



EXHIBIT 1-B

DRAFT MINUTES Water Supply Planning Committee of the Monterey Peninsula Water Management District March 13, 2012

Call to Order

The meeting was called to order at 10:30 am in the District's conference room.

Committee members present: Bob Brower, Chair
Jeanne Byrne
David Pendergrass

Staff members present: David Stoldt, General Manager
Larry Hampson, Senior Water Resources Engineer
Joe Oliver, Water Resources Manager
Rachel Martinez, Community Relations Liaison
Arlene Tavani, Executive Assistant

District Counsel present: David Laredo

Comments from the Public

No comments.

Action Items

- 1. Adopt Minutes of February 15, 2012 Committee Meeting**
On a motion by Pendergrass and second of Byrne, the minutes were adopted unanimously on a vote of 3 – 0.
- 2. Develop Recommendation to the Board re First Reading of an Ordinance that would Establish an Alternate Mechanism for Collection of User Fees**
Development of a recommendation was deferred to the April committee meeting. Staff provided information to the committee on the Proposition 218 process for establishment of a user fee and responded to questions.

Discussion Items

- 3. Discuss Recent Developments/Actions at Cities' JPA and March 5, 2012 Meeting with City Managers**
Stoldt submitted for committee review the agenda and staff reports from the March 8, 2012 meeting of the Monterey Peninsula Regional Water Authority (Cities' JPA). He noted that at the meeting, one lengthy topic of discussion was goals for the Cities' JPA such as: (a) should the Cities' JPA evaluate all desal project alternatives or should the

focus be the soon-to- be-released proposal from California-American Water; and (b) should the Cities' JPA support development of a project that provides water for legal lots of record and general plan growth. During the committee discussion, one director noted that the Cities' JPA will not promote a project that will provide water to meet growth anticipated in jurisdictions' general plans. Also, the Cities' JPA Technical Advisory Committee is tasked to develop a recommendation to the Cities' JPA on a preferred project, and that recommendation is due prior to April 23, 2012 when Cal-Am will release its proposal.

4. Discuss Materials and Presentation for March 14, 2012 Public Water Forum

The committee reviewed the presentation and provided the following comments: (a) criteria for establishing water demand should be included; (b) focus on the District's multi-project approach to water supply; and (c) place emphasis on the fact that the District's Aquifer Storage and Recovery project is operational, and that planning is underway for a groundwater replenishment project.

5. Draft Capital Improvement Plan

Stoldt submitted a draft Capital Improvement Plan for committee review and discussion. He noted that this information will be provided to the consultant preparing a rate study for the Proposition 218 user fee process. Stoldt stated that this plan can be accomplished if the District gets a new revenue source and Cal-Am pays additional mitigation costs. He was asked to change the title of one item from Water Supply: Replenishment of Reserves Utilized for ASR, to Repayment of Advancement on ASR Projects.

Progress Reports

6. Update on Water Projects 1 and 2, Aquifer Storage and Recovery (ASR) – Status of Injection Operations

Oliver reported that projections of Carmel River flow indicate that flow may be sufficient to begin injection by the end of the week. The Phase 2 site at Seaside Middle School is ready to be utilized for that purpose. It is possible that the Phase 1 site could be utilized for water extraction. Cal-Am can distribute the extracted water to its customers at no cost to the company. There was a suggestion from the committee that the Operations Agreement with Cal-Am be modified to include a fee for use of water produced by the ASR project. Oliver reported that the addendum to the Environmental Impact Report on the ASR project should be submitted for approval at the April 16, 2012 Board meeting.

7. Update on Water Project 3, Local Desal within District Boundary

Hampson reported on development of a desalination plant at the abandoned City of Monterey wastewater treatment plant site owned by the U.S. Navy. He stated that the Navy will allow up to 125,000 square feet of the site to be used for desalination facilities. The three-acre parcel should of sufficient size for a project. There is a complicated procedure for development of projects on Navy-owned land. The first step is for Navy staff to prepare a white paper on the proposed desalination project. District staff was requested to contact the Navy and obtain a timeline for completion of the white paper. Hampson noted that he is aware of an open-ocean intake method used in Australia that might be effective for use in the Monterey Bay. He will follow-up with regulators on the intake method.

8. Update on Monterra Ranch Pipeline Right-of-Way

Stoldt announced that he has a meeting scheduled with Monterra representatives Michael Waxer and John Williams, and he will also meet with John Kilpatrick, Engineering Manager for Cal-Am's Coastal Division.

Suggestions from the Public on Water Supply Project Alternatives

No discussion.

Other Items

Stoldt reported that the proposed Memorandum of Understanding between the District, Monterey Regional Water Pollution Control Agency (MRWPCA) and Cal-Am on development of a Groundwater Replenishment Project was originally intended to be a three-way agreement. However, there has been discussion about development of two agreements, one between the District and MRWPCA and another between the District and Cal-Am. Consensus of the committee was that a three-way agreement should be pursued.

Set Date for Next Committee Meeting

The meeting was scheduled for April 9, 2012 at 9 am in the District conference room.

Adjournment

The meeting was adjourned at approximately 11:50 am.