



Supplement to 6/20/16 MPWMD Board Packet

Attached are copies of letters received between May 7, 2016 through June 10, 2016. These letters are listed in the June 20, 2016 Board packet under Letters Received.

Author	Addressee	Date	Topic
Marc Weiner	David J. Stoldt	6/1/2016	State of California Model Water Efficient Landscape Ordinance
Todd Bodem	David J. Stoldt	6/1/2016	State of California Model Water Efficient Landscape Ordinance
Dave Potter	Dave Stoldt	5/20/2016	Congratulations – Public Official of the Year
Thomas Howard	Ron Weitzman/ cc: MPWMD	5/11/2016	Questions re SWRCB Order WR 2009-0060 (Cease and Desist Order)
Jason Burnett	California Public Utilities Commission/ cc: MPWMD	4/4/2016	Comments on Tiered Rate Structure

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City of Carmel-by-the-Sea

COMMUNITY PLANNING AND BUILDING DEPARTMENT
 POST OFFICE DRAWER G
 CARMEL-BY-THE-SEA, CA 93921
 (831)620-2010 OFFICE

June 1, 2016

Mr. David J. Stoldt
 General Manager
 Monterey Peninsula Water Management District
 5 Harris Court, Building G
 Monterey, CA 93940

REC'D
 JUN 06 2016
 MPWMD

Subject: State of California Model Water Efficient Landscape Ordinance

Dear Mr. Stoldt:

We understand that the City of Carmel-by-the-Sea had until December 1, 2015 to adopt the State's Model Water Efficient Landscape Ordinance or adopt its own ordinance, which must be at least as effective in conserving water as the State's Ordinance, or conversely had until February 1, 2016 to adopt a regional ordinance. If the City did not take action on a water efficient landscape ordinance by the specified dates, the State's Ordinance would become effective by default.

This letter is to inform you that the City of Carmel-by-the-Sea wishes that the Monterey Peninsula Water Management District adopt a regional ordinance, undertake the Landscape Documentation Package review, and perform the required annual reporting to the State.

The City will retain authority over, and provide review of, any Grading Design Plan element of a Landscape Documentation Package. The City will also remain responsible for review of any jurisdictional-specific landscape design requirements, as well as compliance with the Monterey Regional Stormwater Management Program.

The City will inform its planning and building department staff of the District's MWELO ordinance and provide a copy for public review in City offices.

Sincerely yours,

Marc Wiener
 Acting Planning and Building Director

Compliance Guide for Landscape Documentation Package

- Prior to construction, the City shall direct the project applicant to the District website or offices for the ordinance and procedures for permits, plan checks, or design reviews.
- The District shall review the Landscape Documentation Package submitted by the project applicant. If a grading plan is required, the applicant will be sent to the City for review and approval.
- The District will approve or deny the Landscape Documentation Package.
- The District will issue a permit or approve the plan check or design review.
- The applicant must record the date of approval of the permit, plan check, or design review in the Certificate of Completion.

Elements of the Landscape Documentation Package

- 1) Project information (Date, applicant name, address and parcel number, total landscape area, project type, source of water supply, checklist of all documents in the Package, contact information, signature/date with statement "I agree to comply with the requirements of the water efficient landscape ordinance and submit a complete Landscape Documentation Package.")
- 2) Water Efficient Landscape Worksheet with hydrozone information table and water budget calculations for Maximum Applied Water Allowance (MAWA) and Estimated Total Water Use (ETWU).
- 3) Soil management report.
- 4) Landscape design plan.
- 5) Irrigation design plan. And
- 6) Grading design plan

In the alternative, many projects will qualify for "prescriptive compliance" and may utilize the "simple checklist." Applicants should consult the District ordinance and guidelines.



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June 1, 2016

Mr. David J. Stoldt
 General Manager
 Monterey Peninsula Water Management District
 5 Harris Court, Building G
 Monterey, CA 93940

Subject: State of California Model Water Efficient Landscape Ordinance

Dear Mr. Stoldt:

We understand that the City of Sand City had until December 1, 2015 to adopt the State's Model Water Efficient Landscape Ordinance or adopt its own ordinance, which must be at least as effective in conserving water as the State's Ordinance, or conversely had until February 1, 2016 to adopt a regional ordinance. If the City did not take action on a water efficient landscape ordinance by the specified dates, the State's Ordinance would become effective by default.

City Hall
 1 Sylvan Park,
 Sand City, CA
 93955

Administration
 (831) 394-3054

Planning
 (831) 394-6700

FAX
 (831) 394-2472

Police
 (831) 394-1451

FAX
 (831) 394-1038

Incorporated
 May 31, 1960

This letter is to inform you that the City of Sand City wishes that the Monterey Peninsula Water Management District adopt a regional ordinance, undertake the Landscape Documentation Package review, and perform the required annual reporting to the State.

The City will retain authority over, and provide review of, any Grading Design Plan element of a Landscape Documentation Package. The City will also remain responsible for review of any jurisdictional-specific landscape design requirements, as well as compliance with the Monterey Regional Stormwater Management Program.

The City will inform its planning and building department staff of the District's MWELo ordinance and provide a copy for public review in City offices.

Sincerely yours,

Todd Bodem
 City Administrator

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MONTEREY COUNTY



THE BOARD OF SUPERVISORS

MONTEREY COURTHOUSE - 1200 AGUAJITO ROAD, SUITE 001, MONTEREY, CALIFORNIA 93940

DAVE POTTER

SUPERVISOR - DISTRICT FIVE
(831) 647-7755 - FROM MONTEREY
(831) 755-5055 - FROM SALINAS
(831) 667-2770 - FROM BIG SUR
(831) 647-7695 (FAX)
e-mail: district5@co.monterey.ca.us

May 20, 2016

KATHLEEN LEE
CHIEF OF STAFF

REC
MAY 31 2016
MP/WMD

Dave Stoldt
P.O. Box 85
Monterey, CA 93942-0085

Dear Dave,

I would like to take this opportunity to congratulate you on being named Public Official of the Year by the Pacific Grove Chamber of Commerce! You should be proud of the work you have done with the Monterey Water Management District. It has been my pleasure to collaborate with you on a number of issues such as management of the Carmel River, Pure Water Monterey, regional desalination project and many conservation efforts. Being the longest standing member of the Monterey Peninsula Water Management District I take great pride in the work that we have accomplished together and I look forward to further collaboration as we solve the Peninsula's water issues. As the recipient of the Chamber's 2015 Public Official of the Year, I know what an honor it is and I would like to thank you for your commitment to serve the community and hope that you continue the course for many years to come.

Sincerely,

Dave Potter
Dave Potter
Fifth District Supervisor
County of Monterey



State Water Resources Control Board

MAY 11 2016

Mr. Ron Weitzman
Water Plus
23910 Fairfield Place
Carmel, CA 93923

Dear Mr. Weitzman:

QUESTIONS REGARDING STATE WATER BOARD ORDER WR 2009-0060 (CEASE AND DESIST ORDER)

This letter responds to your emails dated April 15 and May 1, 2016 to the State Water Resources Control Board (State Water Board), regarding Cease and Desist Order WR 2009 0060 (CDO) issued to California American Water Company (Cal-Am). You requested that the State Water Board clarify the consequences associated with failure to comply with the December 31, 2016 deadline in the CDO, and suggest that the State Water Board eliminate the CDO deadline.

As you know, Cal-Am filed an application with the State Water Board to revise the CDO under Water Code section 1832 on November 29, 2015. Cal-Am then filed a revised application on April 29, 2016. Cal-Am is requesting an extension of the CDO schedule until December 31, 2021, to allow for time to develop the Monterey Peninsula Water Supply Project and the Pure Water Monterey Project. The initial and revised applications and all communications received regarding them are available at:
https://www.waterboards.ca.gov/waterrights/water_issues/projects/california_american_water_company/index.shtml.

Because this is a pending matter coming before the State Water Board, it is not possible to discuss the potential effects of changing the CDO, or of leaving it unchanged, outside of a public forum. The Cal-Am CDO itself is the best source for understanding its terms, including the deadline you inquired about. It is available on our website at:
https://www.waterboards.ca.gov/waterrights/board_decisions/adopted_orders/orders/2009/wro2009_0060rev.pdf.

Regarding your questions about the impact of any potential violation of a CDO, the following information may prove helpful. In general, state law provides for maximum penalties for violation of a CDO of up to \$1,000 per day of violation in most years, and up to \$10,000 per day of violation and \$2,500 per acre-foot of water diverted in certain drought years. (Wat. Code, § 1845.) Penalty amounts can vary based on consideration of all relevant circumstances. (*Id.*) The State Water Board is also authorized to enforce the terms of a CDO. (*Id.*)

FELICIA MARCUS, CHAIR | THOMAS HOWARD, EXECUTIVE DIRECTOR

1001 I Street, Sacramento, CA 95814 | Mailing Address: P.O. Box 100, Sacramento, Ca 95812-0100 | www.waterboards.ca.gov

Mr. Ron Weitzman

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Administrative or judicial hearings are available to alleged violators of a CDO prior to additional enforcement actions regarding CDO compliance. (*Id.*, Wat. Code § 1055.) The State Water Board does not determine whether any enforcement penalties would be recoverable from ratepayers. It is our understanding that the California Public Utilities Commission would determine whether such recovery is warranted.

The State Water Board's experience has been that the best solutions to complex water supply and public trust issues result from engagement of a wide range of interested parties, and we welcome your input and involvement in the decision whether or not to amend the CDO, and under what terms. By mid-May, the State Water Board will release an anticipated schedule for any additional comments and for deliberations at a public meeting this summer.

If you have any procedural questions, please call Mr. John O'Hagan of the Division of Water Rights at (916) 341-5368 or John.O'Hagan@waterboards.ca.gov.

State Water Resources Control Board
Division of Water Rights
Attn: John O'Hagan
P.O. Box 2000
Sacramento, CA 95812-2000

Sincerely,


Thomas Howard
Executive Director

cc: See next page.

Mr. Ron Weitzman

- 3 -

cc: Robert MacLean, President
California American Water Company
1033 B Avenue, Suite 200
Coronado, CA 92118

Ken Lewis
California Public Utilities Commission
c/o Environmental Science Associates
550 Kearny Street, Suite 800
San Francisco, CA 94108

Monterey Peninsula Water Management District
5 Harris Court
Monterey, CA 93940

Monterey Peninsula Regional Water Authority
City of Monterey
580 Pacific Street
Monterey, CA 93940

City of Pacific Grove
300 Forest Avenue
Pacific Grove, CA 93950

Pebble Beach Community Services District
3101 Forest Lake Road
Pebble Beach, CA 93953

Joe Minton
Planning and Conservation League & PCL Foundation
1107 9th Street, Suite 901
Sacramento, CA 95814

Rita Dalessio
Larry Silver, Esq.
Sierra Club, Ventana Chapter
P.O. Box 5667
Carmel, CA 93921

Roy L. Thomas, D.D.S.
26535 Carmel Rancho Blvd, Suite 5-A
Carmel, CA 93923

Kevan Urquhart
David J. Stoldt
Monterey Peninsula Water Management District
P.O. Box 85
Monterey, CA 93942

Mr. Ron Weitzman

- 4 -

The Honorable William W. Monning
Seventeenth Senate District
Monterey District Office
99 Pacific Street, Suite 575-F
Monterey, CA 93940

Coalition of Peninsula Businesses
P.O. Box 223542
Carmel, CA 93922

Via E-mail Only:
Larry Silver
larrysilver@earthlink.net

Monterey Bay Partisan
calkinsroyal@gmail.com

City of Carmel-by-the-Sea

POST OFFICE BOX CC
CARMEL-BY-THE-SEA, CA 93921
(831) 620-2000

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

MAY 25 2016

MPWMD

April 4, 2016

To the California Public Utilities Commission (CPUC):

It is our understanding that under prior CPUC decisions California American Water (CalAm) is authorized to collect a total amount of revenue from the Monterey system to cover the fixed costs of providing water. Water rates were set equal to the authorized revenue divided by the projected water use. In recent years the community has done a good job conserving water with the result that actual water use has fallen short of the projected use. As the total amount of water use has fallen, the rates have not changed so the total revenue collected has also fallen. This in turn has meant that the actual collected revenue has fallen short of the authorized amount.

CalAm states this revenue shortfall is approximately \$40 million through the end of 2014 and does not include the additional approximately \$10 million shortfall in 2015. This shortfall will likely continue growing until addressed. CalAm has proposed an increase in customer water bills over an extended period of time to pay for this revenue shortfall and associated interest costs. The CPUC is considering this request.

This situation is frustrating to many in our community who have done a good job conserving, yet the "reward" for doing so is higher rates. This frustrating scenario is due to the underlying economics and is admittedly somewhat unavoidable. Most of the costs of running a (public or private) water system are fixed and therefore those costs do not go down as people use less water. Those fixed costs end up being spread over fewer gallons of water sold, and therefore the cost per gallon must increase. This economic dynamic is inherent in an industry dominated by fixed costs and there is very little that can be done. Across the state, water agencies both public and private are being forced to raise rates to cover the revenue shortfall caused by water conservation due to the drought.

Rather than arguing against the economics, productive discussion should involve the rate structure and the ratemaking process at the CPUC. Both have exacerbated the revenue under-collection problem.

Currently the rates and the rate structure are fixed by the CPUC after a lengthy process. As the state entered the drought, everyone could easily predict the revenue under-collection phenomenon would occur yet there wasn't any way to adjust rates without going back through another prolonged CPUC process. This meant that the problem grew and now stands at more than \$40 million, something that may need to be financed over a period of years and, due to financing charges, increases the costs further.

It does not have to be this way. The rates approved by the CPUC could easily have an automatic and periodic adjustment that would take into account the amount of water consumption. As the community enters a drought and water consumption decreases, the rates per gallon would increase (although it is worth noting that the total amount spent on water would actually decrease because some costs are variable). This formulaic automatic adjustment would avoid a small and predictable problem growing into a much larger problem, would provide for a shorter recovery period, and would allow ratepayers to pay the current cost of service. It would, however, reduce CalAm's profit potential since it would not have an opportunity to earn interest on financing a larger revenue shortfall. It is our understanding that a similar mechanism has worked in the electricity sector for many years.

The tiered rate structure further exacerbates the problem. As tier 4 and 5 water users conserve, the revenue impact is far greater than if tier 1 and 2 water users conserve (10 times larger comparing tier 1 to tier 5). We have seen the number of tier 5 users shrink over time, reflecting that the tiered system is working as designed and incentivizing those largest water users to conserve. The rate impact, however, is substantial as the rest of the water users see their bills go up to compensate for fewer high price gallons being sold in tier 5.

This does not need to be the case. The tiers currently are defined as a particular level of consumption per person. As the whole community conserves, the number of tier 4 and 5 water users goes down and the number of tier 1 and 2 water users increases. Between 2007 and 2015, water usage in the 5th tier declined by 73%. An alternative rate design could define the tiers by a percentile. For example, the 5th tier could be the 90th percentile water user and above, the 4th tier the 80th percentile, etc. This system would automatically adjust as the community conserves, keeping the number of water users in each tier the same.

These two changes, taken together, would reduce the under-collection issue in the future. Steps should be immediately taken by CalAm and the CPUC to address future under-collection problems so that we do not find ourselves in the same situation in the next drought.

However, these two changes would only help reduce the under-collection issue going forward, but the issue of paying the \$40 million shortfall would remain.

CalAm's proposed solution appears problematic for three reasons. First, CalAm proposes to finance the shortfall through a blend of 53% equity and 47% debt. This results in a blended interest rate of 8.41% and approximately \$40 million of financing charges over the 20 year period. We would like the CPUC to consider shortening the financing period so that the revenue shortfall could be financed through commercial paper rather than expensive debt and equity.

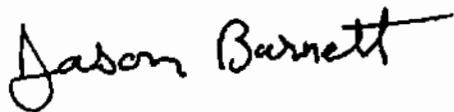
In California Public Utilities Commission decision 08-10-019, the commission reiterated that "there are no explicit statutory guidelines for our decisions regarding interest rates, and we have broad flexibility in reviewing the facts of a particular situation and broad discretion to make appropriate findings of fact and conclusions of law...these factors provide a rational basis for our adopted interest rate." Therefore, the CPUC should also consider whether the equity rate of return should be set at a fixed amount (currently up to 9.99%), or whether it should be set to a fixed amount above inflation (as measured by the CPI, for example). In other words, should CalAm's potential rate of return be set in nominal terms or real terms? This question should be asked for all returns on equity, not just any equity to pay down the revenue shortfall.

Second, even if longer term financing is necessary in order to avoid near-term rate shock, we would like to see a blended financing package wherein the earlier years are financed with commercial paper even if the later years need to be financed with debt and equity.

Third, if some equity is required to finance the revenue shortfall, it should not receive the same rate of return as revenue used for construction of projects. The risk associated with equity used solely for financing purposes is much smaller than the risk associated with equity used for project development and therefore should not command the same interest rate.

Thank you for your attention to this issue. We stand ready to answer any questions you may have.

Respectfully,

A handwritten signature in black ink that reads "Jason Burnett". The signature is written in a cursive, flowing style.

Jason Burnett, Mayor of Carmel-by-the-Sea

CC: Monterey Peninsula Water Management District
California American Water, Co.
City of Monterey
City of Pacific Grove