

EXHIBIT 7-C

**DRAFT MINUTES
Special Meeting and Workshop
Board of Directors
Monterey Peninsula Water Management District
July 29, 2004**

CALL TO ORDER /ROLL CALL

The meeting was called to order at 7:00 PM in the Monterey City Council Chambers.

Directors present:

Alvin Edwards, Chair – Division 1

Larry Foy, Vice Chair – Division 5

Judi Lehman – Division 2

Kristi Markey – Division 3, *arrived at 7:10 PM*

Michelle Knight – Division 4

David Pendergrass – Mayoral Representative

David Potter – Monterey County Board of Supervisors, *arrived at 7:07 PM*

Directors absent: None

General Manager present: David A. Berger

District Counsel present: David C. Laredo

ORAL COMMUNICATIONS

No comments were directed to the Board.

Director Edwards announced that production from the Carmel River in the California American Water (Cal-Am) system was 6 acre-feet under the year-to-date at month-end target. He thanked Cal-Am and its customers, and golf course operators who delayed greens flushing operations for their conservation efforts.

CONSENT CALENDAR

1. **Consider Adoption of Resolution 2004-13 Approving a New Memorandum of Understanding between the Monterey Peninsula Water Management District and the Confidential Staff Bargaining Unit**
On a motion by Director Pendergrass and second by Director Foy, the Memorandum of Understanding was approved unanimously on a vote of 5 – 0. Directors Edwards, Foy, Lehman, Knight and Pendergrass voted in favor of the motion. Directors Markey and Potter were absent.

PRESENTATIONS

2. **California American Water/Monterey County Coastal Water Project**
On file at the District office is a presentation prepared by the project proponents. Fred Feizollahi, Senior Operations Engineer, California American Water was the first presenter. He spoke to slides 1 through 8. He emphasized the importance of community outreach and receipt of public input during the project development process. He noted that Cal-Am is interested in any sound idea and alternative that it determines to be better, cheaper, faster and more acceptable to the community than any other project.

Curtis Weeks, General Manager of the Monterey County Water Resources Agency, presented slides 9 through 12. He stated that design, cost and ratepayer information has not yet been developed, but could be brought before the Board when available. He explained that the goal of the public/private partnership is that the public would ultimately own the project. He noted that the Public Utilities Commission (PUC) has acknowledged that this will be a public asset that should be "captured in the public's hands." Mr. Weeks proposed that after the project has been designed, built and operated for a "relatively small number of years," the facilities could be transferred to the Monterey County Water Resources Agency. The public would then be responsible for the cost of operation and maintenance. Mr. Weeks said that he had conducted one meeting with David Berger of the Monterey Peninsula Water Management District (MPWMD) about bringing the MPWMD in as a third partner with the addition of an aquifer storage and recovery (ASR) component. He stated that a phased approach or modular design could be taken in development of the project, and that the initial phase would entail sizing of the pipeline.

Larry Gallery, Project Engineer for RBF Consulting, presented slides 12 through 33 related to the project description, environmental process, time line and permit coordination. He proposed preparation of a Proponents Environmental Assessment (PEA) as required by the PUC that would ultimately serve as a draft Environmental Impact Report (EIR). The plan is to utilize the existing Duke Energy (Duke) power plant seawater intake and outfall pipelines which have a current NPDES permit. Construction of a pilot plant could begin in January 2005 at the Duke site and would be operated for one year during the PEA preparation process. The coastal development permit could be obtained by the fall of 2006. Design and construction would follow. The goal of pipeline design is to align the majority of the pipelines within the railroad right-of-way to minimize environmental impacts. Operation of the desalination facility and Duke's power generation function would be fully integrated, so that Duke's normal operating hours would be unchanged.

3. **Pajaro/Sunny Mesa Community Services District Desalination Project**

Marc Del Piero, an attorney for the Pajaro/Sunny Mesa Community Services District (P/SM) was the first presenter who spoke on the North Monterey County Desalination Project. A copy of the presentation is on file at the District office. Mr. Del Piero reviewed slides 1 and 2. He explained that P/SM serves approximately 5,000 connections in Moss Landing and North Monterey County, including the former Alco Water Company service area. Presently only one well serves Moss Landing, and since seawater intrusion is a problem in the coastal area, P/SM began investigations a year ago into development of a seawater desalination project. P/SM has obtained a lease on the former National Refractories property and plans to utilize its intake and outfall facilities. Mr. Del Piero stated that the P/SM Board of Directors has indicated its willingness to work with the MPWMD or any agency interested in providing the best quality water for the lowest cost to constituencies in Monterey County.

Fred Neal, Senior Project Manager for P/SMs engineering consultant Kennedy/Jenks Consultants, presented slides 3 through 5. Pipeline alignment is currently in design phase, they propose both public and private right-of-way access. The private easements could be beneficial in overcoming some permitting issues. Utilizing Monterey County's railroad right-of-way could make the pipeline cost effective. The pipeline would end at the Seaside Basin because this project could be part of an overall plan to meet the water needs of Monterey County. One alternative is to utilize cooling water from the Duke plant in P/SM's desalination facility at the National Refractories site.

Val Frenkel, Principal Process Engineer for Kennedy/Jenks Consultants, presented slides 6 through 15, and reviewed the components of a desalination plant and process. The proposed pilot project will be open to the public and will simulate operation of a full-scale project. The quality of treated water will be tested, and brine discharge will be modeled and evaluated. The pilot project will utilize both conventional and integrated membrane reverse osmosis technology for pre-treatment, in order to determine which method will produce the best results. Mr. Frankel explained that using membrane technology, 5 gallons of desalinated water can be produced in one minute. The energy recovery process is an important factor in plant operation. Energy recovery occurs when the desalinated water is separated from the discharge water and brine. About 45 percent of the entire plant operation is recovered as energy that is used to operate the equipment. It allows the return of more than 90 percent of the discharge energy of the half-capacity of that water.

Marc Del Piero presented slides 16 and 17. He stated that P/SM would be lead agency for the desalination project. National Refractories has a permit to discharge 70 acre-feet of water per year from its outfall; however, a new NPDES permit will be required for brine discharge. One alternative is to utilize cooling water from the Duke power plant in order to reduce the environmental impacts of brine discharge. During the hours when Duke is not operating, the National Refractories intake and outfall could be utilized. Mr. Del Piero explained that P/SM must develop a desalination project to meet the needs of its constituents. He invited the MPWMD to partner with P/SM.

4. **Overview of MPWMD Desalination Concept in Sand City Area**

Henrietta Stern, Project Manager for the MPWMD, gave a presentation that is on file at the District office. She described the offshore and onshore horizontal directionally drilled (HDD) well technologies that were studied in Phase 1 of the District's studies of a Sand City desalination project. The proposed project would provide 8,409 acre-feet per year of water, and assumes a reduction in pumping from the Seaside basin of 500 acre-feet. Program level studies showed that the offshore HDD technology was determined to not be feasible in the Sand City area. It was also determined that offshore HDD disposal wells in the Fort Ord area would not be feasible and that an outfall pipeline might need to be constructed for brine disposal. Studies also concluded that radial wells and onshore HDD wells are feasible intake options. Other alternatives studied in the EIR are no project, a large aquifer storage and recovery project along with desalination, Carmel River Dam and Reservoir, and a desalination plant at Moss Landing as proposed by the Public Utilities Commission in the Plan B report. Ms. Stern noted that construction of the HDD and radial wells would change the flow of water through the shallow dunes in the Sand City area, which would adversely affect the operation of any small desalination plant that the City of Sand City may propose. The MPWMD's EIR is 95 percent complete, but the Board of Directors has not yet authorized the report to be finalized and distributed for comment. Ms. Stern reviewed the feasible desalination project options utilizing a combination of radial wells, onshore HDD wells and an ASR component.

5. **Update on MPWMD Seaside Basin Aquifer Storage and Recovery (ASR) Project**

Joseph Oliver, Water Resources Manager for the District, gave the presentation. A copy is on file at the District office. Mr. Oliver described the boundaries of the hydrologic subareas of the Seaside groundwater basin. He recounted the history of development of the ASR project and described the current status of the project. Since 1998, approximately 1,100 acre-feet of excess water from the Carmel River Basin has been injected into the Coastal area of the Seaside basin. Staff is developing plans and cost estimates for a second injection well. The District has also applied for permanent water rights for a long-term ASR project.

Question and Answer Period

The project proponents responded to questions from the Board, District staff and members of the public. Responses to the questions are recorded on Attachment A.

PUBLIC COMMENT PERIOD

The following comments were received from the public. (1) **Lou Haddad** asked that all project proponents present cost estimates. He suggested that in order to ensure that the cost estimates are realistic, each applicant should agree to post a bond to ensure they are within ten percent of the final cost of delivering water to the Cal-Am facilities. (2) **Jim Willoughby**, a resident of Pacific Grove, spoke in support of the North Monterey County Desalination Project, because he believes that Nadar Agha could develop the project within 18 months for half the cost of the Coastal Water Project. (3) **Al Spalino**, a resident of Monterey County, urged the Board to support the P/SM project because it could produce good quality water at a significant savings in cost to the consumer. (4) **John Fischer**, a resident of Pacific Grove, stated that a decision must be made soon on which project will be pursued to avoid a duplication in planning costs. Project operating costs must also be discussed. He urged all parties to get together and decide what should be done about the water supply problem. (5) **Heather Allen**, a resident of Monterey representing the Friends of the Sea Otter, stated that it would be inefficient to utilize antiquated cooling systems at the Duke plant as source water. Instead, she advocated the use of modern and efficient desalination technologies that would minimize project operating costs and harm to the environment. (6) **David Dilworth**, representing Helping Our Peninsula's Environment, advised the Board that before a decision is made, it should consider the distinct differences between the competing projects related to cost, time line, growth component, public ownership, and the opportunity for a public vote. (7) **Brad Damitz**, representing the Monterey Bay National Marine Sanctuary (MBNMS), recommended that any decisions made by the District regarding desalination undergo a comprehensive analysis of the environmental impacts including site specific and cumulative impacts. He noted that the MBNMS has determined that a regional approach to desalination is preferred, but no decision has been made yet as to whether that means one desalination plant for the region, or several small, well designed plants. (8) **Nadar Agha** stated that initially he contacted Cal Am about development of a desalination plant at the National Refractories site, but company representatives told him they were only interested in a project that would provide 10,700 acre-feet of water. He then contacted Marc Del Piero and soon after entered into an agreement with P/SM for a publicly owned and operated project. He expressed confidence in the ability of P/SM to develop a cost effective project. (9) **Conner Everets**, Co-Chair of the Statewide Desal Environmental Working Group, urged the Board to take enough time to analyze the projects completely. (10) **Robert Greenwood**, representing the Carmel Valley Association, asked if the North Monterey County Desalination Project would give the MPWMD first priority for the water produced from the project. (11) **Ray Worrell**, a resident of Monterey and former Cal-Am employee, noted that groundwater runoff at his property in New Monterey has filled a 1,500 gallon tank. He suggested that capturing runoff in that area could be a potential source of water for the community.

ADJOURNMENT

The meeting was adjourned at 11:20 PM.

David A. Berger,
Secretary to the Board

Attachment A

July 29, 2004 Meeting of the
 Monterey Peninsula Water Management District Board of Directors (MPWMD)

Questions and Answers re the Coastal Water Project and the North Monterey County Desalination Project

	Coastal Water Project	Responses from California American Water and Monterey County Water Resources Agency Representatives
	Questions asked by MPWMD Board of Directors	
1.	How soon will cost estimates be developed that will assess the impact on water rates?	Cost estimates are presently being developed. Do not have an answer at this time. Should have a response in a month or two.
2.	After permits are obtained, how long will it take to construct the desalination facilities?	Permits will be obtained by fall of 2006. The plant should be operational, including the pipeline within 2 to 2 1/2 years.
3.	Utilization of the intake and outfall at the Duke Energy (Duke) plant will adversely effect the Moss Landing Sanctuary environment. Will you upgrade the system in order to protect threatened organisms?	We propose to use the present intake and outfall, including the 316 permit and the NPDES permit for intake. Presently, detailed modeling of bring impacts to marine life are underway. Results show that the impacts of brine discharge are not highly measurable because the percentage of brine in the Moss Landing harbor intake water is naturally lower than that of the ocean water where the outfall is located. Ultimately, additional mitigations may be needed. The sooner the impacts and associated mitigations can be determined, the sooner we can figure that into the cost of the project. We are also looking at the feasibility of HDD wells, similar to the MPWMD proposal in order to mitigate the impacts from intake.
4.	What is the status of an Memorandum of Understanding (MOU) between Monterey County and Cal-Am. Would Monterey County consider working with Pajaro/Sunny Mesa Community Services District (P/SM)?	We hope to bring a framework of a substantive agreement between Cal-Am and Monterey County to the Board of Supervisors next month. Sometime in the future, one project should be selected. If we can build a better project that is cheaper and provides a solution, we are willing to work with P/SM or any other agency.
5.	Do you envision aquifer storage and recovery (ASR) as a storage component of your project?	ASR would function as storage for water that can be used during periods of peak demand. Also, if there is a power outage at the Duke Moss Landing power plant, water stored from ASR could be utilized. Reservoirs will be installed to mitigate such a situation, but ASR will also be needed.
6.	How much water would the desalination plant produce in the beginning stages of operation?	Approximately 1,300 acre-feet (AF) at the beginning. The first element will be 10,000 AF needed by the Monterey Peninsula. So the first increment of water will be 1,300 AF for the MPWMD, but if an emergency occurs the water could be pumped for treatment as a fall back.

Coastal Water Project	
Questions asked by MPWMD Board of Directors	Responses from California American Water and Monterey County Water Resources Agency Representatives
7.	<p>What is the timeline for your pilot project?</p> <p>The pilot plant could be built and operational by January 2005. It will operate for one year in order to analyze water quality results and meet other objectives. Cal-Am and Duke Energy will build that pilot plant.</p>
8.	<p>Do you plan to produce and deliver more water than the first increment of 13,000 AF? What do you foresee as full production?</p> <p>The engineering design and environmental review will include elements shown on slide 11 for ultimate delivery of 20,000 AF of water. Although the project is expandable to 20,000 AF, we must work with various jurisdictions and potential participating organizations to determine how big the transmission pipeline needs to be.</p>
9.	<p>If the first phase of the project will be 13,000 AF for the MPWMD, this District may pay for a major part of the research and development process and environmental review for the project. As the project is expanded to provide water to other users, how will the cost be adjusted?</p> <p>Some increments of the cost will have to be figured on a pro-rata share appointed to the subsequent stakeholders. A funding mechanism must be developed to insure those costs are not passed onto the MPWMD. The response to your question has not been fully developed yet.</p>
10.	<p>How were the demand projections for each future stakeholder shown on slide 11 developed?</p> <p>The MPWMD provided the demand projections they acquired from the jurisdictions regarding their future water needs.</p>
11.	<p>Will your cost estimates include the incremental cost paid by the MPWMD as compared to the other entities that will benefit from the project?</p> <p>That information will be developed in the future when discussions are conducted with other potential project partners.</p>
12.	<p>Will an Environmental Impact Statement (EIS) be required for the Coastal Water Project? If so, which federal agency would be the lead and when would that agency become involved?</p> <p>We do not anticipate the need for a NEPA document, but if one is required, the U.S. Army Corps of Engineers will be the lead agency. Though we may not need an EIS, the permitting process will be expensive, complicated and take a lot of work. We want this project in the hands of the public. The permitting process is the most daunting element of this project.</p>
13.	<p>How will you address concerns regarding interruptions in the California power grid. What provisions would be made to prevent interruption of service due to power outages?</p> <p>We propose construction of storage at the treatment plant and construction of a reservoir at the southern portion of the project. ASR would be a key component to deal with a power outage.</p>
14.	<p>Do you anticipate that the project will be required to obtain approval from the Monterey Bay National Marine Sanctuary?</p> <p>Yes, and we are moving in that direction.</p>
15.	<p>If it is determined that two projects cannot be developed at Moss Landing, why would your project be the best one to build.</p> <p>We have assembled a good team to develop a solution to the Monterey County's water supply problems. P/SM also has some good ideas and elements to their proposal. We will continue to move forward and bring you a well-designed, environmentally sound and economically feasible project.</p>
16.	<p>When do you anticipate filing an application with the California Public Utilities Commission (CPUC), and when will public hearings will be conducted?</p> <p>The application will be filed by August 30, 2004. Hearings have not yet been scheduled. The PEA will be submitted in March 2005 and then the CPUC will conduct its own CEQA process. Hearings will be conducted during that period.</p>

Coastal Water Project	
Questions asked by MPWMD Board of Directors	Responses from California American Water and Monterey County Water Resources Agency Representatives
17. When will you know if you have a commitment from Duke regarding use of their property for a full-scale project? What if they will not allow you to utilize their facilities?	We have discussed the pilot plant with Duke, and they have been agreeable to construction at their site. The agreement is in the final phases. Regarding the full-scale plant, Duke's major condition is that we should not impact its permitted intake and outfall. We have discussed this with the Regional Water Quality Control Board (RWQCB). We have agreed to take water out of Duke's outfall and re-inject it into that area. Our permit will be a separate permit with the RWQCB and will not impact Duke's permit. Duke wants assurance that the public supports the project, and that it is good for the community. We anticipate that Duke will agree to allow us to use their property when all environmental work is complete and approvals have been obtained. Until that time, they will proceed with negotiations in good faith. We do not anticipate that Duke will not allow us to utilize their site. We are also evaluating other sites.
18. What would be the role of Prudencia, the Spanish desalination specialist and RWE subsidiary, in your process?	Pridesa is one of the world's largest designer and operators of desalination plants. They have 40 plants in Spain and other parts of the world. Pridesa will provide technical expertise and system design for the project. We are working closely with Pridesa now on design of the desalination facilities, cost estimates and schedules.
19. The MPWMD has already undertaken environmental review of a desalination project in Sand City that could produce 8,000 acre-feet of water. How would construction of that project impact planning and development for the Coastal Water Project?	As we all collectively develop projects, there will come a time when we must make a choice. We must figure out which project solves the problem, is environmentally sound and cost effective for our constituents. The PEA will analyze a desalination plant at Sand City, supplemented by other plants so that we come up with the total water needed. We are also looking at a potential site in Marina that could utilize water extracted from wells in that field, possibly HDD wells, and brine would be discharged into the regional water treatment plant. You should advise us of other alternatives to consider in the analysis.
20. How would community support for your project be measured?	It will vary from jurisdiction to jurisdiction. In some cases, the boards of directors of water districts will express that support. In some areas, policy directors would make the decision. It is not clear if there will be a public vote.
Questions asked by Members of the Public	
1. Under what conditions would you cooperate with the MPWMD to finish the Sand City proposal?	We do not have a response to that. We are still working to determine the best project to meet community needs.
2. Do you want community support from the County of Monterey or Moss Landing?	In order for Duke to be comfortable with the project, we want support from all affected communities.

Coastal Water Project	
Questions asked by MPWMD Board of Directors	Responses from California American Water and Monterey County Water Resources Agency Representatives
3. What if Cal-Am purchases Duke?	One of the key elements of the Coastal Water Project is that it would be designed, built, operated and then transferred to the public. This project needs to be in public hands.
4. Can the State Water Resources Control Board (SWRCB) limit on production from the Carmel River basin be changed? Can we convince the SWRCB to modify Order 95-10?	(Response from David Laredo, MPWMD Counsel.) Theoretically, the SWRCB could change the order; however, there has been no indication from the SWRCB that it would change the production limit.
5. There are several public agencies involved with developing these desalination projects. How far into the future is public money being committed? The cost might be lower if a combination of projects was selected early in the process.	We must come to a decision as soon as possible so the cost can be minimized and a project can be developed.
6. What is the status of 2,964 AF of water set aside for Cal-Am on Table 13 of SWRCB Decision 1632?	(Question answered by David Laredo, MPWMD Counsel.) Decision 1632 granted the MPWMD water rights to construct the New Los Padres Dam. In Decision 1632, Table 13 recognized the priority of certain property owners to water rights if the dam were constructed and Carmel River flow conditions were met. Cal-Am is one of the applicants listed on Table 13. Those water rights can only be granted if flow conditions on the Carmel River are met or measures are taken to mitigate for the environmental impacts to the river caused by using that water right. Cal-Am has a place on Table 13 but does not have a right to use that 2,964 AF of water at this time.
7. Please clarify the meaning of the statement of slide No. 7, "item be supported by the relevant communities." Is this a vote of the people, city counsel, or mayors?	It will vary from jurisdiction to jurisdiction. Policy makers will make some of the decisions. There is still a huge amount of public outreach that must be done. It is not clear yet if there will be a public vote or not.
8. How long will the proposed new water supply project fulfill community needs? How long will it take to reach the capacity of the Seaside aquifer, and to replace water taken from the Carmel River?	We are planning to meet the water needs of existing lots of record and remodels in the MPWMD over a 20-year period. In addition, 2,400 AF is needed for the Fort Ord Reuse Plan and we could also provide water for other areas in Monterey County. MPWMD staff is better qualified to respond to questions about the Carmel River.
9. If Cal-Am and Monterey County form a partnership, who will pay for the project?	The cost of the project must be disclosed to the public. The ratepayers will be part of the equation for payment of the project. Cal-Am is working closely with Pridesa to identify project costs and those estimates should be available for review within one or two months.

	North Monterey County Desalination Project Responses from Pajaro/Sunny Mesa Community Services District Representatives	
<p>1. What measures do you plan to take to reduce the environmental impacts of seawater intake? Are you looking at HDD wells?</p>	<p>From the beginning of the process we have endeavored to minimize environmental impacts. The RWQCB approved the intake used by Duke for water to cool their operations. It is premature to assume that slant drilling would be the environmentally preferred method of intake at Moss Landing, since no analysis of that alternative at the Moss Landing Harbor area has been done. In addition, there may be issues related to groundwater rights of nearby property owners.</p>	
<p>2. What authorization do you have from your Board as follow-up to this presentation? What if Cal-Am approached you about a joint project?</p>	<p>P/SM is prepared to develop a joint powers agreement with the MPWMD. P/SM representatives have not met with Cal-Am representatives.</p>	
<p>3. What is the target production goal for the proposed facility?</p>	<p>We estimate 3,500 to 4,500 AF of water. We are interested in developing a project that meets the long-term needs of general plans and coastal plans, possibly up to 5,000 AF total. This project will require a permit for stream crossings at Moro Cojo and Tembladero sloughs, and drilling under the Salinas river. P/SM has easements for most of the crossings and has been offered easements on others. P/SM anticipates drilling under Tembladero Slough and the Salinas River because they have easements on both sides. The direct impact on the Salinas River will be minimal, and the stream alternation permit will be minimal.</p>	
<p>4. If the MPWMD did partner with you on construction of a project, would you build a plant as large as the proposed Coastal Water Project?</p>	<p>P/SM is prepared to build your desalination plant. Our planning began prior to Cal-Am's announcement of its project. We are prepared to work with the MPWMD if it is interested in resolving the water shortage by a method P/SM perceives as most cost effective.</p>	
<p>5. Does the P/SM sphere of influence include the Castroville artichoke growing area where there are large production wells that have been intruded with seawater? Has there been a discussion of developing a seawater desalination plant at the regional sewer plant utilizing its outfall?</p>	<p>No, those areas are not within the sphere of influence of this project. They are in the Castroville Water District. Those areas receive water from the Salinas Valley Water Project and the Monterey Regional Water Pollution Control Agency reclaimed wastewater project. The issue of utilizing the regional sewer plant has not been discussed with P/SM.</p>	
<p>6. If P/SM moved ahead on a project, how would it be financed?</p>	<p>Revenue bonds or certificates of participation would finance the project. If a joint project between the MPWMD and P/SM were developed, it would also be funded by one of those methods.</p>	
<p>7. If the MPWMD constructs the project proposed at Sand City to provide 8,000 AF of water for the Monterey Peninsula, how would that effect your ability to finance your project and provide additional water to the MPWMD needed for our growth factor?</p>	<p>The goal of P/SM is to meet the water needs of its constituents. Cal Am has had a legal obligation to remedy over-pumping in the Carmel River for the past ten years. The MPWMD must decide if it wants to fund and construct its project for 8,000 AF of water, and then spend another \$40 million to fund a pipeline that will bring an additional 2,000 AF of water from Moss Landing to the Monterey Peninsula.</p>	

North Monterey County Desalination Project Responses from Pajaro/Sunny Mesa Community Services District Representatives	
Questions asked by MPWMD Board of Directors	Representatives
8. How large a plant do you plan to build? Will it be constructed in phases?	The project could deliver approximately 21,000 AF if there is an agreement to work with your District. That would include four modules or trains.
9. Is ASR a component of your proposed project?	The MPWMD has a need for an ASR project. P/SM is only interested in delivering water to the area shown on the slides. If MPWMD has an ASR project, that is your responsibility.
10. What is the present condition of the National Refractories intake and outfall?	Both are permitted. The intake is operational. The outfall is used by the Moss Landing Marine Laboratory, but it is cracked and covered with a sleeve. The condition of the outfall must be addressed in terms of repairs, but the permit is in effect. The project must be approved by the Monterey Bay Marine Sanctuary as part of the NPDES process.
11. Has there been any discussion regarding a joint powers agreement between PSM, MPWMD, MCWRA and the Marina Coast Water District?	No, but we have spoken with general managers of the Marina Coast Water District and the Fort Ord Reuse Authority. Both indicated that P/SM should make presentations to their Boards of Directors.
12. Does the energy recovery component of the desalination project lengthen the construction period?	No.
13. Could you have a project operational within the same time line as projected for the Coastal Water Project?	A time line has not yet been developed. Costs are being developed.
14. This could become a regional project, so all parties should get together to discuss it. Do you have cost estimates?	Preliminary estimates are that the overall cost for 21,000 AF would be between \$135 and \$155 million, which would cover plant site improvements, the pipeline, regulatory processing, environmental consultants, engineering costs and legal fees. The actual costs cannot be determined until bids are received.
15. Are mitigation costs included in your preliminary estimate for the 21,000 AF project?	Until the size of the project is determined, the cost of mitigation measures cannot be accurately determined. The pipeline design was developed to reduce the need for mitigation measures.
16. Do you have a timeline as to when cost information will be available?	Once the plant size is determined, more information will be available.
17. What is the difference in the timeline between financing with certificates of participation and revenue bonds?	Normally the timing is similar. Detailed information can be provided by bond counsel.
18. Could you develop a timeline for the EIR process and other approvals similar to slide 17 presented by the Coastal Water Project proponents?	Yes.
19. Would the timeline be based on the date when a partnership might be developed?	If the MPWMD Board of Directors is interested in working with P/SM on that timeline, that could be done.
20. What progress will have been made one year from now?	Assuming PSM would be lead agency, and that a joint powers agency is formed, a certified EIR could be complete and hearings could be in process for the P/SM Board to authorize a project.

North Monterey County Desalination Project Responses from Pajaro/Sunny Mesa Community Services District Representatives	
Questions asked by MPWMD Board of Directors	No.
21. Will your project need an EIS?	No.
22. Is that because your pipeline is proposed to be placed underneath the Salinas River?	If you avoid the sensitive environmental areas, there is no need to prepare an EIS. The pipeline right of way has been designed so federal ESA issues are avoided.
23. If the California Coastal Commission and National Marine Fisheries Service will not allow the construction of two desalination projects at Moss Landing, why do you believe your project is best?	The water resources in Monterey County are public resources and should be administered by public agencies. They should be utilized for economic development and low-income housing at the lowest cost.
24. Are you saying that you plan a small project that could be enlarged if you have partners?	Yes.
25. Would drilling under the Salinas River in order to lay the pipeline extend the timeline of the project and increase the cost?	Part of the cost of the Coastal Water Project is to rebuild some of Cal-Am's existing pipelines. Our project will not be subsidizing that cost. Our pipeline is shorter. By drilling under the Salinas River we avoid three to five stream crossing permits. The cost to obtain environmental approvals for stream crossings could be higher than the cost to drill under the Salinas River. The underground pipeline will also be more secure and less likely to crack in the event of an earthquake than a pipeline that is hung under a bridge that broke in the 1989 earthquake.
26. If you size the plant to meet the water needs of the MPWMD, MCWD, the Fort Ord Reuse Authority and your commitments needs, how will that impact the existing NPDES permits? Is the NPDES permit sufficient to meet the combined demand of all jurisdictional needs?	The existing NPDES permit allows discharge of about 70,000 AF per year. The amount of intake is essentially the same as the outfall. Theoretically the present outfall would be sufficient to meet the combined needs. But an analysis has not been prepared.
27. Are you prepared to move forward on preparation of preliminary engineering studies, environmental review, and CEQA review for a larger project so that other districts could get information from those studies and come to a conclusion as to whether or not to partner with you?	Would your Board be willing to do that? P/SM may not want to spend money to design a project that a potential partner might walk away from.
28. If a water project is developed and the water is delivered into the MPWMD boundaries, what kind of control will the MPWMD have?	(Question answered by David Laredo, MPWMD Counsel.) The MPWMD is authorized by law to serve as owner or regulator. As owner, the MPWMD would be an operator and have a proprietary role either as owner of the desalination plant, mains or an ASR project. The ownership role could also be as a contracting party, so the MPWMD would buy the water from the project. Absent the ownership role, the MPWMD as regulator means that any operator of a water distribution system shall obtain a permit from the MPWMD before it extends or expands into our boundaries. For instance, importing water or expanding the supply within our boundaries would require a permit from the MPWMD.

North Monterey County Desalination Project Responses from Pajaro/Sunny Mesa Community Services District Representatives	
Questions asked by MPWMD Board of Directors	
29. Can the MPWMD finance a project that is outside of its boundaries?	(Question answered by David Laredo, MPWMD Counsel.) The MPWMD can finance our role in a project, as long as we are paying a pro-rata share.
1. Questions asked by Members of the Public Has the County of Monterey or any other agency provided you with criteria that will be used to judge which desalination project is preferred? Do you believe the process will be helped or harmed if clear criteria are not issued? How much longer can you go on without the cost information for presentation to the voters?	P/SM requested the opportunity to present our project to the MPWMD. Criteria have not been developed. We have a good idea about what the cost will be to build a project to meet the needs of our constituents. We have been dependant on other agencies to provide details on their water needs. The longer we continue in this manner, the greater concern we have about meeting the needs of our constituents.