**Submitted by Chuck Cech at 3/18/2019 Board Meeting Oral Communications**

Cal Am is using a California regulation to justify charging Monterey District customers for water never delivered. Here it how it works. The California Code of Regulations Title 22 Section 64554 tries to guaranty that private water suppliers will always be able to meet their customers highest water volume requirements. It requires that water suppliers meet a Maximum Daily Demand (MDD), and a Peak Hourly Demand (PHD). These two requirements are based on the maximum amount of water delivered on the highest use day in the previous 10 years, and peak hourly demand on that day. That MDD quantity is multiplied by 1.5 to set the PHD requirement. This then establishes the annual amount of water Cal Am should be able to provide. (PHD X 8,760 hrs./yr.)

The MDD computation allows Cal Am to take advantage of those days when excessive water is used by the 50,000 special event visitors on the peninsula, increasing water consumption by 35% - 50% on that MDD day. It also ignores the fact that consumption in the Monterey Water District has been reduced by 30% for the past 5 years. The total annual water consumption on the peninsula is now less than 10,000 acre feet per year. The Title 22 calculations explain how Cal Am is able to set a 14 thousand acre foot annual water production requirement.

The major impact on Cal Am customers occurs when Cal Am is unable to reach the Title 22 set production requirement. Cal Am then requests a WRAM adjustment from the CPUC. There are presently 2 WRAM surcharges being collected from Cal Am customers totaling more than $50 million for water never produced, stored or delivered by Cal Am. It also ignores the effect of the steeply tiered residential water price structure that charges the highest water users 11 times more for their water. It is common to hear of residential customers paying thousands of dollars per month for Cal Am water.

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