



**EXHIBIT 1-B**

**DRAFT MINUTES  
Special Meeting  
Board of Directors  
Monterey Peninsula Water Management District  
February 12, 2013**

The meeting was called to order at 6:03 p.m. in the District's conference room.

**CALL TO ORDER/ROLL CALL**

*Directors Present:*

David Pendergrass – Vice Chair, Mayoral Representative  
Brenda Lewis – Division 1  
Judi Lehman – Division 2 (Arrived at 6:07 pm)  
Kristi Markey – Division 3  
Jeanne Byrne – Division 4  
Robert S. Brower, Sr., -- Division 5

*Directors Absent:*

David Potter – Chairperson – Monterey County Board of Supervisors Representative

*General Manager present:* David J. Stoldt

*District Counsel present:* David Laredo

The assembly recited the Pledge of Allegiance.

**PLEDGE OF ALLEGIANCE**

The following comments were directed to the Board during Oral Communications. **(1) George Riley** submitted a packet of petitions signed by 1,800 persons expressing support for: (a) lowest cost for new delivered water, using public bonds; and (b) public ownership and financing of new desal facilities by a public partnership or public agency. The petitions are on file at the District office. **(2) Harvey Billig**, a resident of Carmel, submitted a letter that is on file at the District office and can be viewed on the MPWMD website. He questioned the feasibility of slant wells, and encouraged the Board to develop a contingency desalination project.

**ORAL COMMUNICATIONS**

**Director Lehman arrived to the meeting at the close of Oral Communications.**

On a motion by Director Byrne and second of Director Brower, the list of Board Committee Assignments was amended as proposed. The motion was approved unanimously on a vote of 7 – 0.

**CONSENT CALENDAR**

- 1. Consider Ratification of Amendment to Board Committee Assignments for 2013**

## GENERAL MANAGER'S REPORT

General Manager Stoldt reported the following. The Monterey Regional Water Pollution Control Agency (MRWPCA) voted to approve a 50/50 joint funding plan with the District to undertake CEQA work on development of a groundwater replenishment project (GWR). The District's portion of the funding will be provided by the Water Supply Charge. The District is completing Phase 1 of the Aquifer Storage and Recovery Project (ASR). The Water Supply Charge will replenish reserve funds that had been spent on ASR Phase 1. Planning for construction of a large backflush pit to serve the Phase 1 and Phase 2 ASR wells is underway. Ongoing activities include: water rights permitting, system wide production monitoring, Quarterly Water Supply Budget, Watermaster support, Integrated Regional Water Management Plan, preparation for potential allocation of any new water supplies, and the Pebble Beach Reclamation Project. The Water Supply Charge is an integral part of any public financing contribution to fund Cal-Am's proposed Monterey Peninsula Water Supply Project. The District continues to evaluate a contingency desalination project in case the Cal-Am project does not move forward.

### 2. Update on Development of Water Supply Projects

On a motion by Director Brower and second of Director Byrne, the Board recommended support for resizing Cal-Am's proposed desalination plant capacity to meet demand of 15,996 AF based on: 13,290 AFY representing 5 year average demand; 325 AFY Pebble Beach buildout; 500 AFY tourism bounce back; and 1,181 AFY for legal lots of record; and 700 AFY for Seaside Basin replenishment. The resulting revised facility size is 6,252 AF with groundwater replenishment, or 9,752 AF without groundwater replenishment. The motion was approved unanimously on a vote of 6 – 0. Directors Brower, Byrne, Lehman, Lewis, Markey and Pendergrass voted in favor of the motion. Director Potter was absent.

## ACTION ITEMS

### 3. Receive Public Comment on Consider Changes to Project Sizing by California American Water

The following comments were presented to the Board during the public comment period on this item. (1) **Walter Wagenhals** submitted a statement that is on file at the District office. He stated that pursuing a back-up plan is like playing for second place, and the District should "forget it." (2) **Dan Curan**, President of the Monterey Bay Chapter of the American Institute of Architects, referenced a letter dated February 11, 2013 that is on file at the District office. He requested that the project be sized to provide water for lots-of-record, Pebble Beach entitlements, and the economic rebound. In addition, the EIR should analyze the potential impacts of providing

water to satisfy the jurisdictions' General Plans. (3) **Dale Hekhuis** expressed support for expanding the project size to satisfy lots-of-record. (4) **Steve McNally**, Chair of the Monterey County Hospitality Association (MCHA), submitted a letter dated February 12, 2013 that is on file at the District office. He spoke in support of sizing a water supply project to provide water for lots-of-record and buildout of jurisdictions' general plans. The water supply project should not include ASR and GWR components. (5) **Debbie DiBenedetto**, Local Government Chair of the Monterey County Association of Realtors (MCAR), requested that the Board of Directors support: (a) the governance agreement developed by the Monterey Peninsula Regional Water Authority (Mayors JPA), and (b) the Monterey Regional Water Supply Project with additional capacity for legal lots-of-record and jurisdictions' general plan needs. (6) **Sam Teel**, member of the MCHA Board of Directors, expressed support for a large desalination plant. He opined that it would be unfair to the public to build a desal plant that is too small, which would eventually force the community into water rationing. (7) **Nelson Vega**, member of the Monterey Commercial Property Owners Association (MCPOA), urged the Board to support the positions developed by the Mayors JPA. (8) **Mark McDonald**, homeowner in Carmel, requested that the Board support a desalination plant that will provide water for home remodels. (9) **Safwat Malek** stated that owners of lots-of-record have the right to build on those lots. He explained that water for lots-of-record is not the same as water for growth. (10) **Rudy Fisher** expressed support for a desalination project revised facility size of 10,000 AF per year. (11) **Darryl Lipsand**, representing Community Hospital of the Monterey Peninsula, requested that the District support a Cal-Am desalination project that would provide water to meet the requirements of the jurisdictions' general plans. (12) **Jody Hanson**, representing the Monterey Peninsula Chamber of Commerce, urged the Board to support Cal-Am's proposed project. She stated that the community needs a project that will provide water for lots-of-record and satisfy the jurisdictions' general plans. (13) **Gretchen Fletcher**, an architect on the Monterey Peninsula for 30 years, said that water should not be the land use determinant. She asked the Board to support Cal-Am's project. (14) **John Narigi**, Co-Chair of the Coalition of Peninsula Businesses, submitted a letter dated February 12, 2013 that is on file at the District office. He expressed support for a 15,000 AF per year desalination project that would provide water for lots-of-record and general plan buildout. He recommended that a contingency desalination plant should be developed. (15) **George Riley** stated that water conservation may increase as water rates begin to rise. He recommended that the Board develop

guidelines for when water can be used for lots-of-record, which could be a step to avoid litigation. (16) **Rene Boskov**, General Manager of the Monterey Marriott, urged the Board to support the recommendation of the Mayors JPA. (17) **Mike Bekker**, Vice Chair of the Pacific Grove Chamber of Commerce, expressed support for Cal-Am’s desalination project with water for economic recovery and general plan buildout. (18) **Michael Waxer** reinforced the comments of Dan Curran. He asked the Board to show “compassion” towards owners of lots-of-record, and opined that current water users have contributed towards the water shortage, not owners of vacant lots. (19) **Jason Burnett**, President of the Mayors JPA and Chair of the JPA Technical Advisory Committee, urged the Board to support the governance agreement that was adopted by the Mayors JPA and the Monterey County Board of Supervisors. He reiterated that the Mayors support a water project sized to provide water for replacement and replenishment, lots-of-record, and economic rebound.

The Board agreed to consider this item as part of the discussion under agenda item 5.

Director Markey offered a motion that was seconded by Director Lewis, that the Board maintain its previous position that the desal plant should be publicly owned. If the Cal-Am project is selected by the CPUC, the District will fully support the conclusions outlined by the Monterey Peninsula Regional Water Authority and Conditions 1 – 8 of the Deliberative Document. The motion was approved unanimously on a vote of 6 – 0. Directors Brower, Byrne, Lehman, Lewis, Markey and Potter voted in favor of the motion. Director Potter was absent.

Director Lehman offered a motion that was seconded by Director Brower that the Board shall support Surcharge 2 (collection of Project Costs during construction) provided the monies collected fund tangible assets, but should the project result in stranded costs, the ratepayer contribution made by Proposed Surcharge 2 should not be at risk. The motion was approved on a vote of 4 – 2. Directors Byrne, Brower, Pendergrass and Lehman voted in support of the motion. Directors Markey and Lewis were opposed.

The following comments were directed to the Board during the public comment period on this item. (1) **Nelson Vega**, representing the MCPOA, urged the Board to support the position paper adopted by the Mayors JPA. (2) **George Riley** voiced support for the Deliberative Document adopted by the Mayors JPA because it focused on conditions that must be

4. **Additional Discussion of Proposed Surcharge 2 – Collection of Project Costs During Construction Period**
5. **Consider General Statement of Support for California American Water Application No. 12-04-019 to Construct the Monterey Peninsula Water Supply Project**

met. He expressed concern that if the Cal-Am desalination project is ultimately proved to be infeasible, the California Public Utilities Commission (CPUC) may not consider components funded by Surcharge 2 as stranded costs that require cost sharing between the ratepayers and Cal-Am. According to Mr. Riley, the CPUC has required that rate payers fund the cost of three previous failed projects. (3) **Dale Hekhuis** suggested that if the Board approves the Deliberative Document, it should be on a concept basis. He stated that the Deliberative Document should be modified, and that ratepayers will develop a set of conditions that is superior to the Mayors JPA document. (4) **Eric Sabolcise**, Director of Operations for California American Water, spoke in support of Surcharge 2 because it reduces the overall cost of the desalination project and the shareholders receive no profit from the surcharge. (5) **Paul Hart** representing the People's Moss Landing Project and a large number of land owners in the Salinas Valley. He recommended that before the Board expresses support for Surcharge 2, it should be sure that water rights are available for source water from the Salinas Valley. Further, the Board should find a way to force the issue of water rights early in the process to be sure ratepayer money is well spent. (6) **Jason Burnett**, Mayor of Carmel-by-Sea and Vice President of the Mayors JPA, advised the Board that if Cal-Am does not accept the conditions outlined in the Deliberative Document, the Mayors JPA will request that the CPUC require the company to comply with the conditions. He stated that Surcharge 2 should not be spent on development of high-risk slant wells, but should fund lower risk pipelines. (7) **Safwat Malek** stated that he does not see a requirement for full accountability and transparency for Cal-Am in the conditions set forth in the Deliberative Document. (8) **Harvey Billig** urged the District to develop a contingency desalination plan that does not rely on slant well intake. (8) **Bill Reichmuth**, Executive Director of the Mayors JPA stated that item 6 of the Deliberative Document requests that Cal-Am explore and advance alternative intake strategies if intake wells prove legally or technically infeasible. (9) **Skip Kaiser** opined that conditions outlined in the Deliberative Document are not enforceable. He urged the District to develop a contingency desalination project.

There was no discussion of the Informational Items/Staff Reports.

**INFORMATIONAL ITEMS/STAFF REPORTS**

**6. Letters Received**

The meeting was adjourned at 8:25 pm.

**ADJOURNMENT**

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Arlene M. Tavani, Deputy District Secretary

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