

# Monterey Peninsula Water Management District

## *Water Supply Charge*



### **General Information**

The Water Supply Charge is a rate or charge that funds costs related to the provision of water. This annual charge will raise \$3.7 million in revenue for the District, 100% of which will support District water supply activities, including capital acquisition and operational costs for Aquifer Storage and Recovery, Groundwater Replenishment, and related water supply purposes. Funds may be used for water supply management, water demand management, and water augmentation programs related to the provision of water.

The annual charged is assessed to Cal Am “main system” users since the water supply projects to be supported by this fee will provide present beneficial water use to those users. The District retained a rate consultant who determined fair allocation of fees based on meter size and allocated water usage by parcel type and category. The charge is based 30% on meter size and 70% on water consumption. This was done using industry accepted usage factors and is consistent with California Urban Water Conservation Council’s best management practices.

The District has contracted with the County of Monterey to collect the charge through the semi-annual property assessor’s bill. This is the most secure method and is presently done for water service from the Castroville Seawater Intrusion project and for wastewater service for Carmel Area Wastewater District.

### **How It Was Enacted**

The District underwent a Proposition 218 process to enact the annual water supply charge in order to fund costs related to the provision of water. Proposition 218 is the California constitutional amendment that governs how local government agencies raise revenues. As outlined in Proposition 218, fees for water, sewer and garbage services are required to follow a process where a hearing notice is mailed, public hearing held and protest vote conducted. However, such fees are specifically exempt from a voter approval requirement. Notices were mailed to property owners affected by the charge in April 2012. A public hearing was held in June 2012 and it was determined that the number of protests submitted fell short of the majority needed to defeat the charge; the annual water supply charge ordinance was passed.

### **Contributions To The Water Supply Solution**

On April 23, 2012, Cal Am submitted its Monterey Peninsula Water Supply Project proposal to the CPUC, replacing the now-defunct Regional Water Project. Cal Am proposal includes three main components to the water supply solution – 1,300 AF of aquifer storage and recovery (ASR), 3,500 AF of groundwater replenishment (GWR), and a desal plant. The size of the desal plant will depend on the GWR project meeting certain milestones before the Dec. 31, 2016 deadline. With GWR, the desal plant will be sized to produce 5,500 AF; without GWR, the size of the desal plant will be increased to produce 9,000 AF. The larger the desal plant is, the higher costs are to the ratepayers.

The District is directly involved in the construction and/or financing of the ASR and GWR components of the proposed project. Phase one of ASR is owned by the District and has been in operation for several years; funds from the water supply charge are needed to complete the phase and move forward with additional phases.



The District has entered into a Memorandum of Understanding with the Monterey Regional Water Pollution Control Agency (MRWPCA) and Cal Am on the GWR project, agreeing to fund 50% of the pay-as-you-go capital costs and to undertake permanent financing of the project. The financial commitment by the District is crucial to the project moving toward a final environmental impact report and low-cost financing of construction.

### **Background on Previous User Fee**

Since 1983, the MPWMD had collected a User Fee from Cal Am customers and other water system customers. Historically, this funded the District's Aquifer Storage and Recovery and other water supply development activities, as well as its Mitigation Program – actions required by law and regulatory action to counteract the negative impacts on the river due to Cal Am pumping. Most recently, the User Fee was set as an 8.325% surcharge on Cal Am customer bills.

In July 2009, during its review of Cal Am's rate case, the CPUC ruled that Cal Am could no longer collect the User Fee for MPWMD, despite MPWMD's legal authority as a government authority to assess such a fee. While awaiting resolution on the User Fee issue from the CPUC, Cal Am continued to pay the District a portion of the User Fee from a memorandum account. In March 2011, CPUC directed Cal Am to close out the memorandum account.

Currently, Cal Am has agreed to fund at least \$1.6 million of the annual mitigation program costs through 2014, as it does not have the trained personnel to undertake the mitigation program itself. Cal Am has stated they prefer the District to continue the mitigation program as it is more cost-effective for Cal Am and its ratepayers. The District plans to fund the remainder of the program not covered by Cal Am through other revenue sources. Cal Am is funding its portion of the mitigation program costs through a surcharge on their customers' bills. The current surcharge is set at 15.37% through March 2013, at which point it is scheduled to be reduced to 6.03%.

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