

**EXHIBIT 16-E**

**MEMORANDUM**

**TO: DISTRIBUTION**

**FROM: JOHN V. NARIGI  
COALITION OF PENINSULA BUSINESSES**

**DATE: MARCH 5, 2015**

**RE: PROPOSAL TO AMEND SWRCB ORDER WR 2009-0600  
(CARMEL RIVER CDO)**

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Attached are preliminary comments and questions developed by the Coalition of Peninsula Businesses. This should not be considered a final document.

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### Preliminary Comments

Cal-Am Proposal  
SWRCB Order WR 2009-0060 (Carmel River CDO)  
March 5, 2015

1. A 4 year extension of deadline is positive but we are concerned about no new connections or intensification of use until 2020; we are not sure what “new connections” means. Is allocated but as yet unused water intended for use a “new connection?” A few Cal Am customers have, through substantial investment, saved on water use with the expectation they would be able to use the freed-up water (water credit) for other uses; they should be allowed to use the water. This could freeze the community in commercial, residential and economic growth.
2. In the document we should intend to negotiate that some of the new supply (when it comes online) is allowed for new connections or intensification of use. Human practices promoting conservation during this period will certainly produce additional supply once the project is complete.
3. There is no mention of wet years. If a wet year produces a surplus, could it be carried over for dry year use, thus avoiding penalty?
4. We are concerned with the milestones. Are they doable, and is Cal-Am going to execute in a timely fashion? Can we actually handle the suggested penalties without seriously jeopardizing the economic health of the region? Currently we don't have an achievable rationing plan. Any “miss” would put us into rationing. Will Cal Am guarantee that shareholders, not ratepayers, will pay for fines and penalties if milestones are not reached? The specific details of the milestones and realistic affects they could have on the community and economy must be detailed out.
5. Some provisions in document do ask for modifications if project is held up by means other than Cal-Am's actions or failure to progress according to schedule. The project is already delayed 1.5 years plus due to state and local agencies being difficult and uncooperative with Cal-Am's and the community's efforts. Provisions need to be detailed to include local and state jurisdiction delays and delays from any legal proceedings filed. Obstructionists are forceful and well funded in this area. The agreement should acknowledge that SWRCB shall support Cal Am and grant relief based on uncontrollable acts by others.
6. We are concerned that the agreement ties in GWR; the challenge it faces makes it difficult for GWR to be completed. Issues relating to source water, water rights and critical ag support continue and are unresolved even after years of negotiations. GWR is not directly associated with Cal-Am or the actual desal project coming on line; the desal should be built larger and its production could be scaled back if and when GWR comes online. Cal Am does not control the GWR process.

## EXHIBIT 16-E

7. Progress depends on Cal-Am's construction of mitigation projects. There needs to be an independent professional review of Cal-Am's future schedule and obligations. The proposal is requesting our approval that all requirements of Cal-Am are executed as planned, yet there has been no independent confirmation that all requirements are completed and tasks required for future on schedule. This would include realistic assessment of any litigation or permit approval threats.
8. In presenting this doc, and if it is agreed to, are we foreclosing any future options? There are several pieces to this puzzle, tremendous amount of "must do's" for Cal-Am / numerous items that could affect the schedule and thus penalize Cal-Am and the community.
9. With an agreement in place, will legal action against the state still be an option? This is a right we cannot give up! Will an independent group be allowed to petition others at the state level with authority in an effort to get relief from the CDO and or move the project forward to accelerate the schedule and overall project, thus circumventing SWRCB and/or pressuring the CPUC.
10. As to the two graphs – Best Case / Worst Case. The worst case cannot be imposed. We suggest a more realistic graph of hitting 50% of the reductions. Analysis should be made of what affect that would have on our community, on the local economy, on local government, etc.?
11. Rationing is not an option for residential and commercial and especially the area's #1 industry and economic driver, Hospitality. Hospitality has done 95% of what can be accomplished, and further restrictions will affect the paying customer and will directly impact jobs, livelihoods and the local economy, with disastrous consequences.
12. To achieve cutbacks, if required, what will be required of the residential ratepayers? What does the actual rationing plan look like?
13. Real study and thought must be given to the unintentional consequences before this doc moves forward. It is essential that a detailed rationing plan with public input be developed before an amended proposal moves forward.
14. Seems odd, SWRCB cannot approve or otherwise aid in the solution to a new water source, yet they have the authority to discipline if milestone and timelines are not met.
15. Going forward, how does the procedure work between the state and Cal-Am? What is timeline for counter proposals? Will Cal-Am and the Authority determine a sub-committee to work with the content of modification requests with a goal to produce a revised version for approval by participating groups?
16. The area is 1,000 afy or more below the existing CDO cutback schedule; we should receive credit for this against any proposed cutbacks due to missing milestones and should be clearly stated in the amended proposal.

**EXHIBIT 16-E**

17. The Coalition of Peninsula Businesses is willing to serve and requests to be a party to future discussions and any committee work as it relates to any proposal to SWRCB on the amended proposal or the development of a rationing plan.

Brief Comments\_Cal-Am Proposal