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PRESS RELEASE

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DRA Opposes Monterey Regional Desalination Agreement

SAN FRANCISCO, March 30, 2010 – The Division of Ratepayer Advocates (DRA), an independent consumer advocacy division of the California Public Utilities Commission (CPUC), opposes the Water Purchase Agreement for regional desalination facilities announced today by the Marina Coast Water District, the Monterey County Water Resources Agency, and the California American Water Company (Cal Am) because, if implemented, it will result in unacceptably high costs, unfair risks and a lack of accountability to Monterey Peninsula ratepayers.

DRA supported the development of a regional desalination project through numerous public meetings in Monterey known as the Regional Plenary Oversight Group (REPOG) and the Water for Monterey County Coalition and was an active participant in the settlement negotiations held at the CPUC. DRA supports a regional solution that is fair, equitable, and reasonably priced. However, the \$280 million to \$390 million cost estimate for the Regional Project under the Water Purchase Agreement is unreasonably high and the agreement fails to contain costs, resulting in potential costs to Monterey Peninsula ratepayers of at least \$5,000 per acre-foot. In addition, under the agreement the Marina Coast Water District would take 16 percent of the desalinated water for the development of the former Fort Ord, but it is not obligated to pay its fair share of the project costs.

DRA's key objections to the agreement include:

- The \$280 million to \$390 million cost estimate is exceptionally expensive for a desalination facility of this size given current technology.
- Cal Am customers bear the risk and responsibility for nearly the entire capital cost, plus interest.
- The Agreement lacks cost controls on the price of desalinated water.
- Marina Coast would pay significantly less than Cal Am for the same desalinated water.



- The Monterey Peninsula community has only limited representation and no vote on decisions regarding the operation and management of the desalination facility.
- There has been insufficient opportunity for public review of the Regional Project costs, terms and conditions.

“DRA is mandated to protect customers, and this agreement does not provide sufficient customer protections and cost containment,” said DRA Director Dana Appling. “DRA believes that a regional desalination project that contains costs and allocates them equitably is the best option for Monterey Peninsula ratepayers. Regrettably, the proposed Water Purchase Agreement for the regional desalination project is inadequate in that regard and DRA cannot support it.”

DRA recommends that the CPUC adopt cost containment mechanisms and equitable cost allocations before approving the desalination proposal. DRA will submit formal written comments to the CPUC on April 30, 2010, and remains committed to an equitable and cost effective solution to the Monterey Peninsula’s water supply needs.

For more information on DRA, please visit www.dra.ca.gov.

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