

Darby Fuerst

From: Jim Heitzman [jheitzman@mcwd.org]
Sent: Monday, April 05, 2010 5:55 PM
To: Darby Fuerst
Subject: FW: for tonight's meeting - to be read

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From: Jim Heitzman
Sent: Monday, April 05, 2010 4:37 PM
To: Darby Fuerst
Subject: for tonight's meeting - to be read

MPWMD

There is no question that the Peninsula needs a new water supply project, and the Monterey Peninsula Water Management District board voted to support the regional project concept.

But we are dismayed to see a proposed agreement that places the financial burden on the Monterey Peninsula and takes unacceptable risks regarding how much water the Peninsula ultimately receives.

All parties should pay for the benefits received from a regional project, and it should be a source of water that we can count on for decades to come.

We urge you to support the following changes to the proposed agreement:

1. · Before committing to financing for this \$450 million project, test wells should be operated by an independent party for at least one year to better understand the freshwater/salt water mix, which affects how much water the Peninsula will receive.
2. · If testing proves promising, the project can proceed, but with a joint ownership agreement that grants partial ownership of project facilities to Peninsula customers in proportion to what they pay.
3. · The Marina Coast Water District should not have the option to seek to terminate the agreement after 34 years. Likewise, other termination provisions in the contract should be modified to give Peninsula customers more control.
4. · Expenses for the project should be subject to the Public Utilities Commission ratemaking procedures.

Here are our concerns with the agreement, written behind closed doors without Peninsula representation:

5. · The cost of project water would be at least \$4,000 per acre-foot, which Peninsula customers would pay. Marina Coast Water District would pay only \$149 per acre-foot.
6. · Marina Coast Water District and Monterey County Water Resources Agency will own the project facilities, but Peninsula customers would pay virtually all costs, including expensive maintenance. After 34 years, we could be told to find another water source, but they keep the facilities at no cost.
7. · The desalination plant relies on water pumped from the seawater-intruded Salinas Valley Basin, drawing a blend of fresh- and salt water. Because of state law, Salinas Valley Basin groundwater cannot be used south of Marina — whatever percentage is "fresh" water will go to Marina Coast and other basin pumpers. Proponents state that the percentage of fresh water won't exceed 15 percent, but there are indicators to the contrary. Let's do some test wells and find out.
8. · The agreement states that the amount of fresh water will be measured and averaged, but then says the amount of fresh water "shall be deemed not to exceed 15 percent during the first five calendar years." State law does not allow the parties to "deem" a fact which is nonexistent to circumvent legal requirements. If the percentage is 20 percent, then it is 20 percent; it cannot be "deemed" to be 15 percent. This is unenforceable. After five years there is no guarantee how much water goes to the Peninsula. This is critical for the reliability and cost-effectiveness of this project for Peninsula customers.
9. · If the project doesn't work as proposed, if there are delays in obtaining permits or if there are delays caused by litigation, any party can terminate the agreement. Upon termination, all facilities paid for by Peninsula remain in the hands of Marina Coast Water District and county Water Resources, free of charge.
10. · The agreement allows Cal Am to pass the project expenses onto Peninsula customers without review by the PUC. This means the Peninsula has given up its rights to challenge any costs associated with the project for the maximum term of the agreement, which is 94 years! This is worth a lot of money to Cal Am, which normally must prove the reasonableness of costs to the PUC before passing the costs to customers.
11. · A fair public process was not used. Marina Coast Water District, Cal Am and county Water Resources privately developed the agreement and didn't make it public until March 30. They plan to present the proposed agreement to the PUC judge April 7, giving local officials and the public six days to learn and understand what it means.
12. · The parties who would own the project are not accountable to the people who would pay for it.
13. · The proponents say Peninsula rates will "double," but it will be much more than that.

It is urgent that the Peninsula ask to be treated fairly. By standing together, we can obtain an equitable arrangement. If we do not object now, we will be stuck forever with the consequences of our inaction. We should ask that no agreement be approved until these critical issues are addressed.

Kristi Markey, Alvin Edwards and Judi Lehman are members of the Monterey Peninsula Water Management District board.

Bullet by Bullet Response to OP/ED Article in Herald written by Directors Markey, Edwards and Lehman

1. The issue raised is A. cost and; B. not trusting MCWRA: A. - \$450 million is a very worst case scenario used for shock value. B. - We do agree with using test wells but we don't agree that we cannot trust Monterey County Water Resource Agency so see no need for an independent party to operate wells.
2. The issue raised is joint ownership; Public agencies own it
3. The issue raised is termination: This was not to create an option to terminate after 34 years for MCWD but rather for CAW. The WPA provides for 6 automatic renewal terms of 10 years each (each, a "Renewal Term"). MCWD may provide CAW a "Non-Renewal Notice" at least 5 years prior to the end of either the Initial Term or any subsequent Renewal Term; provided, however, in order for a Non-Renewal Notice to be effective: a. CAW must have access to an alternative supply or supplies of Product Water; b. The alternative supply or supplies of Product Water must be in an amount equivalent to the CAW Allocation under the WPA (i.e., 10,500 less MCWD's Annual Allocation); c. The alternative supply or supplies of Product Water must be at an equal or lower cost than under the Regional Desalination Project; and 4. The alternative supply or supplies of Product Water must have been approved by the CPUC.
4. The issue raised is no PUC oversight: The expenses are subject to the PUC.
5. The issue raised: A. cost of water; and B. MCWD cost. A - \$4000/ac/ft is a high number which does not take into consideration any grants, lower interest rate public sector opportunities, savings from the bidding/construction climate, design improvements or any efforts to hold cost down. It is based on a worst case number. B - MCWD does not need the incidental groundwater that cannot be removed from the Salinas Basin but will commit to taking the water so it isn't just wasted. If there is another user who would like the water MCWD is happy that it goes to them. The rate payer of MCWD should not be burdened with paying more for their water, and thus subsidizing the CalAm rate payer, just because we agreed to help. This is a case of no good deed goes unpunished. The cost of taking groundwater, each year, will be proven by MCWD and that actual cost will be the agreed payment. This is another statement used out of context solely for shock value.
6. Several issues raised with A. ownership and B. being termination: A. - MCWD and MCWRA will own facilities. Those facilities will be providing water to CAW. Maintenance fees are always associated with the cost of water so this is just another statement with no sound foundation and used as a sound bite. B. - Again, MCWD cannot tell CAW to find another source of water.
7. The issue raised is test wells: Yes, let's do some test wells. Doing test wells has long been the idea.
8. The issue raised is ratio of ocean vs. inland water: The work around the ocean water/inland water ratio is the responsibility of MCWRA as per the Agency Act, given that, there are provisions in the WPA that make it possible for the Parties to seek the best supply water possible (i.e. saltiest supply water)
9. The issue raised is **if, if, if and more if's**: If the project doesn't work we stop the project and not waste the public's money. There will be no assets given to MCWD for free as stated in the article.
10. The issue raised is fees: This is between the PUC and CAW however both MCWD and MCWRA are committed to bringing the lowest cost possible.
11. The issue is public process: Local officials, including Director Markey and the Board of Supervisors, have had the agreement available to them for over a month. In addition, every party in the process, including MPWMD, was invited for a 2 day workshop to finalize the agreement which MPWMD declined to participate in. However, MPWMD did attend a large number of meetings in San Francisco that were used to go over the agreement. MPWMD had the ability to go over in detail the results of those meetings with their Board as often as they liked over the last 5 months. Also, MCWD provided a consultant for a two hour closed session meeting on Feb. 25th of this year to go over in detail the agreement with the Board of MPWMD.
12. The issue raised is accountability: We are all responsible to the public. CAW is held accountable by the PUC. The Advisory Committee can take issues forward and get an independent third party opinion on any matter. Neither MCWD nor MCWRA make a profit on the project so this statement is again for political purposes only.
13. The issue raised is water rates: CAW and the PUC will determine the rates, as always.