

San Clemente Dam removal project before PUC

Dam removal project would cost ratepayers \$137 million

By JIM JOHNSON, Herald Salinas Bureau
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Think of it as the high cost of removing an old dam.

Under a proposal before the state Public Utilities Commission, California American Water customers in the Monterey area would pay about \$137million, which includes interest payments over 20 years, to remove the San Clemente Dam on the Carmel River.

The 106-foot dam was built in 1921 to hold almost 500 million gallons of water, but it has since filled with silt. Cal Am took over operation of the dam in 1966 but ceased using it in 2002.

Officials have worried about structural issues, particularly during an earthquake. They have concluded that removing the dam is the most environmentally sound alternative.

Cal Am submitted its application for the \$84million dam removal and river rerouting project last week. The company will cover about \$49million of the proposed project, and the California Coastal Conservancy and National Marine Fisheries Service have committed an additional \$35million through a variety of public and private sources.

Cal Am would also dedicate about 928 acres of land around the dam for open space, perhaps to the federal Bureau of Land Management.

An agreement was signed in January between all parties, which benefited from the backing of Rep. Sam Farr, D-Carmel.

Cal Am spokeswoman Catherine Bowie said the involvement of government agencies has allowed the company and local ratepayers to benefit from a more environmentally friendly project at a lower cost.

Bowie said Cal Am's portion of the costs reflects the amount of money it would take to buttress the dam against earthquake and flood, a cheaper but less environmentally beneficial alternative that federal and state experts believe could harm the river's steelhead population.

"All of the support and collaboration we've gotten from government agencies shows us we're on the right track with this project," she said. "The partnership enables us to do all this at a reasonable cost to our customers."

Max Gomberg of the PUC's Division of Ratepayer Advocates praised the private-public partnership but added that Cal Am's application will get a thorough review.

"We're definitely going to take a close look at this application and be thinking about whether it's appropriate for Cal Am to recover all the costs from the ratepayers," Gomberg said.

He said areas of scrutiny will be the possibility of cost overruns, whether the government agencies would want some of their funding returned if the project costs less than expected, and how management decisions contributed to estimated project costs.

If Cal Am's application is approved, the company would implement a surcharge on its customers' bills beginning in 2012. A general rate increase would be applied to bills, if approved, two years after the project is finished in 2015. The rate increases would nudge the average customer's monthly water bill from about \$34.94 to about \$38.32 by 2017, said Bowie.

Cal Am is seeking to recover the project's costs over a 20-year period through 2032.

The proposed rate increase doesn't include the potential, additional increase Cal Am customers would pay if the Regional Water Project's seawater desalination project is approved. That would potentially double or triple most water bills.

According to a timeline, preliminary design on the dam project would be finished by next summer, followed by PUC approval in the fall. All funding would be in place by summer 2012, construction on a channel would begin in September 2012 — Cal Am's current deadline — and the project would be finished three years later.

Before the dam is removed, about 370,000 cubic yards of sediment behind it would be moved to the Carmel River arm of the reservoir, and a portion of the Carmel River would be permanently bypassed and used as a sediment disposal site.

A 450-foot-long channel would be cut between the Carmel River and San Clemente Creek about 2,500 feet upstream from the dam, and rock from the channel construction would be used to build a diversion dike.

In 1992, the dam was declared unsafe by the state Department of Water Resources' Division of Safety of Dams. Division experts found that the structure was vulnerable to a magnitude-5.5 quake on the Tularcitos Fault, which the dam straddles, or a larger quake on the San Andreas Fault.

The dam has been subject to overflow in peak flooding seasons, and water running over the top could cause the dam to break.

According to a 1997 study by state safety experts, a dam break could send up to 150 acre-feet of water and a torrent of mud downstream as far as Camp Stefani on the Carmel River, creating up to 6 feet of flooding.

Environmental studies prepared in 2007 offered several alternatives for bringing the dam into compliance with safety standards, including removing it, buttressing it or cutting it down part way.

The removal and rerouting project is being touted as a way to make it easier for steelhead to navigate the river's 25 miles of spawning and rearing habitat. It would restore the "ecological connectivity" between the river and riparian corridor, as well as river functions and sediment transport.

Cal Am has spent millions of dollars over the years on state-ordered changes to improve the dam's safety and reduce its environmental impact, including drilling holes in the dam. The company is expecting to spend millions more on permitting, compliance and engineering in connection with the project.

It expects to recover all those costs, including interest, through the proposed rate increase.

Because the project is not being considered a capital improvement, Cal Am can take advantage of an estimated \$33million or so in tax benefits that it will pass along to local ratepayers, Stephenson said.

An agreement was in place about 2½ years ago between Cal Am and the state and federal agencies, but concerns about project liability and the state budget delayed the proposal. Cal Am considered the buttressing alternative for a while, but the parties were eventually able to reach an agreement to move forward with removal.

As part of the deal, concerns about possible litigation from downstream property owners who might be affected by the project or its effects could be offset by the transfer of the 928 acres of land to an as-yet unnamed government agency.

Whoever accepts the land, which would be designated as open space, will also take responsibility for the project and all potential liabilities once it's finished.

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Project timeline

Summer 2011: Complete preliminary design, prepare a request for proposals, draft an implementation agreement and obtain approval of 75percent of public agency funding.

Fall 2011: State Public Utilities Commission approval of proposed dam removal, river rerouting project and cost-recovery plan.

Summer 2012: Secure all funding, execute implementation agreement, execute a design-build contract and issue a notice to proceed to the contractor.

September 2012: Begin construction.

Fall 2015: Finish construction.

Source: Cal Am application to the PUC