

Questions & Answers on the Regional Desalination Project

The Regional Desalination Project, which is a partnership between the Marina Coast Water District, California-American Water (a private company) and the Monterey County Water Resources Agency, is critical to the future of the entire Monterey Peninsula. We felt it was important to take a moment to set the record straight and answer some of the more frequently asked questions. For more information, we invite you to visit our website at www.mcwd.org or call us at 831-384-6131.



Q: What is the Regional Desalination Project and why is it so important?

A: The Regional Desalination Project will allow the Monterey Peninsula community to comply with State-required reductions in fresh water supplies drawn from the Carmel River. Likewise, it will help to ensure that only the allotted amount of groundwater from the Seaside Groundwater Basin is drawn. In addition, the Regional Desalination Project will provide a sustainable supply for the approved redevelopment of the former Fort Ord area within MCWD's Ord Community Service Area.

Q: Why did Marina Coast become a partner in the Regional Desalination Project?

A: For years, the Monterey Peninsula has experienced a severe water supply problem, which has become

more pronounced in the face of the State Water Resources Control Board Cease and Desist Order, which will stop California American Water (Cal-Am) from unlawfully taking water from the Carmel River by the end of 2016. In the face of this emergency, and to also ensure its own water supplies, MCWD stepped up to assist Cal-Am and the entire region with a solution to the water supply problem.

Q: Is a public entity required for a project like this, or can Cal-Am simply "go it alone" with an alternative solution?

A: The participation of a public agency is necessary because the law prohibits Cal-Am from owning a desalination plant in Monterey County and from exporting groundwater from the Salinas Basin. MCWD is the one public agency best situated to participate in

the Regional Desalination Project.

Q: Are there any economic impacts for the Peninsula if this 2016 deadline is not met?

A: If Cal-Am does not have a new water supply by the end of 2016, the economic impact to the Peninsula economy will be approximately \$1 billion per year with the loss of more than 6,000 jobs, mostly in the hospitality sector.

Q: One of the project alternatives suggested by Cal-Am would allow them to develop the Regional Desalination Project without any public partners. Is this a feasible alternative?

A: If Cal-Am attempted to do the project on its own, the additional costs to build the infrastructure would be in the millions — all of which would be passed on to the ratepayers of the Peninsula. The result would be much higher water rates for the life of the project, and assumes that Cal-Am could manage a change in the law allowing them to do it. This would likely result in years of delays and expensive litigation.

Q: If the Regional Desalination Project fails, will Marina Coast get back the money it has invested in the project?

A: It should. Under the Water Purchase Agreement that governs the project, the occurrence of a "Project Cessation" that is not Marina Coast's fault would entitle Marina Coast to a return

of all its project costs. Marina Coast has consistently fulfilled its obligations under the Water Purchase Agreement and other project agreements and believes it cannot be in default if the project should fail.

Q: Can the Regional Desalination Project go forward or is it too late?

A: There are a number of ways the Regional Desalination Project can move forward and meet the Cease and Desist deadline. MCWD is fully prepared to fulfill its obligations to ensure there is an adequate water supply.

Q: Is it junk bond financing?

A: MCWD retained the investment advisory firm of Piper Jaffray to be the Financial Advisor for the Regional Desalination Project. Piper Jaffray prepared a conceptual level financial plan that, based on market conditions, included California State Revolving Fund loans, non-taxable private activity bonds, taxable bonds, and project financing. Piper Jaffray suggested that all of these alternatives be considered with a combination of financing sources.

Q: Is there a financial plan in place?

Yes. The MCWD Board of Directors received the Conceptual Financial Plan in May, 2011. The plan, prepared by Piper Jaffray, was jointly financed by MCWD and MCWRA, a project partner. The Plan has been available on the Regional Desalination Project website since June 2011.

Q: Has MCWD already investigated means of financing the proposed Regional Desalination Project?

A: MCWD has prepared an application for State Revolving Fund (SRF) loans from the State Water Resources Control Board. These low interest loans are available for municipally financed projects in California that meet certain funding requirements. The US EPA and the State Water Resources Control Board have both indicated the Regional Desalination Project qualifies for these loans. The State Board is not able to proceed with final reviews of MCWD's application for SRF loans until MCWRA completes and submits an application.



Mission Statement

Providing high quality water, wastewater and recycled water services to MCWD's expanding communities through management, conservation and development of future resources at reasonable costs.

Vision Statement

MCWD will be the leading public supplier of integrated water and wastewater services in the Monterey Bay Region.

MCWD is governed by an elected board of directors, which holds public monthly meetings.

Address all comments and inquiries to:
Marina Coast Water District
11 Reservation Road
Marina, CA 93933-2099
or call (831) 384-6131

MCWD Web Site: <http://www.mcwd.org>

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