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SAN JOSE CA 950
22 JAN 2015 14:41

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c/o ESA
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July 20, 2015

TO: Mary Jo Borak, CPUC
c/o ESA
550 Kearny Street, Suite 800
San Francisco, CA. 94108

SUBJECT: CAL-AM DRAFT Environmental Impact Report

Dear MS Borak,

The original purpose of the Monterey Peninsula Water Supply Project (MPWSP) would include building a Desalination Plant (DP) to provide 9.6 million gallon per day (mgd) and facility improvements to existing Seaside Groundwater basin ASR system to secure water supplies for approximately 40,000 customers in CAL AM's Monterey District service area. An alternative to this DP would include a 6.4 mgd DP coupled with a water purchase agreement for 3500afy of product water from the Monterey Regional Water Pollution Control Agency's proposed "Pure Water Monterey Groundwater Replenishment Project."

This proposed CAL AM (DP) impresses me more every day as a type of "Ponzi Scheme" with the CAL AM Monterey District customers being the victims. CAL AM has not completed a single project for adding as much as a single drop of water to our water supply since they have taken over servicing the Monterey water district. CAL AM's policies seem to be to make money for their company and stock holders while achieving nothing for the Monterey District customers.

A larger replacement Dam was proposed in 1987 to replace the aging San Clemente Dam. That never materialized. The San Clemente dam was never serviced nor were the forest fire ashes and sludge ever dredged out from behind the dam so the dam was never able to store the original amount of water it was designed for. Cal AM finally began removing this dam and charging the public an exorbitant amount of money to do so.

Since 1976 the customers of the Monterey Water District have experienced several drought periods where my wife and I have lost our yard 3 times and been rationed to using 50 gallons of water per day. After the last drought period in the late 1980's my wife and I removed our grass replacing it with rocks and pavers. We also continued to use less water because we do not have confidence that CAL AM will ever be able to complete a project.

During our most recent water crisis, CAL AM has obtained approval to increase the price of the water

we use since they are not making as much money for their company as before. We conserve, our water bills rise. CAL AM gains, but the public loses.

CAL AM has already proposed to the public that they want to downsize to the 6.4 mgd (DP) combined with the (proposed) new groundwater replenishment (project) would be environmentally superior to the larger proposed MPWSP.

The problem is that CAL AM only proposed to furnish the Monterey District Customers with 40% of their needed water from their new DP. The balance of our needed water comes from Groundwater replenishment (22%), Carmel River (22%), Aquifer Storage (8%), Seaside Basin (5%), Pacific Grove and sand City (3%). CAL AM is depending on the Monterey Peninsula's abundant rain run off to refill our aquifers and groundwater replenishment. We don't have any means of capturing rain run off water and it ends up in the ocean. CAL AM hasn't even considered building anything to capture rainwater nor offered to help the involved communities do so. Under our current drought conditions, the Monterey District Water customers may still find themselves on a more stringent water rationing system at a greatly increased cost. CAL AM was supposed to stop using Carmel River water in 2016, 2017, now it's 2019 or? We, the public, don't know if the DP with it's slant well is even feasible, if it can be completed or when it will be finished.

The larger MPWSP 9.6 mgd DP is needed to ensure an adequate water supply for our current needs and future growth. Downgrading now to a 6.4 mgd DP will likely degrade our ability to provide for future growth let alone provide risk relief should we enter another drought period. All this may be adequate without considering future growth if the proposed ground replenishment project has been built, completed, and operational by the time the 6.4 DP is completed and operational. Should the current drought continue for any length of time or return in a few years, the Monterey Water District customers may again find themselves on water rationing.

I question why CAL AM decided to proceed with building a Desalination Plant using an untested, unproven slant well technology. They are the only company in the whole world who are using a slant well for a DP. This well is proving a great deal more costly than the more conventional Desalination Plants now in existence. A slant well is more complex than open ocean intake which result in higher capital, maintenance costs and shorter operating lives. The CAL AM slant well has been built where it will have access to the Salinas aquifer water for which it has no water rights. Under these circumstances, CAL AM's slant well development project is a high risk project for the ratepayers who have been made responsible for all expenses without their consent and which has a greater chance of failure.

San Diego County Water Authority determined at the beginning of it's DP project it would protect the ratepayer from project risk. To gain "protection" the San Diego Authority negotiated a provision to bar billing ratepayers for cost overruns.

CAL AM instead shifts expense/risk to ratepayers away from themselves. Since 2004, CAL AM has billed ratepayers \$107 million in expenses, ie., a failed DP (\$12 million), a second failed DP (20 Million), San Clemente Dam removal costs (\$49 Million), and \$26 Million for pre-construction costs. CAL AM doesn't care if they succeed or fail since the rate payers have already been preplanned to pay and have been given all the risk of the project, but none of the control.

The way this possible Ponzi scheme works is that Cal Am selects an expense to be paid by a captive ratepayer who is depending on CAL AM for public water delivery, it applies to the California Public

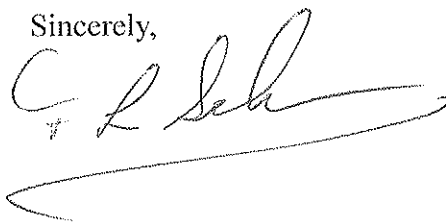
Utilities Commission for the approval of the expense and then it bills ratepayers for payment of the expense. The ratepayers have no say and no protection from this project risk by the questionable conduct of both CAL AM and the Regional Water Authority (known locally as the Mayors Group). Neither group should hide the facts nor take advantage of the public. (A Monterey Herald Newspaper Commentary "Water users looking at high risk-project," by Dale Hekhuis & Doug Wilhelm [a member of Public Water Now]).

Monterey County and the Monterey County Water Authority have abandoned the Monterey Water ratepayers to whatever fate CAL AM dictates without legal risk protection from this convoluted project.

Will CAL AM succeed finishing any project for the Monterey Water District or are they doomed to failure? It may be wise to have the California Attorney Generals office investigate CAL AM and the MPWSP the insure there is no criminal activity or Ponzi activity actually taking place. Under these circumstances, if CAL AM had worked for the public interest in a more prudent manner none of these facts presented here would have occurred.

I think the public leaders of Monterey County, the Peninsula Cities, CAL AM and the California Public Utilities Commission have been remiss in their duties failing to research adequately the potential scope , challenges and needless risk of wasting ratepayers time and money. The ratepayers have been hoodwinked and hornswoggled by the myopic outlook and questionable procedures, policies and greed of our leaders and CAL AM to provide the Monterey District ratepayers with a reliable source of water.

Sincerely,

A handwritten signature in black ink, appearing to read "C. L. Sch", with a long, sweeping horizontal flourish underneath.