EXHIBIT 7-H.3

Received Sept 14, 2004

MRWPCA WATER SUPPLY OPTIONS INFORMATION SHEET FOR URBAN REUSE PROJECT

DECISION ELEMENT

PROJECT YIELD

Meet Order 95-10? Not completely as this will only provide about 300 AFY to the Peninsula.

Future Mont Penin Needs: This project could expand to serve additional areas in Monterey and Pacific Grove in order to do more to help offset potable use. However, the initial project was set up to go only as far as the Lake El Estero area of Monterey, in order to keep the unit costs from getting too high.

Future Non-MP Needs: For the former Fort Ord portion of the proposed service area for this project, the Base Reuse Plan is what the project was originally designed to serve. However, developments are now being proposed beyond the Base Reuse Plan's projections, so there could be additional sites that will likely develop mainly in the former Fort Ord area which could also be served by this project.

TOTAL YIELD: 3,100 AFY (Phase I 1,727 AFY, expanded via Phase II to 3,100 AFY)

Yield Phasing to Mont Penin: 300 AFY to Peninsula sites under Phase I. No additional Peninsula sites currently included in Phase II.

PROJECT COST

Capital: Phase I - $19.0 million; Phase II - $14.5 Million; Total Phase I + II = $33.5 million

O&M per year: Phase I - $383,000 (estimate first year of operation in 2007); Phase II – about $600,000 (estimate first year of operation of Phase II about two years after start up of Phase I, depending on rate of progress of Base Reuse Plan developments)

Energy cost ($/kwh): Annual O&M costs cited above include estimated energy costs for each Phase based on a unit price of $0.11/kwh

Total Annual Cost: Phase I - $2.0 million/year; Phase II - $3.4 million/year

COST TO PENINSULA

Share of total project cost: Current financing concept is that all project costs including capital debt service and O&M would be paid for by the sale of water to customers.

How share determined: No cost sharing involved, only recycled water users pay for this project.

Cost sharing of existing vs. future ratepayers: Only users of recycled water would pay for this project, there would be no costs to others who only use Cal Am water.

Unit Cost ($/AF Cal-Am): No impact on Cal Am rates is anticipated due to this project.

Impact to Cal-Am Bill: None are anticipated as a result of this project.

FINANCING ASSUMPTIONS

Interest rate (%): 3% (this is the typical rate for SWRCB's State Revolving Fund (SRF) loans for this type of project.

Term (yrs): SRF loans have 20 year terms and this is what the financing is based upon.
Public vote required?: No
Grants (describe): None, just an SRF loan from the SWRCB.

TIMELINE

Draft EIR (and/or EIS): Programmatic Draft EIR for the "Regional Urban Water Augmentation Project", which includes this Project as one of the alternatives, has completed the public comment period, and the consultant is now preparing responses to the comments received.
Certify FEIR (EIS ROD): MCWD hopes to have the EIR certified by the end of calendar 2004, or in early 2005. As this is a programmatic level environmental document, project level environmental documents tiering off the programmatic level document would be required, for the selected water augmentation alternative. If urban reuse is the selected alternative, NEPA compliance will also be required, based on using the Draft and Final EIRs to the maximum extent possible.
The following dates are premised on starting up Phase I of the project in Fall of 2007 and starting up Phase II in 2009:
Obtain key permits: 2005
Secure financing: 2005
Secure ROW/property access: 2005
Start construction: 2006
Commence water delivery: Fall of 2007
Total time to water delivery: Approximately 3 years (2004 to Fall of 2007)

PERMITS/REGS

Federal Agencies: Corps of Engineers, U.S. Bureau of Reclamation
EIS needed? NEPA compliance will be required for this project, as this is a requirement from the U.S. Bureau of Reclamation for the loans made by that agency to help finance the existing reclamation plant. NEPA compliance would be pursued, based on using the Draft and Final EIRs to the maximum extent possible. It is not anticipated that a separate EIS will be required, as the EIR was prepared with the intent to fulfill most of the Federal environmental requirements.

Fed lead agency? May be the U.S. Bureau of Reclamation
Sanctuary permit? None expected to be required
State Agencies: DHS, RWQCB, Coastal Commission
CPUC approval? No
EIR lead agency: Still being determined, could be jointly between MRWPCA and MCWD.
SWRCB/Water Rights: N/A
Regional Agencies: MPWMD,
Monterey County: Public Works, Environmental Health, and Planning
Local Agencies: Cities of Marina, Seaside, Del Rey Oaks, and Monterey

SITE CONTROL

Confirmed site?: Yes, all treatment facilities required for this project are already in existence, and only pipeline and pump station rights of way (in public rights of way for the most part) will be needed.

Alternative sites? N/A

OPERATIONS/OTHER
Energy interruptions: At the recycling plant there is existing storage to provide recycled water supply during typical duration power outages. Since all water being delivered under this project is for landscape irrigation, short duration outages will not have an adverse impact, because irrigation can be resumed after the power has been restored. The pump stations which distribute the recycled water will have emergency generator hookups, to allow these stations to operate during longer power outages.

PROJECT PARTICIPANTS
MPWMD participation: None required, but this could potentially be integrated into the project sponsorship through agreement with the project proponents.
Other entities participation: None anticipated at this time.

PUBLIC INVOLVEMENT
Outreach programs: Public outreach would be performed once the project has completed the EIR process (now in progress) and is ready to enter the permitting, financing, and design phase. There are a number of golf courses in this area already being irrigated with recycled water (all the Pebble Beach courses, and the Pasadera, Laguna Seca, and Carmel Valley Ranch golf courses). Therefore, public outreach work associated with those projects can be used as a starting point for the public outreach neeed for this project. $200,000 is included in the Project budget for public education related to the Project.
DECISION ELEMENT

CAPITAL COST DETAIL
Urban Reuse
Treatment: No additional costs, treatment plant is already built and in operation.
Storage: Phase I - $1.27 million; Phase II - $6.82 million
Transmission Pipelines: Phase I - $13.93 million; Phase II - $7.30 million
Pump stations: Phase I - $3.59 million; Phase II - $0.38 million
Energy facilities: None
Urban Reuse SUBTOTAL

ASR COSTS: Storage costs shown above are based on using surface storage at the Armstrong Ranch site. ASR may be less costly but will need further evaluation to confirm that, so surface storage costs were used to evaluate alternatives.
RECYCLED WATER COSTS: All costs included above
OTHER WATER SOURCES: None required for this project

ADDITIONAL COSTS
All of the capital costs listed above include 15% allowance for engineering/legal/administrative and 10% on top of that for contingency. These markups are intended to cover all of the types of costs listed below.

Right-of-way: Included in costs above
Envtl review, permits: Included in costs above
Mitigation measures: Included in costs above
Engineering: Included in costs above
Construction Management: Included in costs above
Admin/legal: Included in costs above
Profit/other: N/A
SUBTOTAL: Included in costs above

TOTAL CAPITAL COST: Phase I - $19.0 million; Phase II - $14.5 million; Total = $33.5 million

O&M COST DETAIL (Annual O&M Costs-Not Including Debt Service on Capital Costs)
Energy: Phase I - $0.27 million; Phase II - $0.44 million
Facilities O&M: Phase I - $0.53 million; Phase II - $0.66 million
Mitigation O&M: None anticipated
TOTAL O&M: Phase I - $0.80 million; Phase II - $1.10 million

TOTAL ANNUAL COST (CAPITAL DEBT SERVICE* + O&M COSTS):
Phase I: $1.28 million + $0.80 million = $2.08 million/year, or about $1,200/AF
Phase II: $2.33 million + $1.10 million = $3.43 million/year, or about $1,100/AF
***Debt Service based on SRF loan for 20 years @ 3%**