



EXHIBIT 1-B

**DRAFT MINUTES
Special Joint Meeting
Board of Directors
Monterey Peninsula Water Management District (MPWMD)
and
Monterey Peninsula Regional Water Authority (MPRWA)
October 16, 2017**

CALL TO ORDER/ROLL CALL

The meeting was called to order at 5:30 pm in the MPWMD conference room.

MPWMD Directors Present:

Robert S. Brower, Sr. – Board Chair – Division 5
Andrew Clarke – Vice Chair – Division 2
Brenda Lewis – Division 1
Molly Evans – Division 3
Jeanne Byrne – Division 4
Ralph Rubio – Mayoral Representative
Mary Adams – Monterey County Board of Supervisors Representative

MPRWA Directors Present:

Bill Kamp – President – Mayor City of Pacific Grove
Ralph Rubio – Vice President – Mayor City of Seaside
Mary Ann Carbone – Mayor City of Sand City (arrived at 5:35 pm)
Steve Dallas – Mayor City of Carmel-by-the-Sea
Jerry Edelen – Treasurer – Mayor City of Del Rey Oaks
Clyde Roberson – Mayor City of Monterey

PLEDGE OF ALLEGIANCE

Mayor Kamp led the assembly in recitation of the Pledge of Allegiance.

ADDITIONS AND CORRECTIONS TO AGENDA

No action taken.

ORAL COMMUNICATIONS

Tom Rowley, Monterey Peninsula Taxpayers Association, recommended that the number of voting members on the MPWMD Board of Directors be increased to include representation from each jurisdiction within the District. He suggested that, if representation on the MPWMD was expanded the MPRWA could be disbanded.

INFORMATION ITEM

1. Water Use by Jurisdiction – Last 10 Years
David Stoldt, MPWMD General Manager, reviewed information provided in the staff note on this item that included data through 2016. Stoldt noted that a preliminary estimate of water

consumption in 2017 had been developed which indicated a decline as compared to 2016. When the information is finalized, it would be distributed to the jurisdictions.

Stoldt responded to questions from the directors and stated the following. (a) The decline in water consumption in unincorporated Monterey County was greater than in other jurisdictions. That may be attributable to the tiered rate structure that caused a reduction in outdoor watering and installation of water efficient landscaping. No comments were directed to the Boards of Directors during the public comment period on this item.

DISCUSSION ITEM

2. Long-Term Water Supply for the Peninsula – Where do we stand and where are we going?

- **Summary of recent Monterey Peninsula Water Supply Project testimony. (Demands, supply need and interim supplies. Where do future general plan needs come in?)**

Stoldt stated the following in response to questions from the directors. (a) Regarding page 8 of the packet, Summary of PWM Project Expansion Scenarios, costs were developed by Kennedy Jenks Engineers. Costs for the 10 mgd plant reflect operation in the winter months and construction of additional wells and infrastructure. (b) Regarding page 6, assumed production from ASR of 1,300 acre-feet – this production is not drought proof. If conditions are optimal, ASR could produce 1,600 acre-feet of water when a new pipeline is completed. That water could accumulate and be used as a drought reserve, but when depleted that resource would not be available. The District supports a 6.5 mgd desalination plant because a reliable, drought proof source of water is needed to meet the health and safety needs of the community.

Comments from Directors: (a) Regarding Exhibit 2-A, Summary of September 2017 CPUC Testimony, Demand Issues - the project should not be sized to meet the average of demand during drought years. That is an artificial level of demand which leaves the community in a state of water poverty. (b) In the next 50 years the population of California could increase to 68 million people, who all have a right to visit the coastal areas. As we move beyond the long-standing water poverty mentality, we should consider that there may be different needs for water in the future. (c) A minimum 20% contingency buffer is needed in order to meet health and safety concerns. (d) The water supply project must be sized to meet future needs – it can't be sized based on current needs. We should be planning for 20 to 50 years into the future. (e) A discussion on general plan buildout must begin as soon as possible. There is no plan to provide water to replace lost landscaping or build on vacant lots. The Pure Water Monterey (PWM) project is more expensive, but if additional wastewater can be purified and injected into the aquifer, the State Water Resources Control Board should allow that water for growth. The advantage is that, theoretically, by increasing the size of PWM, we could achieve zero discharge to the bay. (f) Agreements must be negotiated with agricultural interests, before a commitment is made on expansion of PWM. (g) The State Water Resources Control Board (SWRCB) required Cal-Am to study slant well intake, and to develop a project that would triple water rates. (h) Settlement agreements specify that the project is to address over pumping of the Carmel River, provide for bounce-back, and water for lots of record. Those agreements were reached in order to avoid lawsuits. It does not appear that we have been successful in avoiding lawsuits. If we look to planning for 50 years into the future, it would not be helpful to stop now. We do have a diversified portfolio. (i) We have made an effort to work with Marina Coast Water District. If the project is stalled, the price of water will only increase. (h) If the slant wells pump water that is 90 percent saline, and the remaining 10 percent was from Marina, possibly when the water is desalinated, 20 percent could be returned to the Marina area. It would take cooperation and communication, working together towards that goal.

Comments from the Public: (a) **Michael Baer** stated that contingency planning should begin for future water sources which could include expanded ASR from Salinas River water, and incentive programs for rainwater capture and greywater recycling. It is not necessary to size the project now to meet water needs for the next 50 years. There are other things that could happen in the next 50 years to expand our water supply. (b) **Tom Rowley** stated that the water poverty situation has caused a decline in the lifestyle of residents. He expressed support for a legislative effort that would expand the MPWMD Board of Directors to include a voting representative from each city. He asserted that the Peninsula needs a reasonable amount of water, and that the ocean could provide an inexhaustible supply of feed water for a desalination project. (c) **George Riley** expressed concern that the City of Marina was not represented at the joint meeting. He described Marina as the community most heavily impacted by the proposed desalination project. Mr. Riley stated that Cal-Am's desalination proposal is the most expensive water supply option, and that other less costly options could be pursued. He proposed that the most affordable options should be prioritized. (d) **Michael Warburton**, Public Trust Alliance, agreed with Mr. Riley that the City of Marina and the Marina Coast Water District are players in solving the urban water supply and demand in the Monterey County area. He stated that the entire capacity of the proposed desalination plant is one percent of the annual use on the Salinas River. He asserted that water belongs to the public, not to the farmers. He proposed that the legal environment for water supply in California has changed; there is now a human right to water and the Sustainable Groundwater Management Act. He stated that Monterey should take into consideration the new legal environment. (d) **John Narigi**, Coalition of Peninsula Businesses, noted that the organization submitted testimony expressing support for a 9.6 MGD desalination facility. He stated that the hospitality industry hopes to increase occupancy by 5 to 10 percent in ten years, and that the industry has implemented extensive water conservation measures. Narigi said that the Coalition supports PWM as a supplemental source of water, and that the true need is a plan for the future, not a source for replacement water. (e) **Cathy Biali**, Marina resident, stated that responsible public agencies plan for a water portfolio that is diversified with the least expensive sources making up the majority of the portfolio. Ms. Biali said that the slant well technology proposed for this project has not been proven successful. In addition, the Salinas Valley groundwater basin is critically overdrafted, and the proposed desalination project takes mostly groundwater from that basin without a water right. She urged the Directors to refrain from committing ratepayers to an unbalanced water portfolio, and that they assess the enormous cost of the lawsuits that would be brought against the project.

- **CPUC schedule and SWRCB milestones/penalties under the CDO. How will it really work?**

Stoldt referenced page 21 of the meeting packet – CPUC Schedule for Monterey Peninsula Water Supply Project, and page 22 – State Water Board CDO Milestones for MPWSP Progress. He responded to questions from the Directors. (a) If all sources of water: ASR, PWM, Sand City desal project, and legal production from the Carmel River, were totaled – it would exceed the effective diversion limit; however, the State Water Resources Control Board would not credit the ASR total because it will be considered an offset to production from the river. (b) Receipts from the premium penalties would be placed in a balancing account which would ultimately be returned to ratepayers as an adjustment to their water rates. (c) If the SWRCB did reduce the effective diversion limit from the Carmel River by 1,000 AF, the District could consider taking legal action in opposition to the reduction.

Comments from Directors. (a) Hypothetically, with 2,345 AF from ASR, 3,500 AF from PWM, 3,376 AF from the Carmel River and production from the Sand City desalination plant, community needs could be met under certain circumstances, but not in the long term. (b) Drinking hypothetical water still leaves a person thirsty. That scenario would be successful under good weather conditions, but conditions vary from year to year. We have pledged to support environmental values and I find it distressing that we have so much opposition to that. At some point when our own dysfunction comes back to effect the community, who will we blame? Likely Cal-Am, but it will be our fault. The SWRCB was determined to hold our feet to the fire in order to unite the community. However, the SWRCB has also empowered project opponents because every obstacle requires Cal-Am to redouble their efforts despite the cost to the community. The penalties due to the opposition and our inability to move ahead ultimately will rest on the community. The water poverty and economic consequences of failure to achieve any alternate water solution are a double penalty. Cal-Am has no other choice but to move ahead on the MPWSP, unless somebody can pull together a very clear, distinct alternate plan. The SWRCB has put us on an unalterable path. (c) It does not make sense to ration school teachers, gardeners, nurses and other ratepayers in order to accelerate approval of a project that is beyond the control of the ratepayer. (d) When a CEQA lawsuit is filed on the project, what is the contingency plan? That is what I would like to hear from this joint meeting of agencies. I hope that we can conduct a joint meeting again. Legal counsel should provide a determination on this question: if we reached the point at which the community would be penalized, could the mayors declare a state of emergency. *Response from Stoldt – we could request a waiver of penalty, explore declaration of a state of emergency, or request a contingent Certificate of Public Convenience and Necessity that says you have permission to build the project, but if you are mired in litigation then you can expand PWM – and then come back with an advice letter filing to build a desalination plant. This does not give you permission to build both projects, because there has been no environmental assessment of that option. You could get the water you need to relieve yourself of the CDO, but it would not be enough for the long-term planning horizon.*

Public Comment: (a) **George Riley** stated that Cal-Am could pursue the option of a desalination project at Moss Landing or another alternative. You should ask Cal-Am to study that option. The litigation risk would be avoided with the Moss Landing project option. You should ask Cal-Am what options they have to avoid litigation. (b) **Michael Baer** referenced page 2 of the meeting packet, chart titled Residential Vs. Non-Residential Consumption. He noted that 65.8 percent of water is residential use, yet residents do not have a seat at the table – they are not part of the decision making process. (c) **Michael Warburton**, Public Trust Alliance, noted that people are conserving water, and more water is available due to sustainability requirements in agriculture. People are and can develop better ways of sharing water. Warburton noted that the law allows for another settlement mechanism called the supplementary environmental project. He explained that when water projects intersect with environmental effects, administrative liability can be set aside for an environmental program. Incentives should be aligned towards settlement rather than litigation. (d) **Pat Venza**, resident of Monterey, urged everyone to pressure the State and let agencies know that it is not fair to the ratepayers of the Monterey Peninsula that they must pay for research and development costs of the slant wells proposed for the desalination project. (e) **Dan Turner**, resident of Monterey, stated that Cal-Am is only interested in increasing its profits and does that by spending as much money as possible. He described the SWRCB as a paper tiger, and said that it does not want to fine the ratepayers, and it will not cut-off our water. He proposed that we must get rid of Cal-Am, and that there will be no new water supply with Cal-Am. (f) **Ed Smith**, City Council of Monterey, urged the public to rally behind the MPRWA and

recognize the leadership role the mayors have taken. He stated that it is time to have a collective voice at the State level, to support the project that is at the head of the line, and to end the attack on Cal-Am.

- Water allocation process going forward – history, method, timing
No discussion.
- How can our agencies best support each other in advancing our missions, and meeting the needs of our community? (Includes review of mission statements of each agency.)
No discussion.

ADJOURNMENT

The meeting was adjourned at 7:05 pm.

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