

## **EXHIBIT 2-E**

### **2016 Monterey Peninsula Conservation and Rationing Plan**

#### **Excerpts With Respect to Regulatory Triggers And Conservation and Rationing Stages 1-4**

**Note:** Several sections prior to Stage 1 description and after Stage 4 description are not included here. Italics represents sections deleted as not relevant to CDO and EDL triggers.

#### **Stage 1 Water Conservation: Prohibition on Water Waste (MPWMD Rule 162)**

- A. Trigger. Stage 1 shall remain in effect at all times and shall apply to all Water Users subject to modification by the Board.
- B. Water Waste Prohibitions. *(This section describes and defines activities that comprise Water Waste in the District and Cal-Am service area)*
- C. The following activities shall not be cited as Water Waste: *(This section goes on to describe various activities that will not be cited)*
- D. Prohibitions against Water Waste and Non-Essential Water Use shall be enforced by the District and its designated agents, unless indicated otherwise. All notices and assessments of Water Waste and/or excess water use charges made by a Water Distribution System Operator shall be reported to the District within thirty (30) days.

*(This Stage description goes on to describe fines and penalties and enforcement actions.)*

#### **Stage 2 Water Conservation: Voluntary Reduction in Use (MPWMD Rule 163)**

- A. Trigger.
  - 1. Physical Shortage Trigger (California-American Water Company Distribution Systems): *(Description of in-ground storage calculation follows)*
  - 2. Physical Shortage Trigger (Non-California-American Water Company Distribution Systems): *(Description of in-ground storage trigger follows)*
  - 3. Regulatory Trigger – Production Targets: Stage 2 shall take effect on the California-American Water Company Water Distribution System when the most recent 12 month California American Water production from the MPWRS is

greater than the then-current annual production target as determined in Table XV-1 (*which would be the CDO Effective Diversion Limit and Seaside Basin*) but no greater than 105 percent of the annual production target. The amount of voluntary reduction shall equal the percentage overage of the annual production.

4. Regulatory Trigger – Regulatory Order: Stage 2 shall take effect in any Water Distribution System when that system is directed to reduce use by a governmental or regulatory agency. The amount of voluntary reduction shall equal the percentage directed by that governmental or regulatory agency relative to a base year determined by the governmental or regulatory agency.
  5. Emergency Trigger: (*Describes emergency actions due to an outage or interruption.*)
- B. The Water Distribution System Owner or Operator shall provide notice of the amount of voluntary reduction requested to affected Water Users pursuant to Rule 161. Additional noticing and public outreach may be provided by the District at the direction of its Board of Directors.
- C. The District and its agents shall increase enforcement activities related to Water Waste prohibitions.
- D. Stage 1 shall remain in effect.
- E. Sunset.
1. (*This section covers sunset for physical storage triggers*)
  2. Without further action of the Board of Directors, Stage 2, when implemented pursuant to Rule 163-A-3, shall sunset for the California-American Water Company and water use restrictions shall revert to Stage 1 when that Water Distribution System’s 12 month total production has been less than or equal to its then-current annual production target for two (2) consecutive months.
  3. Without further action of the Board of Directors, Stage 2, when implemented pursuant to Rule 163-A-4, shall sunset for that Water Distribution System(s) and water use restrictions shall revert to Stage 1 when the governmental or regulatory agency rescinds the request.

4. *(Describes sunset.provisions for emergency triggers.)*

**Stage 3 Water Conservation: Conservation Rates (MPWMD Rule 164)**

A. Trigger.

1. Stage 2 Deemed Unsuccessful: Stage 3 shall take effect for all California-American Water Company Water Distribution Systems if Stage 2 has been implemented pursuant to Rule 162-A-1 or Rule 162-A-3 and has failed to sunset after a period of six (6) months.
2. Physical Shortage Trigger: *(Description of in-ground storage trigger follows)*
3. Regulatory Trigger – Production Targets: Stage 3 shall take effect for all California-American Water Company Water Distribution Systems when the most recent 12 month California American Water production from the MPWRS is greater than 105 percent of the then-current annual production target as determined in Table XV-1 and Stage 2 has not been implemented.
4. Regulatory Trigger – Regulatory Order: Stage 3 shall take effect for all California-American Water Company Water Distribution Systems when directed by a governmental or regulatory agency to implement Stage 3.
5. Emergency Trigger: *(Describes emergency actions due to an outage or interruption.)*

B. Stages 1 and 2 shall remain in effect.

C. If Stage 2 has not already been implemented, Stage 2 shall be triggered simultaneously with Stage 3.

D. Thirty days prior to implementation of Stage 3, California American Water shall file to implement Level 1 Conservation Rates within its Main California-American Water Company Water Distribution System, the Bishop Water Distribution System, Hidden Hills System, and Ryan Ranch Water Distribution System and shall provide notification to its customers that such rates shall be implemented after thirty (30) days. Prior to an increase to Level 2 Conservation Rates, California American Water shall provide notification to its customers that such rates shall be implemented after thirty (30) days.

1. Level 1 Conservation Rates comprised of a 25 percent surcharge shall be implemented on the then existing rates for a minimum of three (3) months. The surcharge shall not apply to Tier 1 Residential customers.
2. Level 2 Conservation Rates comprised of a 40 percent surcharge shall be implemented on the then existing rates (without the 25 percent Level 1 surcharge) if after the imposition of Level 1 Conservation Rates for three (3) months, the monthly production in the California American Water System exceeds the monthly production target for the previous two (2) consecutive months. The surcharge shall not apply to Tier 1 Residential customers.

E. Sunset.

1. *(This section covers sunset for physical storage triggers)*
2. Without further action of the Board of Directors, Stage 3, when implemented pursuant to Rule 164-A-3, shall sunset and water use restrictions shall revert to Stage 1 when the 12 month total production has been less than or equal to its then-current annual production target for two (2) consecutive months.
3. Without further action of the Board of Directors, Stage 3, when implemented pursuant to Rule 164-A-4, shall sunset and water use restrictions shall revert to Stage 1 when the governmental or regulatory agency rescinds the request.
4. *(Describes sunset provisions for emergency triggers.)*

**Stage 4: Water Rationing (MPWMD Rule 165)**

A. Trigger.

1. Stage 3 Deemed Unsuccessful (California-American Water Company Distribution Systems): Stage 4 shall take effect for all California-American Water Company Water Distribution Systems if Stage 3 has been implemented and has failed to sunset after a period of 8 months.
2. Physical Shortage Trigger. *(Description of in-ground storage trigger follows)*
3. Regulatory Trigger: Stage 4 shall take effect in any Water Distribution System when that system is directed by a governmental or regulatory agency to enact Stage 4.

4. Emergency Trigger: *(Describes emergency actions due to an outage or interruption.)*
5. Stage 4 shall not be triggered if the General Manager determines upon credible evidence that the production targets associated with a final Cease and Desist Order are likely to be met by adhering to the requirements of a lesser Stage. The General Manager shall record this determination and any amendment thereto, by memorandum which may be appealed to the Board in accord with Regulation VII, Appeals.
6. Delay of Stage Implementation. The Board may delay implementation of Stage 4 Water Rationing for any Water Distribution System to ensure adequate operation of the program. Delays authorized by the Board shall not exceed sixty (60) days.

B. Amount of Reduction.

1. The amount of mandatory reduction shall equal the shortfall in Total Storage Available as compared to the Total Storage Required; or
2. The amount of mandatory reduction shall equal the overage of the last 12 months actual production as compared to the then-current annual production target; or
3. The amount of mandatory reduction shall equal some other amount as reflected in a governmental or regulatory order.

C. Stages 1, 2, and 3 (if applicable) shall remain in effect.

D. Additional Prohibitions.

1. The Board shall consider prohibiting all or specific Non-Essential Water Uses. The Board may enact such prohibitions by Resolution.
2. California American Water shall maintain Non-Revenue Water at or below seven (7) percent.
3. Moratorium. Upon implementation of Stage 4, the Board shall declare a moratorium on accepting Water Permit applications within the affected Water Distribution System other than those applications that rely upon a Water Credit,

Water Use Credit, or Water Use Permit. The Board may amend the moratorium to include the use of Water Credits and/or Water Use Credits if warranted. All pending Water Permits not issued within 120 days of declaration shall be suspended. Water Use Permits shall be exempt from any moratorium on Water Permits.

4. No New Potable Water Service: Upon declaration of Stage 4 Water Rationing, no new Potable water service will be provided, no new temporary Water Meters or permanent Water Meters will be provided, and no statements of immediate ability to serve or provide Potable water service (e.g. will-serve letters, certificates, or letters of availability) will be issued by the Water Distribution System Operator, except under the following circumstances:
  - a. The project is necessary to protect the public health, safety, or welfare.
  - b. The setting of meters in the California-American Water Company Water Distribution System shall not be terminated or diminished by reason of any water emergency, water moratorium or other curtailment on the setting of meters for holders of Water Use Permits.
  - c. This provision does not preclude the resetting or turn-on of Water Meters to provide continuation of water service or the restoration of service that has been interrupted for a period of one year or less.
5. No New Annexations: Upon the declaration of a Stage 4, California-American Water Company will suspend annexations to its Service Area. This subsection does not apply to boundary corrections and annexations that will not result in any increased use of water, or annexations required by a regulatory agency.
6. Customers utilizing portable Water Meters or hydrant Water Meters or using hydrants to fill water tanks without the use of a Water Meter, shall be required to cease use of the water, except upon prior approval of the General Manager. Portable Water Meters shall be returned to the Water Distribution System at least thirty (30) days before the implementation of Stage 4.
7. Draining and refilling of swimming pools or spas except (a) to prevent or correct structural damage or to comply with public health regulations, or (b) upon prior approval of the General Manager.
8. Restriction on Watering or Irrigating: Watering or irrigating of Lawn, landscape

or other vegetated area with Potable water will be subject to restriction at the direction of the District. This restriction does not apply to the following categories of use, or where the District has determined that recycled Sub-potable Water is available and may be applied to the use:

- a. Businesses dependent on watering or irrigating in the course of business such as agriculture, nursery, and similar uses;
- b. Maintenance of existing Landscaping necessary for fire protection;
- c. Maintenance of existing Landscaping for soil erosion control;
- d. Maintenance of plant materials identified to be rare or essential to the well-being of protected species;
- e. Maintenance of Landscaping within active Public parks and playing fields, Day Care Centers and school grounds, provided that such irrigation does not exceed one (1) day per week;
- f. Actively irrigated environmental mitigation projects.

E. Residential Rations.

- 1. Upon adoption of a Resolution by the Board for a specific reduction in Residential water use, daily Household Water Rations shall be set at a level to achieve the necessary reduction. In no case shall daily Household Water Rations be less than 90 gallons per Household. This shall be known as the Minimum Daily Water Ration.

Where two or more Households are served by a Master Meter, it shall be the responsibility of the Water Users to divide the Water Rations among the Water Users.

- 2. Additional Water Rations for Large Households:

Where four or more Permanent Residents occupy a single Household served by one Water Meter, the Minimum Daily Water Ration may be increased by the amounts listed below:

<b>Number of Permanent Residents</b>	<b>Residential Household Gallons per Day</b>
Fourth Permanent Resident	30
Fifth Permanent Resident	25
Sixth Permanent Resident	20
Seven or More Permanent Residents (Per Additional Resident)	15

3. Procedure for Obtaining Additional Water Rations for Large Households:
  - a. The Applicant shall complete a Residency Affidavit (obtained from the District) that requests the name, age and verification of full-time Permanent Residents for each resident in the Household for which the additional Water Ration is requested. The information on the application shall be presented under penalty of perjury. The additional Water Ration request shall be submitted to the General Manager, who will approve or disapprove the request within 10 business days of submission of a completed application.
  - b. If the application is disapproved, the General Manager will explain in writing the reason for the disapproval, and if the Applicant is not satisfied with the decision of the General Manager, the Applicant may appeal the General Manager's decision to the Board of Directors.
  
4. Procedure for Obtaining Additional Water Rations Where Two or More Households are Served by a Master Meter:
  - a. The Applicant must fill out the required form that lists the number of Residences served by the Master Meter and submit a use permit issued by the Jurisdiction for the Multi-Residential Dwelling Units served by the Master Meter. The District shall retain the right to require Residency Affidavits to determine the appropriate Water Rations. The additional Water Ration request shall be submitted to the General Manager, who will approve or disapprove the request within 10 business days of submission of a completed application. The Application shall be submitted under penalty of perjury.
  - b. If the application is disapproved, the General Manager will explain in writing the reason for the disapproval, and if the Applicant is not satisfied

with the decision of the General Manager, the Applicant may appeal the General Manager's decision to the Board of Directors.

5. Additional Water Ration for Special Needs. Where more water than allowed in Sections 3 or 4 above is necessary to preserve the health or safety of a Household, the General Manager may increase the Water Ration during the period of need according to the needs of the Applicant.
  - a. The Applicant or his or her representative may file a request for an additional Water Ration and shall state to the General Manager: (1) the amount of the requested additional Water Ration, and (2) a general statement in support of the need. Where appropriate, Applicant shall provide a letter from a medical doctor stating the need for additional water usage and projected amount and duration of that need, if possible, or other appropriate justification for the special need.
  - b. Additional Water Rations shall require the replacement of inefficient water fixtures to comply with Rule 142-E, Residential and Non-Residential Change of Ownership, Change of Use, and Expansion of Use Water Efficiency Standards.
  - c. Additional Water Rations shall require the Connection have a working Pressure Regulating Device that maintains water pressure at a maximum of 60 psi.
  - d. If the General Manager does not approve an additional Water Ration, the Applicant may appeal to the Board. An appeal from the General Manager's decision must contain all of the following: (a) a copy of the original application; (b) a copy of the written explanation of the General Manager's decision; and (c) a written explanation of why the Applicant believes the decision should be changed.
6. Misrepresentation. Any Water User intentionally over-reporting the number of Permanent Residents in a Household may be charged with a misdemeanor punishable as an infraction as provided by Section 256 of the Monterey Peninsula Water Management District Law, Statutes of 1981, Chapter 986, as well as fines and penalties set forth in this Regulation. During this Stage 4, whenever there is a change in the number of Permanent Residents, the Water User shall notify the District.

F. Non-Residential Water Rations.

1. If Residential Water Rationing does not achieve measurable results as expected after a period of six (6) months, upon adoption of a Resolution by the Board for a specific reduction in Non-Residential water use, Non-Residential Water Rations shall be implemented at a level to achieve the necessary reduction in use.
2. Non-Residential Water Rations shall be determined by selection by the District of a previous year for which Stages 2, 3, or 4 Conservation or Rationing was not in place and then reducing each month's water use by a percentage determined by the District to achieve the Non-Residential reduction in use. Where a previous year history is deemed to be unavailable or inappropriate by the District, a Non-Residential Water Ration shall be established by the District based on type of Non-Residential water use, building design, and water fixtures.
3. Exemptions: In the Resolution to implement a level of Non-Residential Rationing, the Board shall include an exemption for compliance with District Rule 143 and an exemption for a Non-Residential establishment whose business requires water in the course of its business practice (e.g. laundromats, nurseries, among others.)
4. An Applicant or his or her representative may file a request for an additional Water Ration. The Applicant shall state in a letter to the General Manager: (1) the amount of the requested additional Water Ration, and (2) a general statement in support of the need.
5. Additional Water Rations shall require the Connection have a working Pressure Regulating Device that maintains water pressure at a maximum of 60 psi.
6. If the request for additional Water Ration is disapproved, the General Manager will explain in writing the reason for the disapproval, and if the Applicant is not satisfied with the decision of the Board, the Applicant may appeal to the Board of Directors for a hearing.

G. Irrigation required by the Mitigation Program adopted when the Water Allocation Program Environmental Impact Report was adopted in 1990, and as required by SWRCB Order No. WR 95-10, shall not be subject to reductions in use. Required irrigation of the Riparian Corridor shall be identified and reported by California American Water separately from other Non-Revenue Water.

H. CAWD/PBCSD Wastewater Reclamation Project Recycled Water Users. Recycled Water

Irrigation Areas receiving water from the CAWD/PBCSD Wastewater Reclamation Project shall be subject to Stage 4 for Potable water used during an Interruption or emergency, in accordance with contractual Agreements between the District and the respective Owners of the Recycled Water Irrigation Areas.

1. The Owners of the Recycled Water Irrigation Areas shall have the respective irrigation requirements thereof satisfied to the same degree as any non-Project Golf Course or open space which derives its Source of Supply from the California American Water system. The irrigation requirements of the Recycled Water Irrigation Areas will be determined based on the most-recent non-Rationed four-year average irrigation water demand, including both Recycled Water and Potable water, for each respective Recycled Water Irrigation Area.
2. Each Recycled Water Irrigation Area shall be entitled to receive the average irrigation requirement determined above, reduced by the percentage reduction required by the current stage of Water Rationing. If the quantity of Recycled Water that is available is less than the quantity of water that the Recycled Water Irrigation Area is entitled to, Potable water shall be provided to make up the difference and satisfy the irrigation requirements of the Recycled Water Irrigation Areas to the same degree that the irrigation requirements of non-Project Golf Course and open space Users are being satisfied. The preceding sentence shall not apply to the extent that the irrigation requirements of any Recycled Water Irrigation Area are met with water legally available to Buyer from any source other than the Carmel River System or the Seaside Groundwater Basin, including percolating Groundwater underlying Buyer's Property, to make up any such difference.
3. When Recycled Water (as defined in Rule 23.5) is available in sufficient quantities to satisfy the irrigation requirements of the Recycled Water Irrigation Areas, such irrigation shall not be subject to Stage 4, and neither Potable water nor any water described in the preceding sentence (whether or not it is Potable) shall be used for irrigation of the Recycled Water Irrigation Areas except to the extent allowed in the circumstances described in the next two sentences.
4. If there is an Interruption in Recycled Water deliveries to any Recycled Water Irrigation Area (as the capitalized terms are defined in Rule 23.5), the temporary use of Potable water for irrigating each such Recycled Water Irrigation Area is authorized in the manner described in Rule 23.5, Subsection F.
5. If the District has adopted an ordinance in response to any emergency caused by drought, or other threatened or existing water shortage pursuant to section 332 of

the Monterey Peninsula Water Management Law, said ordinance shall prevail over contrary provisions of this Rule. Notwithstanding the preceding sentence, Potable water shall be made available for irrigating tees and greens of the Recycled Water Irrigation Areas in sufficient quantities to maintain them in good health and condition during an Interruption, without any limitation on the duration.

6. The District shall have no obligation to furnish Potable water for irrigation of the Recycled Water Irrigation Areas except in the circumstances set forth above.
7. If (1) an emergency or major disaster is declared by the President of the United States, or (2) a “state of war emergency,” “state of emergency,” or “local emergency,” as those terms are respectively defined in Government Code section 8558, has been duly proclaimed pursuant to the California Emergency Services Act, with respect to all or any portion of the territory of MPWMD, the provisions of this section shall yield as necessary to respond to the conditions giving rise to the declaration or proclamation.

I. Sunset.

1. Without further action of the Board of Directors, Stage 4, when implemented due to non-compliance with regulatory targets, shall sunset for all California-American Water Company Water Distribution Systems and water use restrictions shall revert to Stage 1 when the 12 month total production has been less than or equal to its then-current annual production target for two (2) consecutive months.
2. Physical Shortage Trigger: Without further action of the Board of Directors, Stage 4 shall sunset and water use restrictions shall revert to Stage 1 when remaining Total Storage Available computed consistent with Table XV-4 is greater than remaining Total Storage Required for two (2) consecutive months.
3. Regulatory Trigger: Without further action of the Board of Directors, Stage 4 shall sunset for that Water Distribution System(s) and water use restrictions shall revert to Stage 1 when the governmental or regulatory agency rescinds the request.
4. Emergency Trigger: Stage 4 shall sunset and water use restrictions shall revert to Stage 1 when the Board finds that a Water Supply Emergency no longer exists.
5. Restoration of Lower Stage. A Resolution causing the sunset of one or more provisions of Stage 4 may also activate any lower Stage as may be warranted for good cause by circumstances affecting a particular Water Distribution System, private Well, or Water User.