,257	19,639	$ 2,562,890
	8/1/2024	735	$ 95,918	4,409	$ 575,375
	2/18/2025	7,925	$ 1,034,213	31,697	$ 4,136,459
	5/14/2025	1,647	$ 214,934	6,586	$ 859,473
M. Susan Hardwick					
	2/14/2023	3,118	$ 406,899	31,519	$ 4,113,230
	2/13/2024	8,172	$ 1,066,446	49,027	$ 6,398,024
	2/18/2025	11,545	$ 1,506,623	46,178	$ 6,026,229

Name	Grant Date	Number of Shares or Units of Stock That Have Not Vested (#)(1)	Market Value of Shares or Units of Stock That Have Not Vested ($)(2)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(3)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(2)
David M. Bowler					
	2/14/2023	248	$ 32,364	2,505	$ 326,903
	2/13/2024	688	$ 89,784	4,126	$ 538,443
	8/1/2024	271	$ 35,366	1,625	$ 212,063
	2/18/2025	2,997	$ 391,109	11,990	$ 1,564,695
Cheryl D. Norton					
	2/14/2023	896	$ 116,928	9,048	$ 1,180,764
	2/13/2024	2,320	$ 302,760	13,922	$ 1,816,821
	8/1/2024	203	$ 26,492	1,214	$ 158,427
	2/18/2025	4,309	$ 562,325	17,234	$ 2,249,037
Stacy A. Mitchell					
	2/14/2023	161	$ 21,011	1,626	$ 212,193
	2/13/2024	425	$ 55,463	2,549	$ 332,645
	8/1/2024	454	$ 59,247	2,719	$ 354,830
	2/18/2025	2,269	$ 296,105	9,077	$ 1,184,549
Maureen Duffy					
	2/14/2023	306	$ 39,933	3,091	$ 403,376
	2/13/2024	825	$ 107,663	4,947	$ 645,584
	11/1/2024	16	$ 2,088	96	$ 12,528
	2/18/2025	1,316	$ 171,738	5,266	$ 687,213
Melanie M. Kennedy					
	2/14/2023	—	$ —	2,467	$ 321,944
	2/13/2024	—	$ —	1,896	$ 247,428

(1) This column reflects RSUs that are not subject to performance conditions and will vest in equal increments on January 31 of each of the three years following the year in which the RSUs were granted, and, except as to RSUs with continued vesting, subject to continued employment through each vesting date.

(2) The market value of the RSUs and PSUs is based on the $130.50 closing price of a share of our common stock on December 31, 2025, the last trading day of the year, as reported by the NYSE.

(3) This column reflects PSUs that are subject to vesting upon the achievement of stated performance goals over a three-year period and are earned in three equal annual increments on January 31 of each year in such three-year period, and, except as to PSUs with continued vesting, subject to continued employment through each such date. In accordance with applicable SEC regulations, the number of shares disclosed in this column represents the number of shares that would vest if (i) threshold performance were achieved for PSUs related to TSR, and (ii) maximum performance were achieved for PSUs related to EPS and ROE.

2025 OPTION EXERCISES AND STOCK VESTED

The following table presents information regarding the vesting of RSUs and PSUs held by the NEOs named below during 2025. None of the NEOs held any stock options during 2025; thus, the table below omits all columns pertaining to the exercise of option awards.

Name	Stock Awards	
	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)(1)
John C. Griffith	12,866	$ 1,624,767
M. Susan Hardwick	28,274	$ 3,570,487
David M. Bowler	2,041	$ 257,287
Cheryl Norton	7,688	$ 970,417
Stacy A. Mitchell	1,438	$ 181,079
Maureen Duffy	3,059	$ 386,412
Melanie M. Kennedy	3,527	$ 445,523

(1) Represents the aggregate market value of the shares realized on vesting, calculated by multiplying the vested number of shares by the closing price of a share of common stock on the date the applicable RSUs or PSUs vested (or on the last trading day prior thereto when the vesting occurs on a non-trading day).

PENSION BENEFITS AT DECEMBER 31, 2025

The following table presents certain information regarding pension benefits at December 31, 2025.

Name	Plan Name (1)	Number of Years of Credited Service (#)	Present Value of Accumulated Benefit ($)(2)	Payments During Last Fiscal Year ($)
John C. Griffith	N/A	N/A	N/A	N/A
M. Susan Hardwick	N/A	N/A	N/A	N/A
David M. Bowler	N/A	N/A	N/A	N/A
Cheryl Norton (3)	ERP	37	$8,547,402	N/A
	AWWPP	37	$2,476,990	N/A
Stacy A. Mitchell	N/A	N/A	N/A	N/A
Maureen Duffy (3)	ERP	26	$1,679,488	N/A
	AWWPP	26	$1,373,291	N/A
Melanie M. Kennedy	N/A	N/A	N/A	N/A

(1) Since Mses. Hardwick, Mitchell and Kennedy, and Messrs. Griffith and Bowler, were hired after January 1, 2006, they were not eligible to participate in the AWWPP or the ERP.

(2) Amounts shown reflect the present value of the accumulated benefit as of December 31, 2025. All amounts for the AWWPP and the ERP were determined using the same interest and mortality assumptions as those used for financial reporting purposes. The following assumptions were used to calculate pension values at the following measurement dates:

- In 2025, for discounting annuity payments, we used a discount rate of 5.54 percent and the Pri-2012 mortality base table with a 0.94 multiplier projected forward using generational Mortality Projection Scale MP-2021, and for calculating lump sums, we used an interest rate of 5.54 percent and the IRS Prescribed Table for Lump Sums for 2026.
- In 2024, for discounting annuity payments, we used a discount rate of 5.70 percent and the Pri-2012 mortality base table with a 0.94 multiplier projected forward using generational Mortality Projection Scale MP-2021, and for calculating lump sums, we used an interest rate of 5.70 percent and the IRS Prescribed Table for 2025.

(3) Mses. Norton and Duffy are eligible for a subsidized early retirement benefit payable in the form of an annuity under the provisions of the AWWPP and the ERP.

For further information on American Water's defined benefit pension plans, see "—Description of Pension and Other Retirement Plans" below and "—Potential Payments on Termination or Change of Control—AWWPP and ERP."

DESCRIPTION OF PENSION AND OTHER RETIREMENT PLANS

AWWPP

The AWWPP is a qualified pension plan that is generally available to eligible employees who commenced employment with us prior to January 1, 2006. For participants hired prior to July 1, 2001, including Mses. Norton and Duffy, the AWWPP generally provides a grandfathered benefit. For years of service prior to July 1, 2001, the grandfathered benefit is calculated to be:

- 1.85 percent of the final average pay up to the Social Security average wage base multiplied by years of service (up to a maximum of 25 years of service through July 1, 2001), plus
- 2.1 percent of final average pay in excess of the Social Security average wage base multiplied by years of service (up to a maximum of 25 years of service through July 1, 2001), plus
- 0.7 percent of final average pay multiplied by years of service in excess of 25 years of service through July 1, 2001.

For years of service after July 1, 2001, for participants hired prior to July 1, 2001, the grandfathered benefit is calculated to be:

- 1.6 percent of final average pay up to the Social Security average wage base multiplied by years of service after July 1, 2001 (up to a maximum of 25 years of service, including service prior to July 1, 2001), plus
- 2.1 percent of final average pay in excess of the Social Security average wage base multiplied by years of service after July 1, 2001 (up to a maximum of 25 years of service, including service prior to July 1, 2001), plus
- 1.6 percent of final average pay multiplied by years of service after July 1, 2001, in excess of 25 years of service, including service prior to July 1, 2001.

Final average pay is defined for purposes of the plan as the average sum of base pay plus APP payout for the highest 60 consecutive months out of the final 120 months of employment. Normal retirement is defined as age 65, and early retirement eligibility is satisfied when an employee's age is at least 55 and the employee has attained a service requirement that varies based on whether the employee is in a grandfathered group and, if so, the location of such group. Benefits vest in the AWWPP upon completion of five years of service.

Mses. Norton and Duffy are each vested in her pension benefits. The normal form of payment is a single life annuity for single participants and a 50 percent joint and survivor annuity for married participants. The 50 percent joint and survivor annuity benefit amount is determined to be actuarially equivalent to the single life annuity amount.

The plan provisions include a reduction in benefits for early retirement for participants other than those who retire at age 62 or older with specified service levels, such as 20 years of service for someone who is age 62.

ERP

The ERP is a nonqualified defined benefit pension plan that is available to eligible employees who commenced employment with us prior to January 1, 2006. The ERP provides benefits under a restoration formula that mirrors the benefit formulas under the AWWPP, but without the pay and benefit payment limitations that are applicable to the AWWPP under the Code and including deferred compensation in calculating final average pay. The ERP also provides a minimum benefit in accordance with provisions of former executive retirement plans. Mses. Norton and Duffy participate in this nonqualified pension plan and are each entitled to the greater of the benefits determined pursuant to the restoration formula under

the ERP and the benefits determined pursuant to her prior nonqualified plan formulas (if applicable). Mses. Norton and Duffy are each vested in this nonqualified pension benefit. Upon retirement, nonqualified plan benefits are payable as a lump sum unless the participant has elected an alternate form of payment pursuant to regulations under Section 409A of the Code. Mses. Norton and Duffy will each receive her benefits as a lump sum. Upon voluntary termination of employment prior to eligibility for early or normal retirement, nonqualified benefits are payable as deferred (to age 65) annuities or lump sum equivalents of such deferred annuities. All nonqualified plan lump sums are calculated as the present value of deferred or immediate single life annuities.

2025 NONQUALIFIED DEFERRED COMPENSATION

The following table presents certain information regarding the nonqualified deferred compensation benefits of all of our NEOs for 2025.

Name	Executive Contributions in Last Fiscal Year ($)(1)	Registrant Contributions in Last Fiscal Year ($)(2)	Aggregate Earnings in Last Fiscal Year ($)	Aggregate Withdrawals/ Distributions in Last Fiscal Year ($)	Aggregate Balance at Last Fiscal Year-End ($)(3)
John C. Griffith	$ 159,316	$ 213,238	$ 103,625	$ (15,280)	$ 994,341
M. Susan Hardwick	$ 24,447	$ 12,853	$ 263,739	$ —	$ 1,807,826
David M. Bowler	$ 161,134	$ 85,378	$ 104,440	$ —	$ 833,127
Cheryl Norton	$ 36,995	$ 9,747	$ 275,325	$ —	$ 2,243,675
Stacy A. Mitchell	$ 34,529	$ 66,079	$ 4,165	$ —	$ 170,829
Maureen Duffy	$ —	$ —	$ —	$ —	$ —
Melanie M. Kennedy	$ 20,267	$ —	$ 109,764	$ (2,815)	$ 770,151

(1) The following amounts in this column are also reported as compensation to the NEOs shown in the 2025 Summary Compensation Table in the columns indicated:

Name	Salary	Non-Equity Incentive Plan Compensation
John C. Griffith	$ 61,181	$ 98,135
M. Susan Hardwick	$ 24,447	$ —
David M. Bowler	$ 59,633	$ 101,501
Cheryl Norton	$ 36,995	$ —
Stacy A. Mitchell	$ 17,334	$ 17,195
Maureen Duffy	$ —	$ —
Melanie M. Kennedy	$ 13,061	$ 7,206

(2) The amounts in this column are also reported as compensation to the NEOs in the 2025 Summary Compensation Table in the "All Other Compensation" column.

(3) The following amounts were reported in the Summary Compensation Table in previous years as compensation to the listed NEOs: Mr. Griffith—$517,956, Ms. Hardwick—$1,364,939, Mr. Bowler—$164,113, Ms. Norton—$1,326,841, Ms. Mitchell—$29,944, and Ms. Kennedy—$391,828.

DESCRIPTION OF THE EMPLOYEE DEFERRED COMPENSATION PLAN

For our NEOs, the Employee Deferred Compensation Plan permits the deferral of up to 20 percent of a participant's base salary and up to 100 percent of a participant's APP payout each year on a tax-advantaged basis. It also provides for annual matching contributions determined by the following formula for our NEOs hired or rehired on or after January 1, 2006, namely Ms. Mitchell, and Messrs. Bowler and Griffith:

- the sum of:
  - 100 percent of a participant's voluntary deferrals for the year, up to a maximum of three percent of the sum of the participant's base salary and APP payout; and
  - 50 percent of a participant's voluntary deferrals for the year, up to a maximum of the next two percent of the sum of the participant's base salary and APP payout, less
- the maximum amount of matching contributions that the participant is eligible to receive under the Savings Plan for the year.

In addition, we make annual contributions for our NEOs hired or rehired on or after January 1, 2006, equal to the sum of:

- 5.25 percent of the NEO's base salary in excess of the dollar limitation in effect under Section 401(a)(17) of the Code with respect to the year; and
- 5.25 percent of the NEO's APP payout.

For our NEOs hired before January 1, 2006, namely, Ms. Norton (Ms. Duffy does not currently participate in this plan), the matching contribution formula is:

- 50 percent of a participant's base salary deferrals for the year, up to a maximum of five percent of the participant's base salary, less
- the maximum amount of matching contributions that the participant is eligible to receive under the Savings Plan for the year.

NEOs hired before January 1, 2006 are not eligible to receive the 5.25 percent annual contributions described above. A participant's deferred compensation accounts are credited with returns in accordance with the deemed investment options, consistent with those offered under the Savings Plan, as elected by the participant from time to time at the participant's discretion. For 2025, these deemed investment options experienced annual rates of returns of between 0.07 percent and 29.18 percent.

Participants are immediately vested in all contributions to the Employee Deferred Compensation Plan, except for our 5.25 percent annual contributions, which vest, unless otherwise determined by the ED&CC, at the earliest of:

- completion of five years of service;
- attainment of age 65;
- death; or
- a change of control.

Participants may elect to receive a distribution of their account balances upon a separation from service or a specified distribution date. Distributions are paid in the form of a lump sum or in annual installments over a period of between two and 10 years.

POTENTIAL PAYMENTS ON TERMINATION OR CHANGE OF CONTROL

This section describes the plans and arrangements that provide for payments to all of our NEOs in connection with certain events involving termination of employment, a change of control of American Water or a material change in employment responsibilities.

Executive Severance Policy

Our Executive Severance Policy provides severance benefits to executives whose employment is involuntarily terminated by American Water for reasons other than cause, and other than in connection with a change of control of American Water.

The determination of whether an executive's employment is terminated for cause will be made by the ED&CC or the Board, as applicable. Under the policy, our CEO and our President will receive 18 months, and other NEOs will receive 12 months, of base salary continuation and a pro rata APP award for

the year in which the termination of employment occurs to the extent a payment is earned under the terms of the APP.

Eligible executives are entitled to continued Company-paid health, dental and vision coverage based on their years of service, in the amount of: eight weeks of coverage for less than five years of service; 12 weeks of coverage for at least five years but less than 10 years of service; and 16 weeks of coverage for 10 or more years of service. They are also entitled to life insurance coverage and continued participation in the employee assistance plan for the number of months of their severance benefits, as well as 12 months of outplacement services. Executives also receive credit for their severance period for purposes of vesting under any applicable nonqualified deferred compensation or defined benefit retirement plans. In order to receive severance benefits under the Executive Severance Policy, an executive must sign a severance agreement and general release, waiving any claims against American Water and agreeing to certain restrictive covenants. Severance benefits payable under the Executive Severance Policy will be offset and reduced by any other severance benefits payable under any employment agreement or otherwise.

Change of Control Severance Policy

Our Change of Control Severance Policy provides severance benefits to a NEO whose employment is terminated without "cause" or if the NEO resigns from employment for "good reason," each within 24 months after the consummation of a change of control. Whether a NEO's employment is terminated for cause will be determined by the ED&CC or the Board, as applicable. Severance benefits will be payable to a NEO under this policy only if the NEO is not otherwise covered by an agreement that provides for severance benefits in the event of a covered termination of employment. A summary of the benefits provided under the Change of Control Severance Policy is described in "Compensation Discussion and Analysis—Ongoing and Post-Employment Arrangements and Benefit Plans—Change of Control Severance Policy." In order to receive severance benefits under the Change of Control Severance Policy, a NEO must sign a severance agreement and general release, waiving any claims against American Water and agreeing to certain restrictive covenants.

Annual Performance Plan

Generally, to receive an APP payment, an APP participant must continue to be employed with the Company on the date the award is paid, and a termination of a participant's employment for any reason will result in a forfeiture of the participant's award. However, in the event that a participant (including a NEO) retires from their employment prior to the receipt of an APP payment but after attaining age 55 and 10 years of service, the participant will receive their APP award in full.

Employee Deferred Compensation Plan

A summary of the terms of the Employee Deferred Compensation Plan is provided above under "—Description of the Employee Deferred Compensation Plan." This section describes the payments that would be made under that plan upon various types of termination. NEOs are immediately vested in all their contributions to the Employee Deferred Compensation Plan, and generally become vested in our 5.25 percent annual contributions at the earliest of completion of five years of service, attainment of age 65, a change of control or death. A participant who is terminated for other than cause will receive the participant's vested portion of their account balance. Upon a termination for cause, all employer contributions to this plan would be forfeited by the participant, but the participant would still be entitled to their elective deferrals and related income. Payments of vested amounts will be made at the time and in the form elected by the participant, except that a lump-sum distribution of vested amounts will be paid upon death.

AWWPP and ERP

Our retirement plans are described above under "—Description of Pension and Other Retirement Plans." This section describes the payments that would be made under the retirement plans upon various types of termination of employment.

Voluntary and involuntary terminations of employment— Each of Mses. Norton and Duffy would have been entitled to benefits from the AWWPP and the ERP upon voluntary or involuntary termination of employment at December 31, 2025. Ms. Norton's annual AWWPP benefit, payable as a 50 percent joint and survivor annuity beginning at age 61, is $197,243 as of December 31, 2025. Ms. Norton would also have received an ERP lump sum benefit of $8,547,402 as of December 31, 2025. Ms. Duffy's annual AWWPP benefit, payable as a single life annuity beginning at age 56, is $105,868 as of December 31, 2025. Ms. Duffy would also have received an ERP lump sum benefit of $1,679,488 as of December 31, 2025.

Retirement—At December 31, 2025, Mses. Norton and Duffy were eligible for early retirement benefits under both the AWWPP and the ERP.

Disability—Benefits payable upon a termination of employment as a result of a disability are determined under the AWWPP and the ERP in the same manner as benefits payable upon early retirement, except that disability benefits are payable immediately and without reduction for early commencement. AWWPP benefits are payable as annuities; ERP disability benefits are payable as lump sums unless the participant has elected an alternate form of payment. Ms. Norton and Ms. Duffy have each completed the required 10 years of service to qualify for disability benefits of their respective plans.

Death—In the event of death on December 31, 2025, Ms. Norton's or Ms. Duffy's surviving spouse or named beneficiary would have received benefits under the AWWPP and/or the ERP (as applicable) calculated as if they had immediately elected a 100 percent joint and survivor annuity. The benefit under the AWWPP would have been equivalent to that payable as an immediate annuity based on Ms. Norton's or Ms. Duffy's current-age early retirement factor, in the form of a 100 percent joint and survivor annuity based on her and her survivor's current age. The benefit under the ERP for each of Ms. Norton and Ms. Duffy would have been paid as the immediate lump-sum equivalent of an annuity determined in the same manner as under the AWWPP.

Equity Awards

In the event of a change of control in which American Water is not the surviving entity, the 2017 Omnibus Plan requires that all unexercised options and other grants of awards thereunder be assumed by or converted to similar options or awards of the acquirer company. To the extent any such options or awards are not assumed or converted, then all such options become fully exercisable, all restrictions upon awards will lapse and all stock units will fully vest, upon the change of control.

If a grant is assumed in connection with a change of control, and if, within the 12-month period following the occurrence of such change of control, the participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) on account of:

- a termination of such participant's employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than due to cause (as defined in the 2017 Omnibus Plan), death or disability (as defined in the 2017 Omnibus Plan), or
- a termination of employment or service by the participant for good reason (as defined in the 2017 Omnibus Plan),

then as of the date of such termination of employment or service:

- all awards will be accelerated;
- all restrictions and conditions upon awards will lapse; and
- all stock units will be fully vested.

Notwithstanding the foregoing, in the event of a change of control, the ED&CC may take any of the following actions with respect to any outstanding grants:

- accelerate all outstanding options;
- lapse all restrictions and conditions on outstanding stock awards;
- vest all outstanding stock units;
- require participants to surrender their outstanding options in exchange for payment;
- terminate any unexercised options after giving participants an opportunity to exercise their options; and
- determine that participants receive a payment in settlement of outstanding stock awards, stock units, dividend equivalents or other stock-based awards.

The ED&CC has granted long-term equity awards under the 2017 Omnibus Plan to persons serving in the CEO, President, CFO and COO roles to provide for continued vesting of these equity awards after retirement under certain circumstances. For further information, see "Compensation Discussion and Analysis—Ongoing and Post-Employment Arrangements and Benefit Plans—Terms of Outstanding Equity Grants" beginning on page 44 of this proxy statement.

Quantification of Potential Payments on Termination or Change of Control

The following tables quantify the potential payments and benefits to which the current NEOs would have been entitled to receive if one of several different termination of employment or change of control events occurred on December 31, 2025. Also, information regarding compensation paid in connection with triggering events that occurred during 2025 with respect to Mses. Hardwick and Kennedy is provided in this section.

The amounts shown in the tables do not include certain payments and benefits to the extent they are provided on a non-discriminatory basis to non-union employees generally upon a termination of employment, including accrued salary and vacation pay, Savings Plan benefits, continued health and welfare coverage following an involuntary termination of employment and coverage under COBRA (other than the payment by the Company of a NEO's COBRA premiums). All employees are also entitled to life insurance benefits of up to 1.5 times base salary, up to a maximum amount of $200,000, if death occurs while actively employed, which benefit is also not included in the tables below. The amounts shown in each table for "APP" are based on target performance. The amounts shown in each table below for "Deferred Compensation Benefits" reflect the value of employee and employer contributions in each NEO's employee deferred compensation plan account as of December 31, 2025, and any acceleration of benefits provided under the terms of the Employee Deferred Compensation Plan, the Executive Severance Policy or the Change of Control Severance Policy.

With regard to the portion of RSUs subject to a continuation or acceleration of vesting at December 31, 2025, the assumed values of such awards are shown in the table in the applicable columns. With regard to the portion of PSUs subject to performance-based vesting following the continuation or acceleration of time-based vesting, we have assumed that such shares will be issued in respect of the PSUs based on target performance, and that dividend equivalents will continue to accrue through the duration of the applicable performance period. For RSUs and PSUs, the values shown in the tables are based on the number of RSUs or PSUs multiplied by $130.50, the closing price of our common stock as reported on the NYSE on December 31, 2025, the last trading day of the year. In addition, the value of accumulated dividends (and, for awards that remain subject to performance conditions through the end of the performance period, expected dividends for the remainder of the performance period) is included.

Name	Benefit	Voluntary Termination	Early/Normal Retirement	Involuntary Termination without Cause	Voluntary Termination for Good Reason	Involuntary Termination for Cause	Involuntary Termination without Cause Following a Change of Control	Disability	Death
John C. Griffith	Cash Severance	$ —	$ —	$ 1,575,000	$ —	$ —	$ 7,159,029	$ —	$ —
	APP	$ —	$ —	$ 1,155,891	$ —	$ —	$ —	$ —	$ —
	Outplacement Services	$ —	$ —	$ 15,000	$ —	$ —	$ 15,000	$ —	$ —
	Deferred Compensation Benefits	$ 533,773	$ 533,773	$ 744,914	$ 533,733	$ —	$ 744,914	$ 533,773	$ 744,914
	COBRA Premiums	$ —	$ —	$ —	$ —	$ —	$ 52,492	$ —	$ —
	RSUs and PSUs	$ —	$ —	$ —	$ —	$ —	$ 6,658,587	$ —	$ —
	Total	$ 533,773	$ 533,773	$ 3,490,805	$ 533,733	$ —	$ 14,630,022	$ 533,773	$ 744,914

Name	Benefit	Voluntary Termination	Early/ Normal Retirement	Involuntary Termination without Cause	Voluntary Termination for Good Reason	Involuntary Termination for Cause	Involuntary Termination without Cause Following a Change of Control	Disability	Death
David M. Bowler	Cash Severance	$ —	$ —	$ 605,000	$ —	$ —	$ 2,164,976	$ —	$ —
	APP	$ —	$ —	$ 478,214	$ —	$ —	$ —	$ —	$ —
	Outplacement Services	$ —	$ —	$ 15,000	$ —	$ —	$ 15,000	$ —	$ —
	Deferred Compensation Benefits	$ 669,034	$ 669,034	$ 669,034	$ 669,034	$ —	$ 669,034	$ 669,034	$ 669,034
	COBRA Premiums	$ —	$ —	$ —	$ —	$ —	$ 52,492	$ —	$ —
	RSUs and PSUs	$ —	$ —	$ —	$ —	$ —	$ 1,884,111	$ —	$ —
	Total	$ 669,034	$ 669,034	$ 1,767,248	$ 669,034	$ —	$ 4,785,613	$ 669,034	$ 669,034

Name	Benefit	Voluntary Termination	Early/ Normal Retirement	Involuntary Termination without Cause	Voluntary Termination for Good Reason	Involuntary Termination for Cause	Involuntary Termination without Cause Following a Change of Control	Disability	Death
Cheryl Norton	Cash Severance	$ —	$ —	$ 745,500	$ —	$ —	$ 3,403,332	$ —	$ —
	APP	$ —	$ 666,749	$ 666,749	$ —	$ —	$ —	$ —	$ —
	Outplacement Services	$ —	$ —	$ 15,000	$ —	$ —	$ 15,000	$ —	$ —
	Deferred Compensation Benefits	$ 2,243,675	$ 2,243,675	$ 2,243,675	$ 2,243,675	$ —	$ 2,243,675	$ 2,243,675	$ 2,243,675
	Nonqualified Pension Benefits	$ 8,868,390	$ 8,868,390	$ 8,868,390	$ 8,868,390	$ 8,868,390	$ 8,868,390	$ 9,237,906	$ 7,172,845
	Qualified Pension Benefits	$ 2,520,333	$ 2,520,333	$ 2,520,333	$ 2,520,333	$ 2,520,333	$ 2,520,333	$ 2,934,233	$ 2,205,233
	COBRA Premiums	$ —	$ —	$ —	$ —	$ —	$ 41,221	$ —	$ —
	RSUs and PSUs	$ —	$ 3,606,392	$ —	$ —	$ —	$ 3,470,979	$ —	$ —
	Total	$13,632,398	$17,905,539	$15,059,647	$13,632,398	$11,388,723	$ 20,562,930	$14,415,814	$11,621,753

Name	Benefit	Voluntary Termination	Early/ Normal Retirement	Involuntary Termination without Cause	Voluntary Termination for Good Reason	Involuntary Termination for Cause	Involuntary Termination without Cause Following a Change of Control	Disability	Death
Stacy A. Mitchell	Cash Severance	$ —	$ —	$ 583,000	$ —	$ —	$ 2,087,936	$ —	$ —
	APP	$ —	$ —	$ 405,062	$ —	$ —	$ —	$ —	$ —
	Outplacement Services	$ —	$ —	$ 15,000	$ —	$ —	$ 15,000	$ —	$ —
	Deferred Compensation Benefits	$ 106,349	$ 106,349	$ 106,349	$ 106,349	$ —	$ 106,349	$ 106,349	$ 106,349
	COBRA Premiums	$ —	$ —	$ —	$ —	$ —	$ 55,537	$ —	$ —
	RSUs and PSUs	$ —	$ —	$ —	$ —	$ —	$ 1,483,930	$ —	$ —
	Total	$ 106,349	$ 106,349	$ 1,109,411	$ 106,349	$ —	$ 3,748,752	$ 106,349	$ 106,349

Name	Benefit	Voluntary Termination	Early/Normal Retirement	Involuntary Termination without Cause	Voluntary Termination for Good Reason	Involuntary Termination for Cause	Involuntary Termination without Cause Following a Change of Control	Disability	Death
Maureen Duffy	Cash Severance	$ —	$ —	$ 465,000	$ —	$ —	$ 1,638,756	$ —	$ —
	APP	$ —	$ 279,000	$ 279,000	$ —	$ —	$ —	$ —	$ —
	Outplacement Services	$ —	$ —	$ 15,000	$ —	$ —	$ 15,000	$ —	$ —
	Deferred Compensation Benefits	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
	Nonqualified Pension Benefits	$ 1,752,891	$ 1,752,891	$ 1,752,891	$ 1,752,891	$ 1,752,891	$ 1,752,891	$ 2,623,303	$ 604,867
	Qualified Pension Benefits	$ 1,364,200	$ 1,364,200	$ 1,364,200	$ 1,364,200	$ 1,364,200	$ 1,364,200	$ 2,277,428	$ 572,146
	COBRA Premiums	$ —	$ —	$ —	$ —	$ —	$ 19,826	$ —	$ —
	RSUs and PSUs	$ —	$ —	$ —	$ —	$ —	$ 1,106,795	$ —	$ —
	Total	$ 3,117,091	$ 3,396,091	$ 3,876,091	$ 3,117,091	$ 3,117,091	$ 5,897,468	$ 4,900,731	$ 1,177,013

See “Compensation Discussion and Analysis—2025 Compensation—Compensation Related to Leadership Transitions” beginning on page 41 of this proxy statement for amounts received in 2025 by Ms. Hardwick in connection with her retirement in May 2025 and Ms. Kennedy in connection with her separation from service from the Company effective March 1, 2025. As of her retirement date, Ms. Hardwick also had $1,591,061 vested in her employee deferred compensation plan account, and is eligible to have unvested RSU and PSU awards with an assumed aggregate value of $10,644,669, computed as described above, continue to vest in accordance with their terms following her retirement. As of March 1, 2025, Ms. Kennedy is also entitled to receive Company-paid COBRA premium payment benefits of $34,064 under her separation agreement, and had $606,198 vested in her employee deferred compensation plan account.

PAY VERSUS PERFORMANCE

The following table provides information showing the relationship during 2025, 2024, 2023, 2022 and 2021 between (1) executive compensation “actually paid” (as defined by SEC rule) to (a) each person serving as our principal executive officer, or PEO, and (b) all of our other NEOs on an average basis, and (2) the Company’s financial performance.

Year	Summary Compesation Table Total for PEO Serving at End of Year	Compensation Actually Paid to PEO Serving at End of Year(1)	Summary Compensation Table Total for Other PEO Serving During Year	Compensation Actually Paid to Other PEO Serving During Year(1)	Average Summary Compensation Table Total for Non-PEO NEOs	Average Compensation Actually Paid to Non-PEO NEOs(1)	Value of Initial Fixed $100		Net Income (in millions)	Adjusted EPS(3)
							Company TSR	Compensation Peer Group TSR(2)		
2025	$7,055,667 (4)	$7,510,597 (4)	$6,327,892	$7,229,100	$2,979,458 (6)	$2,255,625 (6)	$ 93.81	$158.66	$1,111	$5.66
2024	$8,580,730 (5)	$7,829,705 (5)	N/A	N/A	$2,957,990 (6)	$2,438,759 (6)	$ 87.33	$137.22	$1,051	$5.32
2023	$7,720,825 (5)	$6,663,470 (5)	N/A	N/A	$3,208,811 (6)	$2,296,630 (6)	$ 90.52	$109.82 (7)	$ 944	$4.89
2022	$6,720,753 (5)	$6,550,865 (5)	$1,522,833 (8)	$ 544,611 (8)	$2,826,346 (6)	$2,788,422 (6)	$102.49	$118.19 (7)	$ 820	$4.50
2021	$7,398,128 (8)	$8,409,238 (8)	N/A	N/A	$1,839,683 (6)	$2,025,485 (6)	$124.81	$118.43	$1,263	$4.27

(1) The table below sets forth each of the amounts required by SEC rule to be deducted from and added to the amount of total compensation as reflected in the Summary Compensation Table, to calculate compensation actually paid. In computing these amounts with respect to PSUs, (i) total fair value (FV) as of year-end is based on the updated expected payout of the PSU using data through year-end (including as estimated through Monte Carlo simulations), and (ii) total FV as of the vesting date is based on the number of shares actually earned based on performance.

Adjustments to Total Compensation, from Summary Compensation Table	2025			2024		2023		2022			2021	
	PEO Serving at End of Year	Other PEO Serving During Year	All Average NEOs	PEO at End of Year	All Average NEOs	PEO at End of Year	All Average NEOs	PEO Serving at End of Year	Other PEO Serving During Year	All Average NEOs	PEO Serving at End of Year	All Average NEOs
Total Compensation, from Summary Compensation Table	$ 7,055,667	$ 6,327,892	$ 2,979,458	$ 8,580,730	$ 2,957,990	$ 7,720,825	$ 3,208,811	$ 6,720,753	$ 1,522,833	$ 2,826,346	$ 7,398,128	$1,839,683
Deduct grant date fair value of equity awards granted during the year	$(4,060,491)	$(4,817,643)	$(1,024,321)	$(4,881,557)	$(1,151,400)	$(4,654,564)	$(1,191,531)	$(4,067,077)	$ (290,791)	$(1,352,217)	$(3,999,969)	$ (689,695)
Add year-end FV of equity awards granted during year that are outstanding and unvested as of year-end	$ 4,270,475	$ 5,151,441	$ 971,986	$ 5,038,937	$ 1,148,910	$ 4,312,502	$ 1,103,938	$ 3,974,063	$ —	$ 1,315,031	$ 4,011,528	$ 706,983
Add change in FV as of year-end of equity awards granted in prior years that are outstanding and unvested as of year-end	$ 221,868	$ 516,754	$ 63,136	$ (796,584)	$ (161,524)	$ (705,528)	$ (238,561)	$ 78,663	$ 318,793	$ 8,930	$ 1,430,514	$ 321,927
Add change in FV from end of the prior fiscal year to the vesting date for equity awards granted in prior years that vested during the year	$ 23,078	$ 50,656	$ 6,129	$ (111,821)	$ (27,665)	$ (9,765)	$ 870	$ (155,537)	$ (461,447)	$ (57,025)	$ 116,792	$ 23,821
Deduct FV at the end of the prior fiscal year for equity awards granted in prior years that were forfeited during the year	$ —	$ —	$ (105,431)	$ —	$ —	$ —	$ —	$ —	$(1,041,948)	$ —	$ —	$ —
Deduct change in actuarial present value for all defined benefit and actuarial pension plans	$ —	$ —	$ (685,295)	$ —	$ (360,504)	$ —	$ (624,104)	$ —	$ —	$ —	$(1,017,097)	$ (226,613)
Add ASC 715 pension service cost attributable to services rendered in the year	$ —	$ —	$ 49,963	$ —	$ 32,952	$ —	$ 37,207	$ —	$ 497,171	$ 47,357	$ 469,342	$ 49,379
Compensation Actually Paid (as defined by SEC rule)	$ 7,510,597	$ 7,229,100	$ 2,255,625	$ 7,829,705	$ 2,438,759	$ 6,663,470	$ 2,296,630	$ 6,550,865	$ 544,611	$ 2,788,422	$ 8,409,238	$2,025,485

(2) The identity of the companies, and the analysis utilized by the ED&CC to review and approve changes, in the peer group for 2025, 2024, 2023, 2022 and 2021 are incorporated by reference from the descriptions contained in "Compensation Discussion and Analysis—Compensation Determinations and Pay Competitiveness" in this proxy statement and in the corresponding sections of our 2024, 2023, 2022 and 2021 proxy statements. The peer groups for 2025, 2024, 2023 and 2022 were comprised of the same companies, except that UGI Corporation replaced Public Service Enterprise Group Incorporated, beginning with the 2023 peer group. The peer group for 2021 was comprised of the same companies as for 2022, except that MDU Resources Group, Inc., which had been included in the 2021 peer group, was replaced by Essential Utilities, Inc. in 2022.

(3) This metric is the Company-Selected Measure, which in our assessment represents the most important financial performance measure that we use to link compensation "actually paid" (as defined by SEC rule) in 2025 to our NEOs. Adjusted EPS is a non-GAAP measure. See Part B of Appendix A for a reconciliation.

(4) Mr. Griffith has been serving as PEO commencing May 14, 2025, after succeeding Ms. Hardwick upon her retirement.

(5) Ms. Hardwick was PEO from February 2, 2022 until May 14, 2025.

(6) The persons included as the other NEOs in this calculation for each year are: (i) for 2025, Mses. Duffy, Kennedy, Norton and Mitchell, and Mr. Bowler; (ii) for 2024 and 2023, Mses. Kennedy and Norton, and James H. Gallegos and Mr. Griffith; (iii) for 2022, Mses. Kennedy and Norton, and Messrs. Gallegos and Griffith; and (iv) for 2021, Ms. Kennedy, Hardwick and Norton, and Adam Noble and Michael A. Sgro.

(7) The cumulative TSR reported above for the Company's peer group for (i) 2023 ($109.82) would have been $108.24 if the companies in the 2022 peer group had been used instead and (ii) 2022 ($118.19) would have

been $118.05 if the companies in the 2021 peer group had been used instead. There were no peer group changes that impacted compensation for 2025, 2024 or 2021.

(8) During 2021, Walter J. Lynch served as our PEO until his retirement on February 2, 2022.

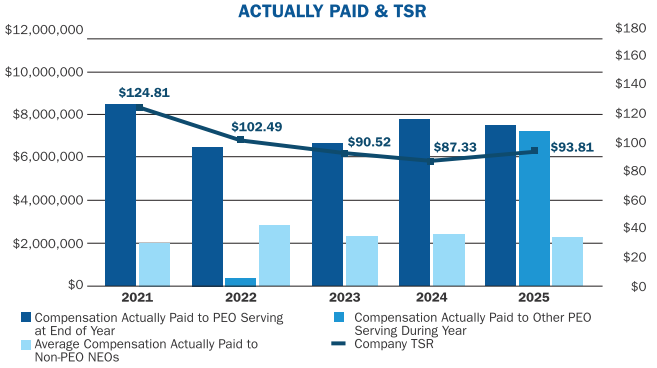
The following is an unranked tabular list of the most important financial and non-financial measures that we use to link compensation "actually paid" (as defined by SEC rule and set forth above) to all of our NEOs during 2025 to our performance. The Company-Selected Measure is denoted with an asterisk.

Tabular List of Performance Measures

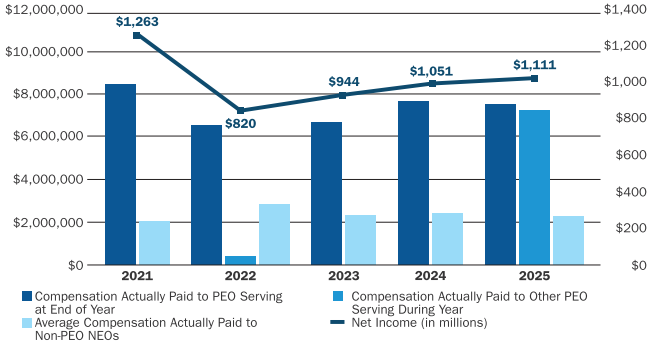
Financial	*Non-Financial*
EPS/Adjusted EPS*	DART
EPS CAGR	Drinking Water Quality
Relative TSR	Customer Satisfaction
ROE	

The following graphs present the relationship during 2025, 2024, 2023, 2022 and 2021 between (1) executive compensation "actually paid" (as defined by SEC rule and shown above) to (a) each person serving as PEO and (b) all of our other NEOs on an average basis, and each of (2) (a) our cumulative TSR for such years, (b) our GAAP net income for such years, and (c) the Company-Selected Measure for such years, and a comparison of the cumulative TSR for such years of us and our peer group.

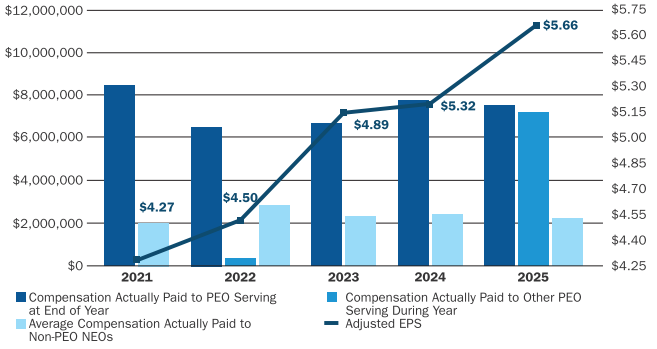
RELATIONSHIP BETWEEN EXECUTIVE COMPENSATION ACTUALLY PAID & TSR



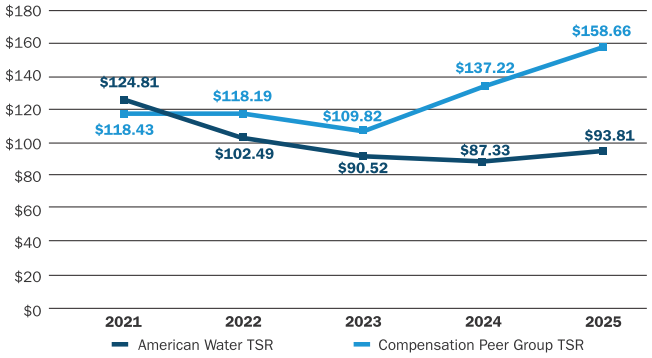
RELATIONSHIP BETWEEN EXECUTIVE COMPENSATION ACTUALLY PAID & NET INCOME



RELATIONSHIP BETWEEN EXECUTIVE COMPENSATION ACTUALLY PAID & ADJUSTED EPS*



COMPARISON OF CUMULATIVE TSR OF AMERICAN WATER & PEER GROUP



* See Part B of Appendix A for a reconciliation of Adjusted EPS.

Executive compensation "actually paid" (as defined by SEC rule) in the table and graphs above reflects the occurrence of CEO transitions in 2022 and 2025, each of which resulted in the promotion of an existing member of the Company's executive leadership team. The net income relationship graph above for 2021 also reflects (i) the gain on sale of the Company's Homeowner Services Group of $491 million after-tax, (ii) the Company's $45 million contribution to the American Water Charitable Foundation in 2021, and (iii) the revaluation of certain state net operating losses.

CEO PAY RATIO

Pursuant to SEC rules, we are required to disclose in this proxy statement the ratio of the annual total compensation of our CEO to the annual total compensation of our "median employee" (excluding the CEO). The identification of this median employee and the calculation of our CEO to median employee pay ratio were made in a manner we believe to be consistent with Item 402(u) of Regulation S-K. In this regard:

- We identified the median employee in 2025 by examining the 2025 W-2 earnings for all individuals, excluding Mr. Griffith, who were employed by us on December 31, 2025. We believe that the use of W-2 earnings represents an objective, easily understood and consistently applied measure of compensation paid across our entire employee base.
- We included 6,979 employees located in the United States as of December 31, 2025, which includes full-time, part-time, seasonal and temporary employees. We did not have any employees located outside of the United States as of December 31, 2025.
- We did not include leased employees or independent contractors.
- We did not make any assumptions, adjustments (such as cost-of-living adjustments) or estimates with respect to W-2 income other than annualizing the compensation of permanent employees that were employed as of December 31, 2025 but were employed for less than the full year.

After identifying the median employee, we calculated that employee's annual total compensation using the same methodology that we use for all of our NEOs in the 2025 Summary Compensation Table. We then calculated Mr. Griffith's annual total compensation using his annualized total compensation for fiscal year 2025, based solely on his CEO compensation. The annual total compensation, determined as described in the foregoing sentences, for each of Mr. Griffith and for the median employee was $7,697,503 and $104,956, respectively. The resulting ratio of Mr. Griffith's pay to the pay of our median employee for fiscal year 2025 is 73 to 1.

As contemplated by Item 402(u) of Regulation S-K and related interpretations, we relied on methods and assumptions that we determined to be reasonable and appropriate for this calculation. Other public companies may use different methods and assumptions. It may therefore be difficult, for this and other reasons, to compare our reported ratio to those reported by other companies.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Mses. Goss, Harris, Havanec, Johnson and Kampling and Mr. McGuigan served as members of the ED&CC during fiscal year 2025. With respect to interlocks and insider participation involving members of the ED&CC during fiscal year 2025:

- None of these individuals was an officer or employee of us or any of our subsidiaries during fiscal year 2025 or any prior fiscal year.
- None of these individuals had any relationship with us or any of our subsidiaries during 2025 pursuant to which disclosure would be required under applicable rules of the SEC pertaining to related persons.
- None of our executive officers served on the board of directors or compensation committee of any other entity that has or had one or more executive officers who served as a member of the Board or the ED&CC during fiscal year 2025.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth the number of shares of common stock to be issued upon exercise of outstanding options, warrants and rights, the weighted-average exercise price of outstanding options, warrants and rights, and the number of securities available for future issuance under equity compensation plans as of December 31, 2025.

	[a]		[b]	[c]
Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights		Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column [a])
Equity compensation plans approved by security holders	477,157(1)	$	—(2)	6,968,470(3)
Equity compensation plans not approved by security holders	—		—	—
Total	477,157(1)	$	—(2)	6,968,470(3)

(1) Represents the number of shares of common stock subject to outstanding awards under the 2007 Omnibus Equity Compensation Plan, or the 2007 Omnibus Plan, and the 2017 Omnibus Plan, including RSU awards and the target number of shares issuable under PSU awards, as of December 31, 2025.

(2) No options were outstanding as of December 31, 2025.

(3) As of December 31, 2025, 5,685,997 shares were available for issuance under the 2017 Omnibus Plan and 1,282,473 shares were issuable under the current American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan, or the ESPP. During the purchase period beginning December 1, 2025 and ending February 28, 2026, 20,025 shares available for issuance through the ESPP were subject to purchase, which shares have not been deducted from this amount.

AUDIT, FINANCE AND RISK COMMITTEE REPORT

The Audit, Finance and Risk Committee assists the Board in its oversight of the integrity of American Water's financial statements, compliance with legal and regulatory requirements, oversight of risk management, review of the Company's capital and financing plans and the performance of the internal audit function. Management is responsible for American Water's internal controls, financial reporting process and compliance with legal and regulatory requirements. PricewaterhouseCoopers LLP, American Water's independent registered public accounting firm, is responsible for performing an independent audit of American Water's consolidated financial statements and for issuing a report on these financial statements and on the effectiveness of American Water's internal control over financial reporting.

In this context, the Audit, Finance and Risk Committee hereby reports as follows:

1. The Audit, Finance and Risk Committee has reviewed and discussed with management and PricewaterhouseCoopers LLP the audited financial statements for the fiscal year ended December 31, 2025.
2. The Audit, Finance and Risk Committee has reviewed and discussed with management and PricewaterhouseCoopers LLP our system of internal control over financial reporting.
3. The Audit, Finance and Risk Committee has discussed with PricewaterhouseCoopers LLP the matters required to be discussed by Public Company Accounting Oversight Board Auditing Standard 1301, "Communications with Audit Committees."
4. The Audit, Finance and Risk Committee has received the written disclosures and the letter from PricewaterhouseCoopers LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding PricewaterhouseCoopers LLP's communications with the Audit, Finance and Risk Committee concerning independence, and has discussed with PricewaterhouseCoopers LLP that firm's independence.

Based on the review and discussion referred to above, the Audit, Finance and Risk Committee recommended to the Board that the audited financial statements be included in American Water's Annual Report on Form 10-K for the fiscal year ended December 31, 2025, for filing with the SEC.

Respectfully submitted,

Jeffrey N. Edwards (Chair)
Patricia L. Kampling
Michael L. Marberry
Raffiq Nathoo

PROPOSAL 3

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

GENERAL

The Audit, Finance and Risk Committee is directly responsible for the appointment, compensation, retention, evaluation and oversight of the Company's independent registered public accounting firm. As part of this responsibility, the Audit, Finance and Risk Committee annually evaluates the independent registered public accounting firm's qualifications, performance and independence and assesses whether to continue to retain the firm or select a different firm.

The Audit, Finance and Risk Committee has appointed the firm of PricewaterhouseCoopers LLP to serve as the independent registered public accounting firm for American Water during the fiscal year ending December 31, 2026. PricewaterhouseCoopers LLP has served as our auditor since 1948. The Audit, Finance and Risk Committee and the Board have recommended that the shareholders ratify this appointment.

The Audit, Finance and Risk Committee and its Chair are also involved in and approve the selection of the lead audit partner, who is limited to no more than five consecutive years in that role before the position must be rotated in accordance with SEC rules. A new audit partner began his five-year rotation in the first quarter of 2023.

The Audit, Finance and Risk Committee and the Board believe that the continued retention of PricewaterhouseCoopers LLP as the Company's independent auditor is in the best interests of the Company and its shareholders, taking into account: the firm's quality of service; its institutional knowledge and experience; its overall knowledge, experience and capabilities with the financial statements of regulated utilities; the sufficiency and breadth of its national resources given our geographic diversity; the quality of its communications and interaction with American Water management and the Audit, Finance and Risk Committee; and its independence, objectivity and professional skepticism. Although shareholder ratification is not required by our organizational documents, or applicable law, the Board believes that it is a sound corporate governance practice to seek shareholder ratification of the appointment of PricewaterhouseCoopers LLP.

If our shareholders fail to ratify this appointment, the Audit, Finance and Risk Committee may reconsider its selection; however, it is under no obligation to engage a different auditing firm. Even if the selection is ratified, the Audit, Finance and Risk Committee, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if the Audit, Finance and Risk Committee believes that such a change would be in the best interests of the Company and our shareholders.

A representative of PricewaterhouseCoopers LLP is expected to attend the annual meeting virtually and may respond to appropriate questions from shareholders at the meeting or make a statement, if requested.

FEES PAID TO INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The following table presents fees paid to PricewaterhouseCoopers LLP for professional services rendered with respect to 2025 and 2024. All of the services described in the footnotes to the table below were approved in advance by the Audit, Finance and Risk Committee, in accordance with its policy on the pre-approval of services to be provided by our independent registered public accounting firm.

(In thousands)	Fiscal Year 2025	Fiscal Year 2024
Audit Fees (1)	$ 4,732.0	$ 4,254.0
Audit-Related Fees (2)	—	—
Tax Fees (3)	160.6	186.5
All Other Fees (4)	2.0	2.0
Total	$ 4,894.6	$ 4,442.5

(1) Represents fees for professional services rendered in connection with the Company's annual consolidated financial statements, interim financial statements included in our quarterly reports on Form 10-Q, annual subsidiary audits and services in connection with comfort letters, consents and procedures related to documents filed with the SEC.

(2) Represents fees for professional services rendered in connection with internal control review services.

(3) Represents fees for professional services in connection with the review of the Company's federal and state tax returns and tax advice related to tax compliance, tax planning and tax refund claims.

(4) Represents fees for software licensing for disclosure checklists and accounting research tools.

PRE-APPROVAL OF SERVICES PROVIDED BY INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit, Finance and Risk Committee is required to approve in advance all audit and permitted non-audit services performed by the Company's independent registered public accounting firm. As permitted by the Company's pre-approval policy, the Audit, Finance and Risk Committee has delegated to its Chair the authority to pre-approve audit and permitted non-audit services to be provided by its independent registered public accounting firm and associated fees of up to $250,000 in the aggregate. The Chair of the Audit, Finance and Risk Committee must report any pre-approval of services pursuant to this delegated authority to the full Audit, Finance and Risk Committee at its next regularly scheduled meeting following the pre-approval, which report then resets the authority limit to $250,000. All of the fees paid to PricewaterhouseCoopers LLP during 2025 complied with this policy.

RECOMMENDATION OF THE BOARD

The Board unanimously recommends a vote "**FOR**" the ratification of the appointment, by the Audit, Finance and Risk Committee, of PricewaterhouseCoopers LLP to serve as our independent registered public accounting firm for 2026.

PROPOSAL 4

AMENDING AND RESTATING THE AMERICAN WATER WORKS COMPANY, INC. 2017 OMNIBUS EQUITY COMPENSATION PLAN

BACKGROUND OF THE PROPOSAL

On February 18, 2026, the Board adopted, subject to shareholder approval, amendments to, and a restatement of, the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan, which we refer to as the 2017 Omnibus Plan. We refer to the 2017 Omnibus Plan, as proposed to be amended and restated, as the Amended 2017 Omnibus Plan. The Board has unanimously recommended that our shareholders approve the Amended 2017 Omnibus Plan at the annual meeting.

The principal terms of the Amended 2017 Omnibus Plan are summarized below, but such description is qualified in its entirety by reference to the full text of the Amended 2017 Omnibus Plan, which includes all of the amendments approved by the Board, set forth in Appendix B to this Proxy Statement. All capitalized terms not defined in this Proposal 4 will have the meanings set forth in the Amended 2017 Omnibus Plan.

REASONS FOR THE PROPOSAL

We maintain the 2017 Omnibus Plan to incentivize eligible participants to achieve our long-term business objectives by providing opportunities to earn equity awards tied to our long-term goals and continued employment with the Company. The 2017 Omnibus Plan by its terms terminates on May 11, 2027. Subject to shareholder approval, the Board has approved the amendment and restatement of the 2017 Omnibus Plan to extend the termination date of the plan to December 31, 2036, so that the Company may continue to grant equity awards to participants under the 2017 Omnibus Plan after its May 11, 2027 termination date, and to provide for certain additional modifications to the 2017 Omnibus Plan.

We are seeking shareholder approval of the Amended 2017 Omnibus Plan (i) as required under the listing standards of the NYSE, (ii) to meet the requirements of Section 422 of the Code as to any incentive stock options that are permitted to be granted thereunder, and (iii) to satisfy judicial interpretations of applicable Delaware corporate law on transactions between a corporation and its directors as to compensation that may be paid in the future to non-employee directors of the Company.

If the Amended 2017 Omnibus Plan is approved by our shareholders at the annual meeting, the 2017 Omnibus Plan will continue to operate under its current terms and conditions through December 31, 2026, and all grants made by the Company under the 2017 Omnibus Plan through that date will be made subject to those terms and conditions. The Amended 2017 Omnibus Plan would be effective as of January 1, 2027 and would terminate effective December 31, 2036. As of March 6, 2026, approximately 5,457,250 shares of common stock were available for future issuance under the 2017 Omnibus Plan. **As described in more detail below, we are not seeking to increase the number of shares issuable under the 2017 Omnibus Plan**.

If shareholders do not approve the Amended 2017 Omnibus Plan, the amendment and restatement of the 2017 Omnibus Plan as provided therein will not take effect, and we may continue to grant awards under the 2017 Omnibus Plan until its May 11, 2027 termination date.

SUMMARY OF MATERIAL TERMS OF THE AMENDED 2017 OMNIBUS PLAN

General

The Amended 2017 Omnibus Plan provides that grants may be in any of the following forms:

- incentive stock options;
- nonqualified stock options;
- stock appreciation rights, or SARs;
- stock units;
- stock awards; and
- other stock-based awards

Subject to adjustment in certain circumstances, the total number of shares of common stock that may be issued or transferred under the Amended 2017 Omnibus Plan (inclusive of all awards granted under the 2017 Omnibus Plan prior to the effective date of the Amended 2017 Omnibus Plan) is 7,180,623 shares, which is the same share limit under the current 2017 Omnibus Plan. Stated another way, **the Amended 2017 Omnibus Plan would not increase the maximum number of shares that the Company may issue under the 2017 Omnibus Plan**.

We may issue shares of our common stock under the Amended 2017 Omnibus Plan from authorized but unissued shares of common stock or reacquired shares of common stock (treasury stock), including shares of common stock that we purchased on the open market or otherwise acquire, subject to applicable law (as defined in the Amended 2017 Omnibus Plan).

The maximum aggregate number of shares of common stock that may be granted pursuant to all grants under the Amended 2017 Omnibus Plan during any calendar year to any one employee is 300,000 shares, subject to adjustment as described below.

If and to the extent options or SARs granted under the Amended 2017 Omnibus Plan terminate, expire or are cancelled, forfeited, exchanged or surrendered without having been exercised, and if and to the extent that any stock awards, stock units or other stock-based awards are forfeited or terminated, or otherwise not paid in full, the shares reserved for such grants will again become available for purposes of the Amended 2017 Omnibus Plan. However, shares of common stock (i) surrendered in payment of the exercise price of an option, (ii) withheld or surrendered for payment of taxes, or (iii) repurchased by the Company with the net proceeds of the payment of the exercise price of an option, will not be available for reissuance under the Amended 2017 Omnibus Plan. Additionally, if SARs are granted, the full number of shares subject to the SAR are considered issued under the Amended 2017 Omnibus Plan, without regard to the number of shares of common stock that are issued upon exercise of the SARs and without regard to any cash settlement of the SARs. To the extent that any grants of stock units under the Amended 2017 Omnibus Plan are designated to be paid in cash, and not in shares of common stock, such grants do not count against the share limits under the Amended 2017 Omnibus Plan.

The maximum aggregate number of shares of common stock with respect to which grants may be made under the Amended 2017 Omnibus Plan during any calendar year to any non-employee director (with a value determined based on the fair value of a grant on its date of grant) shall not exceed $2,000,000, when taken together with any cash retainers or director's fees earned by such director for services rendered during the calendar year. These limits apply regardless of whether grants under the Amended 2017 Omnibus Plan are to be settled in shares or cash.

Administration

The Amended 2017 Omnibus Plan will be administered and interpreted by a committee consisting of members of the Board, which will have full power and discretionary authority to make conclusive and binding factual determinations and to adopt or amend such rules, regulations, agreements and instruments for implementing the Amended 2017 Omnibus Plan and for the conduct of its business as it deems necessary or desirable, in its sole discretion. This committee must consist of two or more persons who are "non-employee directors" for purposes of Section 16 under the Exchange Act and independent directors in accordance with the independence standards established by the stock exchange on which the common stock is primarily traded.

The committee has the authority to:

- determine the individuals to whom grants will be made under the Amended 2017 Omnibus Plan;
- determine the type, size and terms and conditions of the grants;
- determine the time when grants will be made and the duration of any applicable exercise or restriction period, including the criteria for exercisability or vesting and the acceleration of exercisability or vesting;
- amend the terms and conditions of any previously issued grant, subject to the limitations described below; and
- deal with any other matters arising under the Amended 2017 Omnibus Plan.

The Board will approve and administer all grants to non-employee directors. Also, the committee may, as it deems appropriate, delegate all or part of its authority and power to one or more subcommittees, to the CEO, the President, another executive officer, or a committee of executive officers. Any such delegation

shall be subject to such terms and conditions as prescribed by the committee, and:

- will apply only to participants who are not subject to Section 16 of the Exchange Act;
- must include a limitation as to the number of shares of common stock subject to grants that may be awarded during the period of the delegation (and absent specific delegation as to the number of shares of common stock, such number of shares shall be the remaining number of shares of common stock for issuance under the Amended 2017 Omnibus Plan);
- may contain guidelines as to the exercise price for an option or the price of other grants and any criteria for vesting or exercisability of a grant; and
- may be revoked or amended at any time without invalidating any prior actions

Subject to applicable law, the committee may also delegate certain administrative or ministerial matters under the Amended 2017 Omnibus Plan to one or more officer or officers or their designees.

The Board has determined that, in general, the ED&CC will act as the administrative committee of the Amended 2017 Omnibus Plan. As of March 6, 2026, the ED&CC consists of Mses. Kampling, Havanec and Johnson, and Mr. McGuigan. The Board has determined that each member of the ED&CC is a "non-employee director" for purposes of Section 16 of the Exchange Act and an independent director as determined under the NYSE's listing standards.

Eligibility for Participation

All of our employees (including the Company's six executive officers) and those of our subsidiaries, which were approximately 7,000 as of December 31, 2025, will be eligible for grants under the Amended 2017 Omnibus Plan, subject to certain conditions set forth in the Amended 2017 Omnibus Plan. The Company's nine non-employee directors and six executive officers will also be eligible to receive grants under the Amended 2017 Omnibus Plan. As of March 6, 2026, approximately 324 employees (including the Company's six executive officers) and the Company's nine non-employee directors were participants in the 2017 Omnibus Plan. Because the Company's executive officers and non-employee directors are eligible to receive awards under the Amended 2017 Omnibus Plan, they may be deemed to have a personal interest in the approval of this Proposal 4.

Types of Awards

Stock Options

The committee may grant options intended to qualify as "incentive stock options" within the meaning of Section 422 of the Code, or ISOs, or "nonqualified stock options," or NQSOs, that are not intended to so qualify, or any combination of ISOs and NQSOs. Any participant may receive a grant of NQSOs. Only our employees and those of our subsidiaries may receive a grant of ISOs. Dividend equivalents shall not be granted, and no cash dividends shall be paid, with respect to any option. The Company presently does not grant options of any kind under the 2017 Omnibus Plan.

The committee would fix the exercise price per share for any options. The exercise price of any NQSO or ISO granted under the Amended 2017 Omnibus Plan will be equal to, or greater than, the fair market value of the underlying shares of common stock on the date of grant. However, if an ISO is granted to an employee who holds more than 10 percent of the total combined voting power of all classes of our outstanding stock, the exercise price per share of an ISO granted to such person must be at least 110 percent of the fair market value of a share of common stock on the date of grant. The current measure of fair market value on a particular date is the last reported sale price of common stock on the NYSE on the relevant date (or, if there were no trades on such date, the latest preceding date upon which a sale was reported).

The committee would determine the term of each option, which would not exceed 10 years from the date of grant; however, if an ISO is granted to an employee who holds more than 10 percent of the combined voting power of all classes of our outstanding stock, the term of the ISO may not exceed five years from the date of grant.

The period for when any option may first become vested and exercisable will be determined by the committee at the time of grant. The committee may grant options that are subject to achievement of performance goals or other conditions. The committee may accelerate the vesting and exercisability of any or all outstanding options at any time for any reason. To

the extent that the aggregate fair market value of shares of common stock, determined on the date of grant, with respect to which ISOs become exercisable for the first time by an employee during any calendar year exceeds $100,000, such ISOs will be treated as NQSOs. The aggregate number of shares of common stock that may be issued under the Amended 2017 Omnibus Plan as ISOs is 5,000,000 shares, subject to certain adjustments, and all shares issued under the Amended 2017 Omnibus Plan as ISOs will count against the share reserve, as described above.

The Amended 2017 Omnibus Plan provides that, unless otherwise provided in a grant document, an option may only be exercised while the participant is employed as an employee or providing service as a non-employee director. The committee will specify in the grant document the circumstances, if any, and time periods, if any, a participant may exercise an option after termination of employment or service. For any grants of options to executives serving in the CEO, President, CFO or COO roles, the ED&CC has adopted a policy that the option would remain exercisable for a period of two years after retirement.

A participant may exercise an option by delivering notice of exercise to us. The participant will pay the exercise price and any withholding taxes for the option:

- in cash or by check;
- if permitted by the committee, by delivering shares of common stock already owned by the participant, or by attestation to ownership of shares, in either case having a fair market value on the date of exercise equal to the exercise price;
- by payment through a broker in accordance with procedures permitted by Regulation T of the Federal Reserve Board;
- if permitted by the grant document, by net share settlement of the option based on the fair market value on the date of exercise;
- any combination of the foregoing; or
- by such other method as the committee may approve, to the extent permitted by applicable law.

SARs

The committee may grant to any participant SARs in connection with, or independently of, any option granted under the Amended 2017 Omnibus Plan. Upon exercise of a SAR, the participant will receive an amount equal to the excess of the fair market value of common stock on the date of exercise over the base amount for the SAR. The Company has not granted any SARs under the 2017 Omnibus Plan.

The committee will determine the terms and conditions of the SAR. The base amount of each SAR will not be less than the fair market value of common stock on the date of grant of the SAR and the term of a SAR will not exceed 10 years from the date of grant. The committee may grant SARs that are subject to the achievement of performance goals or other conditions. The committee may accelerate the exercisability of SARs at any time for any reason. Upon exercise of a SAR, payment will be made in cash, shares of common stock or a combination of the two, as the committee may determine.

Stock Units

The committee may grant to any participant stock units, which provide the participant with the right to receive shares of common stock or an amount based on the value of a share of common stock at a future date.

The committee determines the number of stock units that will be granted, whether stock units will vest and become payable if specified performance goals or other conditions are met, and the other terms and conditions applicable to the stock units. Stock units may vest and be paid at the end of a specified vesting or performance period or deferred to a date elected by a participant pursuant to procedures authorized by the committee and consistent with Section 409A. Payment with respect to a stock unit will be made in cash, in shares of common stock, or in a combination of cash and shares of common stock, as determined by the committee. The grant document will specify the maximum number of shares of common stock that may be issued under a stock unit. The committee may accelerate or provide for the acceleration of the vesting of any or all outstanding stock units at any time for any reason. Dividend equivalents may be granted in connection with stock units. See "—Dividend Equivalents" below.

Stock Awards

The committee may grant shares of common stock under a stock award for cash consideration or no cash consideration, and subject to such restrictions, if any, as determined by the committee. If restrictions are imposed on stock awards, the committee will determine whether they will lapse over a period of time or according to such other criteria as the committee deems appropriate, including restrictions based upon the achievement of specific performance goals. The committee determines the number of shares of common stock subject to the grant of stock awards

and the other terms and conditions of the grant. The committee may accelerate or provide for the acceleration of the vesting of any or all outstanding stock awards at any time for any reason.

The committee will determine to what extent, and under what conditions, participants will have the right to vote shares of common stock subject to a stock award and receive dividends or other distributions paid on such shares during the restriction period. Dividends may be deferred, but dividends payable to a participant must be withheld while a stock award is subject to restrictions, and such dividends may be payable only upon the lapse of the restrictions of the stock award. With respect to a stock award that vests based on the achievement of performance goals, no dividends may be payable unless, and only to the extent that, the performance goals are achieved at least at the minimum threshold for performance.

Dividends that are not paid on stock awards currently will be credited to a bookkeeping account on our records or those of a stock plan administrator retained by us. Accumulated dividends may accrue interest, as determined by the committee, and will be paid in cash, shares of common stock or in such other form as dividends are paid on common stock, as determined by the committee.

Other Stock-Based Awards

The committee may make other grants (other than options, SARs, stock units, and stock awards) that are based on or measured by common stock to any eligible participant in the Amended 2017 Omnibus Plan. Other stock-based awards may be granted subject to the achievement of performance goals or other conditions and may be payable in shares of common stock or cash, or a combination of the two, as determined by the committee. Dividend equivalents may be granted in connection with other stock-based awards. See "—Dividend Equivalents" below.

Dividend Equivalents

The committee may grant dividend equivalents in connection with stock units or other stock-based awards, under such terms and conditions as the committee deems appropriate and subject to the terms of the Amended 2017 Omnibus Plan. Dividend equivalents may be deferred, but no dividend equivalent may be payable to a participant unless, and only to the extent that, a grant vests, and with respect to a grant that vests based on the achievement of performance goals, the performance goals are achieved at least at the minimum threshold for performance. Dividend equivalents may be accrued as a cash obligation or may be converted to additional stock units or other stock-based awards, and deferred dividend equivalents may accrue interest, all as determined by the committee. The committee may determine that dividend equivalents are payable based on the achievement of specific performance goals. Dividend equivalents may be paid in cash, in shares of common stock, or in a combination of the two, as determined by the committee.

Performance-Based Compensation

Under the Amended 2017 Omnibus Plan, the committee may determine that the right of a participant to exercise or receive a grant or settlement of stock units, stock awards, dividend equivalents or other stock-based awards, or the timing thereof, may be subject to performance-based conditions. The committee may use criteria and other goals or measures of performance as it may deem appropriate. The committee may select a performance goal that is based on any business criteria for the Company, either on a consolidated basis or with respect to specific subsidiaries or business units, including, but not limited to the following:

Non-Exclusive Examples of Performance Goals Under the Amended 2017 Omnibus Plan		
• stock price	• net income or earnings per share	• price-earnings multiples
• risk management	• book value of any asset or security	• revenue
• number of days sales outstanding of accounts receivable	• productivity	• gross income, profitability or gross margin
• EBITDA (earnings before interest, taxes, depreciation and amortization)	• net capital employed	• return on equity, cash flow, investment or assets
• internal rate of return	• cash flow return on investment	• improvements in capital structure
• shareholder return, including absolute or relative total shareholder return, expressed either on a dollar or percentage basis	• retention of customers, expressed on a dollar or percentage basis	• return on capital employed
• budget achievement	• cash flow per share	• economic value added (defined to mean net operating profit minus the cost of capital)
• market value added (defined to mean the difference between the market value of debt and equity, and economic book value);	• growth in assets, unit volume, sales, cash flow or market share	• relative performance to a comparison group of companies designated by the committee

Non-Exclusive Examples of Performance Goals Under the Amended 2017 Omnibus Plan (continued)		
• net present value of investment	• combined ratio	• payback period on investment
• level of expenses, including without limitation capital expenditures or operation and maintenance expenses (expressed on a dollar or percentage basis)	• metrics regarding execution on business or operating initiatives, such as through the development or implementation of new technologies or other customer benefits	• safety (including, for example, criteria relating to numbers or ratios of reported injuries, preventable accidents and vehicular accidents
• compliance with environmental laws, rules and regulations	• compliance with financial and regulatory controls	• bad debt collections, expenses or losses
• strategic business criteria consisting of one or more objectives based on meeting specified revenue goals, market penetration goals, customer growth, geographic business expansion goals, cost targets or goals relating to acquisitions or divestitures	• increase in our or a subsidiary's customer satisfaction or responsiveness ratings (based on the results of surveys conducted by an independent third party) and reputation within one or more service territories	• implementation, completion or attainment of measurable objectives with respect to recruitment or retention of personnel or employee satisfaction

In setting performance goals, the committee may also provide at any time that the achievement of such performance goals will be determined without regard to either the negative or positive effect (or both) of certain events, including, but not limited to, for one or more of the following non-exclusive items:

- asset write-downs;
- litigation or claim judgments, or settlements thereof;
- changes in accounting principles;
- changes in tax law or other laws affecting reported results;
- changes in commodity or supply prices;
- severance, contract termination and other costs related to exiting, modifying or reducing any business activities;
- costs of, and gains and losses from, the acquisition, disposition, divestiture or abandonment of businesses or assets;
- gains and losses from the early extinguishment of debt;
- gains and losses in connection with the termination of or withdrawal from a pension plan;
- stock compensation costs and other non-cash expenses; or
- any other specified non-operating items as determined by the committee in setting performance goals.

Deferrals

The committee may permit or require a participant to defer receipt of the payment of cash or the delivery of shares that would otherwise be due to the participant in connection with any award. The committee shall establish rules and procedures for any such deferrals, consistent with applicable requirements of Section 409A of the Code.

Adjustment Provisions

The Amended 2017 Omnibus Plan provides for certain adjustments in the event of any change in common stock outstanding by reason of a:

- stock dividend, spinoff, recapitalization, stock split or combination or exchange of shares;
- merger, reorganization or consolidation;
- reclassification or change in par value;
- any other extraordinary or unusual event affecting the outstanding common stock without our receipt of consideration; or
- substantial reduction in the value of outstanding shares of common stock as a result of a spinoff or our payment of an extraordinary dividend or distribution.

In any of these events, the committee will equitably adjust the following, in a manner deemed appropriate, to preclude, to the extent practicable, the enlargement or dilution of rights and benefits under the Amended 2017 Omnibus Plan and any outstanding grants:

- the maximum number of shares of common stock available for issuance under the Amended 2017 Omnibus Plan;
- the maximum number of shares of common stock for which any participant may receive grants in any calendar year;
- the kind and number of shares covered by outstanding grants;
- the kind and number of shares issued and to be issued under the Amended 2017 Omnibus Plan; and
- the price per share or the applicable market value of such grants.

Any fractional shares resulting from such adjustment will be eliminated.

Change of Control; Substitute Awards

Upon a change of control where the Company is not the surviving corporation (or it survives only as a subsidiary of another corporation or entity), all outstanding options and SARs that are not exercised will be assumed by, or replaced with comparable options or rights by, the surviving corporation (or a parent or subsidiary of the surviving corporation), and other outstanding grants will be converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation). However, if, in connection with a change of control, any outstanding options and SARs are not assumed by, or replaced with comparable options or rights by, the surviving corporation (or a parent or subsidiary of the surviving corporation), and any other outstanding grants are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then upon such change of control:

- all such outstanding options and SARs that are not assumed or replaced will accelerate and become fully exercisable;
- the restrictions and conditions on all such outstanding stock awards that are not converted to similar grants will fully lapse; and
- all outstanding stock units, other stock-based awards and dividend equivalents that are not converted to similar grants will be fully vested.

If a grant is assumed in connection with a change of control, and if, within the 12 month period following the occurrence of such change of control, the participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) on account of:

- a termination of such participant's employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of cause (as defined in the Amended 2017 Omnibus Plan), death or disability (as defined in the Amended 2017 Omnibus Plan); or
- a termination of employment or service by the participant for good reason (as defined in the Amended 2017 Omnibus Plan),

then as of the date of such termination of employment or service:

- a grant that is an option or SAR will automatically accelerate and become fully exercisable;
- a grant that is a stock award will have all restrictions and conditions immediately lapse; and
- a grant that is a stock unit, other stock-based award or dividend equivalent will be fully vested.

Notwithstanding the foregoing, in the event of a change of control, the committee may take any of the following actions with respect to any or all outstanding grants:

- determine that outstanding options and SARs accelerate and become fully exercisable, in whole or part;
- determine that the restrictions and conditions on outstanding stock awards lapse, in whole or part;
- determine that outstanding stock units, other stock-based awards and dividend equivalents fully vest, in whole or part;
- require that participants surrender their outstanding options and SARs in exchange for a payment by us, in cash or common stock as determined by the committee, in an amount equal to the amount by which the then fair market value of the shares of common stock subject to the participant's unexercised options and SARs exceeds the exercise price of the options or the base amount of the SARs, as applicable;
- after giving participants an opportunity to exercise their outstanding options and SARs, terminate any or all unexercised options and SARs at such time as the committee deems appropriate; or
- determine that participants receive a payment in settlement of outstanding stock awards, stock units, dividend equivalents or other stock-based awards, if permitted under Section 409A of the Code.

Such surrender, termination or payment will take place as of the date of the change of control or such other date as the committee may specify. Without limiting the foregoing, if the per share fair market value of common stock equals or is less than the per share exercise price or base amount, as applicable, we are not required to make any payment to the participant upon surrender of the option or SAR.

For purposes of the Amended 2017 Omnibus Plan, a change of control will generally be deemed to have occurred if one of the following events occurs:

- any person becomes a beneficial owner (as defined under Rule 13d-3 of the Exchange Act), directly or indirectly, of more than 35 percent of the voting power of our then outstanding securities;
- a merger or consolidation of us with another corporation is consummated, where our shareholders, immediately prior to the merger or consolidation, will not beneficially own, immediately after the merger or consolidation,

shares entitling them to more than 50 percent of all votes to which all shareholders of the surviving corporation would be entitled in the election of directors;
- a sale or other disposition of all or substantially all of our assets; or
- during any period of 12 consecutive months commencing on or after January 1, 2027, directors are elected such that a majority of the members of our Board are individuals who have not been members of the Board at the beginning of such 12-month period, except
  - in the case of a director's death; or
  - the election or nomination for election of each new director who was not a director at the beginning of such 12-month period where such election was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period.

Notwithstanding the foregoing, a change of control shall not be deemed to include any transaction involving our acquisition of our own securities, or the acquisition by any person of our securities directly from us. Also, the committee may provide for a different definition of a change of control in a grant document with respect to the timing of payment of such grant if such grant is subject to the requirements of Section 409A of the Code and the grant will become payable on, or in connection with, a change of control.

Subject to applicable law, shares of common stock issued or transferred under grants made pursuant to an assumption, substitution or exchange for previously granted awards of a company acquired by us in a transaction shall not reduce the number of shares of common stock available under the Amended 2017 Omnibus Plan and available shares under a shareholder-approved plan of such an acquired company (as appropriately adjusted to reflect the transaction) may be used for grants under the Amended 2017 Omnibus Plan and shall not reduce its share reserve, subject to applicable law.

Clawback, Insider Trading and Other Policies and Practices

All grants under the Amended 2017 Omnibus Plan shall be subject to any applicable insider trading, share trading, stock ownership or stock retention policies or practices of the Company and other policies that may be approved or implemented by the Board, the committee or the Company. All grants and amounts payable under the Amended 2017 Omnibus Plan are additionally subject to the terms of any applicable clawback or recoupment policies approved by the Board or the committee (including, without limitation, a clawback policy required to be implemented by the NYSE), including without limitation the Company's Incentive-Based Compensation Recovery Policy, and in all cases whether approved before or after the date of a grant.

Further, to the extent permitted by applicable law, including without limitation Section 409A of the Code, all amounts payable under the Amended 2017 Omnibus Plan are subject to offset in the event that a participant has an outstanding clawback, recoupment or forfeiture obligation to us under the terms of any applicable clawback policy. In the event of a clawback, recoupment or forfeiture event under an applicable clawback policy, the amount required to be clawed back, recouped or forfeited pursuant to such policy shall be deemed not to have been earned under the terms of the Amended 2017 Omnibus Plan, and we shall be entitled to recover from the participant the amount specified to be clawed back, recouped or forfeited. Any such amount shall be deemed an advance that remained subject to the participant satisfying all eligibility conditions for earning the amounts deferred, accrued or credited under the Amended 2017 Omnibus Plan. See "Compensation Discussion and Analysis—Policies Regarding the Ownership of American Water Securities" and "Compensation Discussion and Analysis—Recovery of Incentive Compensation."

Transferability of Grants

Generally, only the participant may exercise rights under a grant during the participant's lifetime. Participants may not alienate or assign any benefit provided under the Amended 2017 Omnibus Plan. Furthermore, grants may not be subject to attachment or other legal process, except by will or the laws of descent and distribution. The committee may provide, in a grant document, that a participant may transfer nonqualified stock options to his or her immediate family members, or one or more trusts or other entities for the benefit of or owned by immediate family members, consistent with applicable securities laws.

No Repricing of Options or SARs

The Amended 2017 Omnibus Plan includes a restriction providing that, except in connection with a permitted adjustment or the exercise of an option or SAR, the Amended 2017 Omnibus Plan or an outstanding grant may not be amended to permit, and no grant or an amendment to any grant document may have the effect of causing, an outstanding option or SAR to be repriced, replaced or regranted (i) through cancellation, (ii) by decreasing the exercise price of an outstanding option or SAR, or (iii) by any exchange of an outstanding option or SAR for cash if the exercise price of such option or SAR is greater than the fair market value of the common stock on the date of such exchange, without in each case obtaining shareholder approval.

Amendment and Termination

The Board may amend or terminate the Amended 2017 Omnibus Plan at any time, subject to shareholder approval if such approval is required in order to comply with the Code, applicable law or applicable stock exchange requirements. If the Amended 2017 Omnibus Plan is approved by shareholders, it will terminate on December 31, 2036, unless terminated earlier by the Board or extended by the Board with the approval of our shareholders.

NEW PLAN BENEFITS

No award has been or will be granted under the 2017 Omnibus Plan, which award is contingent upon approval of this Proposal 4 at the annual meeting. It is not currently possible to predict the number of shares of common stock that will be granted or who will receive grants under the Amended 2017 Omnibus Plan. The closing price of a share of our common stock on March 6, 2026, was $137.49 per share.

U.S. FEDERAL INCOME TAX CONSEQUENCES

The U.S. federal income tax consequences of grants under the Amended 2017 Omnibus Plan will depend on the type of grant. The following description provides only a general description of the application of U.S. federal income tax laws to grants under the Amended 2017 Omnibus Plan. This discussion is intended for the information of stockholders considering how to vote at the annual meeting and not as tax guidance to participants in the Amended 2017 Omnibus Plan, as the consequences may vary depending on the types of grants made, the identity of the recipients, and the method of payment or settlement. The summary does not address the effects of other federal taxes (including possible "golden parachute" excise taxes) or taxes imposed under state, local, or foreign tax laws.

From the participant's standpoint, as a general rule, ordinary income will be recognized at the time of delivery of shares of common stock (equal to the fair market value of the shares received, less the amount paid, if any, for such shares) or payment of cash under the Amended 2017 Omnibus Plan. Future appreciation on shares of common stock held after the ordinary income recognition event will be taxable at the applicable capital gains rate when the shares of common stock are sold. The tax rate applicable to capital gain will depend upon how long the participant holds the shares. We, as a general rule, will be entitled to a tax deduction that corresponds in time and amount to the ordinary income recognized by the participant, and we will not be entitled to any tax deduction in respect of capital gain income recognized by the participant.

Exceptions to these general rules may arise under the following circumstances:

- If shares of common stock, when delivered, are subject to a substantial risk of forfeiture by reason of any employment or performance-related condition, ordinary income taxation and our tax deduction will be delayed until the risk of forfeiture lapses, unless the participant makes a special election to accelerate taxation under Section 83(b) of the Code.
- If an employee exercises an option that qualifies as an ISO, no ordinary income will be recognized, and we will not be entitled to any tax deduction, if shares of common stock acquired upon exercise of the ISO are held until the later of:
- one year from the date of exercise and
- two years from the date of grant.

However, if the employee disposes of the shares acquired upon exercise of the ISO before satisfying both holding period requirements, the employee will recognize ordinary income to the extent of the difference between the fair market value of the share on the date of exercise (or the amount realized on the disposition, if less) and the exercise price, and we will be entitled to a tax deduction in that amount. The gain, if any, in excess of the amount recognized as ordinary income will be long-term or short-term capital gain, depending upon the length of time the employee held the shares before the disposition.

A grant may be subject to a 20 percent penalty tax, in addition to ordinary income tax, at the time the grant becomes vested, plus interest, if the grant constitutes "deferred compensation" under Section 409A of the Code and the requirements of Section 409A of the Code are not satisfied.

We have the right to require participants to pay to us an amount necessary for us to satisfy our federal, state, or local tax withholding obligations with respect to grants. We may withhold from other amounts payable to a participant an amount necessary to satisfy these obligations. If the committee permits, a participant may satisfy our withholding obligation by having shares withheld, provided that the number of shares withheld does not exceed the maximum applicable withholding tax rate permitted by U.S. generally accepted accounting principles as applied to us for federal (including FICA), state, and local tax liabilities.

RECOMMENDATION OF THE BOARD

The Board unanimously recommends a vote "**FOR**" the approval of the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan, as proposed to be amended and restated.

PROPOSAL 5

AMENDING AND RESTATING THE AMERICAN WATER WORKS COMPANY, INC. AND ITS DESIGNATED SUBSIDIARIES 2017 NONQUALIFIED EMPLOYEE STOCK PURCHASE PLAN

BACKGROUND OF THE PROPOSAL

On February 18, 2026, the Board adopted, subject to shareholder approval, amendments to, and a restatement of, the American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan (as amended through February 5, 2019), or the current ESPP, to be effective February 5, 2027. We refer to the current ESPP, as proposed to be amended and restated, as the amended ESPP. The principal features of the amended ESPP are summarized below. This description is qualified in its entirety by reference to the full text of the Amended ESPP which is included as Appendix C to this Proxy Statement. All capitalized terms not defined in this Proposal 5 will have the meanings set forth in Appendix C to this Proxy Statement.

REASONS FOR THE PROPOSAL

We maintain the current ESPP to provide a convenient and easy way for our employees to purchase shares of common stock at a 15 percent discount. We believe that employee ownership of common stock gives employees a vested interest in our success and aligns their interests with those of our shareholders.

The current ESPP will expire by its terms on or about August 6, 2027. The Board has approved the amendment and restatement of the current ESPP to extend the termination date of the plan to February 6, 2037, so that the Company may continue to permit employees to participate in the current ESPP after its August 6, 2027 termination date, and to provide for certain additional modifications to the current ESPP. We are seeking shareholder approval of the amended ESPP as required under NYSE listing standards. Neither the current ESPP, nor the proposed amended ESPP, is intended to qualify as an "employee stock purchase plan" under Section 423 of the Code.

If the amended ESPP is approved by our shareholders:

- the current ESPP will remain in effect until the commencement of the February 5, 2027 purchase period; and
- the amended ESPP will become effective on February 5, 2027.

For additional information regarding enrollment and purchase periods under the amended ESPP, see "—Enrollment Periods" and "—Purchase Periods" below.

If the shareholders do not approve the amended ESPP, the amendment and restatement of the current ESPP will not take effect, and we may continue to operate the current ESPP until August 6, 2027.

SUMMARY OF THE MATERIAL TERMS OF THE AMENDED ESPP

Administration

The Board has designated the ED&CC as the plan administrator for the amended ESPP. As the plan administrator, the ED&CC has full discretionary authority and power to administer the amended ESPP and to make, adopt, construe and enforce rules and regulations not inconsistent with the provisions of the amended ESPP. The ED&CC's interpretations and decisions with respect to the amended ESPP will be final and conclusive. The ED&CC may delegate certain administrative or ministerial matters as specified under the amended ESPP to one or more officers of the Company or their designees.

Shares Available for Issuance under the Amended ESPP

We have reserved 2,000,000 shares of our common stock for issuance under the amended ESPP, subject to adjustments in certain circumstances described below. This reservation of shares is the same as under the current ESPP, and will be reduced for any shares purchased under the current ESPP prior to the date that the amended ESPP becomes effective. Stated another way, **the amended ESPP would not increase the number of shares that the Company may issue under the current ESPP**. As of March 6, 2026, there were approximately 1,262,448 shares available for issuance under the current ESPP, not including any shares that may be subject to potential purchase by employees during the current enrollment period.

Adjustments

The amended ESPP provides for certain anti-dilution adjustments in connection with any increase or decrease in the number of outstanding shares of common stock as a result of a subdivision or consolidation of the common stock or other capital adjustment, the payment of a stock dividend in shares of common stock, or other increase or decrease in our shares of common stock, if effected without our receipt of consideration. In any of these events, the ED&CC will make equitable adjustments to the following:

- the aggregate number of shares of common stock reserved for purchase under the amended ESPP;
- the maximum number of shares of common stock that may be purchased by any participant under the amended ESPP on any purchase date; and
- the calculation under the amended ESPP of the purchase price per share.

Eligibility

Subject to certain exceptions, an employee, including a part-time employee, will be eligible to participate in the amended ESPP if, as of the start date of the purchase period, the employee is employed by us or a subsidiary that the ED&CC has designated as a participating entity in the amended ESPP. For purposes of the amended ESPP, an eligible employee does not include:

- an employee who is classified by the ED&CC, or its delegate, as a temporary or leased employee;
- with respect to any purchase period, an employee who terminates employment, dies or is determined to be disabled prior to the applicable purchase date;
- an employee employed by a non-U.S. subsidiary of the Company, unless otherwise permitted by the ED&CC;
- an employee who the Board determines is an "officer" of the Company as defined in Exchange Act Rule 16a-1(f); or
- an employee who owns stock possessing 5 percent or more of the total combined voting power or value of all classes of our stock, as determined by applying rules consistent with those reflected in Section 423 of the Code, which would otherwise apply if the amended ESPP were intended to be a qualified employer stock purchase plan.

None of our non-employee directors or our executive officers are eligible to participate in the amended ESPP. As of March 6, 2026, there are approximately 7,000 employees eligible to participate in the amended ESPP.

Enrollment Periods

Under the amended ESPP, each eligible employee may elect to participate in the amended ESPP by completing a purchase agreement and submitting the purchase agreement to the ED&CC or its delegate during an enrollment period. If shareholders approve the amended ESPP, it is presently intended that the first enrollment period under the amended ESPP would begin on February 5, 2027 and end on February 20, 2027, and the last enrollment period under the current ESPP would begin on November 5, 2026 and end on November 20, 2026. The ED&CC does not intend to change the timing of enrollment periods in effect under the current ESPP, which occur quarterly beginning on the 5th and ending on the 20th of each of February, May, August and November.

Purchase Periods

Under the amended ESPP, each eligible employee who elects to participate in the amended ESPP will be granted an option to purchase shares of common stock during a purchase period. Each purchase period will generally be a period of approximately three months, unless the ED&CC determines to provide for a different purchase period. The purchase right will continue in effect during the purchase period and will be exercised on the last trading day of the purchase period, which is the purchase date.

On each purchase date, the participant will automatically be deemed to have exercised the participant's purchase right to purchase shares of stock with his or her accumulated payroll deductions for the purchase period, unless, to the extent permitted by applicable law, the participant notifies the ED&CC or its delegate in advance of his or her desire to withdraw their accumulated payroll deductions and/or cease payroll deductions. In the event that a participant ceases contributions to the amended ESPP during a purchase period, the participant may not make additional contributions during that purchase period and may request payment of any funds held for the participant on such form and at such time in advance of the purchase date as the ED&CC, or its delegate, may prescribe. Any funds remaining in the participant's account on the purchase date will be used to purchase common stock, if the participant remains an eligible employee. In the event that a participant ceases to be an eligible employee, their participation in the amended ESPP will automatically cease, no further purchase of common stock will be made for the participant, and any funds held for the participant will be distributed to the participant.

Unless the ED&CC determines otherwise prior to the beginning of the purchase period, the amended ESPP provides that each new purchase period would begin on the first day of the calendar quarter next following the preceding purchase date and continue until the last trading day of the calendar quarter in which such purchase period began. If our shareholders approve the amended ESPP, it is presently intended that the first purchase period under the amended ESPP would begin on March 1, 2027 and end on May 29, 2027. The ED&CC does not presently intend to change the quarterly purchase periods currently in effect under the current ESPP, which begin on first day of March, June, September and December.

Purchase Transactions

Unless the ED&CC determines otherwise prior to the beginning of a purchase period, the purchase price for each share of common stock purchased under the amended ESPP will be 85 percent of the closing price of a share of common stock on the purchase date.

The number of shares that will be purchased for each participant participating in the amended ESPP on a purchase date will depend on the purchase price of the shares, the total amount of payroll deductions during the purchase period and the number of shares remaining available for issuance under the amended ESPP. For example, if the purchase price is $100.00 per share and participant has $1,000.00 of accumulated payroll deductions in their account on the purchase date, the participant will be able to purchase 10 shares.

No fees, commissions, or other expenses will be charged to a participant when they purchase stock under the amended ESPP; however, the participant will be responsible for any brokerage commissions that result from the sale of any stock purchased under the amended ESPP.

Payroll Deductions

A participant will indicate pursuant to a purchase agreement the portion of compensation to be deducted from the participant's pay, on an after-tax basis, for the purchase of stock under the amended ESPP. The portion of compensation may be set in one of two ways: (i) either in whole percentages from one percent to 10 percent, or (ii) as a fixed contribution amount in whole dollars from the participant's compensation paid during a payroll period, up to the lesser of (a) the participant's net compensation for such payroll period and (b) $2,500, or such other amount as may be determined by the ED&CC. A participant must select which method is to be used to compute the contribution and may change the contribution from a fixed contribution amount to a percentage contribution amount (or vice versa), as of any time prior to the end of an enrollment period.

In addition, if permitted by the ED&CC prior to the beginning of the purchase period, participants may be able to deposit funds, in addition to payroll deductions, with us, provided that the aggregate amount (including deposits and payroll deductions) that a participant may contribute to the amended ESPP during a purchase period may not exceed the percentage or fixed contribution amount selected by the participant, and in no event may the total amount of all contributions by a participant exceed $25,000 per plan year (subject to adjustment by the ED&CC). The ED&CC has not elected to permit participants to contribute funds outside of payroll deductions.

To the extent permitted by applicable law and subject to limitations determined by the ED&CC, a participant may stop payroll deductions during a purchase period. If payroll deductions are stopped during a purchase period, the participant may not subsequently resume payroll deductions during such purchase period. See "—Purchase Periods" above and "—Cessation of Participation" below for more information on ceasing participation in the amended ESPP during a purchase period.

For purposes of the amended ESPP, "compensation" means a participant's base wages, but excludes overtime pay, commissions, bonuses, premium pay, shift differential pay, any compensation reductions made in connection with plans described in Sections 401(k), 125 or 132(f)(4) of the Code, and any other extraordinary remuneration, as determined by the ED&CC or its delegate. Contributions to the amended ESPP are treated as our general assets and are not held in trust. No interest is credited to the amounts participants contribute to the amended ESPP.

Maximum Number of Purchasable Shares

Whole shares and fractional shares may be purchased under the amended ESPP. Unless the ED&CC determines otherwise, in no event may a participant purchase a greater number of shares of common stock than can be purchased on a purchase date by applying the full balance of the participant's deducted or deposited funds to the purchase of shares of common stock at the purchase price.

Excess Payroll Deductions after Purchase Date

If a participant's payroll deductions are not applied to purchase stock on a purchase date, such excess amounts will be returned to the participant, as soon as administratively practicable after the purchase date.

Cessation of Participation

To the extent legally permissible, a participant may voluntarily cease his or her participation in the amended ESPP and stop payroll deductions at any time by filing a notice of cessation of participation on such form and at such time in advance of the purchase date as required by the ED&CC. If a participant ceases contributions during a purchase period, such participant may not make any further contributions during such purchase period. The participant may also request distributions of any funds held for the participant so long as such request is made on such form and at such time in advance of the purchase date as required by the ED&CC. Any funds remaining in the participant's account on the purchase date will be used to purchase stock.

If during a purchase period a participant ceases to be an eligible employee, his or her participation in the amended ESPP will automatically terminate and no further purchases of common stock will be made for the participant. Any funds held for such participant will be distributed to the participant. A participant will cease to be an eligible employee during a purchase period if he or she no longer meets the requirements of an eligible employee under the amended ESPP or if such participant terminates employment, dies or is determined to be disabled prior to the applicable purchase date.

Transferability

Neither payroll deductions credited to a participant nor any rights with regard to the exercise of a purchase right under the amended ESPP may be assigned or transferred. If a participant dies, unless a personal representative of the deceased participant directs otherwise, any previous payroll deductions during the purchase period in which the participant dies will be used to purchase stock on the purchase date for such purchase period. After the purchase date, the deceased participant's stock and residual amounts will be delivered to the participant's personal representative.

Holding Period

Participants will be required to hold stock purchased under the amended ESPP for six months following each purchase date, except the holding period ceases to apply in the case of death of the participant.

Change of Control

Subject to any required action by our shareholders, if we are the surviving corporation in a merger or consolidation, any offering under the amended ESPP will continue to pertain to and apply to our shares of common stock. However, if we dissolve or liquidate, or merge or consolidate and are not the surviving corporation, the amended ESPP and any offering under the amended ESPP will terminate as of the effective date of the dissolution, liquidation, merger or consolidation, unless our Board determines otherwise and the balance of any amounts deduction from a participant's compensation (or deposited) which have not been applied to purchase stock will be returned to the participant, as soon as reasonably practicable.

Amendment

Our Board may amend the amended ESPP at any time, subject to shareholder approval if required by applicable law and the New York Stock Exchange listing standards.

Termination

Unless sooner terminated by its terms or by our Board, the amended ESPP will terminate on the tenth anniversary of its effective date.

NEW PLAN BENEFITS

No award has been or will be granted under the amended ESPP that is contingent upon approval of Proposal 5 by our shareholders at our annual meeting. The benefits to be received by any eligible employee under the amended ESPP are not determinable because, under the terms of the amended ESPP, the amounts of future stock purchases are based upon elections made by eligible employees subject to the terms and limits of the amended ESPP and the purchase price to be paid.

The closing price of a share of our common stock on March 6, 2026, was $137.49 per share.

U.S. FEDERAL INCOME TAX CONSEQUENCES

The following is a brief description of the U.S. federal income tax consequences generally arising with respect to options that may be awarded under the amended ESPP. This discussion is intended for the information of shareholders considering how to vote at the annual meeting and not as tax guidance to participants in the amended ESPP. The summary does not address the effects of other federal taxes (including possible "golden parachute" excise taxes) or taxes imposed under state, local or foreign tax laws.

The amended ESPP is not intended to qualify as an employee stock purchase plan within the meaning of Section 423 of the Code. The amended ESPP is also not intended to qualify under Section 401 of the Code and is not subject to the requirements of the Employee Retirement Income Security Act of 1974, as amended.

Under the Code as currently in effect, a participant in the amended ESPP will recognize income, and we will generally be entitled to a deduction upon the participant's purchase of common stock under the amended ESPP. The amount of income recognized, and our corresponding tax deduction, will be equal to the difference between the purchase price paid for the stock and the fair market value of our stock on the purchase date. When the participant sells any shares purchased under the amended ESPP, the participant will have capital gain or loss equal to the difference, if any, between the proceeds of the sale and the participant's basis in the common stock (the purchase price plus any ordinary income realized). The capital gains tax rate will depend on how long the common stock was held by the participant.

All purchases of stock under amended ESPP are subject to applicable federal (including FICA), state and local tax withholding requirements. We may require a participant to pay to us the amount of any such applicable withholdings or withhold from other wages or compensation the amount of any such withholdings.

RECOMMENDATION OF THE BOARD

The Board of Directors unanimously recommends a vote "**FOR**" the approval of the American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan, as proposed to be amended and restated.

PROPOSAL 6

AMENDING THE AMERICAN WATER WORKS COMPANY, INC. RESTATED CERTIFICATE OF INCORPORATION TO PROVIDE FOR OFFICER EXCULPATION

BACKGROUND OF THE PROPOSAL

The Nominating Committee annually reviews and assesses changes in the corporate law to determine whether appropriate modifications to our corporate governance documentation, including the Restated Certificate of Incorporation, may be necessary or desirable for any potential changes.

Effective August 1, 2022, the State of Delaware, which is the Company's state of incorporation, enacted legislation that enables a Delaware corporation to limit the liability of certain of its officers in limited circumstances under Section 102(b)(7) of the General Corporation Law of the State of Delaware, or the DGCL. Following the enactment of this legislation, the Nominating Committee undertook a careful review and study of the question of officer exculpation over the past several years, and recommended that the current exculpation provision in Article VIII of our Restated Certificate of Incorporation should be amended as permitted by the DGCL for the reasons discussed below.

On February 17, 2026, the Nominating Committee recommended that the Board adopt this amendment in its entirety, declare its advisability and direct that the amendment be considered for approval by shareholders at the annual meeting. Based in part on that recommendation, on February 18, 2026, the Board proposed and adopted amendments to the Company's Restated Certificate of Incorporation as set forth on Appendix D hereto to provide for the exculpation of the Company's officers from liability to the fullest extent permitted by the DGCL. As explained below, the Board believes that eliminating personal monetary liability for officers in the circumstances permitted by the DGCL is reasonable, appropriate and in the best interests of our shareholders.

THE PROPOSED AMENDMENT

Article VIII of the Company's Restated Certificate of Incorporation currently provides that no director of the Company shall be personally liable to the Company or its shareholders for monetary damages for breach of fiduciary duty as a director; provided, however, that this provision shall not eliminate or limit the liability of a director:

- for any breach of the director's duty of loyalty to the Company or its shareholders;
- for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- under Section 174 of the DGCL (in connection with a director's approval of certain unlawful dividends or unlawful repurchases or redemptions of common stock); or
- for any transaction from which the director derived an improper personal benefit.

Article VIII also currently provides that any modification of that Article by shareholders shall be prospective only, and shall not affect, to the detriment of any director, any limitation on the personal liability of a director of the Corporation existing at the time of such repeal or amendment.

The complete text of Article VIII of the Restated Certificate of Incorporation as currently in effect, and as proposed to be amended, has been provided in Appendix D attached to this proxy statement. The exceptions to exculpation currently set forth in Article VIII have been proposed by the Board to be deleted as unnecessary. Because the exceptions are included within the provisions of the DGCL referenced in the proposed amendment, the proposed amendment would permit exculpation only to the extent permitted by the DGCL, including those limitations.

RATIONALE FOR THE PROPOSED AMENDMENT

The nature of the role of officers frequently requires them to make time-pressured decisions on crucial matters, often in response to time-sensitive and immediate opportunities and challenges. As a result, officers, like directors, are exposed to a substantial risk of investigation, claims, litigation, actions, suits or proceedings seeking to impose liability for those responses on the basis of hindsight, regardless of merit. The proposed amendment to the Restated Certificate of Incorporation would enable our officers to exercise their business judgment in furtherance of the interests of our shareholders and other stakeholders, while minimizing the potential for distraction posed by frivolous lawsuits and related or other expenses which are often borne by the Company (and potentially ratepayers) either directly, through its indemnification obligations, or indirectly, through higher insurance premiums.

If the proposed amendment is adopted, the types of claims that would be barred against the Company's officers would mirror claims that are already barred against our directors under our Restated Certificate of Incorporation pursuant to the statutory right of director exculpation, which has been a fixture of Delaware corporate law since 1986. As with director exculpation, the Company believes that the proposed amendment permitting officer exculpation would significantly reduce the risk of distracting and costly litigation while supporting ample other and more focused avenues for oversight and discipline, up to and including termination of employment or a direct claim (including a shareholder derivative claim) against the officer by the Company. The Board, consisting almost entirely of independent directors and with leadership through its independent Board Chair, believes that it is more than capable of providing necessary and appropriate oversight in that regard.

Other public companies incorporated in Delaware, with whom we may be in competition for executives, have already adopted officer exculpation clauses in their certificates of incorporation to the fullest extent of the DGCL, and we believe that, over time, more of these corporations will continue to do so. Although this amendment is not being proposed in response to any specific event or issue, we believe that not adopting the proposed amendment could negatively impact our ability to recruit, retain and promote exceptional executives, who may conclude that, without the protection in our Restated Certificate of Incorporation against monetary damages judgments as permitted under the DGCL, the potential exposure to the risk, time and expense of litigation and other proceedings would outweigh the benefits of serving as an officer of the Company.

As part of its deliberations, the Board considered that this officer exculpation provision would not apply to (i) breaches of the fiduciary duty of loyalty, (ii) acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (iii) violations of the DGCL related to unlawful payments of dividends or unlawful stock purchases or redemptions, or (iv) any transaction in which an officer derived an improper personal benefit. The Board also considered the significant and continual review, study and analysis by the Nominating Committee of the 2022 DGCL amendment. The Board found persuasive the views of the Nominating Committee as to the potential benefits to the Company and its shareholders in terms of reducing the risk of unnecessary, costly and distracting litigation and to support the attraction, retention and promotion of executives. Based in part on the Nominating Committee's review, study and recommendation, the Board declared the advisability of the amendment to the Restated Certificate of Incorporation as described herein.

If the amendment is approved by the shareholders, the amendment will become effective upon filing of a Certificate of Amendment of Certificate of Incorporation with the Delaware Secretary of State, which the Company anticipates that it will file promptly following the annual meeting. The complete text of the proposed amendment is set forth in Appendix D to this proxy statement.

If the amendment is not approved by the shareholders, the Restated Certificate of Incorporation would not be amended, and the exculpation benefits permitted under the DGCL to officers would not apply to officers of the Company. The director exculpation provision of Article VIII of the Restated Certificate of Incorporation would remain in effect without change.

RECOMMENDATION OF THE BOARD

The Board of Directors unanimously recommends a vote "**FOR**" the amendment to Article VIII of the Company's Restated Certificate of Incorporation, as set forth on Appendix D, to provide for officer exculpation.

CERTAIN BENEFICIAL OWNERSHIP MATTERS

SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth information as of the record date, regarding the beneficial ownership of common stock by:

- each director;
- each director nominee;
- each NEO included in the 2025 Summary Compensation Table; and
- all of the Company's directors and current executive officers as a group.

As of the record date, 195,280,114 shares of common stock were issued and outstanding. The number of shares beneficially owned by each shareholder is determined under rules promulgated by the SEC. The information does not necessarily indicate beneficial ownership for any other purpose. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options or rights held by that person, which options or rights are currently exercisable or will become exercisable on or before May 16, 2026 (60 days after the record date), are deemed to be currently outstanding. These shares, however, are not deemed outstanding for the purposes of computing the percentage ownership of any other person.

Unless otherwise noted below:

- the address for each beneficial owner in the table below is c/o American Water Works Company, Inc., 1 Water Street, Camden, New Jersey 08102-1658; and
- subject to applicable community property laws, to the Company's knowledge, each person named in the tables below has sole voting and investment power over the shares shown as beneficially owned by that person.

Name	Total Shares of Common Stock Beneficially Owned (1)(2)	% of Shares Outstanding
David M. Bowler	4,409	*
Maureen Duffy	26,457	*
Jeffrey N. Edwards	10,452	*
John C. Griffith	16,644	*
Lisa A. Grow	868	*
M. Susan Hardwick (3)	51,133	*
Laurie P. Havanec	3,995	*
Julia L. Johnson	27,897	*
Patricia L. Kampling	7,654	*
Melanie M. Kennedy (4)	4,545	*
Karl F. Kurz	20,599	*
Michael L. Marberry	10,021	*
Stuart M. McGuigan	1,966	*
Stacy A. Mitchell	4,725	*
Raffiq Nathoo	1,162	*
Cheryl Norton	20,453	*
All directors and current executive officers as a group (15 persons) (5)	158,021	*

* Less than 1% (or, with respect to a NEO, less than 0.1%)

(1) Except as may otherwise be indicated, the amounts in the table above do not include the following interests in our common stock, which interests do not confer voting or investment power:

- shares of common stock underlying RSU, PSU and stock unit awards, granted under the 2017 Omnibus Plan, which have not vested as of the record date, and will not vest on or before May 16, 2026; and
- shares of common stock underlying RSU, PSU and stock unit awards granted under the 2007 Omnibus Plan or the 2017 Omnibus Plan, which have vested as of the record date, or will vest on or before May 16, 2026, but the settlement of the award and the receipt of common stock thereby has been deferred to a date that is later than May 16, 2026.

(2) For each of our current NEOs and our directors and director nominees, the amounts in this column do not include the following interests in our common stock, which interests do not confer voting or investment power:

Name	Number of Unvested RSUs/Stock Units*	Number of Unvested PSUs	Total
David M. Bowler	6,189	19,009	25,198
Maureen Duffy	2,600	9,049	11,649
Jeffrey N. Edwards	—	—	—
John C. Griffith	21,116	66,062	87,178
Lisa A. Grow	—	—	—
Laurie P. Havanec	—	—	—
Julia L. Johnson	2,781	—	2,781
Patricia L. Kampling	—	—	—
Karl F. Kurz	—	—	—
Michael L. Marberry	—	—	—
Stuart M. McGuigan	—	—	—
Stacy A. Mitchell	4,503	14,319	18,822
Raffiq Nathoo	—	—	—
Cheryl Norton	8,393	28,818	37,211
Total	45,582	137,257	182,839

* Unvested RSUs and stock units represent shares underlying RSU or stock unit awards, which shares (i) have not vested, (ii) have vested but have not been delivered, or (iii) have been deferred, in each case in accordance with footnote (1) above.

(3) Ms. Hardwick retired as American Water's Chief Executive Officer effective May 14, 2025.

(4) Ms. Kennedy was no longer employed by the Company as Executive Vice President, Chief Human Resources Officer effective March 1, 2025. Does not include 1,106 shares the receipt of which have been deferred in accordance with footnote (1) above.

(5) Includes 719 shares beneficially owned by a current executive officer of the Company not named in the table above. Excludes in the aggregate 190,537 shares underlying unvested RSUs and PSUs, as well as deferred stock units, held by our directors and current executive officers, as referenced in footnote (1) above.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The table below indicates the persons or entities known to us to be the beneficial holders of more than five percent of our common stock, as of December 31, 2023 or 2024 (as indicated in the footnotes below), with percentages determined as of the record date.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	% of Shares Outstanding
The Vanguard Group (1) 100 Vanguard Boulevard Malvern, PA 19355	24,022,075	12.3%
BlackRock, Inc. (2) 50 Hudson Yards New York, NY 10001	19,762,045	10.1%
State Street Corporation (3) State Street Financial Center 1 Congress Street, Suite 1 Boston, MA 02114-2016	11,038,713	5.7%

(1) The Vanguard Group ("Vanguard"), an investment management company, is the beneficial owner of the 24,022,075 shares of common stock listed in the table. Vanguard holds sole power to dispose of or to direct

the disposition of 23,104,796 shares, shared power to vote or direct to vote 340,773 shares, and shared power to dispose or to direct the disposition of 917,279 shares. This disclosure is derived solely from information contained in the most recent Schedule 13G/A, filed by Vanguard with the SEC on February 13, 2024. The information is as of December 31, 2023, and the number of shares beneficially owned by Vanguard may have changed subsequently.

(2) BlackRock, Inc. ("BlackRock") is the beneficial owner of the 19,762,045 shares of common stock listed in the table. BlackRock is a holding company of subsidiaries that hold the shares, including: BlackRock Life Limited; Aperio Group, LLC; BlackRock Advisors, LLC; BlackRock France SAS; BlackRock (Netherlands) B.V.; BlackRock Institutional Trust Company, National Association; BlackRock Asset Management Ireland Limited; BlackRock Financial Management, Inc.; BlackRock Japan Co., Ltd.; BlackRock Asset Management Schweiz AG; BlackRock Investment Management, LLC; BlackRock Investment Management (UK) Limited; SpiderRock Advisors, LLC; BlackRock Asset Management Canada Limited; BlackRock (Luxembourg) S.A.; BlackRock Investment Management (Australia) Limited; BlackRock Advisors (UK) Limited; BlackRock Fund Advisors; BlackRock Asset Management North Asia Limited; BlackRock (Singapore) Limited; and BlackRock Fund Managers Ltd, none of which beneficially owns five percent or more of the common stock. BlackRock holds sole voting power with respect to 18,124,548 shares and sole dispositive power with respect to all of the shares listed in the table. This disclosure is derived solely from information contained in a Schedule 13G/A filed by BlackRock with the SEC on January 8, 2025. The information is as of December 31, 2024, and the number of shares beneficially owned by BlackRock may have changed subsequently.

(3) State Street Corporation ("State Street"), an investment advisor, is the beneficial owner of the 11,038,713 shares of common stock listed in the table. State Street is a holding company of direct or indirect subsidiaries that hold the shares, including: SSgA Funds Management, Inc.; State Street Global Advisors Europe Limited; State Street Global Advisors Limited; State Street Global Advisors Trust Company; State Street Global Advisors, Australia, Limited; State Street Global Advisors (Japan) Co., Ltd., State Street Global Advisors Asia Limited; State Street Global Advisors, Ltd.; and State Street Global Advisors Singapore Limited. State Street holds shared power to vote or direct to vote 6,896,000 shares, and shared power to dispose or to direct the disposition of 11,013,329 shares. This disclosure is derived solely from information contained in the most recent Schedule 13G/A, filed by State Street with the SEC on January 30, 2024. The information is as of December 31, 2023, and the number of shares beneficially owned by State Street may have changed subsequently.

COMMUNICATIONS, SHAREHOLDER PROPOSALS AND COMPANY INFORMATION

SHAREHOLDER COMMUNICATIONS TO THE BOARD

Shareholders and other interested parties may communicate directly with the Board or individual members of the Board, including those wishing to express concerns relating to accounting, internal controls, audit matters, fraud or unethical behavior, by submitting written correspondence to the Company or via email: *svc_corpsecoffice@amwater.com*. The Company's Secretary reviews and provides summaries and/or copies of the communications to the Board and relevant committees. All communications are treated confidentially. Such communications related to purely contractual, utility or customer relations matters are typically forwarded to appropriate members of management, rather than to the Board.

Our "whistleblower" policy prohibits American Water and any of its employees from retaliating or taking any adverse action against anyone for raising a concern in good faith. If an interested party nonetheless prefers to raise their concern to the Board in a confidential or anonymous manner, the concern may be directed to our confidential ethics hotline at (877) 207-4888 or via the Internet at *www.amwater.ethicspoint.com*. Such matters raised on the hotline are investigated by the Compliance and Ethics Department.

SHAREHOLDER PROPOSALS, PROXY ACCESS DEADLINES AND DIRECTOR NOMINATIONS

Shareholder Proposals

Except as provided below under "—Proxy Access Deadlines," any shareholder who, in accordance with SEC Rule 14a-8, wishes to present a proposal for inclusion in the proxy materials to be distributed in connection with the 2027 annual meeting of shareholders must submit the proposal so that it is received by our Secretary at our principal executive offices on or before November 24, 2026, and must comply in all other respects with applicable SEC rules. If the date of the 2027 annual meeting is changed by more than 30 days from the date of the 2026 annual meeting, then the deadline for receipt of the proposal would be a reasonable time before we begin to print and send our proxy materials. Shareholder proposals must be delivered to our Secretary as described under "—Contacting Us or Our Transfer Agent" on page 92 of this proxy statement.

Any shareholder who wishes to propose any business to be considered by the shareholders at the 2027 annual meeting (other than a proposal for inclusion in the proxy statement pursuant to SEC Rule 14a-8), or to nominate a person for election to the Board at that meeting (including via universal proxy or a solicitation relying on Rule 14a-19 under the Exchange Act), must provide timely and proper notice to American Water in writing, including the specified information described in our Amended and Restated Bylaws concerning the proposed business or nominee and information required by Rule 14a-19.

The requirements for such notice are set forth in our Amended and Restated Bylaws, a copy of which can be obtained from the Company upon request. The notice must be received at American Water's principal executive offices no earlier than January 13, 2027, and no later than February 12, 2027. However, if the date of the 2027 annual meeting is more than 30 days before or 60 days after May 13, 2027, other than as a result of any adjournment, continuation or postponement thereof, notice must be received not later than 90 days prior to the date of the 2027 annual meeting, or, if later, by the 10th day following the Company's first public announcement of the date of the 2027 annual meeting. The shareholder must otherwise comply with all applicable procedural and substantive requirements set forth in our Amended and Restated Bylaws.

Proxy Access Deadlines

Our Amended and Restated Bylaws permit an eligible shareholder or group of shareholders to include up to a specified number of director nominees in our proxy materials for an annual meeting of shareholders. See "Board of Directors and Corporate Governance—Proxy Access" on page 14 of this proxy statement.

As a condition to the use of the proxy access bylaw, the eligible shareholder or eligible group of shareholders and each director nominee must satisfy all of the procedural and substantive requirements specified in the Amended and Restated Bylaws, including providing advance notice to us and filing certain information with the SEC. With respect to the 2027 annual meeting, the notice must be provided no earlier than October 25, 2026, and no later than November 24, 2026.

Director Nominations

The Nominating Committee will consider qualified director candidate recommendations by shareholders. The recommendation must include the following information:

- the name, age, business address and residence address of the candidate;
- a resume describing the candidate's qualifications;
- other information about the candidate that would be required to be included in a proxy statement under the rules of the SEC;
- a description of all arrangements or understandings relating to the nomination between or among the shareholder, the candidate and any other person or persons;
- the signed consent of the candidate to serve as a director if elected;
- the name and address of the shareholder who is submitting the recommendation;
- evidence of the number of shares of American Water's common stock that the recommending shareholder owns and the length of time the shares have been owned; and
- certain other information required by our Amended and Restated Bylaws.

The Nominating Committee may seek additional information regarding the candidate. The Nominating Committee will consider all potential candidates in the same manner regardless of the source of the recommendation.

DELIVERING PROXY MATERIALS THROUGH ELECTRONIC MEANS

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on May 13, 2026

The Notice of 2026 Annual Meeting of Shareholders, 2026 Proxy Statement and 2025 Annual Report are available at *www.proxyvote.com*.

Under the "Notice and Access" rules approved by the SEC, we are permitted to deliver this proxy statement and our 2025 Annual Report by providing access to the documents on the Internet instead of mailing printed copies. As was the case last year, subject to a shareholder's contrary election, each shareholder will receive a Notice of Availability in lieu of printed materials. Although the Notice of Availability identifies the items to be voted on at the meeting and how to vote, a shareholder cannot vote shares merely by marking the Notice of Availability and returning it. However, if a shareholder has previously requested a paper copy of our proxy materials (and the request has not been revoked) or if delivery of printed proxy materials is required by law, the shareholder will receive a printed copy of the proxy materials instead of the Notice of Availability.

Beginning on the date of mailing of the Notice of Availability, shareholders will be able to access all of the proxy materials on a website referred to in the Notice of Availability. If you received a Notice of Availability and would like to receive free of charge a paper or electronic copy of our proxy materials, you may elect to do so by following the instructions in the Notice of Availability for requesting such materials.

To the extent we are not required by law to mail our proxy materials to you in paper form, you can eliminate all such future paper mailings, including mailing of the Notice of Availability, by electing to receive an e-mail that will provide Internet links to these documents and the online proxy voting website. Opting to receive all future proxy materials electronically will save us the cost of producing and mailing documents to you and will help us conserve natural resources. Requests for electronic delivery may be made at *https://enroll.icsdelivery.com/awk*.

HOUSEHOLDING OF PROXY MATERIALS

To reduce the expense of delivering duplicate sets of proxy materials to multiple shareholders sharing the same address, we have adopted a procedure approved by the SEC called "householding." This procedure saves printing costs and postage fees, and conserves natural resources.

Under the householding procedure, certain shareholders of record who have the same address and last name will receive only one copy of the Notice of Availability and/or set of proxy materials, unless one or more of the shareholders at that address has previously elected to receive separate copies.

Under the SEC's householding rules, intermediaries also may deliver a single copy of the proxy materials or Notice of Availability to two or more shareholders that share the same address. If you and other residents at your mailing address own shares of common stock in street name through a broker or bank, you may have received a notice that your household will be sent only one copy of the proxy materials or the Notice of Availability. If you did not provide your broker or bank with notice that you object to this householding, you may have been deemed to have consented to the householding of information. However, upon written or oral request, we will promptly deliver a separate copy of the annual report and/or proxy statement to any shareholder at a shared address to which a single copy of each document was delivered.

To change your householding status with respect to your shares of common stock:

- if you are the registered holder of your shares, please contact Equiniti Trust Company, LLC, our transfer agent, as noted below in "—Contacting Us or Our Transfer Agent" or
- if you hold your shares in street name, please contact Broadridge Financial Solutions:
  - by telephone, toll-free, at (866) 540-7095 or
  - in writing, at 51 Mercedes Way, Edgewood, New York 11717, Attention: Householding Department

If you are a shareholder currently sharing an address with another of our shareholders and wish to have your future proxy materials householded, or your materials are currently householded and you would prefer to receive separate materials in the future, please make a request to change your householding status, as indicated above. We encourage shareholders to have all the shares they hold of record registered in the same name and under the same address.

CONTACTING US OR OUR TRANSFER AGENT

How to Contact Us:	How to Contact our Transfer Agent:
American Water Works Company, Inc. 1 Water Street Camden, New Jersey 08102-1658 Attention: Secretary *svc_corpsecoffice@amwater.com*	Equiniti Trust Company, LLC 1110 Centre Pointe Curve, Suite 101 Mendota Heights, Minnesota 55120 (800) 937-5449 (toll-free) (718) 921-8124 (outside U.S. & Canada) *equiniti.com/us*

WHERE TO FIND MORE INFORMATION

Pursuant to the rules of the SEC, our 2025 Annual Report must accompany this proxy statement. You may view our 2025 Annual Report on the Internet by visiting the Investor Relations page on our website at *ir.amwater.com*. We utilize our website as a recognized channel of distribution to provide important information regarding us and our subsidiaries to investors, including information with respect to the meeting and information that we may wish to disclose publicly for purposes of complying with the federal securities laws. However, information contained on our website is not a part of this proxy statement. Any website references contained in this proxy statement are intended to be made only through inactive hyperlinks.

Portions of the 2025 Form 10-K have been utilized to prepare the 2025 Annual Report. Upon written request:

- we will furnish a copy of the 2025 Form 10-K (without exhibits), including the financial statements and the financial statement schedules contained in such report; and
- we will furnish a copy of any exhibit to the 2025 Form 10-K upon the payment of a fee equal to our reasonable expenses incurred in furnishing such exhibit.

See "—Contacting Us or Our Transfer Agent" on page 92 of this proxy statement for information on how to contact us to request this information. The written request must include a good faith representation that, as of March 17, 2026, the person making the request was a record or beneficial owner of common stock entitled to vote at the meeting.

OTHER MATTERS

OTHER MATTERS TO COME BEFORE THE ANNUAL MEETING

As of the date of this proxy statement, we do not know of any matters to be acted upon at the annual meeting other than those discussed in this proxy statement. If any other items or matters are properly presented before the annual meeting, the proxy holders will vote on such matters in their discretion. A proxy granted by a shareholder will give discretionary authority to the proxy holders to vote on any matters introduced pursuant to these procedures, subject to applicable SEC rules.

SOLICITATION OF PROXIES

We will bear the costs of solicitation of proxies, including the reimbursement of banks and brokers for certain costs incurred in forwarding proxy materials to beneficial owners. We have retained D.F. King & Co. in connection with this solicitation, at an anticipated cost to us of approximately $15,000, plus expenses. In addition to the use of the mails, our officers, directors and employees may solicit proxies personally, by telephone, facsimile or other electronic communication, or via the Internet. These individuals will not receive any additional compensation for these activities.

STATUS OF INFORMATION INCLUDED IN THIS PROXY STATEMENT

Our 2025 Form 10-K includes our consolidated balance sheets for each of the years ended December 31, 2025 and 2024, and our consolidated statements of operations, comprehensive income, cash flows and changes in shareholders' equity for each of the years ended December 31, 2025, 2024 and 2023. In accordance with the rules of the SEC, the 2025 Annual Report, which includes a portion of the information included in the 2025 Form 10-K, accompanies this proxy statement. However, neither the 2025 Annual Report nor the 2025 Form 10-K forms any part of this proxy statement or the material being used for the solicitation of proxies at the meeting.

We are permitted under the Securities Act and the Exchange Act to "incorporate by reference" information in whole or in part from certain future filings, including this proxy statement. Information that is "incorporated by reference" into a filing means that it is deemed to be a part of that filing even though the information does not actually appear within it. However, the following information that is part of or accompanies this proxy statement shall not be deemed to be incorporated by reference into any of our filings under either the Securities Act or the Exchange Act, unless we have otherwise specifically provided for it in such filing:

- the Compensation Committee Report;
- the Audit, Finance and Risk Committee Report;
- the information contained in "Executive Compensation—Pay Versus Performance"; and
- the 2025 Annual Report that accompanies this proxy statement.

As a result, the foregoing information will not be deemed to be "soliciting material" subject to Regulation 14A under the Exchange Act or "filed" with the SEC under Section 18 of the Exchange Act.

FORWARD-LOOKING STATEMENTS

This proxy statement includes forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act, and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "likely," "uncertain," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "should," "will" and "could" or the negative of such terms or other variations or similar expressions.

Forward-looking statements are predictions based on the Company's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. Forward-looking statements may relate to, among other things, various risks and other uncertainties associated with the company's merger agreement with Essential and the related proposed merger, including: a fixed exchange ratio that will not adjust or account for fluctuations in the Company's or Essential's stock price; limitations on the parties' ability to pursue alternatives to the proposed merger; an event, change or other circumstance that could give rise to the termination of the merger agreement; a delay in the timing to consummate the proposed merger; each party's ability to obtain required governmental and regulatory approvals required for the proposed merger (and/or that such approvals may result in the imposition of burdensome or commercially undesirable conditions, including required dispositions, that could adversely affect the combined company or the expected benefits of the proposed merger); financial impacts of the proposed merger on the company and the combined company's earnings, earnings per share, financial condition, results of operations, cash flows and share price, and any related accounting impacts; any impact of the proposed merger on the Company's and the combined company's ability to declare and pay quarterly dividends on its common stock; the risk of litigation and other potential challenges related to the proposed merger; changes in the parties' key management and personnel; the amount and nature of incurred transaction costs associated with the proposed merger; and reduced ownership and voting interests for the Company's and Essential's shareholders upon completion of the proposed merger. These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties and other risk factors set forth in the 2025 Form 10-K and the Company's other filings made under the Securities Act and the Exchange Act, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. The foregoing list of risks and uncertainties may not be exhaustive.

Any forward-looking statements the Company makes herein shall speak only as of the date of this proxy statement. Except as required by the federal securities laws, the Company does not have any obligation, and it specifically disclaims any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement.

APPENDIX A

NON-GAAP FINANCIAL INFORMATION

A. Reconciliation of diluted earnings per share (GAAP), to adjusted diluted earnings per share (a non-GAAP, unaudited measure) for purposes of 2025, 2024 and 2023 results, as reported:

	For the Years Ended December 31,		
	2025	2024	2023
Diluted earnings per share (GAAP):			
Net income attributable to shareholders	$ 5.69	$ 5.39	$ 4.90
Non-GAAP adjustments:			
Estimated impact of favorable weather	—	(0.16)	(0.17)
Income tax impact	—	0.04	0.04
Net non-GAAP adjustment	—	(0.12)	(0.13)
Incremental interest income from amended HOS seller note	(0.13)	(0.12)	—
Income tax impact	0.03	0.03	—
Net non-GAAP adjustment	(0.10)	(0.09)	—
Transaction costs associated with the pending merger with Essential	0.07	—	—
Income tax impact	(0.02)	—	—
Net non-GAAP adjustment	0.05	—	—
Total net adjustments	(0.05)	(0.21)	(0.13)
Adjusted diluted earnings per share (non-GAAP)	$ 5.64	$ 5.18	$ 4.77

B. Reconciliation of net income attributable to common shareholders, diluted earnings per share (GAAP), to adjusted diluted earnings per share (a non-GAAP, unaudited measure) for purposes of 2025, 2024, 2023, 2022 and 2021 APP and 2019-2021 LTPP awards:

	For the Years Ended December 31,				
	2025	2024	2023	2022	2021
Diluted earnings per share (GAAP):					
Net income attributable to common shareholders	$ 5.69	$ 5.39	$ 4.90	$ 4.51	$ 6.95
Adjustments:					
Interest income adjustment resulting from February 2024 amendment to HOS secured seller note ($0.10 and $0.09 of income per share, respectively) in excess of $0.02 per share, excluded in accordance with then-existing ED&CC guidelines	(0.08)	(0.07)	—	—	—
Transaction costs associated with the pending merger with Essential	0.05	—	—	—	—
Gain on sale of HOS and the Company's New York subsidiary ($0.04 per share) in excess of $0.02 per share, excluded in accordance with then-existing ED&CC guidelines	—	—	—	(0.02)	—
Gain on sale of HOS ($2.89 per share) in excess of $0.02 per share, excluded in accordance with then-existing ED&CC guidelines	—	—	—	—	(2.87)
Contribution to the American Water Charitable Foundation	—	—	—	—	0.19
Adjustment related to a regulatory outcome for the Company's California subsidiary in excess of $0.02 per share, excluded in accordance with then-existing ED&CC guidelines	—	—	(0.01)	0.01	—
Total adjustments	(0.03)	(0.07)	(0.01)	(0.01)	(2.68)
Adjusted diluted earnings per share (non-GAAP) for purposes of 2025, 2024, 2023, 2022 and 2021 APP awards, and 2019-2021 LTPP awards	$ 5.66	$ 5.32	$ 4.89	$ 4.50	$ 4.27

C. Calculation of compounded EPS growth rate for 2023-2025 PSU awards:

Starting EPS for the year ended December 31, 2022	$ 4.51
Adjusted Ending EPS for the year ended December 31, 2025 (as calculated below)	$ 5.66
3-year EPS CAGR	7.86%
Calculation of 2025 Adjusted Ending EPS:	
Diluted earnings per share (GAAP):	
2025 Net income per share attributable to common shareholders	$ 5.69
Adjustments:	
Interest income resulting from February 2024 amendment to HOS secured seller note, in excess of $(0.02) per share, excluded in accordance with then-existing ED&CC guidelines	(0.08)
Transaction costs associated with the pending merger with Essential	0.05
Adjusted diluted earnings per share (non-GAAP) for purposes of 2023-2025 PSU awards	$ 5.66

D. Other Information Regarding Non-GAAP Financial Measures.

Adjusted EPS represents a non-GAAP financial measure and is calculated as GAAP diluted earnings per share, excluding the impact of the following events:

- Estimated impact of favorable weather;
- Incremental interest income from the amended HOS secured seller note; and
- Transaction costs associated with the pending merger with Essential.

We believe that adjusted diluted EPS provides investors with useful information by excluding certain matters that may not be indicative of our ongoing operating results, and that providing this non-GAAP measure will allow investors to understand better our businesses' operating performance and facilitate a meaningful year-to-year comparison of our results of operations. Although management uses this non-GAAP financial measure internally to evaluate our results of operations, we do not intend results excluding the adjustments to represent results as defined by GAAP, and the reader should not consider them as indicators of performance. This non-GAAP financial measure is derived from our consolidated financial information but is not presented in our financial statements prepared in accordance with GAAP, and thus it should be considered in addition to, and not as a substitute for, measures of financial performance prepared in accordance with GAAP. In addition, this non-GAAP financial measure as defined and used above may not be comparable to similarly titled non-GAAP measures used by other companies, and, accordingly, it may have significant limitations on its use.

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APPENDIX B

AMERICAN WATER WORKS COMPANY, INC. 2017 OMNIBUS EQUITY COMPENSATION PLAN, AS PROPOSED TO BE AMENDED AND RESTATED

* * *

American Water Works Company, Inc.
2017 Omnibus Equity Compensation Plan
(as amended and restated effective as of January 1, 2027)

1. *Purpose*

The purpose of the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan") is to provide (i) designated employees of American Water Works Company, Inc. (the "Company") and its subsidiaries and (ii) non-employee members of the board of directors of the Company (the "Board") with the opportunity to receive grants of stock options, stock units, stock awards, stock appreciation rights and other stock-based awards. The Company believes that the Plan will encourage Participants (as defined herein) to contribute materially to the financial and operational success, and growth, of the Company, and will align the economic interests of Participants with those of its shareholders and customers.

2. *Definitions*

Whenever used in this Plan, the following terms will have the respective meanings set forth below:

(a) "*Amendment Effective Date*" of the Plan shall mean January 1, 2027, the effective date of the most recent amendment and restatement of the Plan, subject to prior approval by the Company's shareholders at the Company's 2026 annual meeting of shareholders. The Plan was originally effective as of May 12, 2017 (the "Original Effective Date").

(b) "*Applicable Law*" shall mean any applicable law, rule or regulation, including without limitation the rules and regulations of the Securities Act, the Exchange Act and the Code, and the listing rules and standards of the securities exchange on which the Company Stock is then listed.

(c) "*Board*" means the Company's Board of Directors.

(d) "*Cause*" means, except as otherwise provided in a Grant Agreement or in an individual employment agreement, that the Participant (i) has breached any employment, service, non-competition, non-solicitation or other agreement or contract with the Employer, if any, and, if such breach can be cured by the Participant, the breach remains uncured after the Participant receives notice of such breach and is afforded a period of not less than 30 days to remedy the breach; (ii) has persistently refused or willfully failed to perform substantially his or her duties and responsibilities to the Employer, which continues after the Participant receives notice of such refusal or failure and is afforded a period of not less than 30 days to remedy the refusal or failure; (iii) has engaged in conduct that constitutes disloyalty to the Employer or that materially damages the property, business or reputation of the Employer, including the disclosure of trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has engaged in fraud, embezzlement, theft, material misappropriation with respect the business or assets of the Employer, or the proven dishonesty or commission of a felony; (v) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; or (vi) has engaged in such other behavior that is significantly detrimental to the interests of the Employer, as determined by the Committee or the Board.

(e) "*Change of Control*" shall be deemed to have occurred if:

(i) Any "person" (as such term is used in sections 13(d) and 14(d) of the Exchange Act) becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than 35% of the voting power of the then outstanding securities of the Company;

(ii) The consummation of (A) a merger or consolidation of the Company with another corporation where the shareholders of the Company, immediately prior to the merger or consolidation, will not beneficially own,

immediately after the merger or consolidation, shares entitling such shareholders to more than 50% of all votes to which all shareholders of the surviving corporation would be entitled in the election of directors, or (B) a sale or other disposition of all or substantially all of the assets of the Company; or

(iii) During any period of 12 consecutive months commencing on or after the Amendment Effective Date while the Plan is in effect, directors are elected such that a majority of the members of the Board are individuals who shall not have been members of the Board at the beginning of such 12-month period, except (x) in the case of a director's death or (y) the election or nomination for election of each new director who was not a director at the beginning of such 12-month period where such election was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period.

Notwithstanding the foregoing, (i) a "Change of Control" shall not be deemed to include any transaction involving (a) an acquisition by the Company of its own securities, or (b) any acquisition by any person (as defined herein) of securities of the Company directly from the Company; and (ii) the Committee may provide for a different definition of a "Change of Control" in a Grant Agreement if such Grant is subject to the requirements of section 409A of the Code and the Grant will become payable on, or in connection with, a Change of Control.

(f) "*Code*" means the Internal Revenue Code of 1986, as amended.

(g) "*Company*" means American Water Works Company, Inc. and any successor corporation.

(h) "*Company Stock*" means the common stock of the Company, par value $0.01 per share.

(i) "*Dividend Equivalent*" means an amount calculated with respect to a Stock Unit, which is determined by multiplying the number of shares of Company Stock subject to the Stock Unit by the per-share cash dividend, or the per-share fair market value (as determined by the Committee) of any dividend in consideration other than cash, paid by the Company on its Company Stock. If interest is credited on accumulated dividend equivalents, the term "Dividend Equivalent" shall include the accrued interest.

(j) "*Employee*" means an employee of the Employer (including an officer or director who is also an employee) but excluding any person who is classified by the Employer as a "contractor" or "consultant," no matter how characterized by the Internal Revenue Service, other governmental agency or a court. Any change of characterization of an individual by the Internal Revenue Service or any court or government agency shall have no effect upon the classification of an individual as an Employee for purposes of this Plan, unless the Committee determines otherwise.

(k) "*Employer" means the Company and its subsidiaries, each individually or taken together collectively, as the context may require.*

(l) "*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

(m) "*Exercise Price*" means the per share price at which shares of Company Stock may be purchased under an Option, as designated by the Committee.

(n) "*Fair Market Value*" of Company Stock means, unless the Committee determines otherwise with respect to a particular Grant, (i) if the principal trading market for the Company Stock is a national securities exchange, the last reported sale price of Company Stock on the relevant date or (if there were no trades on that date) the latest preceding date upon which a sale was reported, (ii) if the Company Stock is not principally traded on a national securities exchange, the mean between the last reported "bid" and "asked" prices of Company Stock on the relevant date, as reported on the OTC Bulletin Board, or (iii) if the Company Stock is not publicly traded or, if publicly traded, is not so reported, the Fair Market Value per share shall be as determined by the Committee.

(o) "*Good Reason*" means in connection with a Grant, without the express written consent of the Participant, the occurrence after a Change of Control of any circumstances constituting "Good Reason" that are provided for in the Grant Agreement, or, if no such circumstances are so provided, any of the following circumstances, provided that (a) the Participant provides written notification of such circumstances to the Employer no later than thirty (30) days from the original occurrence of such circumstances, (b) the Employer fails to fully correct such circumstances within thirty (30) days of receipt of such notification, and (c) the Participant terminates his or her

employment with the Employer within the earlier of (i) twelve (12) months after the original occurrence of such circumstances or (ii) thirty (30) days following the conclusion of such cure period:

(i) a material diminution in the authority, duties or responsibilities of the Participant from those in effect immediately prior to the Change of Control;

(ii) a material reduction in the Participant's base compensation as in effect immediately before the Change of Control;

(iii) a material diminution in the authority, duties, or responsibilities of the supervisor to whom the Participant is required to report, from those in effect immediately prior to the Change of Control; or

(iv) the Employer requiring the Participant to be based in any office or location more than 50 miles from that location at which he or she performed his or her services immediately prior to the Change of Control, except for travel reasonably required in the performance of the Participant's responsibilities.

(p) "*Grant*" means an Option, Stock Unit, Stock Award, SAR or Other Stock-Based Award granted under the Plan.

(q) "*Grant Agreement*" means the written instrument, agreement or document that sets forth the terms and conditions of a Grant, including all amendments thereto.

(r) "*Incentive Stock Option*" means an Option that is intended to meet the requirements of an incentive stock option under section 422 of the Code.

(s) "*Non-Employee Director*" means a member of the Board who is not an Employee.

(t) "Nonqualified Stock Option" means an Option that is not intended to be taxed as an incentive stock option under section 422 of the Code.

(u) "*Option*" means an option to purchase shares of Company Stock, as described in Section 7.

(v) "*Other Stock-Based Award*" means a Grant that is based on, measured by or payable in Company Stock (other than an Option, Stock Unit, Stock Award or SAR), as described in Section 11.

(w) "*Participant*" means an Employee or Non-Employee Director designated by the Committee to participate in the Plan.

(x) "*Plan*" means this American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan, as it may be amended, restated, or amended and restated from time to time.

(y) "*Prior Plan*" means the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan, as amended and restated.

(z) "*SAR*" means a stock appreciation right as described in Section 10.

(aa) "*Securities Act*" means the Securities Act of 1933, as amended.

(bb) "*Stock Award*" means a Grant of Company Stock as described in Section 9.

(cc) "*Stock Unit*" means a Grant of a phantom unit representing a share of Company Stock, as described in Section 8.

3. *Administration*

(a) *Committee*. The Plan shall be administered and interpreted by a committee consisting of members of the Board, which shall be appointed by the Board (the "Committee"). The Committee shall consist of two or more persons who are "non-employee directors" as defined under Rule 16b-3 under the Exchange Act, and "independent directors" as determined in accordance with the independence standards established by the stock exchange on which the Company Stock is at the time primarily traded. However, the Board may ratify or approve any Grants as it deems appropriate, and the Board shall approve and administer all Grants made to Non-Employee Directors.

(b) *Delegation of Authority*. The Committee may delegate all or part of its authority and power to one or more subcommittees, to the President or the Chief Executive Officer of the Company, or to an executive officer or committee of executive officers (as such term is defined under Rule 3b-7 promulgated under the Exchange Act) of the Company (each, a "Delegatee") as it deems appropriate; provided, however, that any delegation to a Delegatee (i) shall only apply to Participants who are not subject to Section 16 of the Exchange Act; (ii) must include a limitation as to the number of shares of Company Stock subject to Grants that may be awarded during the period of the delegation (and absent specific delegation as to the number of shares of Company Stock, such number of shares shall be the remaining number of shares of Company Stock as calculated pursuant to Section 5); (iii) may contain guidelines not inconsistent with the Plan as to the determination of the Exercise Price for an Option or the price of other Grants, and any criteria for vesting or exercisability of such Grants; (iv) may be revoked or amended at any time but such action shall not invalidate any prior actions of the Committee's delegation that were consistent with the terms of the Plan and of such delegation prior to amendment or revocation; and (v) shall be subject to such other terms and conditions as prescribed by the Committee and/or required by Applicable Law. To the extent a Delegatee performs these duties under the Plan, references in the Plan to the "Committee" shall be deemed to refer to such Delegatee.

(c) *Committee Authority*. The Committee shall have the sole authority to (i) determine the Participants to whom Grants shall be made under the Plan, (ii) determine the type, size and terms and conditions of the Grants to be made to each such Participant, (iii) determine the time when the Grants will be made and the duration of any applicable exercise or restriction period, including the criteria for exercisability or vesting and the acceleration of exercisability or vesting, (iv) amend the terms and conditions of any previously issued Grant, subject to the provisions of Section 18 below, and (v) deal with any other matters arising under the Plan.

(d) *Committee Determinations*. The Committee shall have full power and express discretionary authority to administer and interpret the Plan, to make factual determinations and to adopt or amend such rules, regulations, agreements and instruments for implementing the Plan and for the conduct of its business as it deems necessary or advisable, in its sole discretion. The Committee's interpretations of the Plan and all determinations made by the Committee pursuant to the powers vested in it hereunder shall be conclusive and binding on all persons having any interest in the Plan or in Grants hereunder and any Participant receiving a Grant shall be deemed to accept as conclusive and binding all determinations made by the Committee hereunder. All powers of the Committee shall be executed in its sole discretion and in the best interest of the Company, but not as a fiduciary, and in keeping with the objectives of the Plan, and need not be uniform as to any Participants.

(e) *Delegation of Administration*. The Committee may delegate certain administrative or ministerial matters under the Plan to one or more officer or officers of the Company (or their designees) as determined in the Committee's discretion, and such persons may have the authority to (i) prepare, distribute and, if required, execute Grant Agreements in accordance with the Committee's determinations, (ii) maintain or cause to be maintained (including through a third party administrator) records relating to the granting, vesting, exercise, forfeiture or expiration of Grants, (iii) process or oversee the issuance of, or cause to be issued, shares or cash upon the exercise, vesting and/or settlement of a Grant, and (iv) take such other administrative or ministerial actions (other than with respect to the making, modification or termination of, any Grant), or cause such actions to be taken, as the Committee may authorize. Any delegation by the Committee pursuant to this subsection shall be subject to and limited by any Applicable Law.

4. *Grants*

Grants under the Plan may consist of Options as described in Section 7, Stock Units as described in Section 8, Stock Awards as described in Section 9, SARs as described in Section 10 and Other Stock-Based Awards as described in Section 11. All Grants shall be subject to such terms and conditions as the Committee deems appropriate and as are specified in writing by the Committee to the Participant in the Grant Agreement.

5. *Shares Subject to the Plan*

(a) *Shares Authorized*. Subject to adjustment as described in Section 5(b), Section 5(d) and Section 5(e), the total aggregate number of shares of Company Stock that may be issued or transferred under the Plan (inclusive of any and all shares of Company Stock that may have been or will be issued or transferred under the Plan with respect to any Grant issued prior to the Amendment Effective Date) is 7,180,623 shares. All Grants under the Plan shall be expressed in shares of Company Stock.

(b) *Source of Shares; Share Counting*. Shares issued under the Plan may be authorized but unissued shares of Company Stock or reacquired shares of Company Stock (treasury stock), including shares purchased by the Company on the open market for purposes of the Plan, subject in all cases to Applicable Law. If and to the extent Options or SARs granted under the Plan terminate, expire, or are canceled, forfeited, exchanged or surrendered without having been exercised, and if and to the extent that any Stock Awards, Stock Units, or Other Stock-Based Awards are forfeited or terminated, or otherwise are not paid in full, the shares reserved for such Grants shall again be available for purposes of the Plan. Shares of Company Stock issued under the Plan that are (i) surrendered in payment of the Exercise Price of an Option, (ii) withheld or surrendered for payment of taxes, or (iii) repurchased by the Company with the net proceeds of the payment by a Participant of the Exercise Price of an Option, shall not be available for re-issuance under the Plan. If SARs are granted, the full number of shares subject to the SARs shall be considered issued under the Plan, without regard to the number of shares issued upon exercise of the SARs and without regard to any cash settlement of the SARs. To the extent that a Grant of Stock Units is designated in the Grant Agreement to be paid in cash, and not in shares of Company Stock, such Grants shall not count against the share limits in Section 5(a).

(c) *Individual Limits*. The aggregate number of shares of Company Stock with respect to which all Grants may be made under the Plan during any calendar year to any Employee shall be 300,000 shares, subject to adjustment as described in Section 5(d). The maximum aggregate number of shares of Company Stock (with a value determined based on the grant date fair value thereof) with respect to which Grants may be made under the Plan during any calendar year to any Non-Employee Director shall not exceed, when taken together with any cash retainers or director's fees earned by such Non-Employee Director for services rendered during the calendar year, $2,000,000. The individual limits of this Section 5(c) shall apply without regard to whether the Grants are to be paid in Company Stock or cash. All cash payments (other than with respect to Dividend Equivalents) shall equal the Fair Market Value of the shares of Company Stock to which the cash payments relate.

(d) *Adjustments*. If there is any change in the number or kind of shares of Company Stock outstanding (i) by reason of a stock dividend, spinoff, recapitalization, stock split, or combination or exchange of shares, (ii) by reason of a merger, reorganization or consolidation, (iii) by reason of a reclassification or change in par value, or (iv) by reason of any other extraordinary or unusual event affecting the outstanding Company Stock as a class without the Company's receipt of consideration, or if the value of outstanding shares of Company Stock is substantially reduced as a result of a spinoff or the Company's payment of an extraordinary dividend or distribution, the maximum number of shares of Company Stock available for issuance under the Plan, the maximum number of shares of Company Stock for which any Employee or Non-Employee Director may receive Grants in any year, the kind and number of shares covered by outstanding Grants, the kind and number of shares issued and to be issued under the Plan, and the price per share or the applicable market value of such Grants shall be equitably adjusted by the Committee, in such manner as the Committee deems appropriate, to reflect any increase or decrease in the number of, or change in the kind or value of, the issued shares of Company Stock to preclude, to the extent practicable, the enlargement or dilution of rights and benefits under the Plan and such outstanding Grants; *provided*, *however*, that any fractional shares resulting from such adjustment shall be eliminated. In addition, in the event of a Change of Control of the Company, the provisions of Section 16 of the Plan shall apply. Any adjustments to outstanding Grants shall be consistent with section 409A or 422 of the Code, to the extent applicable. Any adjustments determined by the Committee shall be final, binding and conclusive.

(e) *Substitute Awards*. Shares of Company Stock issued or transferred under Grants made pursuant to an assumption, substitution or exchange for previously granted awards of a company acquired by the Company in a transaction shall not reduce the number of shares of Company Stock available under the Plan and available shares under a shareholder-approved plan of such an acquired company (as appropriately adjusted to reflect the transaction) may be used for Grants under the Plan and shall not reduce the Plan's share reserve (subject to Applicable Law).

6. *Eligibility for Participation*

(a) *Eligible Persons*. All Employees and Non-Employee Directors shall be eligible to participate in the Plan.

(b) *Selection of Participants*. The Committee shall select the Employees and Non-Employee Directors to receive Grants and shall determine the number of shares of Company Stock subject to each Grant.

7. *Options*

(a) *General Requirements*. The Committee may grant Options to an Employee or a Non-Employee Director upon such terms and conditions as the Committee deems appropriate under this Section 7. The Committee shall determine the number of shares of Company Stock that will be subject to each Grant of Options to Employees and Non-Employee Directors. Dividend Equivalents shall not be granted, and no cash dividends shall be paid, with respect to an Option.

(b) *Type of Option, Price and Term*.

(i) The Committee may grant Incentive Stock Options or Nonqualified Stock Options or any combination of the two, all in accordance with the terms and conditions set forth herein. Incentive Stock Options may be granted only to Employees of the Company or its parents or subsidiaries, as defined in section 424 of the Code. Nonqualified Stock Options may be granted to Employees or Non-Employee Directors.

(ii) The Exercise Price of Company Stock subject to an Option shall be determined by the Committee and shall be equal to or greater than the Fair Market Value of a share of Company Stock on the date the Option is granted. However, an Incentive Stock Option may not be granted to an Employee who, at the time of grant, owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any parent or subsidiary, as defined in section 424 of the Code, unless the Exercise Price per share is not less than 110% of the Fair Market Value of the Company Stock on the date of grant.

(iii) The Committee shall determine the term of each Option, which shall not exceed ten years from the date of grant. However, an Incentive Stock Option that is granted to an Employee who, at the time of grant, owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any parent or subsidiary, as defined in section 424 of the Code, may not have a term that exceeds five years from the date of grant.

(c) *Vesting and Exercisability of Options*.

(i) Options shall become vested and exercisable in accordance with such terms and conditions as may be determined by the Committee and specified in the Grant Agreement. The Committee may grant Options that are subject to achievement of performance goals or other conditions. The Committee may accelerate the vesting and exercisability of any or all outstanding Options at any time for any reason.

(ii) Options granted to persons who are non-exempt employees under the Fair Labor Standards Act of 1938, as amended, may not be exercisable for at least six months after the date of grant (except that such Options may become exercisable, as determined by the Committee, upon the Participant's death, disability or retirement, or upon a Change of Control or other circumstances permitted by applicable regulations).

(d) *Termination of Employment or Service*. Except as provided in the Grant Agreement, an Option may only be exercised while the Participant is employed as an Employee or providing service as a Non-Employee Director. The Committee shall determine in the Grant Agreement under what circumstances and during what time periods a Participant may exercise an Option after termination of employment or service.

(e) *Exercise of Options*. A Participant may exercise an Option that has become exercisable, in whole or in part, by delivering a notice of exercise to the Company. The Participant shall pay the Exercise Price for the Option (i) in cash or by check, (ii) if permitted by the Committee, by delivering shares of Company Stock owned by the Participant and having a Fair Market Value on the date of exercise equal to the Exercise Price or by attestation to ownership of shares of Company Stock having an aggregate Fair Market Value on the date of exercise equal to the Exercise Price, (iii) by payment through a broker in accordance with procedures permitted by Regulation T of the Federal Reserve Board, (iv) if permitted by the Grant Agreement, by net share settlement of the Option based on the Fair Market Value on the date of exercise, (v) any combination of clauses (i), (ii), (iii) or (iv) above, or (vi) by such other method as the Committee may approve, to the extent permitted by Applicable Law. Shares of Company Stock delivered to exercise an Option pursuant to clause (ii) above shall have been held by the Participant for the requisite period of time to avoid adverse accounting consequences to the Company with respect to the Option. Payment for the shares pursuant to the Option, and any required withholding taxes, must be received by the time specified by the Committee depending on the type of payment being made, but in all cases prior to the issuance of the Company Stock.

(f) *Limits on Incentive Stock Options*. Each Incentive Stock Option shall provide that, if the aggregate Fair Market Value of the stock on the date of grant with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year, under the Plan or any other stock option plan of the Company or a parent or subsidiary, as defined in section 424 of the Code, exceeds $100,000, then the Option, as to the excess, shall be treated as a Nonqualified Stock Option. An Incentive Stock Option shall not be granted to any person who is not an Employee of the Company or a parent or subsidiary, as defined in section 424 of the Code. The aggregate number of shares of Company Stock that may be issued under the Plan as Incentive Stock Options is 5,000,000 shares, subject to adjustment as described in Section 5(d), and all shares issued under the Plan as Incentive Stock Options shall count against the plan limit under Section 5(a).

8. *Stock Units*

(a) *General Requirements*. The Committee may grant Stock Units to an Employee or a Non-Employee Director, upon such terms and conditions as the Committee deems appropriate under this Section 8. Each Stock Unit shall represent the right of the Participant to receive a share of Company Stock or an amount based on the value of a share of Company Stock. All Stock Units shall be credited to bookkeeping accounts on the Company's records, including those of any stock plan administrator engaged by the Company for purposes of the Plan.

(b) *Terms of Stock Units*. The Committee may grant Stock Units that vest and are payable on terms and conditions determined by the Committee, which may include vesting and/or payment based on achievement of performance goals. Stock Units may be paid at the end of a specified vesting or performance period, or payment may be deferred to a date elected by the Participant pursuant to procedures authorized by the Committee and consistent with section 409A of the Code. The Committee shall determine the number of Stock Units to be granted and the requirements applicable to such Stock Units. The Committee may accelerate or provide for the acceleration of the vesting of any or all outstanding Stock Units at any time for any reason.

(c) *Payment With Respect to Stock Units*. Payment with respect to Stock Units shall be made in cash, in Company Stock, or in a combination of the two, as determined by the Committee. The Grant Agreement shall specify the maximum number of shares that can be issued under the Stock Units.

(d) *Requirement of Employment or Service*. The Committee shall determine in the Grant Agreement under what circumstances a Participant may retain Stock Units after termination of the Participant's employment or service, and the circumstances under which Stock Units may be forfeited.

(e) *Dividend Equivalents*. The Committee may grant Dividend Equivalents in connection with Stock Units, under such terms and conditions consistent with this Section 8(e) as the Committee deems appropriate. Dividend Equivalents may be deferred, but no Dividend Equivalent may be payable to a Participant unless, and only to the extent, a Grant of Stock Units vests, and, with respect to a Grant of Stock Units that vests based on the achievement of performance goals, the performance goals are achieved (at least at the minimum threshold for performance). All Dividend Equivalents that are not paid currently shall be credited to bookkeeping accounts on the Company's records, including those of any stock plan administrator engaged by the Company, for purposes of the Plan. Dividend Equivalents may be accrued as a cash obligation, or may be converted to additional Stock Units for the Participant, and deferred Dividend Equivalents may accrue interest, all as determined by the Committee. The Committee may provide that Dividend Equivalents shall be payable based on the achievement of specific performance goals. Dividend Equivalents may be payable in cash or shares of Company Stock or in a combination of the two, as determined by the Committee. Each Dividend Equivalent with respect to a Grant of Stock Units based on performance goals will be forfeited at such time as, and to the extent that, the Committee has determined that the performance goals with respect to such Grant have not been achieved or exceeded, at least at the minimum level of performance, or, if granted in connection with a Stock Unit that vests solely based on the lapse of time, on the date the Stock Unit (or portion thereof) is forfeited as provided by the Committee.

9. *Stock Awards*

(a) *General Requirements*. The Committee may issue shares of Company Stock to an Employee or a Non-Employee Director under a Stock Award, upon such terms and conditions as the Committee deems appropriate under this Section 9. Shares of Company Stock issued pursuant to Stock Awards may be issued for cash consideration or for no cash consideration, and subject to restrictions or no restrictions, as determined by

the Committee. The Committee may establish conditions under which restrictions on Stock Awards shall lapse over a period of time or according to such other criteria as the Committee deems appropriate, including restrictions based upon the achievement of specific performance goals. The Committee shall determine the number of shares of Company Stock to be issued pursuant to a Stock Award. The Committee may accelerate or provide for the acceleration of the vesting of any or all outstanding Stock Awards at any time for any reason.

(b) *Requirement of Employment or Service*. The Committee shall determine in the Grant Agreement under what circumstances a Participant may retain Stock Awards after termination of the Participant's employment or service, and the circumstances under which Stock Awards may be forfeited.

(c) *Restrictions on Transfer*. While Stock Awards are subject to restrictions, a Participant may not sell, assign, transfer, pledge or otherwise dispose of the shares of a Stock Award except upon death as described in Section 15(a). If certificates are issued, each certificate for a share of a Stock Award shall contain a legend giving appropriate notice of the restrictions in the Grant. The Participant shall be entitled to have the legend removed when all restrictions on such shares have lapsed. The Company may retain possession of any certificates for Stock Awards until all restrictions on such shares have lapsed.

(d) *Right to Vote and to Receive Dividends*. The Committee shall determine, consistent with this Section 9(d), to what extent, and under what conditions, the Participant shall have the right to vote shares of Stock Awards and to receive any dividends or other distributions paid on such shares during the restriction period. Dividends may be deferred, but dividends payable to a Participant must be withheld while a Stock Award is subject to restrictions and such dividends may be payable only upon the lapse of the restrictions on the Stock Awards. With respect to a Stock Award that vests based on the achievement of performance goals, no dividends may be payable unless, and only to the extent, the performance goals are achieved (at least at the minimum threshold for performance). Dividends that are not paid currently shall be credited to bookkeeping accounts on the Company's records, including those of any stock plan administrator engaged by the Company, for purposes of the Plan. Accumulated dividends may accrue interest, as determined by the Committee, and shall be paid in cash, shares of Company Stock, or in such other form as dividends are paid on Company Stock, as determined by the Committee. Dividends with respect to a Grant of Stock Awards based on performance goals will be forfeited at such time as, and to the extent that, the Committee has determined that the performance goals with respect to such Grant have not been achieved or exceeded, at least at the minimum level of performance, or, if granted in connection with a Stock Award that vests solely based on the lapse of time, on the date the Stock Award (or portion thereof) is forfeited as provided by the Committee.

10. *Stock Appreciation Rights*

(a) *General Requirements*. The Committee may grant SARs to an Employee or a Non-Employee Director separately or in tandem with an Option. The Committee shall establish the number of shares, the terms and the base amount of the SAR at the time the SAR is granted. The base amount of each SAR shall be not less than the Fair Market Value of a share of Company Stock as of the date of grant of the SAR. The Committee shall determine the term of each SAR, which shall not exceed ten years from the date of grant. Dividend Equivalents shall not be granted with respect to a SAR.

(b) *Tandem SARs*. The Committee may grant tandem SARs at the time the Option is granted. In the case of tandem SARs, the number of SARs granted to a Participant that shall be exercisable during a specified period shall not exceed the number of shares of Company Stock that the Participant may purchase upon the exercise of the related Option during such period. Upon the exercise of an Option, the SARs relating to the Company Stock covered by such Option shall terminate. Upon the exercise of SARs, the related Option shall terminate to the extent of an equal number of shares of Company Stock.

(c) *Exercisability*. A SAR shall become exercisable in accordance with such terms and conditions as may be specified. The Committee may grant SARs that are subject to achievement of performance goals or other conditions. The Committee may accelerate the exercisability of any or all outstanding SARs at any time for any reason. The Committee shall determine in the Grant Agreement under what circumstances and during what periods a Participant may exercise a SAR after termination of employment or service. A tandem SAR shall be exercisable only while the Option to which it is related is exercisable.

(d) *Grants to Non-Exempt Employees*. SARs granted to persons who are non-exempt employees under the Fair Labor Standards Act of 1938, as amended, may not be exercisable for at least six months after the date of grant (except that such SARs may become exercisable, as determined by the Committee, upon the Participant's death, Disability or retirement, or upon a Change of Control or other circumstances permitted by applicable regulations).

(e) *Exercise of SARs*. When a Participant exercises SARs, the Participant shall receive in settlement of such SARs an amount equal to the value of the stock appreciation for the number of SARs exercised. The stock appreciation for a SAR is the amount by which the Fair Market Value of the underlying Company Stock on the date of exercise of the SAR exceeds the base amount of the SAR as specified in the Grant Agreement.

(f) *Form of Payment*. The Committee shall determine whether the stock appreciation for a SAR shall be paid in the form of shares of Company Stock, cash or a combination of the two. For purposes of calculating the number of shares of Company Stock to be received, shares of Company Stock shall be valued at their Fair Market Value on the date of exercise of the SAR. If shares of Company Stock are to be received upon exercise of a SAR, cash shall be delivered in lieu of any fractional share.

11. *Other Stock-Based Awards*

The Committee may make other Grants not specified in Sections 7, 8, 9 or 10 above that are based on or measured by Company Stock to Employees and Non-Employee Directors, on such terms and conditions as the Committee deems appropriate. Other Stock-Based Awards may be granted subject to achievement of performance goals or other conditions and may be payable in Company Stock or cash, or in a combination of the two, as determined by the Committee in the Grant Agreement. Other Stock-Based Awards may be granted with or without Dividend Equivalents as may be determined by the Committee in its sole discretion, and any Dividend Equivalents associated with an Other Stock-Based Award shall comply with and be subject to Section 8(e) (with "Other Stock-Based Award" substituted for "Stock Award" therein, *mutatis mutandis*).

12. *Performance-Based Compensation*

(a) *Designation as Performance-Based Compensation*. The Committee may determine that the right of a Participant to exercise or receive a grant or settlement of Stock Units, Stock Awards, Dividend Equivalents or Other Stock-Based Awards, or the timing thereof, may be subject to performance conditions. The Committee may use such criteria and other goals or measures of performance as it may deem appropriate in establishing any such performance conditions.

(b) *Criteria Used for Objective Performance Goals*. The Committee may select a performance goal that is based on any business criteria for the Company, either on a consolidated basis or with respect to specific subsidiaries or business units of the Company, including, but not limited to, one or more of the following: (i) stock price; (ii) net income or earnings per share of Company Stock; (iii) price-earnings multiples; (iv) gross, operating or net earnings before or after income taxes; (v) book value of any asset or security; (vi) revenue; (vii) number of days sales outstanding of accounts receivable; (viii) productivity; (ix) gross income, profitability or gross margin; (x) EBITDA (earnings before interest, taxes, depreciation and amortization); (xi) net capital employed; (xii) return on equity, cash flow, investment or assets; (xiii) internal rate of return; (xiv) cash flow return on investment; (xv) improvements in capital structure; (xvi) shareholder return, including absolute or relative total shareholder return, expressed either on a dollar or percentage basis; (xvii) retention of customers, expressed on a dollar or percentage basis; (xviii) return on capital employed; (xix) increase in the Company's or a subsidiary's customer satisfaction or responsiveness ratings (based on the results of surveys conducted by an independent third party) and reputation within one or more service territories; (xx) cash flow per share; (xxi) economic value added (defined to mean net operating profit minus the cost of capital); (xxii) market value added (defined to mean the difference between the market value of debt and equity, and economic book value); (xxiii) growth in assets, unit volume, sales, cash flow or market share; (xxiv) relative performance to a comparison group of companies designated by the Committee; (xxv) level of expenses, including without limitation capital expenditures or operation and maintenance expenses (expressed on a dollar or percentage basis); (xxvi) combined ratio; (xxvii) payback period on investment; (xxviii) net present value of investment; (xxix) metrics regarding execution on business or operating initiatives, such as through the development or implementation of new technologies or other customer benefits; (xxx) safety (including, for example, criteria relating to numbers or ratios of reported injuries, preventable accidents and vehicular accidents); (xxxi) compliance with environmental laws, rules and regulations; (xxxii) compliance with

financial and regulatory controls; (xxxiii) bad debt collections, expenses or losses; (xxxiv) budget achievement; (xxxv) risk management; (xxxvi) implementation, completion or attainment of measurable objectives with respect to recruitment or retention of personnel or employee satisfaction; and (xxxvii) strategic business criteria consisting of one or more objectives based on meeting specified revenue goals, market penetration goals, customer growth, geographic business expansion goals, cost targets or goals relating to acquisitions or divestitures. The performance goals may be based on one or more business criteria that relate to, individually or in any combination (a) a specified goal, (b) historical performance of the Company or a product, service or business line or segment, (c) one or more business units or the performance of the Company and its subsidiaries as a whole, (d) the performance of any other corporation or entity or group of corporations or entities or a product, service or business line or segment, unit, division or subsidiary thereof, or (e) an individual or groups of individuals. Performance goals need not be uniform as among Participants.

(c) *Certain Events*. In setting performance goals, the Committee may also provide at any time that the achievement of such performance goals will be determined without regard to the either the negative or positive effect (or both) of certain events, including, but not limited to, for one or more of the following items: (i) asset write-downs; (ii) litigation or claim judgments, or settlements thereof; (iii) changes in accounting principles; (iv) changes in tax law or other laws affecting reported results; (v) changes in commodity or supply prices; (vi) severance, contract termination and other costs related to exiting, modifying or reducing any business activities; (vii) costs of, and gains and losses from, the acquisition, disposition, divestiture or abandonment of businesses or assets; (viii) gains and losses from the early extinguishment of debt; (ix) gains and losses in connection with the termination of or withdrawal from a pension plan; (x) stock compensation costs and other non-cash expenses; or (xi) any other specified non-operating items as determined by the Committee in setting performance goals.

13. *Deferrals*

The Committee may permit or require a Participant to defer receipt of the payment of cash or the delivery of shares that would otherwise be due to the Participant in connection with any Grant. The Committee shall establish rules and procedures for any such deferrals, consistent with applicable requirements of section 409A of the Code.

14. *Withholding of Taxes*

(a) *Required Withholding*. All Grants under the Plan shall be subject to applicable federal (including FICA), state and local tax withholding requirements. The Company may require that the Participant or other person receiving or exercising Grants pay to the Company the amount of any federal, state or local taxes that the Company is required to withhold with respect to such Grants, or the Company may deduct from other wages paid by the Company the amount of any withholding taxes due with respect to such Grants.

(b) *Election to Withhold Shares*. If the Committee so permits, shares of Company Stock may be withheld to satisfy the Company's tax withholding obligation with respect to Grants paid in Company Stock, at the time such Grants become taxable, up to an amount that does not exceed the maximum applicable withholding tax rate permitted by U.S. generally accepted accounting principles as applied to the Company for federal (including FICA), state and local tax liabilities.

15. *Transferability of Grants*

(a) *Restrictions on Transfer*. Except as described in Section 14 or Section 15(b) or as otherwise provided by Applicable Law, only the Participant may exercise rights under a Grant during the Participant's lifetime, and no benefit provided under this Plan shall be subject to alienation or assignment by a Participant (or by any person entitled to such benefit pursuant to the terms of this Plan), nor shall it be subject to attachment or other legal process except by will or by the laws of descent and distribution. When a Participant dies, the personal representative or other person entitled to succeed to the rights of the Participant may exercise such rights. Any such successor must furnish proof satisfactory to the Company of his or her right to receive the Grant under the Participant's will or under any Applicable Law of descent and distribution.

(b) *Transfer of Nonqualified Stock Options to or for Family Members*. Notwithstanding the foregoing, the Committee may provide, in a Grant Agreement, that a Participant may transfer Nonqualified Stock Options to one

or more immediate family members, or one or more trusts or other entities for the benefit of or owned by immediate family members, consistent with applicable securities laws, according to such terms as the Committee may determine; *provided*, *however*, that the Participant receives no consideration for the transfer of a Nonqualified Stock Option and the transferred Nonqualified Stock Option shall continue to be subject to the same terms and conditions as were applicable to the Nonqualified Stock Option immediately before the transfer.

16. *Consequences of a Change of Control*

(a) *Assumption of Grants*. Upon a Change of Control where the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")), all outstanding Options and SARs that are not exercised shall be assumed by, or replaced with comparable options or rights by, the surviving corporation (or a parent or subsidiary of the surviving corporation), and other outstanding Grants shall be converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation). Notwithstanding the immediately preceding sentence, if, in connection with such Change of Control, any outstanding Options and SARs are not assumed by, or replaced with comparable options or rights by, the surviving corporation (or a parent or subsidiary of the surviving corporation), and any other outstanding Grants are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then upon such Change of Control (i) all such outstanding Options and SARs that are not assumed or replaced shall accelerate and become fully exercisable, (ii) the restrictions and conditions on all such outstanding Stock Awards that are not converted to similar grants shall fully lapse and (iii) all such outstanding Stock Units, Other Stock-Based Awards and Dividend Equivalents that are not converted to similar grants shall be fully vested.

(b) *Acceleration of Exercisability/Vesting*. If a Participant's Grant is assumed as provided in the first sentence of Section 16(a) and if, within the twelve (12) month period following the occurrence of such Change of Control, such Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) on account of (x) a termination of such Participant's employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of Cause, death or Disability, or (y) a termination of employment or service by the Participant for Good Reason, then as of the date of such termination of employment or service, then (i) a Grant that is an Option or SAR shall automatically accelerate and become fully exercisable, (ii) a Grant that is a Stock Award shall have all restrictions and conditions immediately lapse and (iii) a Grant that is a Stock Unit, Other Stock-Based Award or Dividend Equivalent shall be fully vested.

(c) *Other Alternatives*. Notwithstanding the foregoing, in the event of a Change of Control, the Committee may take any of the following actions with respect to any or all outstanding Grants: the Committee may (i) determine that outstanding Options and SARs shall accelerate and become fully exercisable, in whole or part; (ii) determine that the restrictions and conditions on outstanding Stock Awards shall lapse, in whole or part; (iii) determine that outstanding Stock Units, Other Stock-Based Awards and Dividend Equivalents shall be fully vested, in whole or part; (iv) require that Participants surrender their outstanding Options and SARs in exchange for a payment by the Company, in cash or Company Stock as determined by the Committee, in an amount equal to the amount by which the then Fair Market Value of the shares of Company Stock subject to the Participant's unexercised Options and SARs exceeds the Exercise Price of the Options or the base amount of the SARs, as applicable; (v) after giving Participants an opportunity to exercise their outstanding Options and SARs, terminate any or all unexercised Options and SARs at such time as the Committee deems appropriate; or (vi) determine that Participants shall receive a payment in settlement of outstanding Stock Awards, Stock Units, Dividend Equivalents or Other Stock-Based Awards, if permitted under section 409A of the Code. Such surrender, termination or payment will take place as of the date of the Change of Control or such other date as the Committee may specify. Without limiting the foregoing, if the per share Fair Market Value of the Company Stock equals or is less than the per share Exercise Price or base amount, as applicable, the Company shall not be required to make any payment to the Participant upon surrender of the Option or SAR.

17. *Requirements for Issuance of Shares*

The Company shall be under no obligation to register under the Securities Act any of the shares of Company Stock issued, delivered or paid in settlement under the Plan. No Company Stock shall be issued in connection with any Grant hereunder unless and until all legal requirements applicable to the issuance of such Company Stock have been complied with to the satisfaction of the Committee. The Committee shall have the right to condition any

Grant made to any Participant hereunder on such Participant's undertaking in writing to comply with such restrictions on his or her subsequent disposition of such shares of Company Stock as the Committee shall deem necessary or advisable, and one or more legends may be placed upon such shares (whether certificated or otherwise) to reflect any such restrictions. Shares of Company Stock issued under the Plan will be subject to such stop-transfer orders and other restrictions as may be required by Applicable Law, regulations and interpretations, including any requirement that a legend be placed thereon to reflect the existence of any such orders or restrictions. No Participant shall have any right as a shareholder with respect to Company Stock covered by a Grant until shares have been issued to the Participant in accordance with all of the requirements of this Section.

18. *Amendment and Termination of the Plan*

(a) *Amendment*. The Board may amend or terminate the Plan at any time; *provided*, *however*, that the Board shall not amend the Plan without approval of the shareholders of the Company if such approval is required in order to comply with the Code or Applicable Law, or to comply with applicable stock exchange requirements. No amendment or termination of this Plan shall, without the consent of the Participant, materially impair any rights or obligations under any Grant previously made to the Participant under the Plan, unless such right has been reserved in the Plan or the Grant Agreement, or except as provided in Section 18(b) below. Notwithstanding anything in the Plan to the contrary, the Board may amend the Plan in such manner as it deems appropriate in the event of a change in Applicable Law.

(b) *No Repricing Without Shareholder Approval*. Except in connection with a corporate transaction described above in Section 5(d) involving the Company, neither the Plan nor the terms of any outstanding Grant may be amended to permit, and no Grant or an amendment to any Grant Agreement may have the effect of causing, an outstanding Option or SAR to be repriced, replaced or regranted through cancellation, by decreasing the Exercise Price of an outstanding Option or SAR, or by any exchange of an outstanding Option or SAR for cash if the Exercise Price of such Option or SAR is greater than the Fair Market Value of the Common Stock on the date of such exchange, without in each case obtaining shareholder approval. This Section 18(b) does not apply to an exercise of an Option or SAR in accordance with Section 7(e) or 10(c) and the terms thereof set forth in a Grant Agreement.

(c) *Termination of Plan*. The Plan shall terminate on the day immediately preceding the tenth anniversary of the Amendment Effective Date, unless the Plan is terminated earlier by the Board or an amendment to the Plan to extend such termination date is recommended and approved by the Board, and approved by the shareholders. The termination of the Plan shall not impair the power and authority of the Committee with respect to an outstanding Grant.

19. *Miscellaneous*

(a) *Effective Date*. The Plan shall be effective as of the Amendment Effective Date. The Plan's original effective date is May 12, 2017. Grants made under the Plan prior to the Amendment Effective Date shall continue to be governed by the terms of the Plan prior to amendment and restatement.

(b) *Grants in Connection with Corporate Transactions and Otherwise*. Nothing contained in this Plan shall be construed to (i) limit the right of the Committee to make Grants under this Plan in connection with the acquisition, by purchase, lease, merger, consolidation or otherwise, of the business or assets of any corporation, firm or association, including Grants to employees thereof who become Employees, or for other proper corporate purposes, or (ii) subject to Applicable Law, limit the right of the Company to grant stock options or make other stock-based awards outside of this Plan. Without limiting the foregoing, the Committee may make a Grant to an employee of another corporation who becomes an Employee by reason of a corporate merger, consolidation, acquisition of stock or property, reorganization or liquidation involving the Company in substitution for a grant made by such corporation. The terms and conditions of the Grants may vary from the terms and conditions required by the Plan and from those of the substituted stock incentives, as determined by the Committee.

(c) *Compliance with Laws*. The Plan, the exercise of Options and the obligations of the Company to issue or transfer shares of Company Stock under Grants shall be subject to Applicable Law and to approvals by any governmental or regulatory agency as may be required. With respect to persons who are officers or Employees subject to section 16 of the Exchange Act, it is the intent of the Company that the Plan and all transactions under

the Plan comply with all applicable provisions of Rule 16b-3 or its successors under the Exchange Act. In addition, it is the intent of the Company that Incentive Stock Options comply with the applicable provisions of section 422 of the Code, that Grants of "qualified performance-based compensation" comply with the applicable provisions of section 162(m) of the Code and that, to the extent applicable, Grants comply with the requirements of section 409A of the Code or an exception from such requirements. To the extent that any legal requirement of section 16 of the Exchange Act or section 422, 162(m) or 409A of the Code as set forth in the Plan ceases to be required under section 16 of the Exchange Act or section 422, 162(m) or 409A of the Code, that Plan provision shall cease to apply. The Committee may revoke any Grant if it is contrary to law or modify a Grant to bring it into compliance with any valid and mandatory government regulation. The Committee may also adopt rules regarding the withholding of taxes on payments to Participants. The Committee may, in its sole discretion, agree to limit its authority under this Section.

(d) *Section 409A.* The Plan is intended to comply with the requirements of section 409A of the Code, to the extent applicable. All Grants shall be construed and administered such that the Grant either (i) qualifies for an exemption from the requirements of section 409A of the Code or (ii) satisfies the requirements of section 409A of the Code. If a Grant is subject to section 409A of the Code, (i) distributions shall only be made in a manner and upon an event permitted under section 409A of the Code, (ii) payments to be made upon a termination of employment shall only be made upon a "separation from service" under section 409A of the Code, (iii) payments to be made upon a Change of Control shall only be made upon a "change of control event" under section 409A of the Code, (iv) unless the Grant specifies otherwise, each payment shall be treated as a separate payment for purposes of section 409A of the Code and all installment payments shall be treated as a separate payment, and (v) in no event shall a Participant, directly or indirectly, designate the calendar year in which a distribution is made except in accordance with section 409A of the Code. Any Grant granted under the Plan that is subject to section 409A of the Code and that is to be distributed to a key employee (as defined below) upon separation from service shall be administered so that any distribution with respect to such Grant shall be postponed for six months following the date of the Participant's separation from service, if required by section 409A of the Code. If a distribution is delayed pursuant to section 409A of the Code, the distribution shall be paid within 30 days after the end of the six-month period. If the Participant dies during such six-month period, any postponed amounts shall be paid within 60 days of the Participant's death. The determination of key employees, including the number and identity of persons considered key employees and the identification date, shall be made by the Committee or its delegate each year in accordance with section 416(i) of the Code and the "specified employee" requirements of section 409A of the Code. Notwithstanding the foregoing, although Grants are intended to be exempt from, or comply with, the requirements of section 409A of the Code, and the Plan shall be interpreted accordingly, the Company does not warrant that any Grant will qualify for favorable tax treatment under section 409A of the Code or any other provision of federal, state, local or foreign law. The Company shall not be liable to any Participant for any tax the Participant might owe as a result of the grant, holding, vesting, exercise, or payment of any Grant under the Plan.

(e) *Enforceability; Company Successors*. The Plan shall be binding upon and enforceable against the Company and its successors and assigns. In the event the Company becomes a party to a merger, consolidation, sale of substantially all of its assets or any other corporate reorganization in which the Company will not be the surviving corporation or in which the holders of the Company Stock will receive securities of another corporation, then such other corporation shall be assigned the rights and assume the obligations of the Company under this Plan.

(f) *Funding of the Plan; Limitation on Rights*. This Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any Grants under this Plan. Nothing contained in the Plan and no action taken pursuant hereto shall create or be construed to create a fiduciary relationship between the Company and any Participant or any other person. No Participant or any other person shall under any circumstances acquire any property interest in any specific assets of the Company. To the extent that any person acquires a right to receive payment from the Company hereunder, such right shall be no greater than the right of any unsecured general creditor of the Company.

(g) *Rights of Participants*. Nothing in this Plan shall entitle any Employee, Non-Employee Director or other person to any claim or right to receive a Grant under this Plan. Neither this Plan nor any action taken hereunder shall be construed as giving any individual any rights to be retained by or in the employment or service of the Company or any other Employer. Participation in this Plan shall not constitute a contract of employment between

the Company or any Employer and any Participant and shall not be deemed to be consideration for, or a condition of, continued employment or service of any Participant. A Participant's right, if any, to serve the Employer as an Employee or Non-Employee Director or otherwise shall not be enlarged or otherwise affected by his or her designation as a Participant under the Plan.

(h) *No Fractional Shares*. No fractional shares of Company Stock shall be issued or delivered pursuant to the Plan or any Grant. The Committee shall determine whether cash, other awards or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

(i) *Employees Subject to Taxation Outside the United States*. With respect to Participants who are subject to taxation in countries other than the United States, the Committee may make Grants on such terms and conditions as the Committee deems appropriate to comply with the laws of the applicable countries, and the Committee may create such procedures, addenda and subplans and make such modifications as may be necessary or advisable to comply with such laws.

(j) *Company Policies and Clawback Provisions*. All Grants under the Plan shall be subject to any applicable insider trading, share trading, stock ownership or stock retention policies or practices of the Company and other policies that may be approved or implemented by the Board, the Committee or the Company, whether or not approved before or after the Amendment Effective Date. All Grants and amounts payable under the Plan are additionally subject to the terms of any applicable clawback or recoupment policies approved by the Board or Committee, as may be in effect from time to time. (including, without limitation, a clawback policy required to be implemented by an applicable stock exchange), whether approved before or after the date of a Grant (each, as applicable, a "Clawback Policy"). Further, to the extent permitted by Applicable Law, including without limitation section 409A of the Code, all amounts payable under the Plan are subject to offset in the event that a Participant has an outstanding clawback, recoupment or forfeiture obligation to the Company under the terms of any applicable Clawback Policy. In the event of a clawback, recoupment or forfeiture event under an applicable Clawback Policy, the amount required to be clawed back, recouped or forfeited pursuant to such policy shall be deemed not to have been earned under the terms of the Plan, and the Company shall be entitled to recover from the Participant the amount specified under the Clawback Policy to be clawed back, recouped or forfeited (which amount, as applicable, shall be deemed an advance that remained subject to the Participant satisfying all eligibility conditions for earning the amounts deferred, accrued, or credited under this Plan).

(k) *Relationship to Other Benefits*. Any Grants under this Plan are not considered compensation for purposes of determining benefits under any pension, profit sharing, or other retirement or welfare plan, or for any other general employee benefit program.

(l) *Expenses*. The expenses of administering the Plan shall be borne by the Company and its subsidiaries.

(m) *Titles and Headings*. The titles and headings of the sections in the Plan are for convenience of reference only, and in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

(n) *Indemnification*. Each person who is or at any time serves as a member of the Board or the Committee (and each person to whom the Board or the Committee has delegated any of its authority or power under this Plan) shall be indemnified and held harmless by the Company against and from (i) any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such person in connection with or resulting from any claim, action, suit, or proceeding to which such person may be a party or in which such person may be involved by reason of any action or failure to act under the Plan; and (ii) any and all amounts paid by such person in satisfaction of judgment in any such action, suit, or proceeding relating to the Plan. Each person covered by this indemnification shall give the Company an opportunity, at its own expense, to handle and defend the same before such person undertakes to handle and defend it on such person's own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Restated Certificate of Incorporation or Amended and Restated Bylaws of the Company or any of its subsidiaries, as a matter of law, or otherwise, or any power that the Company may have to indemnify such person or hold such person harmless.

(o) *Reliance on Reports*. Each member of the Board or the Committee (and each person to whom the Board or the Committee has delegated any of its authority or power under this Plan) shall be fully justified in relying or acting in good faith upon any report made by the independent public accountants of the Company and its subsidiaries and upon any other information furnished in connection with the Plan. In no event shall any person who is or shall have been a member of the Board or the Committee (or their delegates) be liable for any determination made or other action taken or any omission to act in reliance upon any such report or information or for any action taken, including the furnishing of information, or failure to act, if in good faith.

(p) *Governing Law*. The validity, construction, interpretation and effect of the Plan and Grant Agreements issued under the Plan shall be governed and construed by and determined in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

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APPENDIX C

AMERICAN WATER WORKS COMPANY, INC. AND ITS DESIGNATED SUBSIDIARIES 2017 NONQUALIFIED EMPLOYEE STOCK PURCHASE PLAN, AS PROPOSED TO BE AMENDED AND RESTATED

* * *

AMERICAN WATER WORKS COMPANY, INC.
AND ITS DESIGNATED SUBSIDIARIES
2017 NONQUALIFIED EMPLOYEE STOCK PURCHASE PLAN

(as amended and restated effective as of February 5, 2027)

The purpose of this American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan is to provide Eligible Employees of AWW and its Subsidiaries an opportunity to purchase shares of Stock of AWW. The Board of Directors of AWW believes that employee stock ownership will benefit both Eligible Employees and AWW's shareholders. The Plan is not intended to qualify as an "Employee Stock Purchase Plan," as set forth in section 423 of the Code. All capitalized terms shall have the meaning set forth for such term under Article I below.

ARTICLE I
DEFINITIONS

Section 1.01 "*Applicable Holding Period*" means, subject to Section 5.05 below, the six (6) month period following the Purchase Date during which a Participant is required to hold any shares of Stock purchased on his or her behalf pursuant to the Plan; provided, however, in the event of a Participant's death, the Applicable Holding Period shall be deemed satisfied as of the Participant's date of death.

Section 1.02 "*AWW*" means American Water Works Company, Inc.

Section 1.03 "*Board of Directors*" means the Board of Directors of AWW.

Section 1.04 "*Code*" means the Internal Revenue Code of 1986, as amended.

Section 1.05 "*Committee*" means the committee appointed by the Board of Directors to administer the Plan, as provided in Section 5.04 below.

Section 1.06 "*Compensation*" means a Participant's base wages, exclusive of overtime pay, commissions, bonuses, premium pay, shift differential pay, any compensation reductions made in connection with plans described in sections 401(k), 125 or 132(f)(4) of the Code, and any other extraordinary remuneration, as determined by the Committee, or its delegate

Section 1.07 "*Effective Date*" shall mean February 5, 2027, the effective date of the most recent amendment and restatement of the Plan. The "*Original Effective Date*" is August 5, 2017.

Section 1.08 "*Election Date*" means the first day of the month of each calendar quarter or such other dates as the Committee shall specify. The first Election Date for the Plan shall be the Original Effective Date.

Section 1.09 "*Eligible Employee*"

(a) Subject to Section 1.09(b) and Section 1.09(c) below, the term "Eligible Employee" includes each employee, including a part-time employee, of the Employer.

(b) Notwithstanding Section 1.09(a) above, the term "Eligible Employee" shall not include:

(i) an employee who is classified by the Committee, or its delegate, as a temporary employee or leased employee;

(ii) with respect to any Purchase Period, an employee who terminates employment, dies or is determined to be disabled prior to the applicable Purchase Date;

(iii) unless the Committee specifically designates otherwise as set forth in Section 1.24 below, an employee who is employed by a non-U.S. subsidiary;

(iv) an employee who has been determined by the Board of Directors to be an "officer," as such term is defined in Rule 16a-1(f) promulgated under the Securities Exchange Act of 1934, as amended, as such rule may be in effect from time to time, with respect to AWW; or

(v) an employee who owns stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Employer, which shall be determined by applying rules consistent with those reflected in section 423(b)(3) of the Code, which would otherwise apply if the Plan were intended to be a qualified employee stock purchase plan under section 423 of the Code.

(c) Notwithstanding anything herein to the contrary, if an employee's status changes during the Purchase Period, but such change in status is not otherwise discovered or brought to the attention of the Committee within a reasonable period prior to any Purchase Date, the Committee, or its delegate, may deem such individual to be an Eligible Employee despite the exclusions described in this Section 1.09.

Section 1.10 "*Employer*" means AWW and each Subsidiary.

Section 1.11 "*Fixed Contribution Amount*" means an amount of Compensation paid to, or on behalf of, a Participant during a payroll period in a Purchase Period, that is selected by the Participant (in whole dollars only) for deduction and contribution to the Plan with respect to a Purchase Period, up to the lesser of:

(a) the Participant's Net Compensation for such payroll period; and

(b) $2,500, or such other amount as may be determined by the Committee;

provided, however, that no deduction of the Fixed Contribution Amount may result in a Participant exceeding the aggregate Maximum Deduction Amount as provided in Section 1.13(b) hereof.

Section 1.12 "*Market Value*" means the last price for the Stock as reported on New York Stock Exchange for the date of reference. If there was no such price reported for the date of reference, "Market Value" means the last reported price for the Stock on the day immediately preceding the date of reference for which such price was reported or, if there was no such reported price, the fair market value of a share of Stock as determined by the Committee.

Section 1.13 "*Maximum Deduction Amount*" means, unless otherwise adjusted by the Committee:

(a) with respect to a Purchase Period, the Percentage Contribution Amount or, if applicable, Fixed Contribution Amount, as selected by a Participant; and

(b) with respect to all deductions by a Participant under the Plan during a Plan Year, $25,000 in the aggregate.

Section 1.14 "*Net Compensation*" means, with respect to a payroll period in a Purchase Period, the amount of Compensation paid to, or on behalf of, a Participant during such payroll period, minus all applicable federal (including FICA), state and local tax withholding requirements, and any and all other payroll deductions and other withholdings (other than the Fixed Contribution Amount with respect to such Purchase Period) required or elected by the Participant to be made therefrom during such Purchase Period, rounded down to the next whole dollar.

Section 1.15 "*Participant*" means each Eligible Employee who:

(a) elects to participate in the Plan in accordance with Article II;

(b) acknowledges and agrees to abide by the Applicable Holding Period and

(c) has not otherwise voluntarily elected to cease his or her participation in the Plan and has not otherwise requested and received all funds held on account of the Participant in the Plan.

Section 1.16 "*Percentage Contribution Amount*" means a percentage, as selected by a Participant, from one percent (1%) to ten percent (10%) of each payment of Compensation paid to, or on behalf of, a Participant during a Purchase Period.

Section 1.17 "*Plan*" means the American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan, as set forth herein and as hereafter amended.

Section 1.18 "*Plan Year*" means each calendar year during which the Plan is in effect.

Section 1.19 "*Purchase Agreement*" means the instrument or other method prescribed by the Committee or its delegate pursuant to which an Eligible Employee may enroll as a Participant and subscribe for the purchase of shares of Stock on the terms and conditions offered by AWW. The Purchase Agreement is intended to evidence AWW's offer of an option to the Eligible Employee to purchase Stock on the terms and conditions set forth therein and herein; provided, however, in the event of a conflict between the Purchase Agreement and this Plan, the terms of the Plan shall control.

Section 1.20 "*Purchase Date*" means the last Trading Date of each Purchase Period.

Section 1.21 "*Purchase Period*" means each three (3) month period, or such other period specified by the Committee, beginning on or after the Original Effective Date, during which the Participant's Stock purchase is funded through payroll deduction accumulations (and, if applicable, contributions made pursuant to Section 2.05(c) below). The first Purchase Period shall begin on the Original Effective Date and continue until the last Trading Date of the calendar quarter next following the Original Effective Date. Unless the Committee determines otherwise, each subsequent Purchase Period, after the first Purchase Period, shall begin on the first day of the calendar quarter next following the preceding Purchase Date and continue until the last Trading Date of the calendar quarter in which such Purchase Period began.

Section 1.22 "*Purchase Price*" means the purchase price for shares of Stock purchased under the Plan, determined as set forth in Section 3.01 below.

Section 1.23 "*Stock*" means the common stock, par value $0.01 per share, of AWW.

Section 1.24 "*Subsidiary*"

(a) The term "Subsidiary" means any present or future corporation, trust, partnership, limited partnership, limited liability company or other entity, of which AWW or another Subsidiary owns greater than fifty percent (50%) of the aggregate voting interests in such entity and that is designated as a participating entity in the Plan by the Committee or its delegate.

(b) Unless the Committee specifically designates otherwise, a non-U.S. subsidiary shall not be considered a Subsidiary for purposes of the Plan, and employees of such a subsidiary shall not be Eligible Employees or otherwise permitted to participate in the Plan.

Section 1.25 "*Trading Date*" means a day on which the New York Stock Exchange is open for trading.

ARTICLE II
PARTICIPATION

Section 2.01 *Initial Participation*. An Eligible Employee may elect to participate in the Plan by properly executing a Purchase Agreement and filing such Purchase Agreement with the Committee or its delegate, at such time in advance of the Election Date as the Committee or its delegate shall prescribe.

Section 2.02 *Continuation of Participation*.

(a) The Purchase Agreement shall remain in effect until it is modified through discontinuance of participation under Section 2.03 below or otherwise changed under Section 2.05 below.

(b) A Participant who is on a leave of absence approved by an Employer may continue to participate in the Plan during the leave of absence to the extent such Participant continues to receive Compensation, which is sufficient to satisfy the payroll deductions and any other legally required deductions or withholding obligations, as the Committee, or its delegate, may determine.

Section 2.03 *Discontinuance of Participation*.

(a) To the extent legally permissible, a Participant may voluntarily cease his or her participation in the Plan and stop payroll deductions at any time by filing a notice of cessation of participation on such form and at such time in advance of the Purchase Date as the Committee, or its delegate, shall prescribe. A Participant who ceases contributions during a Purchase Period may not make additional contributions to the Plan during the Purchase Period and may request payment of any funds held for the Participant under the Plan on such form and at such time in advance of the Purchase Date as the Committee, or its delegate, shall prescribe. Any funds remaining in the Participant's account on the Purchase Date shall be used to purchase Stock pursuant to Section 3.04 below, if the Participant is then an Eligible Employee.

(b) Notwithstanding subsection Section 2.03, if a Participant ceases to be an Eligible Employee, his or her participation in the Plan shall automatically cease and no further purchase of Stock shall be made for the Participant. Any funds held for the Participant under the Plan shall be distributed to the Participant.

Section 2.04 *Readmission to Participation*.

(a) Any Eligible Employee who:

(i) was previously a Participant;

(ii) discontinued participation (whether by cessation of eligibility or otherwise); and

(iii) wishes to be reinstated as a Participant, may again become a Participant by executing and filing with the Committee a new Purchase Agreement.

(b) Reinstatement as a Participant shall be effective as of the next Election Date, provided the Participant is an Eligible Employee and the Participant files a new Purchase Agreement with the Committee, or its delegate, at such time in advance of the Election Date as the Committee, or its delegate, shall prescribe.

Section 2.05 *Payroll Deductions and Deposits*.

(a) Each Participant shall authorize after-tax payroll deductions from his or her Compensation for the purpose of funding the purchase of Stock pursuant to his or her Purchase Agreement. In the Purchase Agreement, each Participant shall authorize the withholding of the Percentage Contribution Amount, or the Fixed Contribution Amount (but not both), if the Committee or its delegate has elected to provide for a Fixed Contribution Amount, from each payment of Compensation during the Purchase Period, which, together with his or her contributions toward the purchase of Stock pursuant to subsection (c) below, may not exceed, in the aggregate for such Plan Year, the Maximum Deduction Amount.

(b) To the extent permissible by law or under the Plan, if a Fixed Contribution Amount has been provided for pursuant to Section 2.05(a), a Participant may change his or her deduction from a Fixed Contribution Amount to a Percentage Contribution Amount (or vice versa), and may change the amount of the Participant's deduction to any permissible amount or percentage, as the case may be, as permitted by the Committee or its delegate, as of any time prior to an Election Date. A change shall be made by filing with the Committee or its delegate a new Purchase Agreement, which shall become effective as soon as administratively practicable following receipt by the Committee or its delegate.

(c) The Committee may allow Participants to deposit funds with AWW to be used for the purpose of purchasing Stock pursuant to their Purchase Agreements, in addition to payroll deductions pursuant to Section 2.05(a) above; provided, however:

(i) the total amount that a Participant may contribute to the Plan during a Purchase Period (through payroll deductions and deposits) may not exceed the Maximum Deduction Amount, and

(ii) the deposit of funds by a Participant will only be permitted if the Participant designates the timing and amount to be deposited on an executed Purchase Agreement that is filed with the Committee, or its delegate, at such time in advance of the Election Date as the Committee shall prescribe.

Section 2.06 *Participant Rights and Privileges*. Notwithstanding anything herein to the contrary, all Participants shall have the same rights and privileges within the meaning of Section 423(b)(5) of the Code.

ARTICLE III
STOCK PURCHASE AND DISTRIBUTION

Section 3.01 *Purchase Price of Shares*. Unless the Committee determines otherwise, the Purchase Price per share of the Stock to be sold to Participants under the Plan shall be 85% of the Market Value of such share on the Purchase Date.

Section 3.02 *Exercise of Purchase Privilege*.

(a) As of the first day of each Purchase Period, each Participant shall be granted an option to purchase shares of Stock at the Purchase Price specified in Section 3.01 above. The option shall continue in effect through the Purchase Date for the Purchase Period. Subject to the provisions of Section 3.04 below, on each Purchase Date, the Participant shall automatically be deemed to have exercised his or her option to purchase shares of Stock, unless he or she notifies the Committee or its delegate, in such manner and at such time in advance of the Purchase Date as the Committee shall prescribe, of his or her desire to forfeit such option and subject to any restrictions that may be imposed by the Committee, to receive a refund of any outstanding amounts that have been deducted pursuant to the Participant's Purchase Agreement or contributed toward the purchase of Stock pursuant to Section 2.05(c) above.

(b) Subject to the provisions of Section 3.02 above and Section 3.04 below, there shall be purchased for the Participant on each Purchase Date, at the Purchase Price for the Purchase Period, the largest number of shares of Stock, including fractional shares thereof, as can be purchased with the amounts deducted from the Participant's Compensation, or contributed toward the purchase of Stock pursuant to Section 2.05(c) above, during the Purchase Period.

(c) Notwithstanding anything herein to the contrary, in the unlikely event or limited instances that any amounts that are attributable to a Participant's deductions or contributions remain after the purchase of shares of Stock on a Purchase Date, such amounts shall be returned to the Participant, in accordance with Section 3.04(c) below, as soon as administratively practicable.

Section 3.03 *Reservation of Shares*. There shall be two million (2,000,000) shares of Stock reserved for issuance or transfer under the Plan (inclusive of any and all shares of Stock that may have been or will be issued or transferred under the Plan prior to the Effective Date), subject to adjustment in accordance with Section 4.02 below. The aggregate number of shares of Stock that may be purchased under the Plan shall not exceed the number of shares of Stock reserved under the Plan.

Section 3.04 *Limitation on Shares to Be Purchased*.

(a) The maximum number of shares of Stock that may be purchased for each Participant on a Purchase Date is the least of:

(i) the number of shares of Stock that can be purchased by applying the full balance of the Participant's deducted or deposited funds to the purchase of shares of Stock at the Purchase Price; or

(ii) the Participant's proportionate part of the maximum number of shares of Stock available under the Plan, as provided in Section 3.03 and Section 4.01(a) below.

(b) Notwithstanding Section 3.04(a) above, before the beginning of a Purchase Period, the Committee, in its sole and absolute discretion, may increase or decrease the maximum share limit for the Purchase Period and subsequent Purchase Periods. The adjusted maximum share limit shall continue in effect until again adjusted by the Committee.

(c) Any amounts deducted from a Participant's Compensation that cannot be applied to the purchase of Stock on a Purchase Date by reason of the foregoing limitations described in Section 3.04(a) above, shall be returned to the Participant, as soon as administratively practicable.

Section 3.05 *Payment for Stock*. The Purchase Price for all shares of Stock purchased by a Participant under the Plan shall be paid out of the Participant's authorized payroll deductions (and any deposits made by a Participant pursuant to Section 2.05(c) above, if permitted by the Committee). All funds received or held by AWW under the Plan are general assets of AWW, shall be held free of any trust requirement or other restriction, and may be used for any corporate purpose.

Section 3.06 *Share Ownership; Issuance of Certificates*.

(a) The shares of Stock purchased by a Participant on a Purchase Date shall, for all purposes, be deemed to have been issued or sold at the close of business on the Purchase Date. Prior to that time, none of the rights or privileges of a shareholder of AWW shall inure to the Participant with respect to such shares of Stock. All the shares of Stock purchased under the Plan shall be delivered by AWW in a manner as determined by the Committee following the Participant's satisfaction of the Applicable Holding Period.

(b) The Committee, or its delegate, may determine that shares of Stock shall be delivered by:

(i) issuing and delivering the number of shares of Stock purchased to a firm which is a member of the Financial Industry Regulatory Authority, as selected by the Committee from time to time, which shares shall be maintained by such firm in a separate brokerage account for each Participant, or

(ii) issuing and delivering the number of shares of Stock purchased by Participants to a bank or trust company or affiliate thereof, as selected by the Committee from time to time, which shares may be held by such bank or trust company or affiliate in street name, but with a separate account maintained by such entity for each Participant reflecting such Participant's share interests in the Stock.

(c) Each account described in Section 3.06(b) above shall be in the name of the Participant.

Section 3.07 *Distribution of Shares or Resale of Stock*.

(a) A Participant may request a distribution of shares of Stock purchased for the Participant under the Plan or order the sale of such shares following the Participant's satisfaction of the Applicable Holding Period, by making a request in such form and at such time as the Committee shall prescribe.

(b) If a Participant terminates his or her employment with the Employer or otherwise ceases to be an Eligible Employee, following the Participant's satisfaction of the Applicable Holding Period, the Participant shall receive a distribution of his or her shares of Stock held in any shareholder account established pursuant to Section 3.06(b) above, which shall be effectuated by the Committee in a manner that it deems reasonable and appropriate, as determined by the Committee, or its delegate, or, in lieu of the receipt of shares of Stock, the Participant may alternatively elect to instead have the shares of Stock sold, in accordance with such procedures as the Committee shall prescribe.

(c) If a Participant is to receive a distribution of shares of Stock, or if shares are to be sold, the distribution or sale shall be made in shares of Stock. Any brokerage commissions resulting from a sale of Stock shall be deducted from amounts payable to the Participant.

ARTICLE IV
SPECIAL ADJUSTMENTS

Section 4.01 *Shares Unavailable*. If, on any Purchase Date, the aggregate funds available for the purchase of Stock would otherwise permit the purchase of a number of shares of Stock in excess of the number then available for purchase under the Plan, the following adjustments shall be made:

(a) The number of shares of Stock that would otherwise be purchased by each Participant shall be proportionately reduced on the Purchase Date in order to eliminate such excess; and

(b) The Plan shall automatically terminate immediately after the Purchase Date as of which the supply of available shares is exhausted, unless the Board of Directors determines otherwise.

Section 4.02 *Anti-Dilution Provisions*. The aggregate number of shares of Stock reserved for purchase under the Plan, as provided in Section 3.03 above, the maximum number of shares that may be purchased by a Participant as provided in Section 3.04 above, and the calculation of the Purchase Price per share, shall be equitably adjusted by the Committee to reflect any increase or decrease in the number of issued shares of Stock resulting from a subdivision or consolidation of shares or other capital adjustment, the payment of a stock dividend, or other increase or decrease in the shares, if effected without receipt of consideration by AWW.

Section 4.03 *Effect of Certain Transactions*. Subject to any required action by the shareholders, if AWW shall be the surviving corporation in any merger or consolidation, any offering hereunder shall continue to pertain to and

apply to the shares of stock of AWW. However, in the event of a dissolution or liquidation of AWW, or a merger or consolidation in which AWW is not the surviving corporation, the Plan and any offering hereunder shall terminate upon the effective date of such dissolution, liquidation, merger or consolidation, unless the Board of Directors determines otherwise, and the balance of any amounts deducted from a Participant's Compensation (or deposited pursuant to Section 2.05(c) above) which have not by such time been applied to the purchase of Stock shall be returned to the Participant, as soon as reasonably practicable.

ARTICLE V
MISCELLANEOUS

Section 5.01 Non-Alienation. Except as set forth below, the right to purchase shares of Stock under the Plan is personal to the Participant, is exercisable only by the Participant during the Participant's lifetime and may not be assigned or otherwise transferred by the Participant. If a Participant dies, unless the executor, administrator or other personal representative of the deceased Participant directs otherwise, any amounts previously deducted from the Participant's Compensation (or deposited pursuant to Section 2.05(c) above before the Participant's death) during the Purchase Period in which the Participant dies shall be used to purchase Stock on the Purchase Date for the Purchase Period. After that Purchase Date, there shall be delivered to the executor or administrator or other personal representative of the deceased Participant all shares of Stock and such residual amounts as may remain to the Participant's credit under the Plan.

Section 5.02 *Administrative Costs*. AWW shall pay the administrative expenses associated with the operation of the Plan (other than brokerage commissions resulting from sales of Stock directed by Participants).

Section 5.03 *No Interest*. No interest shall be payable with respect to amounts withheld or deposited under the Plan.

Section 5.04 *Committee*. The Board of Directors shall appoint the Committee, which shall have the express discretionary authority and power to administer the Plan and to make, adopt, construe, and enforce rules and regulations not inconsistent with the provisions of the Plan. The Committee shall adopt and prescribe the contents of all forms required in connection with the administration of the Plan, including, but not limited to, the Purchase Agreement, payroll deduction authorizations, requests for distribution of shares, and all other notices required hereunder. The Committee shall have the fullest discretion permissible under law in the discharge of its duties. The Committee's interpretations and decisions with respect to the Plan shall be final and conclusive. The Committee may delegate certain administrative or ministerial matters under the Plan to one or more officer or officers of AWW (or their designees) as determined in the Committee's discretion, and such persons may have the authority to (i) maintain or cause to be maintained (including through a third party administrator) records relating to the operation and maintenance of the Plan; (ii) process or oversee the issuance of, or cause to be issued, shares to a Participant upon the sale of Stock under the Plan; and (iii) take such other administrative or ministerial actions, or cause such actions to be taken, as the Committee may authorize.

Section 5.05 *Withholding of Taxes; Notification of Transfer*. All acquisitions and sales of Stock under the Plan shall be subject to applicable federal (including FICA), state and local tax withholding requirements if the Internal Revenue Service or other taxing authority requires such withholding. AWW may require that Participants pay to AWW (or make other arrangements satisfactory to AWW for the payment of) the amount of any Federal, state or local taxes that AWW is required to withhold with respect to the purchase of Stock or the sale of Stock acquired under the Plan, or instead deduct from the Participant's wages or other compensation the amount of any withholding taxes due with respect to the purchase of Stock or the sale of Stock acquired under the Plan.

Section 5.06 *Amendment of the Plan*. The Board of Directors may, at any time and from time to time, amend the Plan in any respect, except that any amendment that is required to be approved by the shareholders by the Code or by the applicable listing rules of the securities exchange on which shares of Stock are traded shall be submitted to the shareholders of AWW for approval.

Section 5.07 *Expiration and Termination of the Plan*. The Plan shall continue in effect for ten years from the Effective Date, unless terminated prior to that date pursuant to the provisions of the Plan or pursuant to action by the Board of Directors. The Board of Directors shall have the right to terminate the Plan at any time without prior

notice to any Participant and without liability to any Participant. Upon the expiration or termination of the Plan, the balance, if any, then standing to the credit of each Participant from amounts deducted from the Participant's Compensation or deposited by the Participant which has not, by such time, been applied to the purchase of Stock shall be refunded to the Participant.

Section 5.08 *No Employment Rights*. Participation in the Plan shall not give an employee any right to continue in the employment of an Employer and shall not affect the right of the Employer to terminate the employee's employment at any time, with or without cause.

Section 5.09 *Repurchase of Stock*. AWW shall not be required to purchase or repurchase from any Participant any of the shares of Stock that the Participant acquires under the Plan.

Section 5.10 *Notice*. A Purchase Agreement and any notice that a Participant files pursuant to the Plan shall be on a form prescribed by the Committee and shall be effective only when received by the Committee or its delegate. Delivery of such forms may be made by hand or by certified mail, sent postage prepaid, to AWW's Chief Human Resources Officer, or such other address as the Committee may designate. Delivery by any other mechanism shall be deemed effective at the option and discretion of the Committee.

Section 5.11 *Government Regulation*. AWW's obligation to sell and to deliver the Stock under the Plan is at all times subject to all approvals of any governmental authority required in connection with the authorization, issuance, sale or delivery of such Stock.

Section 5.12 *Internal Revenue Code and ERISA Considerations*. The Plan is neither intended to constitute an "employee stock purchase plan" within the meaning of section 423 of the Code nor intended to be construed as constituting an "employee benefit plan," within the meaning of section 3(3) of the Employee Retirement Income Security Act of 1974, as amended.

Section 5.13 *Section 409A*. The Plan is intended to comply with the requirements of section 409A of the Code, to the extent applicable. All options granted under the Plan shall be construed and administered such that such option either (i) qualifies for an exemption from the requirements of section 409A of the Code or (ii) satisfies the requirements of section 409A of the Code. If an option is subject to section 409A of the Code, the exercise of such option shall only be made in a manner and upon an event permitted under section 409A of the Code and in no event shall an Eligible Employee, directly or indirectly, designate the calendar year in which an exercise occurs. Notwithstanding the foregoing, although options are intended to be exempt from, or comply with, the requirements of section 409A of the Code, and the Plan shall be interpreted accordingly, AWW does not warrant that any option will qualify for favorable tax treatment under section 409A of the Code or any other provision of federal, state, local or foreign law. AWW shall not be liable to any Eligible Employee for any tax the Eligible Employee might owe as a result of the grant or exercise of an option, or holding of any shares of Stock received upon exercise of the option, under the Plan.

Section 5.14 *Headings, Captions, Gender*. The headings and captions herein are for convenience of reference only and shall not be considered as part of the text. The masculine shall include the feminine, and vice versa. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may read as the plural and the plural as the singular.

Section 5.15 *Severability of Provisions, Prevailing Law*. The provisions of the Plan shall be deemed severable. In the event any such provision is determined to be unlawful or unenforceable by a court of competent jurisdiction or by reason of a change in an applicable statute, the Plan shall continue to exist as though such provision had never been included therein (or, in the case of a change in an applicable statute, had been deleted as of the date of such change). The Plan shall be governed by the laws of the State of New Jersey to the extent such laws are not in conflict with, or superseded by, federal law.

APPENDIX D

PROPOSED AMENDMENT TO RESTATED CERTIFICATE OF INCORPORATION OF AMERICAN WATER WORKS COMPANY, INC.

The complete text of Article VIII to American Water Works Company, Inc.'s Restated Certificate of Incorporation, currently in effect as of the date of this Proxy Statement, is set forth below:

ARTICLE VIII

No director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided, however, that the foregoing shall not eliminate or limit the liability of a director (A) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (B) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (C) under Section 174 of the General Corporation Law of the State of Delaware, or (D) for any transaction from which the director derived an improper personal benefit.

Any repeal or modification of this Article by the stockholders of the Corporation shall be prospective only, and shall not affect, to the detriment of any director, any limitation on the personal liability of a director of the Corporation existing at the time of such repeal or amendment.

Article VIII of American Water Works Company, Inc.'s Restated Certificate of Incorporation is proposed to be amended in its entirety as follows:

ARTICLE VIII

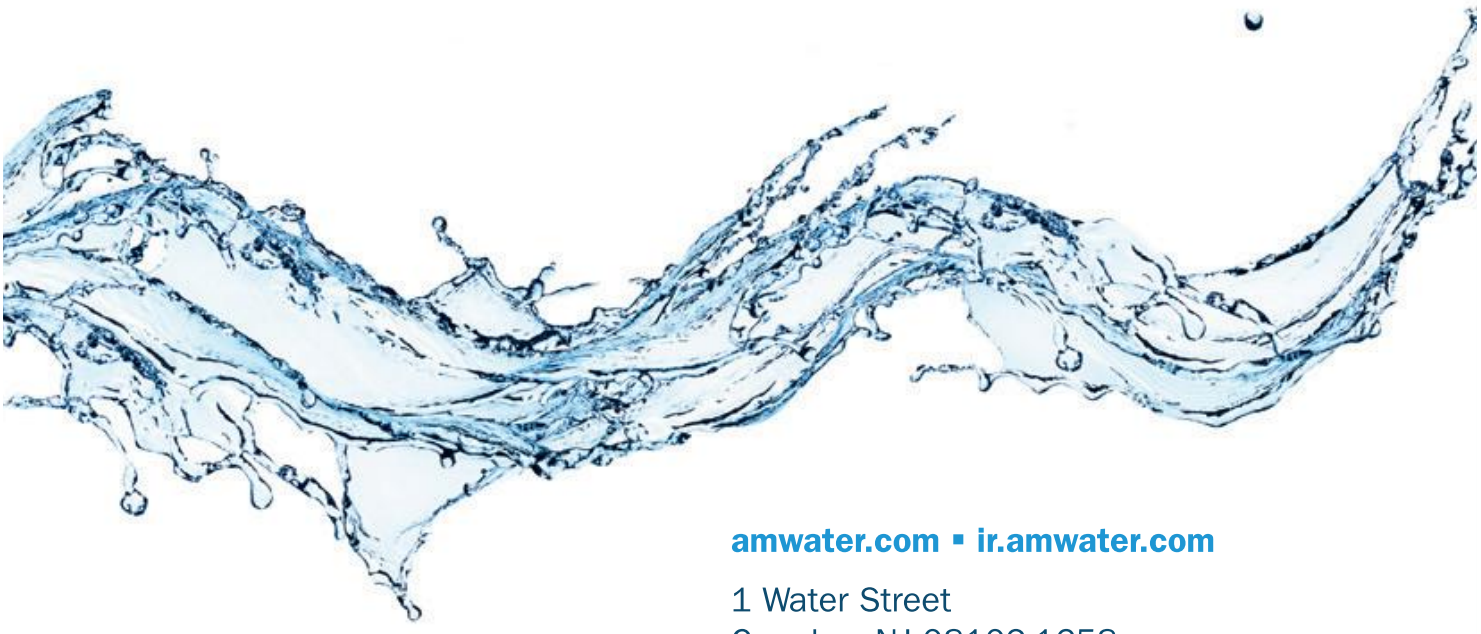
To the fullest extent permitted by the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended, a director or officer of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director or officer.

Any repeal or modification of this Article VIII by the stockholders of the Corporation shall be prospective only, and shall not affect, to the detriment of any director or officer, any limitation on the personal liability of a director or officer of the Corporation existing at the time of such repeal or amendment.

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1 Water Street
Camden, NJ 08102-1658

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CALIFORNIA AMERICAN WATER
SUMMARY OF EARNINGS AT PROPOSED RATES ($ 1,000's)

	Central Division				
	Existing Revenue Requirement	Existing Revenue Requirement	Existing Revenue Requirement	Existing Revenue Requirement	MPWSP*
Description	2027	2028	2029	2030	
Operating Revenues at Proposed rate **	115,760.5	119,804.8	124,135.2	124,135.2	76,411.5
Operation & Maintenance Exp					
Labor	9,832.4	10,146.4	10,404.1	10,404.1	3,910.0
Purchased Water	16,653.1	16,675.1	16,675.1	16,675.1	
Purchased Power	4,781.1	4,776.6	4,776.6	4,776.6	7,120.0
Chemicals	628.6	655.5	655.5	655.5	1,220.0
Operation Expense	2,367.9	2,417.5	2,473.0	2,473.0	1,874.0
Maintenance (excluding Amort Tank Painting)	3,735.5	3,821.4	3,918.4	3,918.4	726.0
Amortization of Tank Painting	1,075.6	1,186.2	1,216.3	1,216.3	
Customer Accounting	81.0	82.9	85.0	85.0	
Uncollectible Expense	3,709.1	3,801.6	3,803.1	3,803.1	339.0
Insurance	1,046.4	1,121.1	1,194.5	1,194.5	
Pensions and Benefits	2,577.2	2,678.6	2,746.6	2,746.6	
Regulatory Expenses	422.8	422.8	422.8	422.8	
Rents	467.0	467.7	468.5	468.5	
Other Administrative & General	4,647.8	4,597.4	4,665.4	4,665.4	
Service Company Costs	3,362.8	3,479.0	3,602.1	3,602.1	
Citizens Acquisition Premium	897.8	905.1	913.1	913.1	
General Office Return on Rate Base	1,656.4	1,876.0	2,095.7	2,095.7	
San Clemente Dam	6,332.4	6,332.4	6,332.4	6,332.4	
PAB Annual Cost (principal and interest)					10,155.9
Total O&M expenses	64,274.9	65,443.3	66,448.1	66,448.1	25,345.0
Depreciation	14,570.3	15,794.6	17,018.8	17,018.8	8,287.6
General Taxes	3,918.4	4,147.1	4,433.1	4,433.1	3,951.6
Total Operating Expenses	82,763.6	85,385.0	87,900.0	87,900.0	37,584.2
Income Before Income Taxes	32,996.9	34,419.8	36,235.2	36,235.2	38,827.4
State Income Taxes	2,370.6	2,471.2	2,606.3	2,606.3	3,562.1
Federal income Taxes	5,032.8	5,173.8	5,672.6	5,672.6	7,752.9
Total Income Taxes	7,403.4	7,644.9	8,278.9	8,278.9	11,315.0
TOTAL EXPENSES	90,167.0	93,029.9	96,178.9	96,178.9	48,899.1
Utility Operating Income	25,593.5	26,774.9	27,956.3	27,956.3	27,512.4
Average Rate Base	333,249.0	348,631.4	364,013.8	364,013.8	299,262.4
Average Rate Base- Equity Portion	190,085.2	198,859.4	207,633.5	207,633.5	247,937.6
Average Rate Base- Debt Portion	143,163.8	149,772.1	156,380.3	156,380.3	51,324.9
Return on Rate Base - Equity Portion	10.20%	10.20%	10.20%	10.20%	10.20%
Return on Rate Base - Debt Portion	4.33%	4.33%	4.33%	4.33%	4.33%

*MPWSP revenue requirement and associated rate design are separate from the existing revenue requirement and would not be consolidated in order to meet the requirements of special condition 16 of the Coastal Development Permit.
** Operating revenue for MPWSP presents the desalination base rate increment and excludes SRF and WRRB, which are recovered as separate surcharges.