

**EXHIBIT 14-C**  
**Quarterly Water Supply Strategy and Budget Report**  
**California American Water**  
**Main Water Distribution System: April- June 2014**

1. Management Objectives

The Monterey Peninsula Water Management District (District) desires to maximize the long-term production potential and protect the environmental quality of the Carmel River and Seaside Groundwater Basins. In addition, the District desires to maximize the amount of water that can be diverted from the Carmel River Basin and injected into the Seaside Groundwater Basin while complying with the instream flow requirements recommended by the National Marine Fisheries Service (NMFS) to protect the Carmel River steelhead population. To accomplish these goals, a water supply strategy and budget for production within California American Water's (Cal-Am) Main and Laguna Seca Subarea water distribution systems is reviewed quarterly to determine the optimal strategy for operations, given the current hydrologic and system conditions, and legal constraints on the sources and amounts of water to be produced.

2. Quarterly Water Supply Strategy: April - June 2014

On March 12, 2014, staff from the District, Cal-Am, the California Department of Fish and Wildlife (CDFW), and NMFS met and discussed the proposed water supply strategy and related topics for the April - June 2014 period. The United States Fish and Wildlife Service (USFWS) was unable to attend, but staff from the State Water Resources Control Board's, Division of Water Rights participated by conference call. Currently, flow in the Carmel River is unregulated and Los Padres Reservoir (LPR) is spilling. LPR is currently at ~103% of maximum effective storage capacity, i.e., 1,731 AF that occurs with the Los Padres Dam (LPD) spillway's notch flashboard removed, or 101% of the 1,775 AF of storage capacity achieved when the notch's flashboard is in place. The LPD notch is closed since this is such an extremely dry water year, and it was placed into the notch earlier than normal during March. This was done in order to maximize any potential storage that could be gained this year, so that it can be allocated to sustaining minimum flows in the river over the summer and fall. Flow in the Carmel River is continuous to just above Rancho San Carlos Bridge at River Mile 3.86. Flows have not reached Carmel River Lagoon, the lagoon mouth has remained closed for the year, and it will likely remain so until next winter. Rainfall during Water Year (WY) 2014 to date at San Clemente Dam in the upper watershed has totaled 5.91 inches or 38% of the long-term average to date of 15.53 inches at this site, and 28% of the long-term annual average of 21.29 inches. Further, unimpaired runoff at San Clemente Dam for WY 2014 through February has totaled approximately 1,650 AF or about 5% of the long-term average to date for this site of 36,559 AF, and 2% of the long-term annual average of 68,386 AF, making this a "Critically Dry" Water Year Type, to date.

**Carmel River Basin** Given these conditions, and runoff to date, it was agreed that "Critically Dry" year inflows would be initially assumed to assess Cal-Am's operations during the April through June 2014 period. To meet customer demand, Cal-Am would operate its wells in the Lower Carmel Valley in a downstream-to-upstream sequence, as needed. For the quarterly budget, it was agreed that Cal-Am would attempt to produce no groundwater from its wells in

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the Upper Carmel Valley during April through June 2014. If sufficient flow in the Carmel River at the District's Don Juan Bridge gage in Garland Park, i.e., any day of 20 or more cubic feet per second (cfs), continues to occur to justify operations allowed under the less restrictive high-flow period, Cal-Am could operate these wells if needed. In addition, it is projected that Cal-Am would produce approximately 950, 1,162, and 1,112 AF of groundwater from its wells in the Lower Carmel Valley during April, May and June 2014, respectively, for both customer service and Water Project 1 and 2 (ASR) injection to storage. **Table 1** was not included in this month's Staff Note due to the unpredictability of future hydrology in this relatively unprecedented water year. This table will be revised and updated with March and April flow and storage data, by May 12 for the May, 19, 2014 Board meeting as a formal part of the Annual Low Flow MOA.

Lastly, it was assumed that up to 200 AF of water could be diverted from the Carmel River Basin and injected into the Seaside Groundwater Basin each month during April and May, 2014, respectively, should river bypass flow requirements be exceeded. Because of the uncertainty in predicting future rainfall and runoff amounts, this assumption is subject to change.

**Seaside Groundwater Basin** It was also agreed that, subject to rainfall and runoff conditions in the Carmel River, Cal-Am would continue production at 125, 126, and 150 AF per month from their wells in the Coastal Subareas, for April, May and June 2014, in addition to the planned 25 AF per month of production from the Sand City Desalination Plant, so as to achieve maximum utilization of the native water available in the basin under the Seaside Basin Adjudication Decision and in compliance with SWRCB Orders 95-10 and 2002-0060. For this budget period, projected Coastal Subarea production could vary from the values shown, depending on whether flows are sufficient to reinitiate Water Project 1 and 2 (ASR) injection operations. These operations may require some minor production from the Seaside wells in April and May to pressurize the delivery system and enable ASR injection. It was also agreed that only 10, 14, and 16 AF of groundwater would be budgeted from Cal-Am's wells in the Laguna Seca Subarea of the Seaside Basin for customers in the Ryan Ranch, Bishop, and Hidden Hills systems during April, May and June 2014, respectively. It is recognized that, based on recent historical use, Cal-Am's actual production from the Laguna Seca Subarea during this period will likely exceed the proposed monthly targets, which are based on Cal-Am's allocation specified in the Seaside Basin Adjudication Decision. For example, in the April through June 2013 period, Cal-Am produced 32, 44, and 40 AF from the Laguna Seca Subarea to meet customer demand in the Ryan Ranch, Bishop, and Hidden Hills systems. In this context, the production targets represent the maximum monthly production that should occur so that Cal-Am remains within its adjudicated allocation for the Laguna Seca Subarea. Under the amended Seaside Basin Adjudication Decision, Cal-Am is allowed to use production savings in the Coastal Subareas to offset over-production in the Laguna Seca Subarea.