

MCHA'S COALITION OF PENINSULA BUSINESSES

***A coalition to resolve the Peninsula water challenge
to comply with the CDO at a reasonable cost.***

A Statement of Purpose

The Monterey County Hospitality Association formed a coalition of business groups and other community organizations for several reasons – to help educate the community about the effects of the Cease and Desist Order on local businesses, local governments and community residents; to educate the community about, to push for support for, the Regional Water Project as the only viable solution to our water supply problem within the time constraint imposed by the CDO and restore the habitat and fishery of the Carmel River; and to make sure the cost of the Regional Water Project is controlled and reasonable to the community.

We must push for a solution to the Peninsula's water supply problem in time to avoid the drastic cutbacks in available water due to the Cease and Desist Order adopted by the State Water Resources Control Board. The cutbacks in available water are so drastic that the hospitality/tourism industry, general business, and local governments would be decimated and employment would drop precipitously. The City of Monterey estimates the economic impact of the water cutbacks is \$1 billion or more; MCHA estimates the impact would be even greater than \$1 billion.

After extensive study and review, MCHA and the coalition believe that the only water supply project capable of solving our water supply deficit on time to beat the CDO deadline of December 31, 2016 and finally restoring the fishery and habitat of the Carmel River is the Regional Water Project. That project is the only project approved and ordered built by the Public Utilities Commission. The RWP includes a very expensive desalination plant that will produce enough potable water to offset the ordered reductions of available water by the CDO from the Carmel River and the ordered reductions of available water by the Seaside Basin Adjudication from the Seaside Basin.

Equally important is the need to monitor, influence and mitigate, to the extent possible, the cost of RWP and how those costs are recovered from the community by California American Water Company through water rates approved by the Public Utilities Commission. The impacts of increased rates on all water users will be enormous. There are several increases in water rates under consideration at this time: a general rate increase and a rate increase for removal of the San Clemente Dam. A RWP cost recovery rate increase application will be filed soon. The increases in water rates on the commercial sector in particular are drastic and enormously complicated by the fact that the current rate system, based on 'allocations,' is flawed and needs changing as soon as possible.

When California American Water applies for RWP cost recovery rates, which it must do soon, it has pledged to work with the Peninsula Coalition to correct and make more fair the commercial rates and rate designs. The goal is gain Public Utilities Commission approval to share the most reasonable costs of water possible equitably and fairly among all users – commercial, governmental, and residential alike.