

Submitted by Jody Hanson
at 11/16/15 Board Meeting
Item 22

Coalition of Peninsula Businesses

A coalition to resolve the Peninsula water challenge to
comply with the CDO at a reasonable cost

*Members Include: Monterey County Hospitality Association, Monterey Commercial Property Owners Association,
Monterey Peninsula Chamber of Commerce, Carmel Chamber of Commerce, Pacific Grove Chamber of Commerce,
Monterey County Association of Realtors, Community Hospital of the Monterey Peninsula,
Associated General Contractors – Monterey District, Pebble Beach Company*

November 16, 2015

Kristi Markey, Chair, and Members of Board of Directors
Monterey Peninsula Water Management District
5 Harris Court, Bldg G
Monterey, California 93940

Delivered by hand at Board meeting

Re: Agenda Items 20, 21, 22

Dear Ms Markey and Board Members:

Points on items 20, 21, 22 on MPWMD agenda 11-16-15

The Coalition of Peninsula Businesses - which comprises all the organizations and entities listed above - was a participant in the 2013 settlement agreements that established the size of the Monterey Peninsula Water Supply Project (MPWSP) and more importantly established the nine criteria Groundwater Recharge (GWR) must satisfy in order to be considered a part of MPWSP and reduce the size of the desal plant portion of MPWSP.

Since Item 22 is the only item requested actions, we strongly recommend deferring any action or budgeting authorization until 1) all the questions surrounding GWR have been answered and 2) a source of funding has been identified to pay for additional costs on the GWR project.

We are most concerned at this point about the ninth criteria which says: "(9) the revenue requirement for the combination smaller plant/GWR is just and reasonable compared with the larger plant. A revenue requirement premium for the combination smaller plant/GWR may be just and reasonable if the combination affords significant benefits (including scheduling, diversification of water supply, and environmental benefits) over the larger plant." The draft Water Purchase Agreement (included as an exhibit with Item 21), which is nowhere near complete or finalized, mentions no costs or other important details, especially the costs for water to be delivered to consumers. As written, the WPA constitutes a "blank check" from Cal Am to cover all GWR capital and operational costs. How can this possibly be consistent with the ninth criteria?

Item 20 mentions that the required cost comparison "prepared by the District" was shared with Cal Am prior to today and will be shared with MPRWA TAC and MPWMD Board tonight. How can the interested public provide any meaningful comments or analysis on a cost comparison they did not see until a few minutes ago? Further, Item 20 states the so-called "triple

bottom line” study of the estimated monetary value of various GWR “externalities” is not expected to be done until “the end of the year.” How can any cost comparison be made if the study of the estimated value of externalities is not available?

Item 21 includes a discussion of water availability/delivery guarantees (WPA sections 12 and 13). Based on the draft Water Purchase Agreement, the minimum annual water available to Cal Am for use by customers is 2,800 AF. Does this mean the desal plant will be sized to avoid water shortages in the event the new minimum of 2,800 is available? Or for the one-year minimum of 1,800 AF? What assurance does anyone have that the source water flows into the GWR plant will be sufficient and sustainable to meet the drinking water availability guarantee? What assurances does anyone have that the reserves the District intends to create can, in fact, be created and in the time frame mentioned?

Item 21 also deals with the possibility of breach (WPA section 19), failure of PUC approval (WPA section 26) and insurance (WPA section 27). There are a number of unanswered questions regarding failure to perform and how GWR capital costs and operating costs will be covered in the event of any failure, whether through insurance or additional taxes. Without answers to these important questions, meaningful comment is impossible except to note this: if anything goes wrong, the residents and businesses on the Peninsula will be stuck with the bill no matter what. That directly contradicts the ninth GWR criteria in the settlement agreement which seeks to assure the ratepayers will not have to shoulder any unnecessary financial burden associated with GWR.

Item 22 asks the Board for permission to spend “unbudgeted funds” to accelerate GWR progress from “unidentified” sources. It would be the height of irresponsibility and fiscal folly to do this.

Thank you for your consideration of our concerns. The Coalition has always supported the GWR project as a stand-alone, supplemental water supply project.

Very truly yours,



John Narigi, Chair