

**EXHIBIT 17-B****David Berger**

**From:** Steve Kasower [skasower@ucsc.edu]  
**Sent:** Thursday, January 18, 2007 2:41 PM  
**To:** Steve Leonard; Rich Guillen; Ray von Dohren; Ray Corpuz; Joe Rosa; Michael Houlemard (Michael Houlemard); Fred Meurer; Linda G. McIntyre; Marc Lucca; Lew Bauman; Kelly Morgan; Keith Israel; Jim Colangelo; Dewey Baird (Dewey Baird (E-mail)); Dave Mora; David Berger; Eric Tynan; Curtis Weeks; Bruce Laclergue; Ron Langford  
**Cc:** Monica L. McCrary; Matthew Marcus; Lisa Walling; Diana Brooks; Deborah Cheng; Danilo Sanchez; Catherine M Borrowman; Brent Haddad; Eric Zigas  
**Subject:** Please Attend Our First Meeting  
**Attachments:** Articles of Collaboration FINAL DRAFT 1-18-07.DOC; Planning Milestones FINAL DRAFT 1-18-07.DOC; Meeting #1 Agenda FINAL DRAFT 1-31-07.DOC

Good Afternoon Water Colleagues,

On behalf of the Division of Ratepayer Advocates (DRA) of the California Public Utilities Commission (CPUC) and Diana Brooks DRA's Supervisor for Water Policy, we invite you to join us at our first Monterey Regional Water Supply Reliability Dialogue. We make this invitation to interested water supply and management agencies and municipal interests to participate in a unique project planning opportunity: to collaborate on a regional plan to develop reliable water supplies and water management programs in the Monterey area to benefit the publics in the region. That opportunity was based on the understanding: 1) that the Monterey area lacks reliable and adequate water supplies and 2) that the California American Water Company (Cal Am) was under a regulatory requirement to replace a 69% of its water supply derived from wells in the Carmel Valley.

Attached are three documents for your review:

1. An Agenda for the meeting on January 31
2. A document that describes how we might best collaborate and why DRA is sponsoring such a process
3. A document that provides you with a glimpse of the timing of accomplishment we should expect in order to successfully craft a beneficial and politically successful regional water reliability implementation strategy.

Please note that each of these document are "draft" versions. We are interested in your perspectives. Please review these documents and come prepared to discuss your perspectives.

We have reserved a meeting room at the University of California's MBEST Center for January 31, 2007 starting at 9:30 AM. We anticipate concluding shortly after noon. Please RSVP to Catherine Borrowman, Research Administrator, UC Santa Cruz at (831) 459-3288 or e-mail at cborrow@ucsc.edu. For technical questions concerning the dialogue process or DRA's role, please contact Diana Brooks at **Division of Ratepayer Advocates** (415) 703-1445 (office), (415) 250-5434 (cell) or DSB@cpuc.ca.gov.

Meeting Location:

**UC MBEST Center**  
 3180 Imjin Road, Marina, CA 93933

1/18/2007

Phone at the center is: 831.582.1020

From Highway 1: Take Reservation Road east through the city of Marina to the Imjin Road stop light (~ 3 miles from Highway 1). Turn left on Imjin Road. UC MBEST is the first set of buildings on the right, approximately 300 yards from Reservation Road.

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For driving directions, go to [MapQuest](#) and type in the UC MBEST Center address shown above.

Please do not miss this important meeting. I look forward to seeing you there.

Steve Kasower  
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## **DRA**

*Division of Ratepayer Advocates  
California Public Utilities Commission*

**Dana S. Appling, Director**

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January 18, 2007

**TO:** Monterey Area Regional Water Supply Reliability Collaborators

**FROM:** Diana Brooks, Division of Ratepayer Advocates  
Steve Kasower, University of California, Santa Cruz

**SUBJECT:** Draft Articles of Collaboration

On December 19, 2006, the Division of Ratepayer Advocates (DRA) of the California Public Utilities (CPUC), extended an invitation to interested water supply and management agencies and municipal interests to participate in a unique project planning opportunity: to collaborate on a regional plan to develop reliable water supplies and water management programs in the Monterey area to benefit the publics in the region. That opportunity was based on the understanding: 1) that the Monterey area lacked reliable and adequate water supplies and 2) that the California American Water Company (Cal Am) was under a regulatory requirement to replace a 69% of its water supply derived from wells in the Carmel Valley.

Cal Am has been pursuing the Coastal Water Project as the preferred alternative to its earlier plans to build a dam on the Carmel River. The CWP is based on the CPUC's "Plan B", a long term water supply contingency plan for the Monterey Peninsula that identified a desalination project and aquifer storage and recovery project as the preferred alternative to Carmel River Dam. Cal Am presently has California Coastal Commission approval to construct a seawater desalination pilot plant in order to begin to identify the most appropriate technological choices for an eventual desalination plant.

Recognizing that Cal Am was moving forward with getting the needed regulatory approvals for construction of its Coastal Water Project, and that perhaps a more economically beneficial array of projects and water management programs could be obtained by forging a collaboration with regional water supply interests, DRA proposed to facilitate a series of regional water supply planning dialogues and to include effected public and private entities.

Below we first address a number of questions that have been raised about this regional collaboration and second we propose a few "articles of collaboration" or "ground rules" for proceeding with the regional collaboration effort.

### **What Are Regional Water Supply and Water Management Program Alternatives?**

Regional water supply and water management programs are comprised of many supply and management components like shared supply distribution pipelines and region-wide aggressive conservation and water recycling programs and projects. A regional water supply project can include facilities that are wholly owned and operated by a single agency but have regional benefit through marketing contracts, or conversely owned and operated by a consortium of agencies or partners. Regional water supply projects do not have to be large-scale centralized facilities. Regional projects and programs must simply exhibit broad regional benefits or occupy a position as a component in a regional plan that, taken as a whole, has regional benefits. As such, DRA does not view the "regional" approach as requiring one centralized regional entity to implement. However, a Monterey Regional Water Resources Plan will require specific contractual and policy agreements in order to be implemented. Thus, components of a beneficial and feasible regional plan could very well be implemented through specific contractual relationships established between two or more affected project sponsoring agencies. It will be the aggregation of these specific project agreements that form the "regional" plan.

### **Why is DRA involved in this Regional Process?**

DRA is mandated by state law to represent and advocate on behalf of public utility customers to obtain the lowest possible rates consistent with reliable and safe service levels. DRA believes that more effective, cost saving, and regionally beneficial water supply and management opportunities could be feasibly implemented by regional collaboration than the CWP can deliver as Cal Am has proposed it. DRA further believes that through a regional collaboration, water projects and programs have a better chance to be implemented with more community support and minimal controversy. Conversely, DRA believes that in the absence of a regional collaboration Cal Am may have greater difficulty implementing the CWP. The CWP could face many obstacles along the way including legal and regulatory challenges, minimal public support, or other controversies. The potential risks associated with the CWP implementation may be substantially minimized through regional collaboration and concord. DRA's objective is to identify politically acceptable water supply projects and water management programs accompanied by implementation strategies that minimize such risks. Moreover, in order to accomplish this goal, Cal Am is a needed partner and must be integral to any water supply solutions that emerge from DRA's regional process. DRA believes that the present represents the most advantageous moment in Monterey history to find and implement a regional water supply solution.

### **What is the Expected Result of DRA's Regional Collaboration?**

DRA expects the participants to put together a regional reconnaissance-level integrated regional plan in collaboration with and with help from local Monterey area water supply and management agencies and municipalities. The plan will bring together many supply and management components and specify which agencies will take the lead on each project component and management program alternative. Cal Am must be integral to the process and to the solution. DRA expects that each agency will take the responsibility to introduce the project components to their governing boards, garner implementation approvals, and forge the coordinating project sponsoring and operating agreements needed to make their components of the regional project happen. Essentially, DRA expects the process to result in realized alternatives that are regionally beneficial plus leave Cal Am's ratepayers better off than they would be in the case of the Coastal

Water Project. Moreover, DRA expects that the regional approach will result in broader public benefits from reliable water supplies in the Monterey area as well as enhanced political and public will to successfully implement the regional solutions.

### **How Can Monterey Area Agencies Successfully Participate in DRA's Regional Collaboration?**

All agencies whose interests and responsibilities are in provision and use of water supplies in the Monterey area should be involved in the regional collaboration. To best accomplish a feasible and beneficial regional water supply reliability solution, agencies must be willing to perform a few basic collaborative functions during the regional collaboration process:

1. Each agency representative must come to the table with the willingness to pursue a more beneficial and reliable water supply for the Monterey region and should be authorized to make decisions or be able to gain governing board agreement from their agency to participate and potentially partner with other agencies in a project component. Moreover, agency participants should have the legal authority to implement some component of a regional plan. Moreover, each agency must maintain responsibility for determining what is in the best interest of their constituents, customers, or stakeholders.
2. Each agency must be able to examine regional solutions from the broadest regional perspective possible. In other words, each agency must be willing to seek the most optimal regional solutions irrespective of agency boundaries, previous project plans, organizational histories, or provincial animosities.
3. Each participating agency must limit the process dialogue and detailed debate to the schedule agreed to at the start of the process. (The "Draft Schedule and Milestones" document accompanies this "Draft Articles of Collaboration" document.) Once the schedule and milestones are established, participants agree to work toward the success within that schedule.
4. While DRA is not asking for cost-sharing relationships with local Monterey agency partners, DRA does hope that any technical planning analyses are needed will be done in collaboration with the agencies' technical staff and/or their consultants during this regional collaboration process.

### **How Do We Get Started?**

Please let DRA know of your agency's desire and willingness to participate and to attend the first Regional Collaboration Meeting, scheduled for January 31, 2007 at UC MBEST Center, located at 3180 Imjin Road, Marina, Ca. You may RSVP by contacting Catherine Borrowman at (831) 459-3288 or e-mail at [cborrow@ucsc.edu](mailto:cborrow@ucsc.edu).

For technical questions about the process and DRA's role, please contact DRA's representative

**Diana S. Brooks**

**Supervisor - Water Policy**

**Division of Ratepayer Advocates**

(415) 703-1445 (office)

(415) 250-5434 (cell)

**Meeting Location**

**UC MBEST Center**

3180 Imjin Road, Marina, CA 93933

Phone at the center is: 831.582.1020

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The group that will conduct analytical work, led by Steve Kasower might be called the Study Team. This group will be comprised of University of California, Santa Cruz Faculty, Staff and Students, CPUC, DRA Staff and Interns, and any local agency technical staff or consultants contributed to the process for specific analyses.

- Set an on-going meeting calendar (for example, the last Wednesday of each month).

### **Meeting #2 (February)**

Identify agency water demands and priority projects. We will hear from each agency about their water needs, current supplies and programs like conservation, conjunctive management, and recycled water uses.

- Brainstorm ways to creatively combine projects. We will entertain a collaborative discussion whereby we “cut and paste” projects, pipelines, and water management programs to serve the needs and demands that we identified earlier in the meeting.
- Identify flaws and controversies associated with each project. Discussion need to occur about the projects, and programs identified to help the Study Team understand what detailed evaluations need to be made concerning the overall project and program list.

### **Meeting #3 (March)**

- Review the status of the regional analytical work by the Study Team with discussion and suggestions by the group of participants.
  - Progress report and discussion of the demographic evaluation.
  - Discussion and presentation of analytical modeling tools being used by the Study Team to evaluate regional project components.
- Presentation by the team that is conducting the environmental analysis for the CPUC.
  - Presentation of their ongoing work.
  - Discussion of the confluence between the ongoing environmental analysis and the Study Team’s preparation of the “Regional Plan.”

### **Meeting #4 (April)**

- Status report of the regional analytical work by the Study Team with discussion and suggestions by the group.
- Discussion concerning the potential agreements that would need to be reached by project component partners. Individual roles that each agency could take in the regional project. Ultimately each agency will need to take the lead for their regional project components.

### **Meeting #5 (May)**

- Formulation of a regional project implementation strategy
  - Discuss partnership details that will form the basis of this strategy.
  - Identify relevant timing considerations and constraints?
  - Can we satisfy State Water Resources Control Board Decision 95-10?
  - Discuss public and stakeholder involvement initiatives for the regional strategy.
  - Identify the benefits that the group can bring to successful project implementation.
  - Identify what is needed to get Cal Am to adopt the regional project in lieu of the Coastal Water Project.

- Identify additional analyses needed for the success of the regional plan

#### **Meeting #6 (June)**

- Report on member agencies' agreements to implement components of the regional plan.
- Discussion of remaining implementation issues and analytical needs.
- Discuss the direction the group is going and identify any needed course corrections.

#### **Meeting #7 (July)**

- Review of continuing analytical work.
- Report on member agencies' progress on authority to commit to sponsoring components of the regional project.
- Discussion of additional analytical needs.

#### **Meeting #8 (August)**

- Review of new analytical work
- Status report from group members on their agency progress on authorities and agreements.
- Presentation of the Environmental Analysis by the team performing the work for the CPUC.
- Discussion of additional analytical work that is needed for the successful implementation of the regional plan.

#### **Meeting #9 (September)**

- Discussion of issues associated with actual implementation of regional project components.
- Discussion of additional environmental analysis needed to support the regional project strategy.
- Discussion of financing alternatives.

#### **Meeting #10 (October)**

- Identify a coordinated implementation schedule. What needs to be done by which agency to assure progress in the implementation of the regional plan?
- Identify additional analytical tasks and/or group member responsibilities

#### **Meeting #11 (November)**

- Review of plans, agreements, and reports.
- Discussion of what happens after the dialogue process is disbanded.
- Identify remaining issues that need attention and identify responsible agencies to work on them.

#### **Meeting #12 (December)**

- Last assignments before disbanding DRA's Study Team
- Perhaps we ought to have a celebration party in honor of our success? (Let us hope that success it is indeed!)





## DRA

*Division of Ratepayer Advocates  
California Public Utilities Commission*

**Dana S. Appling, Director**

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### **Monterey Regional Water Supply Reliability Collaboration Division of Ratepayer Advocates**

### **First Draft Meeting Agenda**

**January 31, 2007**

**Please Note Start Time of 9:30 A.M.**

**Location: UC MBEST Center**

3180 Imjin Road, Marina, CA 93933

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9:30 AM	Welcome and Introductions	20 Minutes
9:50 AM	Opening Remarks Diana Brooks, Division of Ratepayer Advocates, California Public Utilities Commission	10 Minutes
10:00 AM	Overview of Goals for Meeting #1 Steve Kasower, University of California, Santa Cruz Urban and Regional Water Research team	15 Minutes
10:15 AM	Discussion of Draft Articles of Collaboration concepts	45 Minutes
11:00 AM	Break	15 Minutes
11:15 AM	Discussion of Draft Monterey Regional Water Supply Reliability Planning Milestones	45 Minutes
Noon	Discussion of Next Meeting Date, Agenda (Proposed for February 28, 2007)	15 Minutes
12:15 PM	Adjourn	