

# WATER NEWS

News You Need to Know - NOW

## Some Relevant Q & A on Water

By Ron Weitzman, President, WaterPlus

### Why is public ownership of our local water supply better than ownership by Cal Am?

**Answer:** Briefly, cost and control. The advantages of local control are obvious, but you may not know that the cost difference is enormous. The Cal Am project could cost ratepayers over \$263.5 million more in interest alone over 30 years than a project of the same output capacity developed, owned, and financed by a public agency like a joint powers group of cities or the water management district. Figure it out for yourself. Start with \$400 million as the cost of the project to either the public agency or to Cal Am. Each would have to borrow the money. Cal Am is authorized by the Public Utilities Commission to charge ratepayers about 6.5% on its loans and has been doing that for years, regardless of the interest that it itself pays on the loans. A public agency can borrow the same money today at less than 3.5% interest. Google a mortgage calculator on your computer, and enter \$400 million at 6.5% and at 3.5% over 30 years. You will find the difference to be larger than \$263.5 million. And that does not even include profit to shareholders or taxes that a public agency does not have to pay. QED.

### Why is a large desalination plant better than a small one?

**Answer:** Briefly, adequacy and cost of supply. A water supply that is adequate to meet our needs would no longer necessitate a costly steeply tiered rate

structure imposed on us to encourage conservation, and the cost of water obtained from a large desalination plant could be much lower than the same amount of water obtained from a small desalination plant. In fact, the study by the SPI consultants engaged by the regional water authority showed that the cost per acre-foot of water obtained from the large desalination plant proposed by Cal Am was \$700 less than water obtained by the small desalination plant proposed by it. The reason: economies of scale.

### Why is a water supply obtained by desalination better than one obtained by treating sewer water?

**Answer:** Briefly, cost and reliability of supply. Fourteen thousand desalination plants are operating in the world, many of them for dozens of years. Less than a handful of plants processing sewer water for drinking exist and those mostly for less than five years. Locally, treating sewer water for drinking would cost more per unit of water produced than desalination would. The SPI study in fact showed that, for each acre-foot of water produced, a combination of desalinated and treated sewer water would cost \$700 more than desalinated water alone. Also, locally, Salinas Valley farmers and the Marina Coast Water District own the rights to the sewer water useable for treatment and would allow its use for this purpose only in winters that have ample rain. The likelihood of that occurrence is growing smaller each year with the progression of global warming. So a

local water supply that relied on treated sewer water would be highly unreliable, as well as unnecessarily costly.

### Why then do local elected officials prefer the Cal Am project to publicly owned alternatives?

**Answer:** Briefly, irresponsibility. The Cal Am project is more costly to ratepayers, more vulnerable to litigation over water rights, and more unreliable and limited in its water supply than publicly owned alternatives, and yet elected political leaders have publicly said that it has a "clear edge" and is "more expeditious" than the others. Why? Because, with the exception of a majority of Pacific Grove City Council members, no publicly elected official wants to take the responsibility of building, owning, and operating a water supply project, and for this reason each is motivated to believe every sales pitch made by Cal Am, which is highly driven by profit to do the project. The Cal Am project is so flawed, however, that the company has already admitted it cannot meet the deadline before the state drastically cuts our current water supply. When that happens, all the public officials who have abandoned their responsibility to ratepayers in favor of Cal Am will be to blame. ♦



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