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SEP 17 2012

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Distributed at 9/17/12
Board Meeting
Item 15



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September 17, 2012

Chair Dave Potter and Members of the Board
Monterey Peninsula Water Management District
5 Harris Court, Building G
Monterey, CA 93940

RE: Item 15 – DISCUSS AND RECOMMEND DISTRICT POSITION ON CAL-AM
APPLICATION REGARDING GOVERNANCE, OWNERSHIP, AND FINANCE

Dear Chair Potter and Members of the Board,

LandWatch reviewed the staff report for item 15, and we have the following comments.

LandWatch has long supported public ownership of any desalination facility on the Monterey Peninsula. In 2009 LandWatch co-wrote and advocated for the Hybrid Regional Plan in which we supported public ownership. In March of 2012 LandWatch updated our Hybrid Regional Plan and said, "A desalination facility should be publicly owned and financed. It has been estimated that a publically financed facility could be many millions of dollars less expensive over a 30 year period than one that is privately financed. This is due to the fact that the return provided by the California Public Utilities Commission to regulated utilities is approximately twice the rate for financing by municipal bonds."

The Updated Hybrid Plan goes on to say, "The Monterey Peninsula Water Management District which is directly elected by the voters within the Cal-Am service area should be the managing agency for developing and overseeing the overall program. Individual components of the program should also be developed by public agencies. The agency to develop the desalination facility is still unclear with several options available including a project by the Monterey Peninsula Water Management Agency, a joint effort by Cal-Am and the Monterey Peninsula Water Management District, The People's Desal Plant, and the Deep Water Desal project."

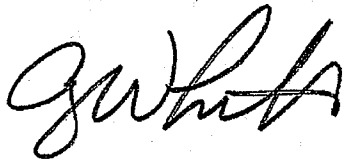
As noted on page 4 of the staff report, "...the District stands ready, able, and willing to serve in that role and provide the leadership to procure, build, and operate a facility and sell water to Cal-Am through a wholesale water purchase agreement." District ownership makes it unnecessary to separate governance from ownership since the two would be one and the same. It is the only alternative presented by staff that would assure direct accountability to ratepayers.

The governance alternative supported by the Water Supply Planning Committee assumes that the Cal-Am desal project will be the selected alternative and appears to buy into that project. The proposed governance structure would not be directly accountable to the public and ratepayers and is more or less a reiteration of the structure that was proposed for the failed Regional Project. Because there are still so many unanswered questions about the CalAm project, it is premature for the District to select an alternative for the proposed governance structure other than direct ownership by the District. Unanswered questions include groundwater rights and the County Ordinance requiring public ownership.

LandWatch hopes the District advocates for public ownership of any desal proposal. Especially with the Cal-Am project given that Cal-Am is proposing to have today's rate-payers pay for the project with no stake in governance or ownership through Surcharge 2. Surcharge 2 is the increase in rates over the next 5 years that is intended to raise \$99 million in construction funds, and to get the ratepayers use to paying higher rates so there is less rate shock when the desal project goes on-line. This form of financing would have no interest cost to Cal-Am since it would just be paid in up-front. LandWatch believes if ratepayers are providing \$99 million in free financing, it should get public ownership to that extent, vested in MPWMD.

Thank you for the opportunity to comment on this agenda item.

Sincerely,

A handwritten signature in black ink, appearing to read 'Amy L. White', written in a cursive style.

Amy L. White
Executive Director