



February 21, 2019

Monterey Peninsula Water Management District Board of Directors and Staff:

I am submitting this letter on behalf of the 3500 local members of Public Water Now who put Measure J on the ballot.

We have the most expensive water in the country. Our costs on the Peninsula are more than three times the average of publicly owned water in California.

Public Water Now wants to see reduced water costs. While we think savings of any amount over time makes a public buyout of Cal Am feasible, our research from CPUC financial filings tells us that Cal Am's annual profit and corporate taxes of approximately \$19 million should cover the purchase price, and also lower the cost to customers.

Publicly owned water systems are more affordable because there are no profits, no taxes, and overhead is reduced. These factors plus the ability to finance new water supply projects and debt at significantly reduced interest rates all contribute to the financial feasibility of a buyout. In addition, more cost effective water supply solutions are possible without the profit motive.

The feasibility analysis should look at savings over time compared to the cost of staying with Cal Am. Staying with Cal Am is NOT financially feasible. But most importantly the feasibility study should focus on what a court will see as feasible and in the public interest.

Cal Am has taken financial risks resulting in \$34 million in unnecessary costs from failed projects. And now they face legal challenges over water rights on their proposed desal project. We expect a more financially responsible approach from a public agency that avoids costly environmental damage and litigation.

A buyout of Cal Am is in the public interest for many reasons.

Local control of a community's water system and resources is fundamental. Local control and lower costs are the main reasons that 87% of the water in the U.S. is provided by publicly owned agencies.

With local control, decisions are made here, not in San Francisco or New Jersey. We would also be free of CPUC oversight. Rates and projects would be approved locally. The CPUC is supposed to "protect the public interest", but in practice they consistently protect Cal Am's interests and profits.

When profit is NOT the driving motivation, both the community and the ratepayers benefit. The lack of profit motive allows problem solving that is more cost effective, and makes regional solutions possible. It drives policy and projects that are truly in the public interest.

Public Water Now certainly understands that we need a new water supply to replace water being illegally drawn by Cal Am. We expect MPWMD to pursue options that are less expensive than Cal Am's proposed profit-driven solutions, and to make sure that they are both legally sound and environmentally responsible.

It remains a mystery to us that a few still propose sticking with Cal Am, the company who has given us the most expensive water in the country, produced no new water supply in their 50 plus years of ownership and now presents us with a \$320 million desal plant to solve the need for 700af of water. Why would anyone want to leave control of our water future to Cal Am?

In response to the letters the MPWMD Board received from the G16 group, Sand City and the Monterey Peninsula Taxpayers Association, we want to set the record straight.

Of course these three letters represent only a small minority of a few hundred people versus the 23,757 voters who passed Measure J.

PWN never claimed that we would see immediate savings under public ownership, although we certainly think that may be the case. Our claim that public ownership would produce lower costs or "more affordable water" was based on data from the Food & Water Watch study of the 500 largest water systems in the country, which clearly shows public ownership leads to lower costs. We have previously provided that study for the record.

PWN never claimed that Measure J was just a feasibility study. During the campaign, it was actually Cal Am that claimed that "Measure J was not just a feasibility study," but PWN never said it was. PWN presented the feasibility study as a safe guard. We said that there was no risk in voting yes on Measure J because if the study showed it was not feasible it would all stop there.

MPWMD's public feasibility sessions have given you a wide range of public expectations with which to move forward. The public voted for more affordable water period. It did not specify a date or a certain amount of savings. But more important to the success of a public buyout, we understand that a court will only be convinced by a strong argument in regard to savings. We ask you to make that strong case with the feasibility study.

Melodie Chrislock  
Managing Director  
Public Water Now