

Regional Desalination Project Community Involvement Forum

Draft Summary of Meeting

March 31, 2011

4:00 – 6:00 p.m.

Use and Meaning of the Meeting Summary:

The Community Involvement Forum meeting Summaries are intended to be general summaries of key issues raised and discussed by participants at meetings. The presentation of issues or items discussed is not designed to be totally comprehensive, or reflect the breadth or depth of discussions. However, it is intended to record the gist of conversations and conclusions.

Where a consensus or other agreement was reached, it will be so noted. Where ideas or comments are from only one or several participants, or where a brainstormed list is presented the content of which was not agreed to by all group members, the recorders will to the best of their abilities note these qualifiers.

When participants raise comments about the meeting Summaries, or make other suggestions or comments following meetings that propose changes that are more than “corrections” to the Summaries, we will add these in a section at the end of the meeting Summary captioned “Post Script”.

Introductions and Agenda Review

Facilitator Nicholas Dewar opened the meeting and led a brief discussion of the meeting agenda (a copy of the Agenda will be posted to www.WaterforMontereyCounty.org in May), ground rules and protocols as well as the commitments offered by the Project's owners to the other participants, and the role of the participants in the Forum.

The role of the facilitator is to be a neutral third party. The community owns and shapes the Forum and its outcomes. The Project Team commits to participating in the Community Forums in the following ways:

- The Team will answer questions, listen to the community's ideas and suggestions and will report back to the community what the Team did with those ideas.
- They recognize that their commitment may be constrained by the legal and financial constraints of the Project.

The community requested that, if the Team is constrained from fulfilling this commitment, it would identify the specific law, limitation of authority or limited resource that constrains their actions.

Outcomes

Participants developed the following Ground Rules and agreed to follow them:

- No interrupting; let people finish speaking.
- Honor and respect the group.
- Limit speaking time.

Participants agreed on the agenda as proposed, with a change to the schedule to allow more discussion of item #5 Planning for the Next Forum Meeting.

Project Update

Members of the Project Management team presented an update of the Project highlighting projected costs and water prices as well as the Project's permitting process. The presentation will be made available at www.WaterforMontereyCounty.org in May. A request was made that for future meetings the presentation be posted on-line ahead of time.

The community was encouraged to ask questions focused on costs and permitting. Below are points that were discussed.

The planned output of the Plant is 10 million gallons/day (MGD). This corresponds approximately to 10,500 acre-feet per year (AFY).

Implementation of the San Clemente Dam removal project is totally independent from the Desal project implementation.

Participants and the Team presenter disagreed about the continuing usefulness of the Los Padres Dam because of siltation. A participant proposed that silt be removed to make the reservoir useful again.

Monterey County Water Resources Agency (MCWRA) is planning two test wells: (1) a Vertical Well on Cemex Property, a disturbed site; and (2) a Slant Well on MCWD's property.

The costs of building the Project will be met by issuing bonds or shares. Both financing methods require input from investors either in municipal bonds issued by the public entities in the Project Team or in bonds and shares issued by California American Water Company (CalAm). All investors, whether they invest in municipal bonds, corporate bonds or shares are entitled to earn a return on their investment. Currently, the rate of return on investment in American Water shares is approximately 3% (dividend), and shareholders also stand to gain from any increases in share value.

The Project's total capital cost is estimated to be \$404 million. The projected cost of water produced by the plant is approximately \$2,800 per acre-foot. At this stage in project development the price to the consumer of water from the Project is still uncertain. However, the Team predicts that the provision of water from the Project will likely double a consumer's water bill. To make a fair comparison of the costs of this desalination plant with other plants, we must compare the cost of water produced from different plants at the point where it leaves the plant itself and before it enters a distribution system. In comparison, the so-called "Fenceline cost" of water from the Carlsbad Poseidon Plant is approximately \$3,000 per acre-foot.

Consumers will not pay for the costs of the Project until it starts producing water. This is projected to begin in 2015. The Project will finance itself using borrowed money until then and, before water deliveries begin, will work towards a rate design that will satisfy consumers and the PUC. The rate will include assessments and water delivery charges. The cost of financing, a significant unknown cost of the Project, is dictated by the prevailing market interest rates. During the time required to reach this point in the Project these rates have become much less certain.

The Project Team is confident that they will meet the California Coastal Commission's permitting demands in time for the 2016 deadline set by the Cease and Desist Order. They are pursuing all permits for the Project in parallel.

Participants asked who would be responsible for the cost of the Project if, for any reason, it failed to produce the anticipated water supply. Team members explained that if the Plant does not function according to plan as a result of the deliberate action of one of the Team members, the member responsible would be liable for costs. If the action is not deliberate, the cost will be passed to the consumer. The risks for this will be mitigated by selecting responsible, reliable contractors who will face monetary penalties if they are found responsible for failures of the plant to deliver water according to plan.

The Board of Supervisors (BOS) emphasizes the issuance of bonds as a funding source according to the Project Team's plan. BOS wants to distinguish the different roles and responsibilities of the Monterey County Water Resources Agency (WRA) and the County in the Project. The time needed by the BOS to authorize the line of credit should not impact the Project's schedule.

In response to the probability of a major disaster such as an earthquake or tsunami, the integrity of the physical Plant structure and water supply redundancy are factored into the engineering and design of the Plant. The continuing use of existing facilities will provide redundancy in case of interruption of water production by the plant. Furthermore, because it relies on water from the ocean, the Project provides the region with resistance to drought emergencies because it is a "drought proof source" of water and also stores water underground.

Participants asked about the status of the rehearing process before the PUC. Team members explained that they are working through the litigation process and hope to resolve this soon.

Participants asked about the status of the agreements for using landfill gas as an energy source. Team members explained that a Memorandum of Understanding will be prepared as part of the planning process.

Participants asked about the status of questions concerning water rights. Team members explained that they are working through the litigation process and hope to resolve this soon.

A participant remarked that if compensation levels for officers in the Desalination Plant are high, he wants members of the community to be appointed.

Outcomes

Project Team members responded to participants' questions.

General Discussion

Participants raised additional items of concern with the Project Team representatives

Brine Disposal:

Brine effluent impacts have been studied by experts as part of the Project's Environmental Impact Report (EIR). Under the current proposal, little impact is expected.

Project Governance:

Governance of the Project (and the future Plant) is shared among (1) Marina Coastal Water District, (2) Monterey County Water Resources Agency, and (3) California American Water Company (CalAm). These three entities are bound to each other by the Water Purchase Agreement (WPA), and they make up the voting members of the Project Advisory Committee (PAC). The PAC also includes two mayors as non-voting members. Participants explained that community members want representation of the six municipalities in the region on the PAC with voting rights. Participants also felt that routine reports by the PAC to the community would build trust in the Project within the community.

Participants discussed ways to increase public control over the project. Team members explained that the plant itself will be owned by Marina Coast, a public entity. Participants asked about the creation of a Joint Powers Authority (JPA) to own and run the Project. Team members explained that this could be done by going through the Local Agency Formation Commission (LAFCO) process.

Outcomes

Project Team members responded to questions and comments raised by participants.

Planning for Next Forum Meeting

Nicholas asked for suggestions about how to organize the next meeting of the Forum. Participants agreed that a small group of the participants would meet with the facilitator to plan the next meeting. Nine participants volunteered. Some participants felt that their perspectives were not represented by those who had volunteered. However no participants were willing to rectify this by joining the planning group. The nine volunteers are listed at Appendix 2.

Participants discussed ways to use the Forum most productively. Nicholas reported that, in interviews with stakeholders he was told that the forum could be used as:

- An authoritative source of information about the project for rate payers, where the Project Team will inform and answer questions.

- An opportunity for regular reports by the Project Team about the Project's cost and financial plan.
- A way for community members to provide input on issues such as the taste of the water from the plant.
- An oversight body to monitor project finances.

A participant requested that the Forum should not be used as a place to re-visit old issues about the Project.

Suggested topics or questions for the next Forum include:

- What opportunities are there to change the Project by, for example, amending the Water Purchase Agreement or the Settlement Agreement?
- Why are we shifting our waste water to Castroville instead of recycling non-potable water locally?
- Why have securities experts said that this project is not financeable?
- How much will financing cost?
- What assumptions have been made in the project design regarding earthquake, tsunami and contamination?
- The future of the Los Padres Dam
- What can community members do to move the Project forward?

Outcomes

Volunteers signed up to help develop the next meeting agenda.

Meeting Review

Nicholas asked for feedback on the meeting structure and format so that the Team could improve future meetings.

Participants felt that the facilitation process was useful and attendees were happy with the format. Several suggestions were made for future meetings:

- Speakers should introduce themselves and give their affiliation, if any, so that attendees know who they are representing.
- Meetings should be more frequent than every three months.
- More time, more microphones and a larger room with better ventilation are requested.
- Answers from today's Forum should be distributed or posted on-line before the next meeting.

It was suggested that the recording format for the meeting should rely on notes taken on a laptop instead of using flip-charts and posting the sheets on the wall. Nicholas explained that making notes graphically reassures the participants that their ideas are captured accurately and improves the transparency of the meeting process.

Outcomes

The community provided feedback for consideration in planning future Community Forums for the Project.

Announcements:

A **video recording** of the meeting made by Hebard Olsen will be broadcast on Channel 24 on Monday, April 4th at 9:00 p.m.; Wednesday, April 6th at 4:00 a.m.; and Friday, April 8th at 2:00 p.m. For more information see www.ampmedia.org

To join the **mailing list** for the Community Forum, email NDewar@PPCollab.com.

Adjournment

The Regional Desalination Project Community Involvement Forum was adjourned at 6:00 p.m.

Draft Summary prepared by:

Nicholas Dewar, Facilitator

Appendix 1

Glossary of Abbreviations

AFY: Acre-feet per Year

BOS: Board of Supervisors

CalAm: California American Water Company

CPUC: California Public Utilities Commission

EIR: Environmental Impact Report

GHG: Greenhouse Gas

JPA: Joint Powers Authority

LAFCO: Local Agency Formation Commission

MCWD: Marina Coastal Water District or “Coastal”

MCWRA: Monterey County Water Resources Agency

MGD: million gallons per day

PAC: Project Advisory Committee

PUC: California Public Utilities Commission

WPA: Water Purchase Agreement

WRA: Monterey County Water Resources Agency

Appendix 2

List of volunteers for the Agenda Group

Bob McKenzie, Government Affairs Director, Monterey County Hospitality Association

George Riley, Citizens for Public Water

Jon Sapp, Development Consultant, Sapp Devco

Ken Ekelund, Director, Monterey County Water Resources Agency

Lorin Letendre, President, Carmel River Watershed Conservancy

Manuel Fierro

Nancy Isakson

Ron Chesshire, Citizen of the Monterey Peninsula since March 31, 1956

Sarah Damron, Surfrider Foundation