

**LOCAL WATER DISTRICT ISSUES:****Measure W supporters chastise Cal Am poll; Backers say survey misleads; company says it's factual****Monterey Herald – 10/23/05****By Virginia Hennessey, staff writer**

The battle over Measure W has heated to the boiling point since California American Water entered the fray this month.

Proponents of the measure are accusing Cal Am of dirty tricks and disseminating misinformation. A spokeswoman for Cal Am, the target of the measure, said the statements in the company's voter outreach are factual and accurate.

Measure W was placed on the Nov. 8 ballot by the Monterey Peninsula Water Management District. It asks district voters if they want to spend up to \$550,000 to study the logistics of a public takeover of Cal Am's local system.

Proponents, who include environmentalists and business groups, say it would cost the average household \$14 to assess the value of the system and the feasibility of a takeover. Public ownership, they say, would improve service and maintenance while reducing increases in rates that are expected to skyrocket with the development of a water project to replace pumping on the Carmel River.

In 1995, the state ruled that Cal Am had no legal right to most of the water it was pumping from the river and ordered the company to develop a new water supply. The company's proposed solution is the Coastal Water Project, which includes a desalination plant in Moss Landing.

Measure W opponents, who include some environmental and business groups, say the study would waste taxpayers' money to determine that the community can't afford to buy Cal Am's system and would delay progress on a new water project.

The campaign over the measure reached a fever pitch last week when proponents began receiving telephone surveys seeking their opinions on the initiative. Numerous recipients said the survey was a "push poll" of misleading questions designed to elicit a desired response rather than objectively gauge public opinion.

One person surveyed was environmental activist Patricia Bernardi, who ironically is one of the signatories of the ballot argument in favor of Measure W.

"It was the most misleading, confusing poll I've ever participated in," she said. "I was really blown away by the way the questions were set up. It's set up in a confusing way so

you will give them the answer they want."

### **Poll concerns**

Catherine Bowie, spokeswoman for the water company, confirmed the polling was being done by an independent polling company on Cal Am's behalf. She said shareholders, not ratepayers, are paying the costs of the survey and related campaign advertising.

According to Bowie, the first of three questions on the survey states: "The Monterey Peninsula Water Management District has placed Measure W on the Nov. 8 election ballot. Measure W would increase your water district rates by 26 percent. This would generate \$550,000 to study a government takeover of your water system. From what you know today, do you plan to vote yes or vote no on Measure W to raise your water rates to pay for this study?"

Bernardi complained the question does not make it clear that the measure calls for a one-time charge of about \$14 per household and left the impression monthly water bills would increase by 26 percent permanently.

The survey, which targets specific voters who have been deemed "likely to vote," goes on to ask voters if they would support or oppose Measure W if they knew it would harm the Carmel River and is opposed by many environmental groups. The third question asks if they would vote for or against the measure if they knew it was opposed by numerous business groups and newspapers, including The Monterey County Herald.

Bowie said the statements in each question are factual. The \$550,000 that would be raised by the measure, she said, represents 26 percent of the \$2.1 million the water district raises annually through water rates that are included in Cal Am bills. The initiative is opposed by the Carmel River Steelhead Association and the Carmel River Watershed Council, groups that say the measure would delay a solution to overpumping on the river.

Other opponents include the Pacific Grove and Monterey Peninsula chambers of commerce, she said.

### **District not involved**

John Dalessio of Carmel Valley, another recipient of the survey, said the wording of the questions is "demonstrably inaccurate."

"I don't know how (Measure W) would delay the Coastal Water Project," he said. "Cal Am can't proceed with the Coastal Water Project and allow the public to determine how much it would cost to buy them out at the same time. The cost of buying Cal Am would be determined by an appraiser. Cal Am's not going to do it."

Dallessio complained that when he asked the pollster to record his opinion that the survey was misleading, the woman said the survey wasn't designed to record anything but direct responses to the questions.

At last week's meeting of the Monterey Peninsula Water Management District board of directors, board member Judi Lehman said she had been approached by constituents who said they were led to believe the survey was being conducted by the district. At the board's direction, district General Manager David Berger asked Cal Am and the measure's proponents to make clear that any poll they conduct does not involve the district.

Bowie said pollsters are working from a script that closes by saying the survey is conducted by Cal Am.

Loren Steck of Carmel Valley owns a consulting firm that designs and conducts surveys. He said he had not received the telephone survey, but questioned its purpose when read the wording of its questions.

"There are surveys that are conducted by reputable polling places, such as the L.A. Times, to gauge the sense of the population. The surveys that I do are trying to answer questions honestly," he said. "This is a different kind of survey. It could be trying to get an accurate assessment, but it seems more likely the purpose is to drive public opinion and create public opinion rather than to measure it."

### **'Professional campaign'**

Bowie said the survey was not a so-called push poll, designed to sway or inflame voter opinion.

"The purpose of the survey, from our point of view, is to get a clear picture of how voters are feeling about this issue, and to achieve that we ask very direct questions based on facts," she said. "When the company decided to enter into the Measure W campaign, we committed to run a very professional campaign, and surveys are a common and useful tool."

Bowie was unwilling to share the results of the survey.

"So far it looks pretty good for us, but there's a number of ways to read the statistics, and we're not necessarily willing to divulge all of the results at this time," she said.

Cal Am has conducted similar surveys in other communities where it has faced a potential public takeover, including the Santa Cruz Mountains community of Felton, where voters recently passed a bond measure to finance an eminent domain takeover, and Montara on the San Mateo County coast, which won a takeover effort after a court-ordered sale.

Proponents of Measure W have complained of other dirty tricks on the campaign trail. Ron Weitzman, a member of the business-dominated Monterey Friends of Locally Owned Water, believes Cal Am had one if its law firms target his job after he signed the official ballot arguments in favor of the measure and identified himself as a Naval Postgraduate School professor.

Shortly thereafter, he said, Rear Adm. Patrick Dunne, superintendent of the school, received a letter from the Sacramento law firm of Livingston and Mattesich. The letter warns Dunne that Weitzman's actions "may needlessly and unduly place the Naval Postgraduate School in a political and legal controversy (and) infer the Navy officially embraces this measure."

Weitzman said the letter put him in an unwanted spotlight at the school for a couple of weeks.

### **Council unrest**

Bernardi, a longtime Carmel Valley activist and member of the Carmel River Watershed Council, was particularly upset about what she saw as back-door manipulations that led to the council's opposition to Measure W.

Bernardi said council member Charlie Kemp, a Cal Am employee, asked if the council's October meeting could be moved to a different date.

Bernardi said she would be out of town on vacation, but the meeting was moved anyway.

After her departure, she said, the agenda was posted with a previously undiscussed proposal to endorse the opposition campaign. In her absence, the board voted to oppose the measure. Upon her return, Bernardi said, she found the agenda item as well as a position paper opposing Measure W that was written by Guy Phillips, a consultant for Cal Am.

Clive Sanders, one of two council members who attended the meeting, said Bernardi could have viewed the agenda in her e-mail. He said some members participated in the meeting by telephone and others gave him their proxy. The proposal to oppose the measure passed with a legitimate majority that would not have changed with Bernardi's presence, he said.

"I don't think anything unfair was done at all," he said. "Our group is concerned that (Measure W) is going to delay a Coastal Water Project that's there ready to go. It would also delay work we hope will decommission the San Clemente Dam."

The state has ordered Cal Am to retrofit or dismantle the dam for safety reasons.

"We do not want any more expensive studies on things that are pretty obvious to us," Sanders said. "The only way to replace water being taking out of the Carmel River is a desalination plant." #

<http://www.montereyherald.com/mld/montereyherald/news/12977619.htm>

**CAL AM ISSUES:****German company may sell Cal Am; Conglomerate considering spinoff, reports say****Monterey Herald – 10/26/05****By Virginia Hennessey and Marie Vasari, staff writers**

The German conglomerate that owns California American Water is preparing to spin off control of its water holdings, including the local water purveyor, say reports in numerous European and business newspapers.

According to reports this week, RWE is planning to sell off 30 percent of Thames Wasser AG, a unit containing Thames Water and American Water, the company's British and U.S. water businesses. The reports cite reductions in RWE's water profits because of the costs of upgrading aging infrastructure and an inability to pay for improvements through regulated water rates.

Quoting unnamed sources, the German newspaper Berliner Zeitung reported that RWE planned to first sell a 30 percent share of the water division on the stock market and later divest itself entirely of water holdings to focus on its energy holdings. The newspaper said the company's board was expected to vote on the move Friday, after workers are briefed.

American Water owns Cal Am, which provides water to the Monterey Peninsula, as well as Felton in the Santa Cruz Mountains. It is unclear how a sale of the company would affect local water service.

Catherine Bowie, spokeswoman for Cal Am, dismissed the reports.

"I am aware of those rumors but would simply say that... all it is at this point is market speculation and media rumors," she said. "As a policy, the company really does not like to discuss those types of rumors and speculation. We're focused on the job at hand and that is basically the message throughout the organization."

In Germany, company officials sidestepped questions about the reports.

"RWE continually reviews its business strategy to see if it's necessary to modify its strategy to market conditions or changes," spokesman Bill McAndrews said, according to Bloomberg News service.

The Financial Times of London said the water industry was "alive with speculation" about RWE's "likely disposal" of its water businesses.

Be it speculation or reality, the news comes at an interesting time for Cal Am and its Central Coast divisions

The company is under unusually intense scrutiny by the California Public Utilities Commission over its applications to double rates in Monterey and Felton. Among the company expenses the commission is questioning are costs of planning a desalination plant in Moss Landing and the now-abandoned Carmel River dam, as well as retrofitting the unsafe and silt-filled San Clemente Dam. The latter project could cost Cal Am at least \$40 million if the commission denies ratepayer reimbursement for the company.

The costs of updating aging infrastructures, and limited ability to recoup those expenses because of regulatory agencies, was cited as one of the main reasons RWE plans to divest its water holdings, particularly in the United States and United Kingdom, where Victorian-era pipes leak about one of every 5 gallons of water pumped, according to Bloomberg News.

While Thames Water is RWE's most profitable division, its operating profits dropped 4.8 percent in the first six months of 2005, according to Reuters news service.

"If the reports are true, in a water utility, that's a function of expenses," said Marc del Piero, attorney for Pajaro-Sunny Mesa Community Services District, which is competing with Cal Am for the rights to build a desalination plant in Moss Landing. "That means their costs are going up and their profits are going down."

At the same time the company is facing regulatory headaches, it is facing ratepayer revolt on several fronts here and elsewhere in the United States. On Nov. 8, Peninsula residents will vote on Measure W, asking if they want to spend \$550,000 to study the feasibility of a public takeover of the local water systems. Cal Am is spending untold sums of money to fight the measure, at the expense of shareholders, not ratepayers.

And in Felton, in the Santa Cruz Mountains, voters in July passed a bond measure to finance public purchase of its local system. Cal Am has already spent thousands of dollars fighting that effort and has said it will fight any attempt at eminent domain condemnation.

Ron Weitzman, spokesman for Monterey Friends of Locally Owned Water, a business-dominated backer of Measure W, said a sale of RWE's water holdings would not affect the group's efforts.

"We see it as interesting, but I don't see that it makes too much difference," he said. "It's still going to be foreign ownership."

Privatization of public water resources by foreign companies has been one of the major complaints of citizens groups seeking takeover of American Water systems, here and

places like Lexington, Ky.

RWE purchased Thames Water for \$9.8 billion in 2000 and paid \$7.6 billion for American Water in 2001. According to the Financial Times, the purchases achieved RWE Chairman Dietmar Kuhnt's ambition to lead the third largest water company in the world.

"We really don't comment on that," he said. "RWE has made no announcements at all."

Thomas Urich, an associate professor of finance at the Fisher Graduate School of International Business at the Monterey Institute of International Studies, said divesting is an ongoing trend in business these days.

"In the '70s, we saw all these companies that wanted to become conglomerates," he said. "What we've seen in the '90s and 2000s is, there's a feeling you should concentrate on your core business. If you skim through the Wall Street Journal, you'll see half the companies are buying, half are selling."

Urich said he wasn't familiar with RWE or its water division, but he said many major companies have spun off parts of their organization in recent years, for a multitude of reasons. Hewlett-Packard spun off its instrument business, he said, and General Motors has done so with its financing arm.

In August, GM announced it would sell a 60 percent stake in its commercial mortgage unit to an investor group to raise cash. GM maintains a 40 percent interest in the General Motors Acceptance Corp. unit.

An initial public offering of stock in its water companies could also simply be a way for RWE to raise capital, said Urich. #

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**MONTEREY WATER ISSUES:**  
**State urges cooperation on water**  
**Monterey Herald— 10/27/05**  
**By Joe Livernois, staff writer**

A state water official advised representatives from California American Water Co. and the Monterey Peninsula Water Management District to figure out how to get along.

"I would implore you to quit arguing over who said what when," said Arthur Baggett, a member of the state Water Resources Control Board.

Baggett showed up in Salinas on Wednesday to learn about the progress made by various water agencies in Monterey County to resolve a multitude of pending issues.

The workshop was simply a fact-finding mission for the state water agency, and no formal action resulted from the meeting.

But it served as a rare chance for anybody who is anybody in the convoluted sphere of Monterey County water issues to gather in the same room. For the uninitiated, the workshop served as a quick primer on virtually every major water issue in the county.

Representatives from four agencies and for Cal Am all presented descriptions of their progress in resolving seawater intrusion problems in the Salinas Valley and phasing out the use of the Carmel River to provide water to the Monterey Peninsula.

The rarity of the moment was not lost on Roy Thomas of the Carmel Valley Steelhead Association, who told Baggett that while "collaboration" and cooperation seemed to be a recurring theme among the water groups, "none of these agencies ever talk to each other."

During their presentations, Cal Am and Monterey Peninsula water agencies described their "aquifer storage and recovery" project, a unique project that moves excess water from the Carmel River during wet winter months into underground basins in Seaside.

The water is used to supply Seaside during dry months and reduces the amount being pumped from beneath the Carmel River. Cal Am was ordered 10 years ago to stop pumping from Carmel River sources, and the aquifer storage and recovery project is considered a way to partially meet that order.

But disagreements have arisen over which of the two entities will have rights to the water. Cal Am and water district officials had been negotiating the issue before the water district board placed Measure W on the Nov. 8 ballot.

It asks voters to authorize a study that will analyze the district's takeover of Cal Am.

Baggett also heard an account of the long history of uneasy relations between Cal Am and the water district. When the state water board issued the order to stop taking water from the Carmel River 10 years ago, the order was given with the expectation that Cal Am would build a new dam.

But Cal Am officials told Baggett the water district impeded plans to build a dam, and the plans have since been scrapped.

Stuart Somach, an attorney for the board, suggested that the state board "look to Cal Am... to solve the problems and not to rely on others."

"If there is a problem, the consumers won't be running to the Monterey Peninsula Water Management District," he said. "They will be running to us."

In response, Baggett acknowledged that "tensions are high" on the Monterey Peninsula, but suggested that the water agency and Cal Am "put the disputes and the past aside."

On the Salinas Valley side of the county, Baggett said he was relatively pleased with the progress made by the Monterey County Water Resources Agency in generating the Salinas Valley Water Project, the latest effort to slow the encroachment of seawater into aquifers beneath the Salinas River.

While that project has not been built, the water agency is awaiting final approval from the National Marine Fishery Service. Curtis Weeks, Monterey County Water Resources Agency general manager, said construction will likely start next year.

Joyce Ambrosia, a fishery biologist for the service, said she expects her office will finish its review by the end of the year.

About seven years ago, the state Water Resources Control Board threatened to take over operations of the Salinas Valley water system -- a process called "adjudication" -- because local officials were unable to stop seawater intrusion.

Intrusion is caused when water is pumped out faster than aquifers can be recharged. Water from Monterey Bay has been filling the resulting vacuum in the Salinas River, threatening sources that provide agricultural irrigation water.

The county has since completed the Castroville Seawater Intrusion Project, which reclaims sewage water, and is now working on the Salinas Valley Water Project, which would include construction of an inflatable rubber dam on the Salinas River.

After hearing presentations on the issues facing the Carmel River, Baggett hinted that the state board might consider initiating adjudication proceedings to resolve issues on the

Monterey Peninsula.

Baggett also heard proposals by representatives from Cal Am and the Pajaro-Sunny Mesa Community Services District to build desalination projects in Moss Landing.

The Cal Am project would replace water now being pumped from the Carmel River.

The Pajaro-Sunny Mesa desalination plant is envisioned as a regional project that would provide water to the Monterey Peninsula, to the Pajaro Valley Water Management Agency and to parts of Prunedale. #

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