EXHIBIT 2-D

STATE OF CALIFORNIA EDMUND G. BROWN JR., *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

September 22, 2016

TO: ALL PARTIES OF RECORD IN APPLICATION 12-04-019

Decision 16-09-021 is being mailed without the Concurrence of Commissioner Catherine J.K. Sandoval. The Concurrence will be mailed separately.

Very truly yours,

/s/ RICHARD SMITH for
Karen V. Clopton
Chief Administrative Law Judge

KVC/lil

Attachment

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EXHIBIT 2-D

ALJ/GW2/ar9/lil **Date of Issuance 9/22/2016**

Decision 16-09-021 September 15, 2016

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of California-American Water Company (U210W) for Approval of the Monterey Peninsula Water Supply Project and Authorization to Recover All Present and Future Costs in Rates.	Application 12-04-019 (Filed April 23, 2012)

DECISION ON CALIFORNIA-AMERICAN WATER COMPANY'S APPLICATION FOR APPROVAL OF THE MONTEREY PENINSULA SUPPLY PROJECT SPECIFICALLY IN REGARDS TO PHASE 2

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DECISION ON CALIFORNIA-AMERICAN WATER COMPANY'S APPLICATION FOR APPROVAL OF THE MONTEREY PENINSULA SUPPLY PROJECT SPECIFICALLY IN REGARDS TO PHASE 2

Summary

Against the backdrop of a 2012 Application and the 2016 Amended Application, this decision addresses Phase 2 issues. In particular, we authorize California-American Water Company (Cal-Am) to enter into a revised Water Purchase Agreement (WPA). The revised WPA provides that the Monterey Regional Water Pollution Control Agency sells purified water from its advanced treated Pure Water Monterey Ground Water Replenishment Project to the Monterey Peninsula Water Management District, which will in turn sell it to Cal-Am for distribution to ratepayers in the Monterey District service area.

This decision also authorizes Cal-Am to build the Monterey pipeline and Monterey pump station, subject to compliance with a Mitigation Monitoring and Reporting Program to address environmental issues. These facilities are necessary for the efficient and optimal use of the Aquifer Storage and Recovery system as well as the Groundwater Replenishment Project, including conveyance of water over a hydraulic gradient. The decision adopts a cost cap of $50.3 million for the combined pipeline and pump station project. Furthermore, the decision authorizes limited financing and ratemaking features, including cost-recovery of used and useful facilities via two advice letters.

This proceeding remains open to resolve Phase 1 issues relative to a certificate of public convenience and necessity for a proposed desalination plant and related facilities.

1. Groundwater Replenishment (GWR) Project Background

In 1995, the State Water Resources Control Board (SWRCB) found that California-American Water Company (Cal-Am or applicant) did not have the legal right to about 10,730 acre-feet per year (AFY) of its then-current diversions from the Carmel River, and that the diversions were having an adverse effect on the river environment. The SWRCB directed applicant to cease and desist from its unlawful diversions. (SWRCB Order 95-10.)

For nearly twenty years the Commission has worked with applicant and a large number of diverse stakeholders to solve the water shortage and resulting environmental problems. In 2009, the SWRCB issued a cease and desist order (CDO) with a firm December 31, 2016 deadline for applicant to cease its unlawful diversions. (SWRCB Order WR 2009-0060.)

In 2010, the Commission authorized a Regional Desalination Project (RDP) to address the Monterey Peninsula water supply and environmental issues by the 2016 deadline. (Decision (D.) 10-12-016.) A groundwater replenishment project was considered but not adopted at that time. In 2012, the Commission authorized applicant to withdraw from the RDP given problems that were fatal to that project. (D.12-07-008.)

In April 2012, applicant filed the current application. The application proposed the Monterey Peninsula Water Supply Project (MPWSP) with new water supply by 2016 from three sources: aquifer storage and recovery project (ASR),[1] GWR project, and a desalination plant. Applicant proposed the

[1] The Monterey ASR project involves the injection of excess Carmel River water into the Seaside Groundwater Basin for later extraction and use. Future water sources for ASR may include the Pure Water Monterey Groundwater Replenishment Project and a desalination plant.

alternative of either a large desalination plant (9.6 million gallons per day) or a smaller desalination plant (6.4 million gallons per day) paired with the GWR. The GWR would be jointly developed, and water sold, by the Monterey Regional Water Pollution Control Agency (MRWPCA or Agency) and the Monterey Peninsula Water Management District (MPWMD or District). The water would be sold by the Agency and District to applicant pursuant to a Water Purchase Agreement (WPA). The GWR would treat and purify wastewater for potable use. The District became the lead agency for California Environmental Quality Act (CEQA) review of the ASR project, and the Agency became the lead agency for CEQA review of the GWR project. The Commission became the lead agency for review of the desalination project.

In 2015, the Commission's CEQA work on the desalination plant was necessarily delayed. This was in part due to the state review being joined with federal review, causing some delay but offering the potential for an overall quicker and more complete joint state Environmental Impact Report (EIR) and federal Environmental Impact Statement (EIS).

Given the necessary delays in the desalination project, applicant joined with others in an application to the SWRCB for an order to extend the 2016 deadline. On July 19, 2016 the SWRCB extended Cal-Am's the CDO deadline to December 31, 2021. The extension order requires that both applicant and the Commission meet several milestones by dates certain. One condition involves the Commission addressing the GWR and WPA by the end of 2016.

While the desalination project, if approved, was originally expected to be operational by 2016, the delays now result in the expected project operation, if approved, to be after 2019. The work on the GWR has proceeded, however. If necessary approvals, permits and contracts are completed in 2016 and 2017,

there is the potential for initial operation of the GWR in late 2017, with water sales to Cal-Am in 2018.

2. Phase 2 Issues

This proceeding is bifurcated into two phases. Phase 1 addresses whether or not a Certificate of Public Convenience and Necessity (CPCN) should be granted for a desalination plant and related facilities. Phase 2 deals with the GWR and, in particular, whether applicant should be authorized by the Commission to enter into a WPA for GWR water. The Commission originally intended to address Phase 2 issues simultaneously with, or after, a decision on Phase 1 issues.

In a joint motion filed on April 18, 2016, eighteen parties, including the Commission's Office of Ratepayer Advocates (ORA), requested that the Commission issue a separate Phase 2 decision before addressing Phase 1 issues. In support, joint parties submitted that, given delays in the desalination project, a separate Phase 2 decision on the GWR and WPA, including issues related to the Monterey pipeline and pump station, could allow Cal-Am to take full advantage reasonably soon of two alternative water sources: (1) the GWR and (2) the ASR.[2]

The joint motion was granted. Hearings were held on Phase 2 issues in April and May 2016, with briefs filed in June 2016. A more detailed procedural history is in Appendix A to this decision.

Parties present three issues for resolution in Phase 2: (1) should applicant be authorized to enter into a WPA for purchase of GWR water; (2) should

[2] April 18, 2016 Joint Motion at 2.

applicant be authorized to build the Monterey pipeline and Monterey pump station; and (3) should limited financing and ratemaking proposals for the pipeline and pump station be adopted. We determine for the reasons stated below that Cal-Am should be authorized to enter into the WPA for purchases of water from the GWR. Among other reasons, this provides Cal-Am and its ratepayers the best near-term supplemental water supply opportunity to reduce unauthorized diversions from the Carmel River by the end of the CDO period. We authorize construction of the Monterey pipeline and pump station to facilitate optimal use of the ASR and the GWR water, subject to applicant's compliance with a Mitigation Monitoring and Reporting Program (MMRP). We also authorize limited financing and ratemaking provisions. A brief summary of the positions of parties is contained in Appendix B.

3. Approval to Enter into Revised Water Purchase Agreement

Phase 2 issues, including a draft January 14, 2016 WPA, were addressed in proposed testimony served in January and March 2016. On April 8, 2016, the assigned Commissioner and assigned Administrative Law Judge (ALJ) issued a Joint Ruling requesting data with respect to, and identifying, a number of concerns with the draft WPA. A panel of witnesses composed of applicant, District, and Agency testified at the hearing on April 13, 2016, in response to the data requests and concerns. On April 25, 2016, a joint assigned Commissioner and Administrative Law Judge Ruling directed applicant to provide a revised WPA based on the testimony given April 13, 2016, along with addressing seven additional issues.

The revised WPA was provided in supplemental testimony served on May 19, 2016, and subject to cross-examination at hearing on May 26, 2016. The insurance portions were updated by a late-filed exhibit that was received as

evidence on June 3, 2016. (Exhibit JE-10.) The May 19, 2016 WPA, with the insurance updates, is contained in Appendix C to this decision.

3.1. All Parties But One Support the Revised WPA

The GWR is widely supported by a diverse group of parties, and has backing from local leaders on the Monterey Peninsula, state lawmakers, federal legislators, the Fort Ord Reuse Authority, and the SWRCB. All parties except Water Plus support authorization by the Commission for applicant to enter into the Revised WPA.[3]

The principal arguments for opposition by Water Plus are based on cost and doubts concerning the quality of the GWR product water (i.e., toxicity related to the recharging of aquifers with agricultural drainage water).[4] We find that the issues of GWR cost and water quality have been satisfactorily addressed by express provisions in the Revised WPA (e.g., WPA Paragraphs 16 and 15 on cost, and Paragraph 14 on water quality, each discussed below), as explained and supported by testimony in April and May 2016. As a result, we are not persuaded by Water Plus's opposition.

In particular, Water Plus asserts that GWR costs may be several times those estimated by the Agency and District, and ratepayer costs might be as high as $6,000 per acre-foot.[5] These assertions are unsupported by any credible evidence, and are contradicted by not only the testimony of applicant, District, Agency, and ORA, but also by the plain terms of the proposed WPA. In particular, the WPA provides a first year soft cap of $1,720 per acre foot. (WPA

[3] June 6, 2016 Joint Opening Brief at 3.

[4] June 6, 2016 Water Plus Opening Brief at 7.

[5] *Id.* at 9.

Paragraph 16; see Appendix C.) For the 30 year life of the agreement, the WPA establishes fundamental ratemaking principles that will guide the making of rates. For example, it establishes that rates are based on actual costs, applicant shall only pay for water it receives, applicant will only pay its proportionate costs, and rates are adjusted each year to equate rates with actual costs via an annual true-up (all discussed further below). (WPA ¶ 16.) It provides for a reasonably transparent budgeting and rate setting process, with budgets and supporting data displayed on the Agency and District webpages, and also data available by data request. (WPA ¶ 15.) The cost concerns of Water Plus are not credible.

Water Plus also alleges that some source waters (i.e., Blanco Drain and Reclamation Ditch) contain toxic substances (e.g., diazinon, chlorpyrifos) that will not be successfully treated in the advanced water treatment facilities of the GWR. The result, according to Water Plus, will be water that is a danger to the public. We find otherwise.

The assertions by Water Plus are unsupported by any credible evidence, and are contradicted by not only the testimony of applicant, District, and Agency, but also by the plain terms of the proposed WPA. In particular, the WPA provides a water treatment guarantee. (WPA ¶ 14.) Delivered water must at all times meet water quality requirements set by law.

3.2. Concerns Identified by Two Rulings

The assigned Commissioner and assigned ALJ raised numerous concerns in the Rulings dated April 8 and April 25, 2016. Those concerns included a possible unlawful delegation of Commission authority and responsibilities, prejudice of Phase 1 issues, costs, prices, price formulas, potential for cross-subsidization with other customers of the GWR, the need for an

addendum to the District and Agency GWR EIR, and a cost cap at a point of indifference for Cal-Am ratepayers (between the estimated cost of the larger desalination plant and the estimated higher cost of the GWR/WPA combined with the smaller desalination plant).

The May 19, 2016 revised WPA substantially addresses these concerns, as supported by the testimony provided by applicant, District, and Agency witnesses at hearings in April and May 2016. In particular, for example, the revised language removes objectionable language and resolves concerns about otherwise unlawful delegation of Commission authority and responsibilities to the Agency and District. Testimony clarifies that the WPA neither addresses nor prejudges whether or not a desalination plant will later be authorized (Phase 1). The revised WPA improves the description and process for the annual true-up of actual costs with rates. It adds a specific statement of the fundamental ratemaking principles. It improves the "firewall" between Cal-Am and other users of GWR water to prevent cross-subsidization. It includes a reasonable price cap for the cost of GWR water in the first year. It affirms that in no circumstance shall the obligations of the Agency and District to deliver GWR water to Cal-Am be affected by the pendency of a Cal-Am application to the Commission for approval of a rate greater than the first year cost-cap, or a decision by the Commission to deny such a request. To a substantial degree, the concerns are satisfied by the revised WPA and explanatory testimony, as discussed more below.

Against this background and overview, we first address the specific tests we use to determine whether or not to authorize applicant to enter into the WPA. We find all tests are met. We then comment on one provision of the

WPA and require applicant to take specific actions with respect to that provision.

3.3. Tests for Consideration of Revised WPA

We judge the merits of the Revised WPA using two sets of criteria. First, parties argue the viability and reasonableness of the GWR and WPA can be measured by applying the nine criteria used in the Large Settlement Agreement.[6] The Commission has not adopted the Large Settlement Agreement, and may or may not ultimately do so. Nonetheless, we agree with parties that the nine criteria are important elements in considering the viability of the GWR and the reasonableness of the WPA.

Second, our decision must rest on broader principles, including what is just, reasonable, and in the public interest.[7] We first address the nine criteria. We then address the broader principles.

3.3.1. Nine Criteria

We use the nine criteria advocated by parties to assess the viability of the GWR and reasonableness of the WPA.

Criterion 1: Final EIR

Criterion 1 requires that the Agency has approved the GWR pursuant to a certified Final EIR; no timely CEQA lawsuit has been filed; or, if a timely CEQA lawsuit has been filed, no stay of the GWR has been granted.

The Agency certified the GWR Project Final EIR on October 8, 2015. No timely litigation was filed. The GWR Final EIR includes an environmental

[6] June 6, 2016 Joint Opening Brief at 2-3. The nine criteria are contained in Section 4.2 of the Large Settlement Agreement. The Large Settlement Agreement is Exhibit CA-44.

[7] November 17, 2016 Ruling at 8.

review of the Monterey pipeline. Implementation of the WPA also requires a pump station to address hydraulic pressures and optimal transfer of water through applicant's system. The District prepared an Addendum to the GWR Final EIR to address the pump station. The Addendum was adopted at the June 20, 2016 meeting of the District. It is now final, and not subject to judicial review. Thus, Criterion 1 is satisfied.

Criterion 2: Permits

Criterion 2 states that the status of required permits is consistent with the published GWR development schedule and, for required permits not yet obtained, the weight of the evidence does not show any required permits are unlikely to be obtained in a timeframe consistent with the published schedule.

The schedule for the GWR (assuming timely Commission authorization of the WPA in 2016) has initial operation in late 2017; and delivery of water to applicant in early 2018. The record shows that the Agency is working diligently and quickly to obtain the outstanding federal and state approvals in line with the project schedule, and expects to obtain these outstanding approvals in time to complete construction and place the GWR in service on or about the projected first quarter of 2018 in-service date. The weight of the record evidence satisfies Criterion 2.

Criterion 3: Source Waters

Criterion 3 calls for an examination of whether there is sufficient legal certainty as to agreements or other determinations to secure delivery of source waters necessary to produce between 3,000 and 3,500 AFY of GWR water.

According to applicant, approximately 4,321 AFY of source water is needed to produce 3,500 AFY of produce water due to a 19 percent loss during the advanced treatment processes. To obtain the necessary source water, the

Agency has entered into separate agreements with the City of Salinas and the Monterey County Water Resources Agency (MCWRA). The agreement with the City of Salinas alone provides the Agency with 4,045 AFY of industrial waste water (nearly all of the necessary 4,321 AFY), and no further approvals are needed for applicant to obtain this water.

The agreement with the MCWRA provides 8,701 AFY, comprised of Salinas industrial wastewater and new source water from that the Salinas storm water system, Blanco Drain, and the Reclamation Ditch. The MCWRA agreement states that the Agency has priority on the first 4,321 AFY of these new source waters. Moreover, the Agency has rights to excess winter wastewater as source water for the GWR. All approvals for the source waters from this agreement are obtained, with limited exception (and the MCWRA has applied for the necessary additional water rights, with that application process still ongoing, for the Blanco Drain and the Reclamation Ditch).

Thus, the Agency will have rights to sufficient source waters to meet the contractual obligations under the GWR WPA. Once water right approvals for source waters from the Blanco Drain and the Reclamation Ditch are obtained, the MCWRA Agreement alone would provide adequate source waters for the Agency's obligations under the GWR WPA.[8] In the interim, however, the Agency has adequate source water from the City of Salinas coupled with winter wastewater and the priority allocation from MCWRA to produce 3,500 AFY of water for Cal-Am. Therefore, the weight of the evidence in the record satisfies Criterion 3.

[8] Exh. PCA-4 3:19-23.

Criterion 4: Water Quality and Regulatory Approvals

Criterion 4 examines whether the weight of the evidence indicates that the California Department of Health or the Regional Water Quality Control Board (RWQCB) will decline to accept or approve the GWR extraction or GWR treatment and injection processes, respectively.

While the approval process before the Department of Drinking Water (DDW) (in collaboration with the California Department of Health) and the RWQCB is ongoing, the evidence indicates that the approvals will be forthcoming. Applicant states that RWQCB and DDW have been extensively involved in the development of the GWR since July 2013. The RWQCB was specifically consulted about the GWR during its review under CEQA. Applicant expects the forthcoming permit issued by the RWQCB (in consultation with the DDW) to require continuous water quality testing and sampling, including pesticides of local concern. MPWPCA has completed many of the steps needed for obtaining the needed groundwater replenishment permit and is expeditiously moving forward with the remaining steps.

Water Plus has raised a number of concerns regarding the safety of GWR water. As discussed above, these concerns are unfounded. The RWQCB and DDW are closely reviewing the project to ensure that GWR water meets or exceeds the safety requirements outlined in California Law. Once the GWR begins operations, the project's permit is expected to require continuous water quality testing and sampling, including the pesticides about which Water Plus is concerned. Moreover, the WPA contains a specific water quality requirement and guarantee. (WPA Paragraph 14.)

In sum, many steps have been and will be taken to assure that GWR water will be safe for customers and the public. Thus, the weight of the evidence in the record satisfies Criterion 4.

Criterion 5: GWR Schedule Compared to Desalination Schedule

Criterion 5 requires a showing that the GWR is on schedule to be operable on or before the later of (a) the then-effective date of the CDO or such other date as the SWRCB states in writing is acceptable or (b) the date the MPWSP desalination project is scheduled to become operable.

The GWR is expected to begin initial operation in late 2017, with deliveries of water to applicant in early 2018. The CDO deadline is December 31, 2021. Thus, the GWR is expected to be operable before the CDO deadline.

Applicant projects the current in-service date of the desalination plant to be in the second quarter of 2019.[9] On March 17, 2016, Commission Staff announced that the Final EIR/EIS for the desalination project will not be completed until late 2017. Unlike the GWR, however, the environmental review of the desalination plant is not complete and there are risks related to such review and possible challenge, perhaps affecting the project in-service date. Overall, the best evidence is that GWR water will be available one or two years (if not more) in advance of the availability of water from Cal-Am's desalination project, and well before the CDO deadline. Criterion 5 is satisfied.

[9] Cal-Am's October 31, 2015 Quarterly Progress Report.

Criterion 6: Status of GWR Engineering

Criterion 6 looks to the level of design completed for the GWR, and requires a showing that the GWR is at least at the 10 percent level with support from a design report. Alternatively, this criterion can be met for the GWR based on a showing that the GWR's level is similar to or more advanced than the level of engineering for the desalination project.[10]

This criterion was addressed, and satisfied, by the testimony of Robert Holden, Principal Engineer at the Agency. Specifically, the design for various components of the GWR as of January 22, 2016 ranged from 10 percent to 100 percent leading to Holden's uncontested conclusion that the design of the GWR Project is at or above a 10% level of engineering. Criterion 6 is met.

Criterion 7: GWR Funding

Criterion 7 requires a GWR funding plan in sufficient detail to be accepted as an application for a State Revolving Fund loan.

The Agency submitted an application for the State Revolving Fund loan to the SWRCB on May 28, 2014. The SWRCB deemed the Agency's application complete on December 2, 2015. The Agency has also received additional certainty that it will obtain financing at an interest rate of one percent from the SWRCB. In particular, on February 16, 2016, the SWRCB voted to continue the one percent interest rate on State Revolving Fund loan applications submitted and deemed complete by December 2, 2015, and further identified the GWR as one that would qualify for the one percent interest rate. Thus, Criterion 7 is met.

[10] Exh. CA-44 at 7.

Criterion 8: Reasonableness of WPA Terms

Criterion 8 requires that applicant, Agency, and District have agreed upon a WPA whose terms are just and reasonable.

Applicant, Agency and District revised the WPA to address concerns raised in the April 8, and April 25, 2016 Rulings of the assigned Commissioner and assigned ALJ, as described above. The revisions substantially satisfy those concerns. Further, the terms of the revised WPA are just and reasonable with respect to the cost and water quality concerns of Water Plus.

The WPA contains a first year cost cap of $1,720 per acre foot that no party argues is unreasonable. Moreover, the WPA provides that only the actual cost will be charged to Cal-Am and Cal-Am ratepayers. The first year cost will be adjusted downward if the first year cost is less, while a price over $1,720 is subject to Commission review and approval.

No party makes a credible case that the WPA terms are not just and reasonable. Subject to our further directions to applicant below, we find that Criteria 8 is satisfied.

Criterion 9: Reasonableness of the GWR Revenue Requirement

Criterion 9 requires that the revenue requirement for the combination of the GWR with the smaller desalination project is just and reasonable when compared to the revenue requirement for the larger desalination project alone.

In general, future revenue requirements for either the combined GWR with small desalination plant or the larger desalination plant remain uncertain and depend on assumptions about eventual construction costs, financing costs, escalation rates, power delivery method, return water requirements, delays, and lawsuits, among other factors. Nonetheless, there is no credible dispute among

parties as to the reasonableness of the $1,720 per acre-foot first year cost cap. Among other parties, ORA agrees that this is a reasonable cost cap.

Applicant, Agency, and District evaluated the first year indifference cost for the GWR using low and high cost scenarios over a reasonable range of fixed and variable costs measured against the lifecycle total revenue requirement, the net present value of the lifecycle revenue requirement, and the first year revenue requirement.[11] (The indifference point is where ratepayers are indifferent between the larger desalination plant and the GWR/WPA combined with the smaller desalination plant). The first year indifference cost ranges from $1,178 to $2,062 per AFY. The soft cap of $1,720 is reasonable given the wide range of results.

Several parties also argue that a first year premium, if any, is reasonable given several externalities, or non-quantified benefits, of the WPA. We discuss those under broader principles below.

Beyond the first year, future revenue requirements remain uncertain but ORA and other parties argue that lifecycle costs for the two options should also be considered in addition to the first year revenue requirement. A life-cycle analysis provides an opportunity to consider estimated replacement costs; estimated escalation of operation, maintenance and energy costs; and different financing costs. It is entirely plausible that, over the range of variables during the 30-year life of the WPA, the net present value of the revenue requirement for the smaller desalination plant with GWR is less than the net present value of the revenue requirement for the larger plant. It is nearly unanimous among parties, however, that even if a revenue requirement premium is required, the overall

[11] Exh. JE-2 at 7-8.

benefits of the GWR justify this premium. Those benefits are discussed under broader principles below. Overall, the comparison test in Criterion 9 is met.

3.3.2. Broader Principles

To the extent not addressed in the nine criteria above, we must also consider broader principles, including what is just, reasonable, and in the public interest. We find the revised WPA satisfies those principles.

Numerous environmental, water policy, and other public benefits would accrue from the GWR and the WPA according to Surfrider Foundation, Landwatch Monterey County, Planning and Conservation League Foundation, Sierra Club, Public Trust Alliance (PTA), Marina Coast Water District (MCWD), ORA, and others. Applicant, Agency, District, and others make clear that the WPA is needed to secure financing for the GWR and make the GWR a viable project. The GWR, supported by the WPA, would provide many benefits.

For example, the GWR would substantially reduce applicant's reliance on unlawful diversions from the Carmel River, thereby decreasing unacceptable environmental impacts on the river's ecosystem and resident fish (including steelhead). The GWR would substantially reduce the size of applicant's proposed desalination plant, thereby lessening the desalination plant's greenhouse gas emissions, discharge of highly saline brine into the sensitive marine environment, and use of important groundwater resources. MCWD even suggests that GWR supply with expanded ASR utilization, along with the aggressive conservation implemented to date, could allow applicant to achieve the full CDO compliance without the need for any desalination plant.[12]

[12] June 6, 2016 MCWD's Opening Brief at 9.

Other benefits include a material schedule advantage, with the GWR anticipated to be operable much sooner than the desalination plant. Further, the GWR supports water supply resilience and reliability (i.e., the benefit of a portfolio approach to water supply on the Monterey Peninsula compared to one large plant). The GWR also implements and encourages State policies regarding water recycling through early adoption of a water reuse project. As advocated by PTA, the GWR project not only helps save the Carmel ecosystem, it furthers the public trust.

On the basis of all these factors, we find that the GWR is viable, and the WPA for purchases of GWR water is just, reasonable and in the public interest.

3.4. Cal-Am participation in Agency/District ratesetting

The WPA provides a period as short as 15 days for the WPA parties to review estimated budgets and the Boards of the respective entities to adopt new rates.[13] (*See* WPA Paragraph 15.) Agency and District state that they will make every reasonable effort to provide those estimates with more than 15 days for review by the parties and the public, and will publish those estimates with supporting data on their respective web sites, or make them readily available by data request.

We encourage the Agency and District to provide more than 15 days for that review and comment period before the estimates are available for adoption by each Board. Providing reasonable due process to parties and the public, in our experience, will likely take more than 15 days.

[13] WPA parties are the Agency, District, and Cal-Am.

We expect Cal-Am to be an active participant on behalf of its ratepayers before the Agency and the District. Therefore, we require Cal-Am to intervene in each Agency/District rate proceeding in which Cal-Am has concerns that its ratepayers will be overcharged, bear a disproportionate cost burden, or face any other issues, and provide written comments stating those concerns to the Agency/District, with simultaneous service of those comments on the Commission's Water Division. Similarly, if Cal-Am has no concerns with the estimated budgets, proposed rates, or other issues, we require Cal-Am to serve comments on the Agency and District affirming that it has no concerns, with simultaneous service of those comments on the Commission's Water Division.

4. Need for Pipeline and Pump Station

The April 25, 2016 Ruling on the parties' Joint Motion for a separate Phase 2 decision set dates for service of supplemental and rebuttal testimony largely to address further issues and concerns with respect to a potentially revised WPA. Citing the impacts of Cal-Am's diversions on the Carmel River and its ecosystem, the Ruling noted water supply matters must be addressed "without unreasonable delay."[14] The Ruling then recognized that "[t]o the extent the Monterey pipeline is related to the GWR and WPA . . . it is timely and responsible to consider the Monterey pipeline now."[15] The May 9, 2016 Joint Supplemental Testimony, served in accordance with the April 25, 2016 Ruling, addressed the Monterey pipeline and pump station. For the reasons stated below, we authorize the pipeline and pump station.

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[14] April 25, 2016 Assigned Commissioner and Administrative Law Judge's Ruling at 4.

[15] *Ibid.*

All parties support or are neutral on the Monterey pipeline and pump station with the exception of ORA, PTA and Water Plus. A panel of witnesses (Cal-Am, MPWMD, and MRWPCA) sponsoring the Joint Supplemental Testimony[16] testified in support of the pipeline and pump station at hearings in this proceeding on May 26, 2016. The panel's testimony confirms that the Monterey pipeline is needed and will be utilized by Cal-Am independent of whether the Commission ultimately approves Cal-Am's desalination plant. The Monterey pipeline and pump station will allow Cal-Am to maximize the benefits of water produced by the GWR and, through utilization of the ASR, allow Cal-Am to reduce reliance on Carmel River diversions. The GWR is scheduled to produce water so that Cal-Am can extract water from the Seaside Groundwater Basin by February 2018.[17] If approved in a timely Phase 2 decision, Cal-Am expects to have the Monterey pipeline and pump station in service to take advantage of the ASR permit window that starts in December 2017. Cal-Am argues that this would also allow it to begin taking full advantage of GWR water when that water can be extracted in 2018.[18]

Despite opponent's concerns (discussed more fully below), we find that the record evidence shows the Monterey pipeline and pump station are necessary (independent of the proposed desalination plant) to maximize the use of water from the GWR and ASR.[19] We also find persuasive and accept the evidence of the panel testimony in the May 18, 2016 Joint Supplemental

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[16] Exh. JE-2 at 16.

[17] Reporter's Transcript (RT) Vol. 19 at 3196.

[18] *Ibid*.

[19] Exh. JE-2 at 14:7-13.

Testimony[20] and at the May 26, 2016 hearings[21] that there is a pressure zone ("trough") currently limiting water movement within Cal-Am's Monterey service area due to an absence of infrastructure sufficient to manage the desired flow in light of existing hydraulic gradient lines.[22] System schematics[23] illustrating the trough that prevents the movement of water from the north to the south of the Cal-Am service area are set out in Appendix D.

We find persuasive the evidence showing that without the Monterey Pipeline up to a 100 pounds per square inch pressure increase would be required to serve customers north of the trough, and move water efficiently in other areas throughout the system. This pressure increase would risk leaks and blowouts in the system.[24] The record shows that the Monterey pipeline and pump station are needed to address issues caused by the trough and to allow for the conveyance of water between the southern and northern areas of the system.[25] Such movement is necessary to obtain the maximum benefits from the GWR and ASR, so as to allow for the greatest reductions in Carmel River diversions.

We agree with the panel[26] that detailed modeling of the trough, as urged by ORA,[27] is not needed before accepting evidence of the effects of the trough.

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[20] Exh. JE-2 at 14.

[21] RT Vol. 19 at 3201-3207.

[22] Exh. JE-2 at 14:7.

[23] Exh. JE-4-8.

[24] RT Vol.19 at 3162-3163.

[25] *Id*. at 3159.

[26] *Id*. at 3168-3169, 3205-3206.

The ASR uses the watershed to store excess water in the winter months, which is then used in the dry summer months.[28] Cal-Am's permit allows, if all the conditions on the Carmel River are met, for the diversion of approximately 6,500 gallons per minute which can then be injected into the ASR project for storage purposes.[29] As David Stoldt, General Manager of the District, testified:

> Actually in a wet year, not even the wettest year, it would be about 1500 to 1700 acre feet [that could be stored]. When you look at the current demand in the system, that's approximately 17 percent of total demand. So it's a significant increase availability of the supply.[30]

This would be an additional amount of water that could be used by Cal-Am to reduce its Carmel River diversions. Due to current system constraints created by the hydraulic gradient Cal-Am is not able to inject the full amount allowed under its permit. The Monterey pipeline, however, would allow it to do so and maximize ASR injections. The Monterey pipeline will allow extracted ASR water to move past the gradient and to the southern portion of Cal-Am's system.[31]

ORA opposes Commission approval of the Monterey pipeline and pump station in Phase 2. PTA joins with ORA's opposition. ORA argues that: (1) an independent need for the Monterey pipeline and pump station has not been shown; (2) existing infrastructure is sufficient to accommodate GWR water, and

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[27] June 13, 2016 ORA's Reply Brief at 5-6 (regarding both Monterey Pipeline and Pump Station).

[28] RT Vol. 19 at 3166:23-28.

[29] *Id.* at 3162-3163.

[30] *Id.* at 3163-4.

[31] June 6, 2016 Joint Opening Brief at 27.

the injection and extraction of ASR Project water; and (3) the construction of the Monterey pipeline and pump station should be delayed until there is more certainty on the desalination plant's design.[32] These claims are not compelling.

First, the testimony and evidence establishes an independent need for the pipeline and pump station. In addition, the GWR Final EIR explains that a hydraulic trough in Cal-Am's distribution system prevents water from being delivered in adequate quantities from the Seaside Groundwater Basis to most of Monterey and all of Pacific Grove, Pebble Beach, Carmel Valley, and the City of Carmel.[33]

Second, the evidence shows that the existing infrastructure is not sufficient to maximize use of water from the GWR and ASR. Cal-Am convincingly shows that ORA's analysis used calculations based on quarterly data that do not adequately recognize monthly and daily operations to move water where it is needed, nor recognize effects on the whole system. Moreover, we are persuaded by MCWD that the record clearly establishes that the pipeline and pump station are critical infrastructure components required to maximize use of the GWR and ASR.

Finally, we are not persuaded by ORA and PTA that construction of the pipeline and pump station should be delayed until there is more certainty regarding the desalination plant. The desalination plant may or may not ever be built (particularly if MCWD is correct that the GWR, ASR and conservation may be enough to satisfy the terms of the CDO). The pipeline and pump station, however, are needed even without the desalination plant. PTA also favors

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[32] Exh. DRA-19 at 7-8.

[33] RT Vol. 19 at 3241:28-3242:9.

postponing construction of the pipeline and pump station so that, if later built, they may be optimally sized and located to fully account for other external conditions, such as climate change and improved recycled water technology.[34] Waiting for more and better information, and improved technology, is always tempting, but optimal use of the GWR and ASR require the pipeline and pump station now. The evidence is sufficient to authorize the pipeline and pump station subject to the facilities being used and useful, the costs being reasonable, and the facilities being appropriately sized, all discussed more below.

Water Plus opposes development of the pipeline in favor of what it asserts is a less costly and less disruptive alternative. We are not convinced. The GWR Final EIR properly considers alternatives. Water Plus seeks to advance its preferred alternative in the wrong forum (at the Commission rather than the Agency and District in their EIR process). Further, Water Plus presents no credible evidence here. Finally, Water Plus presents its views far too late in our process to be reasonably considered.[35]

5. Environmental Review of Pipeline and Pump Station

5.1. Introduction

While the schedule for the final preparation of the state EIR and federal EIS for the desalination plant and related facilities has been necessarily delayed, the need for water in the Cal-Am Monterey service area has not diminished.

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[34] In its Reply Comments on the proposed decision, PTA "revises its opposition to the expedited construction of this infrastructure [pipeline and pump station]…" (Reply Comments at 4.) PTA also clarifies that it "does not oppose the construction of infrastructure that maximizes the use of recycled water. Indeed, we strongly support this result." (Reply Comments at 5.)

[35] Water Plus fails to present its alleged alternative in evidentiary testimony, but first identifies this alternative in its June 6, 2016 Opening Brief.

The use of the GWR and ASR, as described above, however, also requires other facilities.

In particular, Cal-Am proposes to upgrade the existing Hilby Avenue Pump Station, and use it to pressurize/convey potable water within the Cal-Am system to assist the existing ASR facilities during injection. The upgraded pump station will be used primarily during the wet weather period when excess water is permitted to be captured from the Carmel River and is conveyed to the Seaside Basin for aquifer storage and recovery. Cal-Am would also construct and operate the pipeline that was previously evaluated in the EIR prepared for the GWR as the "Alternative Monterey Pipeline." This pipeline would connect to the Hilby Avenue Pump Station and would enable Cal-Am to use existing water rights to divert additional excess Carmel River flows during the winter and deliver the water to the City of Seaside and to the ASR facilities. Cal-Am's proposal is referred to in this section as the pipeline/pump station project.

We here consider the pipeline/pump station project pursuant to the California Environmental Quality Act of 1970 (as amended, Public Resources Code Section 21000, *et seq.*). Today's decision follows the June 20, 2016, action by the Board of Directors of the MPWMD to approve the (1) the Monterey Pipeline, (2) the Hilby Avenue Pump Station; and (3) Cal-Am Water Distribution System Amendment Permit #M16-01-L3 (the "MPWMD Project").

5.2. Prior Environmental Review

On August 21, 2006, the MPWMD Board of Directors certified the EIR and Environmental Assessment (EIR/EA) for "Phase 1" of the ASR project. The pipeline/pump station project will be used to convey excess water diverted from the Carmel River to the ASR injection sites, and thus constitutes a part of the larger ASR project.

On August 24, 2006, the MPWMD filed a Notice of Determination (NOD) for the ASR project with the State of California Office of Planning and Research. The NOD states that the ASR project will not have a significant effect on the environment, and that those findings were made pursuant to the provisions of CEQA.

On April 16, 2012, the MPWMD Board of Directors adopted an Addendum to the EIR/EA for the ASR project (now referred to as "Addendum No. 1" to the ASR Project) and approved the full implementation of "ASR Water Project 2." As noted above, the pipeline/pump station project will be used to convey excess water diverted from the Carmel River to the ASR injection sites, and thus constitutes a part of the larger ASR Water Project.

On April 16, 2012, the MPWMD filed an NOD for the ASR Water Project 2 with the State of California Office of Planning and Research. The NOD states that the ASR Project 2 will not have a significant effect on the environment, and that those findings were made pursuant to the provisions of CEQA.

On October 8, 2015, the Board of Directors of the MRWPCA certified the Final EIR for the GWR. The Monterey pipeline is a part of the larger GWR.

On October 8, 2015, the MRWPCA filed an NOD for the GWR with the State of California Office of Planning and Research. The NOD states that the GWR will have a significant effect on the environment, that a Statement of Overriding Considerations was adopted for the GWR, and that those findings were made pursuant to the provisions of CEQA.

On June 20, 2016, the MPWMD Board of Directors adopted an Addendum that amended the previously-certified ASR Project EIR/EA and GWR EIR in connection with the MPWMD Project (this addendum is known as

"Addendum No. 2" to the ASR Project EIR/EA and "Addendum No. 1" to the GWR EIR). The pipeline/pump station project is part of the larger MPWMD Project.

On June 23, 2016, the MPWMD filed an NOD with the State of California Office of Planning and Research. The NOD states that the MPWMD Project will have a significant effect on the environment, that a Statement of Overriding Considerations was adopted for the MPWMD Project, and that those findings were made pursuant to the provisions of CEQA.

5.3. CEQA Compliance

CEQA applies to discretionary projects to be carried out or approved by public agencies. A basic purpose of CEQA is to inform governmental decision-makers and the public about potential, significant environmental effects of the proposed activities. The pipeline/pump station project is subject to CEQA. Cal-Am requests that the Commission authorize the construction of the pipeline/pump station project. In considering this request, the Commission must also consider the environmental consequences of the project by acting as either a lead or responsible agency under CEQA.

The lead agency is either the public agency that carries out the project,[36] or the agency with the greatest responsibility for supervising or approving the project as a whole.[37] Here, the MPWMD is the lead agency under CEQA for the pipeline/pump station project. It prepared the environmental documents for the project, and the Commission is a responsible agency because it has jurisdiction to issue a permit for the pipeline/pump station project. As a

[36] CEQA Guidelines (Title 14 of the California Code of Regulations), Section 15051(a).

[37] *Id.* Section 15051(b).

responsible agency under CEQA, the Commission must consider the lead agency's environmental documents and findings before acting on or approving the pipeline/pump station project.[38] Also, as a responsible agency, the Commission is responsible for mitigating or avoiding only the direct or indirect environmental effects of those parts of the pipeline/pump station project which it decides to carry out, finance, or approve.[39]

Prior to approving or carrying out a project for which an environmental impact report has been certified that identifies one or more significant environmental effects, all public agencies must make one or more written findings for each of those significant impacts, accompanied by a brief explanation of the rationale for each finding. (CEQA § 21081(a); Cal. Code Regs., Tit. 14 ("CEQA Guidelines"), §§ 15091 & 15092.) This requirement applies to the lead agency and responsible agencies under CEQA. (CEQA § 21081; CEQA Guidelines §§ 15091 & 15096(h).) As specified in the CEQA Guidelines, the possible findings are:

1) Changes or alterations have been required in, or incorporated into, the project which mitigate or avoid the significant effects on the environment;
2) Those changes or alterations are within the responsibility and jurisdiction of another public agency and have been, or can and should be, adopted by that other agency; or
3) Economic, legal, social, technological, or other considerations, including considerations for the provision of employment opportunities for highly trained workers, make infeasible the mitigation measures or alternatives identified in the EIR.

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[38] *Id.* Sections 15050(b) and 15096.

[39] *Id.* Section 15096(g).

These findings provide the specific reasons supporting the Commission's decisions under CEQA as they relate to the authorization of the pipeline/pump station project. The findings are supported by substantial evidence in the Commission's administrative record. (CEQA Guidelines § 15091(b).)

5.4. Incorporation by Reference

All CEQA project impacts and mitigation measures, including those discussed below, are analyzed in greater detail in the environmental documents referenced under the "Prior Environmental Review" section above, all of which are incorporated herein by reference.

CEQA mitigation measures and reporting responsibilities for the pipeline/pump station project are also summarized in the MMRP that was adopted by the MPWMD Board of Directors on June 20, 2016, as Attachment 17-B to the MPWMD June 20, 2016 meeting packet. A copy of the MMRP is attached to this Decision as Appendix E.

Also considered are all exhibits and testimony in Phases 1 and 2 of this proceeding that address the Monterey Pipeline and Monterey Pump Station. We also incorporate by reference the MPWMD's Resolution No. 2016-12 authorizing the pipeline/pump station project, together with all attachments and all documents referenced in such Resolution No. 2016-12 as being part of that record of proceedings. The Commission has reviewed all of these documents, together with other supporting documents in the record, and finds these documents to be adequate for our decision-making purposes.

5.5. Environmental Review

As noted above, on June 20, 2016, the MPWMD Board of Directors adopted an Addendum that amended the previously-certified ASR Project EIR/EA and GWR EIR in connection with the MPWMD Project (this

Addendum is known as "Addendum No. 2" to the ASR Project EIR/EA and "Addendum No. 1" to the GWR EIR). On June 23, 2016, the MPWMD filed an NOD with the State of California Office of Planning and Research. The MPWMD has adopted an MMRP that lists all project mitigation measures and reporting responsibilities, in compliance with CEQA Section 21081.6 and CEQA Guidelines Section 15097. The MMRP is in Appendix E to this decision.

As directed by CEQA, the Commission has been deemed to have waived any objection to the adequacy of the Addendum that was adopted by the MPWMD on June 20, 2016, and that Addendum, together with the underlying ASR Project EIR/EA and the underlying GWR EIR, (together, the "Pipeline/Pump Project CEQA Documentation") is conclusively presumed to comply with CEQA for purposes of use by the Commission. (CEQA § 21167.3(b); CEQA Guidelines §§ 15096 (e)(2) & 15231.) Based on the administrative record, the Commission finds that no Subsequent EIR or Supplement to the Pipeline/Pump Project CEQA Documentation is necessary pursuant to the requirements of CEQA. (CEQA Guidelines §§ 15162 & 15163.) Prior to issuing this Decision on the pipeline/pump station project, the Commission has considered the environmental effects of the pipeline/pump station project as shown in the Pipeline/Pump Project CEQA Documentation. (CEQA Guidelines § 15096 (f).) The Pipeline/Pump Project CEQA Documentation specifies mitigation measures for identified impacts, and a mitigation monitoring and reporting plan (i.e., the MMRP) is in place to document the mitigation measures and how they are to be implemented.

The CEQA findings specified below address those significant project impacts identified in the Pipeline/Pump Project CEQA Documentation that are subject to the Commission's jurisdiction. The first section below identifies

potentially significant impacts that cannot be avoided or substantially lessened to a less than significant level in connection with the pipeline/pump station project. The second section below addresses project-level impacts that are avoided or substantially lessened to a less than significant level by mitigation measures incorporated into, or required as a condition of, the pipeline/pump station project. The last section below addresses cumulative impacts that are avoided or substantially lessened to a less than significant level by mitigation measures incorporated into, or required as a condition of, the pipeline/pump station project. The Commission finds that all other impacts would be less than significant in accordance with the conclusions of the Pipeline/Pump Project CEQA Documentation.

As described below, after implementation of all feasible mitigation measures, the pipeline/pump station project will have a significant unavoidable impact in the area of nighttime construction noise.

5.5.1. Significant and Unavoidable Impacts

After implementation of all feasible mitigation measures, the pipeline/pump station project will have a significant and unavoidable impact due to the temporary increase in ambient noise levels during nighttime construction of the Monterey Pipeline in residential areas. Certain mitigation measures (including Mitigation Measure NV-1b, requiring preparation of a noise control plan for nighttime pipeline construction, and Mitigation Measure NV-2b, requiring neighborhood notice of the commencement of construction activities with respect to the pipeline alignments) have been imposed by the MPWMD on the Monterey Pipeline portion of the pipeline/pump station project. The Commission also imposes such mitigation measures on the pertinent components of the pipeline/pump

station project as a condition of approval of the pipeline/pump station project, and implementation will be monitored through the MMRP. However, while these mitigation measures will substantially reduce nighttime construction noise associated with the Monterey Pipeline, there are no feasible mitigation measures or alternatives to avoid or reduce such nighttime construction noise to a less than significant level. Accordingly, the Commission adopts the Statement of Overriding Considerations set forth below.

5.5.2. Significant Avoided Project-Level Impacts

The Pipeline/Pump Project CEQA Documentation describes various project-level environmental impacts of the pipeline/pump station project. These potential impacts are related to air quality, biological resources, cultural resources, noise, aesthetics, energy, hazards and hazardous materials, land use, and transportation. However, implementation of the mitigation measures set forth in the MMRP will mitigate all such project-level environmental impacts (with the exception of nighttime construction noise, discussed in Section 5.5.1 above) to a less than significant level.

The pipeline/pump station project will not result in any new significant project-level impacts, increase the severity of significant project-level impacts previously identified in the Pipeline/Pump Project CEQA Documentation as significant, or cause any environmental effects not previously examined in the Pipeline/Pump CEQA Documentation. All significant project-level impacts to which the components of the pipeline/pump station project would contribute have been discussed in the Pipeline/Pump Project CEQA Documentation.

5.5.3. Significant Avoided Cumulative Impacts

The Pipeline/Pump Project CEQA Documentation describes various potentially significant cumulative impacts that may result from the pipeline/pump station project. These potential cumulative impacts include considerable contributions to (1) significant cumulative regional emissions of PM10,[40] (2) significant cumulative impacts on marine water quality due to the potential exceedance of the California Ocean Plan[41] water quality objectives for several constituents, and (3) significant cumulative impacts on marine biological resources due to the potential exceedance of the California Ocean Plan water quality objectives for several constituents. However, implementation of the mitigation measures set forth in the MMRP will mitigate all such cumulative environmental impacts to a less than significant level.

The pipeline/pump station project will not result in any new significant cumulative impacts, increase the severity of significant cumulative impacts previously identified in the Pipeline/Pump Project CEQA Documentation as significant, or cause any environmental effects not previously examined in the Pipeline/Pump CEQA Documentation. All significant cumulative impacts to which the components of the pipeline/pump station project would contribute have been discussed in the Pipeline/Pump Project CEQA Documentation.

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[40] PM10 refers to respirable particulate matter with a diameter of less than 10 microns.

[41] The SWRCB first adopted a California Ocean Plan in 1972. (*See* Section 13000 of Division 7 of the California Water Code (Stats. 1969, Chap. 482).) It has been revised and modified several times thereafter. Its purpose is to protect the quality of ocean waters for the use and enjoyment of Californian by requiring control of the discharge of waste into ocean waters. The plan is available on the web site of the SWRCB.

5.6. Alternatives

There is substantial evidence in the record that the alternatives identified in the Pipeline/Pump Project CEQA Documentation: (1) would not avoid the significant unavoidable impact from nighttime construction noise related to the Monterey Pipeline; (2) are not feasible; and/or (3) would fail to meet most of the basic project objectives for the ASR Project and/or the GWR. The reasons for rejecting each alternative are discussed in the Pipeline/Pump Project CEQA Documentation and incorporated by reference herein. The reasons for rejecting each alternative are independent and each reason alone is sufficient to support a determination that the alternative is infeasible.

5.7. Mitigation Monitoring and Reporting Program

MPWMD has, as described above, approved a plan to guide the monitoring and reporting of CEQA mitigation compliance. The MMRP guides implementation of all CEQA project mitigation measures by assigning implementation and reporting responsibilities and specifying timelines. The MMRP, which lists all Project mitigation measures and reporting and is attached to this decision as Appendix E, is adopted by this Commission in connection with this decision as a condition of project approval. No additional CEQA mitigation measures are being imposed in connection with this decision, so no additional CEQA MMRP is required.

5.8. Statement of Overriding Considerations

The Commission finds that the remaining significant and unavoidable effect on the environment caused by the implementation of the pipeline/pump station project (i.e., the temporary increase in ambient noise levels during nighttime construction in residential areas) remains acceptable when balanced with the economic, social, technological, and other project

benefits, due to the reasons set forth in the GWR Findings and Statement of Overriding Considerations adopted by the MRWPCA in Resolution 2015-24 in connection with its certification of the GWR. These reasons as stated in the GWR Findings and Statement (each of which constitutes a separate and independent basis for overriding the significant environmental effect of the pipeline/pump station project) include the following:

- The pipeline/pump station project would replace 3,500 AFY of unauthorized Carmel River diversions for municipal use with additional groundwater pumping;
- The pipeline/pump station project would provide up to 4,500 - 4,750 AFY and up to 5,900 AFY in drought years of additional recycled water to Salinas Valley growers for crop irrigation;
- The Salinas Valley Groundwater Basin is in overdraft and the pipeline/pump station project would reduce the volume of water pumped from Salinas Valley aquifers;
- The pipeline/pump station project would increase water supply reliability and drought resistance;
- The pipeline/pump station project would maximize the use of recycled water in compliance with the state Recycled Water Policy; and
- The pipeline/pump station project would reduce pollutant loads from agricultural areas to sensitive environmental areas including the Salinas River and Monterey Bay.

The Commission finds that these reasons are supported by the Pipeline/Pump Project CEQA Documentation and other information in the administrative record. Accordingly, the Commission hereby adopts this Statement of Overriding Considerations, which is attached to MPWMD Resolution No. 2016-12 and incorporated herein by this reference.

5.9. Conclusion

The Commission has independently reviewed the Project CEQA Documentation associated with the pipeline/pump station project. The Commission finds that the Project CEQA Documentation was prepared in accordance with CEQA and is adequate for the Commission's decision making purposes. The Commission further finds that the conclusions contained in the Project CEQA Documentation is supported by substantial evidence and support the Commission's decision as follows:

1) As set forth above, the Commission finds that the mitigation measures identified in the MMRP will reduce all impacts associated with the pipeline/pump station project to less-than-significant levels, save for the temporary construction impact to noise resources.
2) The Commission hereby adopts the implementation of the mitigation measures contained in the MMRP as a condition of approval of the pipeline/pump station project.
3) The Commission finds that benefits associated with the pipeline/pump station project outweigh the significant and unavoidable impact to noise resources that will result from temporary construction activities as set forth above in the Statement of Overriding Considerations.
4) The Commission finds that none of the conditions described in Public Resources Code Section 21166 and CEQA Guidelines Section 15162 are present with respect to the Commission's approval of the pipeline/pump station project, and therefore no subsequent or supplemental environmental review is required.

5.10. Custodian of Documents

The Commission is designated as the custodian of the documents and other materials that constitute the record of proceedings on which this decision

is based. Such documents and other materials are located in the Commission's offices located at 505 Van Ness Avenue, San Francisco, CA 94102.

6. Financing and Ratemaking

The Joint Parties propose financing and ratemaking treatment for the Monterey pipeline and pump station that is generally consistent with traditional ratemaking for capital projects, and is largely based on the approach to which settling parties agreed in the Large Settlement Agreement.[42] This includes provisions wherein Cal-Am will track in a segregated section of the Cal-Am-only facilities memorandum account: (1) the costs of the Monterey pipeline and pump station (including allowance for funds used during construction - AFUDC), (2) a pro-rated portion of the engineering and environmental costs of the entire Cal-Am-only facilities, (3) and any portion of the Monterey pipeline or pump station placed in service prior to the Commission approving the costs to be included in plant in service and recovered in base rates. Joint Parties also propose that the memorandum account will draw interest at the actual cost to finance the project.[43] As the Monterey pipeline and pump station facilities become used and useful, Joint Parties recommend that they be put into rates via two Tier 2 advice letter filings.

The estimated cost of the Monterey pipeline and pump station is $50.3 million, which includes $46.5 million for the pipeline and $3.8 million for the pump station.[44] Joint Parties propose a cost cap of $50.3 million, with authority to request higher amounts, if necessary. Cal-Am has agreed to fund

[42] June 13, 2016 Joint Reply Brief at 11.

[43] *Ibid.*

[44] Exh. JE-2 at 16.

$7.4 million of the initial costs of the Monterey pipeline and pump station with short-term debt provided by its parent company.[45] The remaining costs will be funded with Cal-Am's debt and equity.[46]

The rate making process proposed by the Joint Parties for the pipeline and pump station is consistent with our process for other memorandum account capital projects. No party makes a convincing case that any element of this proposal should not be adopted. We have not yet adopted the Large Settlement Agreement and may or may not later do so. Nonetheless, Joint Parties' proposed treatment is reasonable and is adopted.

6.1. Cost Cap

Joint Parties propose a cost cap of $50.3 million based on the most recent estimates for the pipeline and pump station. ORA is concerned that these estimates are greater than presented by applicant in 2013. This is not surprising, however. The current cost estimates for the pipeline reflect an additional 6,000 feet (20 percent) in length, and are based on actual bids, allocation of incurred and future implementation costs, and contingency reflective of actual bids.

No party makes a compelling argument to adopt a different cost cap. We adopt a combined cost cap of $50.3 million, without differentiation between the pipeline and pump station. A combined total cost cap will give applicant reasonable flexibility, promote administrative efficiencies, and encourage cost savings. Cal-Am may apply by Tier 3 advice letter for additional recovery if actual costs exceed the cost cap.

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[45] Exh. JE-2 at 21.

[46] *Id.* at 22.

6.2. Advice Letters

The Joint Parties propose that Cal-Am make two separate Tier 2 advice letter filings to place the costs of the pipeline and pump station into rates. As proposed, the first would be on April 30, 2017. It would cover costs for the pipeline and pump station through March 30, 2017, and would reflect recovery of the used and useful portions of the facilities to date. The second Tier 2 advice letter would be filed once the pipeline and pump station are completed and fully in service. In support, Joint Parties assert that this approach will limit AFUDC, to the ultimate benefit of ratepayers. No party makes a compelling case that another approach should be used.

We adopt the Joint Parties' proposal. Consistent with Joint Parties' proposal, recovery under the first advice letter is for the portions of the facilities that are used and useful up to March 30, 2017.[47] We agree with Joint Parties that this will moderate AFUDC, to the benefit of ratepayers. It is also consistent with the principle of ratepayers paying the costs of the facilities they use, and not unreasonably deferring those costs to future ratepayers.[48] Cal-Am must include

[47] In their Reply Comments, Joint Parties say: "Indeed, Cal-Am expects that the portion of the Monterey Pipeline facilities completed by March 30, 2017 will be used and useful to provide additional fire protection and reliability through additional system interconnections." (Joint Consolidated Reply Comments at 4, footnote 13.)

[48] *See* D.06-12-040 for related treatment of costs. We said there, for example, that "the Commission has authorized water utilities to recover costs related to a capital project…prior to the completion or construction of the capital project when…unusual or exigent circumstances surrounding the plant's construction warranted recovery or interim relief. [Footnote deleted.]" (Mimeo at 22.) Unusual and exigent circumstances exist with the pipeline and pump station. For example, the SWRCB requires that applicant receive our approvals to enter into WPA and to construct the pipeline and pump station by December 31, 2016, and that construction start by September 30, 2017, or applicant and its ratepayers will face serious consequences. (SWRCB Order WR 2016-0016 at 20-23.)

a showing with each advice letter that the funds have been spent reasonably.[49] Each reasonableness showing must also include evidence that the pipeline and pump station are sized appropriately for purposes of maximizing reasonable use of the GWR and ASR pursuant to the WPA, including optimizing transfers within applicant's system. We do not require that the first advice letter be filed on April 30, 2017, but by that date. We require the second advice letter be filed within 90 days of the date the projects are completed and fully in service.

Applicant is authorized here to file two Tier 2 advice letters to seek recovery of pipeline and pump station costs. In addition to anything else appropriate for consideration, three particular cost factors are to be considered: the costs (1) are to be for facilities that are used and useful, (2) must be reasonable, and (3) are for facilities that are appropriately sized. Tier 2 advice letters generally become effective upon staff approval. We provide the following guidance to staff in its consideration of the two Tier 2 advice letters.

Applicant must include all reasonable information necessary to support the requested relief in each advice letter. That information must include a showing that the three cost factors stated above are met. Staff's processing of the advice letter shall include, but is not limited to, a comparison of the cost of the pipeline and pump station with and without the desalination plant. Staff shall approve the advice letter only if the facilities are used and useful, the costs are reasonable, and the facilities are appropriately sized. In its approval, staff

[49] *See* D.06-12-040 at 13-15. Urgent and exigent circumstances require that we authorize construction of the pipeline and pump station now. Just as we did with respect to engineering and environmental costs in D.06-12-040, we will give further consideration to the reasonableness of the costs expended, and require applicant to make that showing with each advice letter. We also require a showing relative to the pipeline and pump station that demonstrates they are sized appropriately.

can authorize the requested cost recovery, or can reduce the allowed cost recovery to only that amount that satisfies the three cost factors.

7. Conclusion

The evidence shows that the Revised WPA is reasonable, and Cal-Am is authorized to enter into it. Cal-Am is authorized to build the pipeline and pump station, subject to the MMRP. The cost cap for the pipeline and pump station project is $50.3 million. Finally, we authorize Cal-Am to file Tier 2 advice letters for cost recovery of the pipeline and pump station, with applicant including a showing that the facilities are used and useful, costs have been spent reasonably, and the facilities are appropriately sized. The proceeding remains open to resolve Phase 1 issues.

8. Comments on Proposed Decision

The proposed decision of assigned ALJ Weatherford in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code, and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure.

8.1. Opening Comments

Opening comments were timely filed on September 1, 2016, by Cal-Am, District and Agency (as "Joint Commenters"), ORA and PTA. The Joint Commenters note that the version of the WPA attached to the Proposed Decision as Appendix C was not the version corrected by Exhibit JE-10 (received as evidence on June 3, 2016). We appreciate their contribution and have substituted the correct version as the final Appendix C.

The Joint Commenters seek to have the separate cost caps ($46.5 million for the pipeline and $3.8 million for the pump station) converted to a

consolidated $50.3 million. We agree and accordingly have made the requested change.

Several minor errors were found by the Joint Commenters, which we acknowledge and have corrected in this final version of the decision.

In its opening comments, ORA takes issue, as it did during hearings, with granting authority for the pipeline and pump station facilities at this time, alleging that those facilities are not necessary. ORA contends that a grant of authority for expedited construction of those facilities "would constitute legal error because the record does not provide sufficient support to build these facilities on an expedited basis." (ORA Comments at 2.) ORA states:

> …[T]he record demonstrates that the expedited construction of these facilities is not appropriate because: (1) Cal-Am's existing infrastructure can accommodate extraction of GWR water, and the injection and extraction of ASR water, (2) Cal-Am has not demonstrated the independent need for these facilities, separate from the desalination plant and (3) the final design of the desalination plant and the design details of the facilities necessary to support that project are uncertain pending the completion of a final Environmental Impact Report (EIR). In particular, ORA's argument to wait until there is more certainty regarding the final design of the desalination plant is supported by language in the proposed decision. The proposed decision indicates "[t]he desalination may or may not ever built[.]" However, "[t]he 36-inch pipeline is designed and sized to accommodate water from the Pure Water Monterey Project, the ASR Project, and the desalination project[.]" Even assuming the proposed decision's finding that the Monterey Pipeline is needed without the desalination plant, the final design, sizing, and cost of this pipeline would likely be substantially different if it will not also serve the desalination plant. (*Id.*)

We disagree. The record supports the authorization for constructing the pipeline and pump station, and there is no specific evidence supporting any

different size. (*See* e.g., Chapter 4 above.) This includes the unusual and exigent circumstances with respect to the pipeline and pump station due to the milestones within the SWRCB's CDO. These circumstances, however, support an additional requirement within the advice letters for pipeline and pump station cost recovery. The requirement is that the advice letters not only include that the costs for the used and useful facilities have been spent reasonably, but that the pipeline and pump station are correctly sized for purposes of maximizing reasonable use of the GWR and ASR pursuant to the WPA, including optimizing transfers within applicant's system.

ORA takes a fall-back position: if the Commission grants the authority in the decision to build, ORA is concerned that the decision's employment of the phrase "used and useful" could include the costs of partially built facilities, is internally inconsistent and, further, runs counter to Pub. Util. Code subsection 701.10(a). (ORA Comments at 3.) We are deleting the reference to the phrase referring to money that has been spent.

Finally, ORA argues that the decision mischaracterizes ORA's position in one particular area. That has been corrected.

While PTA supports the decision's approval of the GWR project, it would like to see more inclusion of climate change and other contingencies and environmental developments, including recycling's favorable comparison to desalination. The record of evidence is closed, precluding the changes sought by PTA. Further, the general nature of PTA's suggestions would expand the Phase 2 decision beyond what would be appropriate under the current and pressing timetable.

8.2. Reply Comments

Reply comments were timely made on September 6 by the Joint Commenters as well as PTA. ORA did not add to its opening comments.

The Joint Commenters argued that the preponderance of evidence standard employed in the decision is applicable, not the clear and convincing evidence standard advocated by ORA in ORA's opening comments. PTA's reply comments similarly support the preponderance of evidence standard. We agree with Joint Commenters and PTA.[50] ORA says the higher standard is appropriate given the amount of money involved. We not persuaded given that the preponderance of the evidence standard is the appropriate standard, and the standard we use in other proceedings when even more money is involved. Nonetheless, we remove the reference to preponderance of evidence since it is unnecessary for this decision.

In its reply comments PTA revises its previous opposition to the expedited construction of the pipeline and pump station facilities. PTA notes that the decision contains the language, "the desalination plant may or may not be built." PTA recommends the inclusion in the decision of clarifying language: "[T]his proceeding does not necessarily imply approval of the associated 'small desalination project' and that if Cal-Am incurs expenses in preparation to build a desalination project that is determined by the PUC to be unnecessary, those expenses may be excluded from the rate base." We do not find that language necessary and we decline to prejudge any future decisions on the proposed desalination plant and cost recovery.

[50] *See* for example, D.08-12-058 at 17-19; D.09-07-024 at 3.

9. Assignment of Proceeding

Catherine J.K. Sandoval is the assigned Commissioner and Gary Weatherford is the assigned ALJ in this proceeding.

Findings of Fact

1. In 1995, the SWRCB found that Cal-Am did not have the legal right to about 10,730 acre-feet annually of its then-current diversions from the Carmel River, and that the diversions were having an adverse effect on the river environment.

2. In 2009, the SWRCB ordered that Cal-Am cease and desist from its unlawful diversions of Carmel River water by December 31, 2016.

3. This proceeding is bifurcated into Phase 1 (desalination plant CPCN) and Phase 2 (GWR WPA).

4. Consideration of Phase 1 issues has been delayed.

5. A joint motion dated April 18, 2016 asserts that, given Phase 1 delays, Phase 2 should be considered first since the GWR WPA with limited additional infrastructure may provide substantial assistance with water supply in the near term.

6. The April 18, 2016 motion was granted.

7. On July 19, 2016 the SWRCB extended Cal-Am's CDO deadline to December 31, 2021.

8. Phase 2 issues are: (1) should Cal-Am be authorized to enter in a WPA for purchase of product water from the GWR; (2) should Cal-Am be authorized to construct the Monterey pipeline and pump station; and (3) should limited financing and ratemaking proposal be adopted.

9. Cal-Am filed a revised WPA on May 19, 2016 (a) in response to issues and concerns raised by the assigned Commissioner and Administrative Law Judge

in a Ruling dated April 8, 2016; (b) to incorporate clarifying and explanatory testimony given April 13, 2016; (c) and to respond to a Joint Ruling dated April 25, 2016 that raised additional concerns and issues; and filed further revisions with respect to insurance provisions in Exhibit JE-10.

10. All parties but Water Plus support authorization by the Commission for Cal-Am to enter into the revised WPA.

11. The opposition by Water Plus is based on concerns about costs and water quality.

12. The assertions made by Water Plus are contradicted by testimony and the terms of the WPA itself and, therefore, are not persuasive.

13. Parties recommended that the nine criteria used in the Large Settlement Agreement be applied to the GWR project and the Revised WPA even though the Commission has not yet acted on the Large Settlement Agreement.

14. The GWR project and the WPA meet the nine criteria used in the Large Settlement Agreement.

15. The WPA also meets broader tests of reasonableness based on numerous environmental, water policy, scheduling, reliability, public trust, and other public benefits.

16. The GWR project is viable, and the revised WPA is just, reasonable and in the public interest.

17. The WPA provides a period as short as 15 days for WPA parties to review the estimated budgets and the Boards of the respective entities to adopt new rates.

18. Agency and District state that they will make every reasonable effort to provide the budget estimates with more than 15 days for review and will

publish the estimates with supporting data on their respective web sites and/or make them readily available by data request.

19. It is important for Cal-Am to take an active involvement each year when WPA rates are set to inform the Agency and District whether or not Cal-Am has any concerns with the Agency and District proposals.

20. All parties support or are neutral on the Monterey pipeline and pump station, with the exception of ORA, PTA, and Water Plus.

21. Testimony conclusively demonstrates that the Monterey pipeline and pump station is necessary and will be utilized by Cal-Am independent of whether the Commission approves the desalination plant.

22. The Monterey pipeline and pump station will allow Cal-Am to maximize the use of GWR and ASR water, and reduce reliance on Carmel River diversions.

23. If the Commission timely approves the Monterey pipeline and pump station, Cal-Am expects that it will be able to take full advantage of GWR water in 2018.

24. The Monterey pipeline and pump station are needed to address issues caused by a pressure zone "trough" currently limiting water movement between the southern and northern areas of the Cal-Am Monterey service area, such transfers being necessary to obtain the maximum benefits from the GWR and ASR.

25. Sufficient evidence substantiates the need for the pipeline and pump station, and detailed modeling of the trough is unnecessary.

26. Due to current system constraints Cal-Am is unable to inject the full amount of potential diverted water from the Carmel River (6,500 gallons per minute) allowed under its permit for injection into the ASR.

27. The Monterey pipeline would allow Cal-Am to maximize its ASR injections.

28. The evidence establishes that there is an independent need (separate from the desalination plant) for the pipeline and pump station; existing infrastructure is insufficient to maximize use of water from the GWR and ASR; and construction of the pipeline and pump station should not be delayed until there is more certainty about the desalination plant and other influences (e.g., global warming, new technologies).

29. Applicant proposes to upgrade the existing Hilby Avenue Pump Station and construct and operate the pipeline that was evaluated in the EIR prepared for the GWR as the "Alternative Monterey Pipeline."

30. The MPWMD acted as lead agency under CEQA for purposes of considering and approving Cal-Am's proposed upgrade of the pump station and construction of the pipeline, and approved the pipeline/pump station project on June 20, 2016.

31. On June 23, 2012, MPWMD filed a Notice of Determination for the pipeline/pump station project, stating that the MPWMD Project will have a significant effect on the environment, that a Statement of Overriding Considerations was adopted for the MPWMD Project, and that those findings were made pursuant to the provisions of CEQA.

32. Cal-Am has asked the Commission to issue an additional discretionary approval for the pipeline/pump station project.

33. The Commission is a responsible agency for purposes of approving the pipeline/pump station project and environmental impacts associated with that project are within the scope of the Commission's permitting process.

34. Under CEQA, the Commission must consider the environmental impacts associated with its approval of the pipeline/pump station project and identify measures to avoid or reduce such impacts.

35. In considering the environmental impacts of the pipeline/pump station project, the Commission considers the record of proceedings before the lead agency, inclusive of the environmental documentation and analyses considered by the lead agency and the findings and conclusions reach by the lead agency with the pipeline/pump station project's impacts.

36. The Commission reviewed the Project CEQA Documentation to determine whether the measures contained therein avoid or reduce direct or indirect impacts associated with the pipeline/pump station project to the extent feasible.

37. The Commission has independently reviewed the Pipeline/Pump Station Project CEQA Documentation, finds that it was prepared in accordance with CEQA, is adequate for the Commission's decision making purposes and, with implementation of a MMRP, reasonably mitigates adverse impacts.

38. All environmental impacts associated with the pipeline/pump station project have been avoided or mitigated to the extent feasible as set forth in Appendix E.

39. The pipeline/pump station project will have one significant and unavoidable impact to noise resources as more fully described in Appendix E, and a statement of overriding considerations for this impact is adopted.

40. Joint Parties propose financing and ratemaking treatment for the pipeline and pump station that is generally consistent with traditional ratemaking projects and is largely based on the approach to which settling parties agreed in the Large Settlement Agreement.

41. The estimated cost of the Monterey pipeline and pump station is $50.3 million ($46.5 million for the pipeline and $3.8 million for the pump station).

42. Joint Parties propose a cost cap of $50.3 million with authority to request higher amounts via the advice letter process if actual costs exceed the cap.

43. Cal-Am has agreed to fund $7.4 million of the initial costs of the Monterey pipeline and pump station with short-term debt provided by its parent company; the remaining costs will be funded with Cal-Am's debt and equity.

44. The Joint Parties propose that Cal-Am make two Tier 2 advice letter filings to place the costs of the Monterey pipeline and pump station in rates; the first would cover costs for the pipeline and pump station through March 30, 2017 and reflect recovery of the used and useful portions of the facilities to that date; the second advice letter would be filed once the pipeline and pump station are complete and fully in service.

45. The two Tier 2 advice letter approach will limit the accrual of AFUDC costs, to the ultimate benefit of ratepayers.

46. No party to this proceeding makes a convincing case that any element of the proposed financial and ratemaking treatment should not be adopted.

47. The Commission finds that the remaining significant and unavoidable effect on the environment caused by the implementation of the pipeline and pump station project (i.e., the temporary increase in ambient noise levels during nighttime construction in residential areas) remains acceptable when balanced with the economic, social, technological, and other project benefits, due to the reasons set forth in (i) the Ground Water Replenishment Findings and Statement of Overriding Considerations adopted by the Monterey Regional Water Pollution Control Agency in Resolution 2015-24 in connection with its

certification of the GWR, and (ii) and other information in the administrative record.

48. The pipeline and pump station project would replace 3,500 AFY of unauthorized Carmel River diversions for municipal use with additional groundwater pumping.

49. The pipeline and pump station project would provide up to 4,500 – 4,750 AFY and up to 5,900 AFY in drought years of additional recycled water to Salinas Valley growers for crop irrigation.

50. The Salinas Valley Groundwater Basin is in overdraft and the pipeline and pump station project would reduce the volume of water pumped from Salinas Valley aquifers.

51. The pipeline and pump station project would increase water supply reliability and drought resistance.

52. The pipeline and pump station project would maximize the use of recycled water in compliance with the state Recycled Water Policy.

53. The pipeline and pump station project would reduce pollutant loads from agricultural areas to sensitive environmental areas including the Salinas River and Monterey Bay.

Conclusions of Law

1. The GWR is viable and the Revised WPA is just, reasonable, and in the public interest.

2. Applicant should be authorized to enter into the revised WPA.

3. Applicant should be required to participate in all Agency and District rate proceedings under the WPA, with written comments to the Agency and District stating concerns, if any, with the Agency and District proposals along with applicant's alternative proposals, or stating applicant has no concerns, with

simultaneous service of a copy of those comments on the Commission' Director of Division of Water and Audits.

4. The Commission's CEQA determinations and approval of the pipeline/pump station project are based on the Commission's exercise of independent judgment and analysis.

5. Applicant should be authorized to construct the pipeline and pump station, subject to the MMRP in Appendix E.

6. The joint parties' proposed financing and ratemaking treatment for the pipeline and pump station is reasonable and should be adopted, including applicant funding $7.4 million of the initial costs with short-term debt provided by its parent company.

7. The cost cap on the pipeline/pump station project should be $50.3 million, with authority for applicant to file a Tier 3 advice letter if costs exceed the cost cap.

8. Applicant should be authorized to file a Tier 2 advice letter on April 30, 2017 to seek recovery of the used and useful portion of the actual pipeline and pump station costs incurred through March 30, 2017; and the advice letter should include evidence that the costs are reasonable, and that the facilities are appropriately sized.

9. Applicant should be authorized to file a Tier 2 advice letter upon completion of the pipeline and pump station to seek recovery of the remaining amount of the used and useful portion of the actual pipeline and pump station costs when the facilities are completed and fully in service; and the advice letter should include evidence that the costs are reasonable, and that the facilities are appropriately sized.

10. The Commission should adopt the Statement of Overriding Considerations, which is attached to Monterey Peninsula Water Management District Resolution No. 2016-12 and incorporated herein by this reference.

O R D E R

IT IS ORDERED that:

1. California-American Water Company is authorized to enter into the Revised Water Purchase Agreement contained in Appendix C.

2. California-American Water Company (Cal-Am) shall participate in each Monterey Regional Water Pollution Control Agency (Agency) and Monterey Peninsula Water Management District (District) rate proceeding involving the Revised Water Purchase Agreement (WPA). Cal-Am shall serve written comments to the Agency and District in that rate proceeding. The written comments shall state any and all concerns of Cal-Am with Agency and District proposals, and provide alternative recommendations. If Cal-Am has no concerns, the written comments shall state it has no concerns. At the time Cal-Am serves its comments on the Agency and District, it shall simultaneously serve a copy of the comments on the Commission's Director of the Division of Water and Audits.

3. California-American Water Company is authorized to upgrade the existing Hilby Avenue Pump Station and construct and operate the Monterey pipeline that was evaluated in the Environmental Impact Report prepared for the Pure Water Monterey Groundwater Replenishment Project as the "Alternative Monterey Pipeline."

4. Construction of the pipeline and pump station is conditioned on compliance by California-American Water Company with the Mitigation Monitoring and Reporting Program contained in Appendix E.

5. Within 30 days after completion of the pipeline, and the pump station, California-American Water Company shall notify the Division of Water by letter that those facilities are completed.

6. The authorization to build the pipeline and pump station is subject to a cost cap of $50.3 million for the combined pipeline and pump station project. If actual costs exceed the cap, California-American Water Company is authorized to file a Tier 3 advice letter to seek additional recovery.

7. California-American Water Company (Cal-Am) is authorized to make two separate Tier 2 advice letter filings to place the costs of the pipeline and pump station into rates. Cal-Am shall file the first Tier 2 advice letter by April 30, 2017 to cover costs for the pipeline and pump station through March 30, 2017, reflecting the recovery of actual costs for the used and useful portions of the facilities to date. Cal-Am shall include a showing with its advice letter that the expended costs are reasonable, and a showing that the pipeline and pump station are sized appropriately for purposes of maximizing reasonable use of the Pure Water Monterey Groundwater Replenishment Project and the Aquifer Storage and Recovery Project pursuant to terms of the Water Purchase Agreement, including optimizing transfers within applicant's system. Cal-Am shall file the second Tier 2 advice letter within 90 days after the pipeline and pump station are completed and fully in service, and shall include a showing with its advice letter that the expended costs are reasonable, and a showing that the pipeline and pump station are sized appropriately for purposes of maximizing reasonable use of the Pure Water Monterey

Groundwater Replenishment Project and the Aquifer Storage and Recovery Project pursuant to terms of the Water Purchase Agreement, including optimizing transfers within applicant's system. Commission staff shall follow the guidance stated in the body of this decision in its processing of each Tier 2 advice letter.

8. California-American Water Company (Cal-Am) shall track in a separate section of the its facilities memorandum account: (a) the costs of the pipeline and pump station (including allowance for funds used during construction); (b) a pro-rated portion of the engineering and environmental costs of the entire Cal-Am facilities; and (c) and any portion of the pipeline or pump station placed in service prior to the Commission approving the costs to be included in plant in service and recovered in base rates.

9. The Rulings of the Administrative Law Judge(s), and the Joint Rulings of the assigned Commissioner and the Administrative Law Judge(s), are affirmed.

10. The Commission hereby adopts this Statement of Overriding Considerations, which is attached to Monterey Peninsula Water Management District Resolution No. 2016-12 and incorporated herein by this reference.

11. Application 12-04-019 remains open to address Phase 1 issues.

This order is effective today.

Dated September 15, 2016, at San Francisco, California.

MICHAEL PICKER
President
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
LIANE M. RANDOLPH
Commissioners

I reserve the right to file a concurrence.

/s/ CATHERINE J.K. SANDOVAL
Commissioner

Commissioner Carla J. Peterman, being necessarily absent, did not participate.

APPENDICES A and B

APPENDIX A

SUMMARY OF GROUNDWATER REPLENISHMENT-FOCUSED PROCEDURAL HISTORY

California-American Water Company (Cal-Am) filed the initial Application (A.12-04-019) for the Monterey Peninsula Water Supply Project (MPWSP) on April 23, 2012, after the demise of the Regional Water Supply Project. The Application proposed desalination plant sizing options of 9.0 million gallons per day (mdg) and 5.4 mgd respectively (later resized to 9.6 mgd and 6.4 mgd respectively). The smaller option was linked to a water supply of between 3,000 to 3,500 acre feet per year (AFY) from the groundwater replenishment (GWR) project (now termed the Pure Water Project). Supporting the GWR component of the MPWSP was the prepared testimony of Keith Israel, then general manager of the GWR project sponsor, Monterey Regional Water Pollution Control Agency (MRWPCA). MRWPCA perceived many benefits of the Pure Water Project.

The initial Prehearing Conference (PHC) was held June 6, 2012. Discussion in the PHC statements, as well as the PHC itself included the subject of GWR.

Between April 30, 2012 and July 3, 2012, party status was sought and granted to 19 entities; Marina Coast Water District (Marina Coast), Coalition of Peninsula Businesses, County of Monterey, Monterey County Water Resources Agency (MCWRA), Monterey Peninsula Regional Water Authority (MPRWA), Water Plus, City of Pacific Grove, Citizens for Public Water, MRWPCA, Salinas Valley Water Coalition (SVWC), Sierra Club, Planning and Conservation League Foundation (PCL), the Monterey Peninsula Water Management District

(MPWMD), Public Trust Alliance, Land Watch Monterey County (Land Watch), Latino Water Use Coalition, Monterey Peninsula Latino Seaside Merchants Association, Comunidad en Accion, the Monterey County Farm Bureau (MCFB) and the Surfrider Foundation (Surfrider). Of those, Water Plus, PCL, Surfrider, Sierra Club, Coalition of Peninsula Businesses, Citizens for Public Water and SVWC filed notices of intent to claim intervenor compensation.

Assigned Commissioner Peevey's Scoping Ruling was issued on June 28, 2012, and included references to the GWR component and associated issues. Briefs were requested from parties on two issues; (1) Is the Monterey County ordinance governing desalination and limiting desalination plant ownership and operation to public agencies preempted by Commission authority, and (2) Does or will Cal-Am, or another entity participating in the separate GWR and Aquifer Storage and Recovery (ASR) projects of Cal-Am's proposal for replacement water, possess adequate rights to the slant well intake water, GWR and to the outfall for purposes of project feasibility? Responses to the ruling were provided on July 11 and 25, 2012, respectively.

On October 25, 2012 a proposed decision (which became Decision (D.) 12-10-030) was issued, recommending state preemption of the Monterey County ordinance that precluded private entity construction, ownership, and operation of desalination facilities. Applications for a rehearing of D.12-10-030 were filed on November 30, 2012, by Marina Coast Water District (MCWD) and County of Monterey.

A second PHC was held on December 13, 2012. Public participation hearings were conducted on the Monterey Peninsula on January 9, 2013.

On February 13, 2013 an Administrative Law Judge (ALJ)-requested compliance report was provided by Cal-Am, which led to the quarterly project progress reports.

Evidentiary hearings were held on April 2 - 5, 8 - 11, & 30, and May 1 & 2, 2013. On May 30, 2013 Judge Weatherford issued a ruling that among other things circulated a draft agenda for a June 12, 2013 workshop on GWR milestones. The ruling also modified the schedule in a manner different from that sought in a May 2, 2013, motion by MCWD.

In mid-July 2013 Judge Angela Minkin was co-assigned to the proceeding. On July 25, 2013, the Commission issued D. 13-07-048 modifying D.12-10-030 and denying a rehearing on the modified decision.

Various parties jointly filed motions to approve two Settlement Agreements on July 31, 2013. The first settlement agreement dealt with the MPWSP that consists of slant intake wells, brackish water pipelines, the desalination plant, product water pipelines, brine disposal facilities, and related appurtenant facilities. The MPWSP also incorporates facilities that the Commission previously approved in D.10-12-016 (referred to as the Cal-Am-only facilities). These facilities consist of the Transfer Pipeline, the Seaside Pipeline, the Monterey Pipeline, the Terminal Reservoir, the ASR Pipeline, the ASR Recirculation and Backflush Pipelines, the ASR Pump Station and the Valley Greens Pump Station.[1] The second settlement agreement, the Sizing Settlement,

[1] The settling parties were Cal-Am, Citizens for Public Water, City of Pacific Grove, Coalition of Peninsula Businesses, County of Monterey, DRA, Land Watch, Monterey County Farm Bureau (MCFB), Monterey County Water Resources Agency (MCWRA), MPRWA, MPWMD, MRWPCA, PCL, Salinas Valley Water Coalition (SVWC), Sierra Club, and Surfrider Foundation (Surfrider).

reflects an agreement on the sizing of the desalination plant component of the MPWSP.[2]

On August 21, 2013, 14 of the parties jointly filed a motion to bifurcate the proceeding into Phase 1 dealing with the desalination plant and Phase 2 dealing with the GRW project.[3] Comments on the two joint parties' motions to approve the settlement agreements were filed in September 2013. Judge Minkin issued a ruling on November 4, 2013 identifying issues to be addressed in the evidentiary hearings on the settlement agreements set for December 2, 2013. Briefs were submitted on January 21 and February 24, 2014, respectively.

Acknowledging the merits of an Energy Division August 11, 2014 request for a delay in the Draft Environmental Impact Report and Final Environmental Impact Report schedules due to complications related to boreholes, Judge Minkin ruled on August 21, 2014 granting that request. She noted that "additional time is needed to assess cumulative effects of the MPWSP on seawater intrusion in conjunction with future operations of the Castroville Seawater Intrusion Project and the Salinas Valley Water Project (SVWP)Given the anticipated delay in the environmental review of the Groundwater Replenishment Project, it appears that the anticipated schedule for Phase 2 of this proceeding should be modified."

[2] The settling parties were Cal-Am, Citizens for Public Water, City of Pacific Grove, Coalition of Peninsula Businesses, DRA, MPRWA, MPWMD, MRWPCA, and PCL.

[3] Cal-Am, Citizens for Public Water, City of Pacific Grove, Coalition of Peninsula Businesses, County of Monterey, DRA, Landwatch, MCWRA, MPRWA, MPWMD, MRWPCA, PCL, Sierra Club, and Surfrider.

Commissioner Catherine J.K. Sandoval succeeded Commissioner Peevey as Assigned Commissioner in 2015.

Judge Weatherford's January 23, 2015 ruling updated the schedule for Phase 1 (targeting the Commission's agenda in February 2016). As to Phase 2 he stated, "The schedule for Phase 2 of this proceeding may also need to be modified, but we will not modify it at this time. As the proceeding progresses, we will evaluate the need to modify the Phase 2 schedule."

On March 26, 2015 Commissioner Sandoval set an all-party meeting for July 30, 2015. On May 19, 2015, the settling parties moved for groundwater modeling workshops and in a May 21, 2015 ruling Judge Weatherford indicated that one or more decision makers might attend California Environmental Quality Act presentations.

An email ruling on June 16, 2015 by Judge Burton Mattson revised the deadline for comments on the Draft Environmental Impact Report to July 1, 2015.

Commissioner Sandoval issued a Second Amended Scoping Memo and Ruling on August 19, 2015 extending the statutory deadline to December 31, 2016.

On October 1, 2015, Water Plus filed a motion to dismiss the proceeding, alleging data tampering. Judge Weatherford denied the motion on October 29, 2015.

Sixteen Parties filed a joint motion on October 8, 2015 to modify the Phase 2 schedule and to comment on cost updates.

A PHC was held on October 12, 2015. On October 13, 2015, the then Phase 2 schedule was suspended by an ALJ ruling. On October 20, 2015, 16 parties offered a joint proposal to complete the record for Phase 1 and Phase 2.

On November 17, 2015 Judge Weatherford issued a ruling setting the evidentiary issues and schedule to complete the record for Phases 1 and 2.

On November 17, 2015 an ALJ ruling setting evidentiary hearing issues. On February 11, 2016 Judge Weatherford issued a ruling directing the Parties to propose a revised schedule.

On February 22, 2016, Commissioner Sandoval directed Cal-Am to amend its application with a new project description.

On March 2, 2016, ALJ Weatherford issued a ruling revising the schedule.

Cal-Am filed its amended application with an updated project description on March 14, 2016.

A March 30, 2016 ALJ ruling set a morning PHC on April 11, 2016 to report on the status of the proceeding in preparation for the evidentiary hearings scheduled to be held in the afternoon of April 11 through April 15, 2016.

On April 25, 2016 Commissioner Sandoval and the ALJ jointly and conditionally granted a joint motion for a separate Phase 2 decision and for evidentiary hearing dates of May 26-27, 2016. The ruling directed Cal-Am, the MPWMD and MRWPCA to address seven specific issues in supplemental testimony and to submit a revised draft Water Purchase Agreement (WPA) reflecting changes discussed during the April 13th panel. The ruling also permitted other parties to address the issues and proposals identified in the ruling. On May 9, 2016, in accordance with the April 25th ruling, Cal Am, the

MPWMD and the MRWPCA submitted Joint Supplemental Testimony which addressed each of the seven issues identified in the April 25th ruling and included a revised WPA.

ORA also submitted supplemental testimony on May 9, 2016. On May 19, 2016, Cal Am, the MPWMD, and the MRWPCA submitted Joint Rebuttal Testimony, including minor revisions to the draft WPA. ORA and Water Plus also submitted rebuttal testimony contesting the requested authorization for Cal-Am to move forward with the Monterey pipeline and pump station required to maximize use of water from the GWR Project and ASR.

On May 26, 2016, the Commission held an evidentiary hearing giving the parties an opportunity to conduct cross-examination on the supplemental and rebuttal testimony. Opening Briefs were filed on June 6, 2016 and Reply Briefs were filed on June 13, 2016.

The Phase 2 record in this proceeding was submitted on June 13, 2016.

(End of Appendix A.)

APPENDIX B
POSITIONS OF PARTIES

California American Water Company (Cal-Am), Monterey Peninsula Water Management District (MPWMD), Monterey Region Water Pollution Control Agency (MRWPCA), Monterey Peninsula Regional Water Authority (MPRWA), Planning and Conservation League Foundation (PCL) (Collectively Joint Parties)

The Joint Parties filed opening and a reply briefs in support of the Revised WPA. They also favor construction of the Monterey pipeline (PL) and pump station (PS), the financial and ratemaking treatment of the Monterey PL and PS (including allowing Cal-Am to file two advice letters to recover the costs of those facilities in base rates), tracking all costs of those facilities in a segregated section of a Cal-Am-only facilities memorandum account, and earning allowance for fund used during construction (AFUDC) based on the financing instruments necessary to pay the actual costs incurred. These positions are seen as allowing Cal-Am to reduce its Carmel River diversions. The Joint Parties contend that all nine criteria of the proposed Large Settlement Agreement have been met with supporting evidence, clearing the way for Cal-Am to enter into the Revised WPA. They argue that a Phase 2 GWR decision can be made without regard to a decision whether to approve the Desalination Plant (Phase I issue). They argue that the settlements comply with Rule 12.1 and can be adopted.

Office of Ratepayers Advocates (ORA)

While ORA supports Cal-Am's entry into the Revised WPA to gain GWR water, it argues that Cal-Am's existing infrastructure is capable of delivering extracted groundwater replenishment (GWR) and aquifer storage and recovery (ASR) water, and diverting excess Carmel River water. ORA asserts that prudence demands that the construction of the Monterey PL and Monterey PS be deferred until there is more certainty as to the desalination plant design According to ORA, Cal-Am has failed to establish an independent need for the proposed PL and PS. ORA does find the cost of the GWR and small desalination plant reasonable. ORA finds the smaller (6.4 million gallons per day (mgd)) desalination plant more advantageous than the larger (9.6 mgd) and supports inclusion of the $1720 soft cap. ORA notes that the MRWPCA federal Environmental Impact Statement (EIS) is complete, well ahead of the Monterey Peninsula Water Supply Project (MPWSP) EIR. ORA finds Water Plus' concerns over GWR water quality unfounded [Reply at 3-4].

Surfrider Foundation (Surfrider), LandWatch Monterey County (Landwatch), PCL and Sierra Club

Surfrider, LandWatch, PCL* and the Sierra Club find that multiple benefits (e.g., threatened Steelhead and the Carmel River ecosystem) warrant approval of the Revised WPA. The benefits support a revenue requirement premium if necessary. Surfrider, LandWatch, PCL and the Sierra Club support the Monterey PL if it is necessary for the full implementation of the GWR project; otherwise have no position on the PL, PS or related financing and ratemaking features.

*PCL is one of the Joint Parties whose joint opening and reply briefs supported the PL and PS as well as the financial and ratemaking treatment for the facilities.

Public Trust Alliance (PTA)

PTA believes the current emergency derives in significant part from Cal-Am's withdrawal from a prior, approved desalination project in which the desalination facility would have been owned by public agencies rather than Cal-Am.

PTA supports the Revised WPA, although the merits of that instrument should be considered in light of quantified and unquantified environmental costs and benefits. The Commission should consider whether desalination is an "optimum or reasonable" means of supplying an additional source of water for Monterey County. The Commission should approve the WPA.

PTA thinks the Commission should consider the burden of proof/degree of scrutiny applicable when there is a history of failure of projects similar to the project proposed here. PTA also believes the Commission should consider "used and useful" principles re Cal-Am water facilities and their applicable ratemaking and design implications. These should be considered in the context of possible abandonment of the desalination portion of the Monterey Peninsula Water Supply Project. PTA also believes the Commission should carefully consider whether desalination is the optimum or reasonable method of securing an additional source of water for Monterey County and Cal-Am ratepayers, in view of changed circumstances and potentially superior sources such as recycled

water and/or water potentially available as a result of the passage of the Sustainable Groundwater Management Act.

Water Plus

According to Water Plus, the motion to bifurcate into two phases should have been denied by the Commission. Water Plus also believes the development of the Monterey Pipeline should be prohibited, as there is a less costly ($10M vs. $41M) and less disruptive ASR route.

Marina Coast Water District (Marina Coast)

Marina Coast supports prompt Commission approval of Cal-Am's entry into the WPA and believes the record supports approval of Cal-Am's construction of the Monterey PL and PS. Marina Coast finds those facilities are needed and does not think their approval assumes Commission approval of the desalination project. Marina Coast takes no position on financial or ratemaking treatment.

(End of Appendix B.)

APPENDIX C

Revised GWR Water Purchase Agreement

WATER PURCHASE AGREEMENT FOR PURE WATER MONTEREY PROJECT

THIS WATER PURCHASE AGREEMENT ("Agreement") is made this _____ day of _____, 2016 (the "Effective Date") by and between California-American Water Company, a California corporation, hereinafter referred to as the "Company," Monterey Regional Water Pollution Control Agency, hereinafter referred to as the "Agency," and Monterey Peninsula Water Management District, hereinafter referred to as the "District." The Company, the Agency, and the District are hereinafter referred to individually as a "Party" and collectively as the "Parties."

RECITALS

A. The Company has a statutory duty to serve water in certain cities on the Monterey Peninsula and in a portion of Monterey County for its service area, the boundaries of which are shown in **Exhibit A** attached hereto and incorporated herein.

B. The Company has been ordered by the State Water Resources Control Board in orders 95-10 and WR 2009-0060 to find alternatives to the Carmel River to fulfill its duty to serve, and the Company has applied to the California Public Utilities Commission ("CPUC") for an order seeking a Certificate of Public Convenience and Necessity for the construction of water supply facilities and authorizing the recovery of the costs for such construction in rates.

C. The Agency will be responsible for the design, construction, operation, and ownership of facilities for the production and delivery of advanced treated recycled water, such facilities to be part of the Pure Water Monterey groundwater replenishment project.

D. The District will buy advanced treated recycled water from the Agency for purpose of securing the financing of and paying the operating costs of the project. The District will sell the advanced treated recycled water to the Company subject to the terms of this Agreement.

E. The Company desires to buy advanced treated recycled water from the District for the purpose of fulfilling its duty to serve its customers within its service area and the District is willing to sell advanced treated recycled water to the Company for this purpose on the terms and conditions provided for herein.

F. The Agency contends, and has so advised the District and the Company, that based on advice of counsel, (1) Agency assets and revenue derived from Agency ratepayers are not available for satisfying claims and judgments for any liability arising from this water project Agreement, and (2) therefore, the single source for so satisfying is insurance coverage described as Required Insurance in this Agreement.

G. The Agency has separately entered into an agreement with the Monterey County Water Resources Agency in Section 4.05 of which, the Monterey County Water Resources Agency may request additional irrigation water from Agency sources. Pursuant to that agreement the Agency has committed to produce no more than 200 acre-feet per year, up to a total quantity of 1,000 acre-feet, for delivery to the District as a drought reserve. When such a request is made, the District may make available to the Company Drought Reserve Water in order to satisfy the Company Allotment. Additionally, in order to ensure delivery of the Company Allotment in the event of an interruption in project operations, the District has established an Operating Reserve. Together the two reserves are called the Reserve Account and will be paid for by the District until deemed delivered to the Company if needed at a future date

NOW, THEREFORE, the Parties agree as follows:

1. Purpose of Agreement.

The purpose of this Agreement is to provide for the sale of advanced treated recycled water from the Agency to the District and from the District to the Company derived from the Pure Water Monterey groundwater replenishment project owned and operated by the Agency, and to serve the Company's customers within its service area. The Parties confirm that this Agreement constitutes a contractual right to purchase advanced treated recycled water, that no water right is conferred to the Company, and that no additional rights in the Seaside Groundwater Basin are conferred to the District or the Agency.

2. Definitions

The following terms shall, for all purposes of this Agreement have the following meanings:

"Additional Project Participant" means any public district, agency, or entity, or any private water company, other than the Company, that executes a water purchase agreement in accordance with Section 18 hereof, together with its respective successors or assigns.

"Affected Party" means a Party claiming the occurrence of a Force Majeure Event and seeking relief under this Agreement as a result thereof.

"Agreement" means this Water Purchase Agreement, as the same may be amended from time to time.

"Applicable Law" means any federal, state or local statute, local charter provision, regulation, ordinance, rule, mandate, order, decree, permit, code or license requirement or other governmental requirement or restriction, or any interpretation or administration of any of the foregoing by any governmental authority, which applies to the services or obligations of any of the Parties under this Agreement.

"AWT Facilities" means the advanced water treatment facilities portion of the Project that provides advanced treatment to source water that has undergone secondary treatment at the Regional Treatment Plant.

"AWT Water" means advanced treated recycled water produced by the AWT Facilities.

"Company Account" means the account managed by the District and the Company that tracks and records the quantity of Company Water delivered to the Delivery Point.

"Company Allotment" means 3,500 acre-feet of AWT Water, or another quantity of AWT Water as agreed to, in writing, by the Parties.

"Company Water" means the AWT Water delivered to the Delivery Point to be used and owned by the Company and will be counted toward the Company Allotment.

"Company Water Payments" means payments made by the Company to the District pursuant to Section 16 hereof for the furnishing of Company Water.

"Company Water Rate" means the dollar amount per acre-foot of Company Water that the Company pays the District for delivery of Company Water, as calculated pursuant to Section 16.

"CPUC" means the California Public Utilities Commission.

"Delivery Point" means any of the metered points of delivery identified in **Exhibit C**.

"Delivery Start Date" means the date that the District commences delivery of AWT Water to the Delivery Point.

"Drought Reserve" means one of the two sub-accounts that comprise the Reserve Account.

"Drought Reserve Minimum" means 1,000 acre-feet of Drought Reserve Water in the Drought Reserve.

"Drought Reserve Water" means Excess Water in the Drought Reserve Account at any given time.

"Event of Default" means each of the items specified in Section 20 which may lead to termination of this Agreement upon election by a non-defaulting Party.

"Excess Water" means a quantity of AWT Water in excess of the Company Allotment delivered by the District to the Delivery Point in any given Fiscal Year.

"Fiscal Year" means a twelve-month period from July 1 through June 30. Any computation made on the basis of a Fiscal Year shall be adjusted on a pro rata basis to take into account any Fiscal Year of less than 365 or 366 days, whichever is applicable.

"Fixed Project Costs" means all pre-construction, development, and capital costs of the Project, including debt service and reserves for the payment of debt service, incurred by the Agency or District in accordance with Section 6 hereof; provided, however, Fixed Project Costs shall not include any damages or other amounts paid by the Agency or the District to the Company as indemnification payments pursuant to Section 22 of this Agreement.

"Force Majeure Event" means any act, event, condition or circumstance that (1) is beyond the reasonable control of the Affected Party, (2) by itself or in combination with other acts, events, conditions or circumstances adversely affects, interferes with or delays the Affected Party's ability to perform its obligations under this Agreement, and (3) is not the fault of, or the direct result of the willful or negligent act, intentional misconduct, or breach of this Agreement by, the Affected Party.

"Injection Facilities" means the injection wells and appurtenant facilities portion of the Project used to inject AWT Water into the Seaside Basin.

"Minimum Allotment" means 2,800 acre-feet of AWT Water.

"Operating Reserve" means one of the two sub-accounts that comprise the Reserve Account.

"Operating Reserve Minimum" means 1,000 acre-feet of Operating Reserve Water in the Operating Reserve prior to the date that is three (3) years following the Performance Start Date, and 1,750 acre-feet of Operating Reserve Water in the Operating Reserve after the date that is three (3) years following the Performance Start Date.

"Operating Reserve Water" means Excess Water in the Operating Reserve at any given time.

"Performance Start Date" means the date set forth in a written notice provided by the District to the Company upon which the District's performance obligations with respect to the Water Availability Guarantee, the Water Delivery Guarantee, and the Water Treatment Guarantee shall commence, such date not to be more than six months following the Delivery Start Date.

"Product Water Facilities" means the product water conveyance facilities portion of the Project used to transport the AWT Water from the AWT Facilities to the Injection Facilities.

"Project" means the Pure Water Monterey groundwater replenishment project, including (a) Source Water Facilities, (b) AWT Facilities, (c) Product Water Facilities, and (d) Injection Facilities, all as additionally described in **Exhibit B.**

"Project Operation and Maintenance Expenses" means all expenses and costs of management, operation, maintenance, repair, replacement, renovation, or improvement of the Project incurred by the Agency and the District, including overhead costs, and properly chargeable to the Project in accordance with generally accepted accounting principles, including, without limitation (a) salaries, wages, and benefits of employees, contracts for professional services, power, chemicals,

supplies, insurance, and taxes; (b) an allowance for depreciation, amortization, and obsolescence; (c) all administrative expenses; and (d) a reserve for contingencies, in each case incurred by the Agency or District with respect to the Project; provided, however, Project Operation and Maintenance Expenses shall not include any damages or other amounts paid by the Agency or the District to the Company as indemnification payments pursuant to Section 22 of this Agreement.

"Regional Treatment Plant" means the Agency's Regional Wastewater Treatment Plant.

"Required Insurance" means, with respect to the Agency and the District, the insurance each Party is required to obtain and maintain during the term of this Agreement as set forth in Exhibit D.

"Reserve Account" means the account managed by the District that tracks and records (a) quantities of Excess Water delivered to the Delivery Point, and (b) quantities of Reserve Water debited from the Reserve Account to satisfy the Company Allotment.

"Seaside Basin" means the Seaside Groundwater Basin.

"Service Area" means the Company's service area as of the Effective Date of this Agreement, as shown in **Exhibit A**, and as amended from time-to-time by the CPUC.

"Storage and Recovery Agreement" means the storage and recovery agreement among the Company, the District and the Watermaster that allows for injection of AWT Water into the Seaside Basin for purposes of continued storage or withdrawal.

"Source Water Facilities" means the source water diversion and conveyance facilities portion of the Project used to divert and convey new source waters to the Regional Treatment Plant.

"Watermaster" means the Seaside Groundwater Basin Watermaster.

"Water Availability Guarantee" means the water availability guarantee set forth in Section 13.

"Water Delivery Guarantee" means the water delivery guarantee set forth in Section 12.

"Water Treatment Guarantee" means the water treatment guarantee set forth in Section 14.

OPERATIVE PROVISIONS

3. Commencement of Service.

The Performance Start Date shall be no later than January 1, 2020. Failure of the Agency and the District to meet this deadline shall constitute an Event of Default upon which the Company

may terminate this Agreement in accordance with Section 20. The Company shall not incur any costs or be responsible for any payments under this Agreement prior to the Performance Start Date.

4. Term of Agreement.

This Agreement shall be effective as of the Effective Date and shall remain in effect until the date that is thirty (30) years after the Performance Start Date (the "Expiration Date"), unless earlier terminated as provided in this Agreement.

5. Option for Continued Service.

The Company may extend the Expiration Date of this Agreement for one or more periods not to exceed ten (10) years, in total. The Company shall notify the Agency and the District, in writing at least 365 days prior to the then-applicable Expiration Date, of its intent to extend the Expiration Date and such notice shall indicate the new Expiration Date. At the election of any Party, the Parties will meet and confer to consider the Parties' interest in any additional extension or renewal of an arrangement similar to this Agreement. Such meet-and-confer sessions should take place approximately five (5) years prior to the then-applicable Expiration Date; provided, however, if pursuant to an extension under this Section 5 the new Expiration Date is less than five (5) years following the Company's notification of the extension, the Parties will meet and confer within a reasonable time prior to the new Expiration Date.

6. Agency and District to Develop Project.

Subject to all terms and conditions of the Agency's water rights, permits and licenses, and all agreements relating thereto, the Agency and District will cause and complete the design, construction, operation, and financing of the Project, the production and delivery of AWT Water, the obtaining of all necessary authority and rights, consents, and approvals, and the performance of all things necessary and convenient therefor. The Agency will own and operate the Project.

As consideration for funding environmental, permitting, design, and other pre-construction costs, as well as for pledging revenues for repayment of future costs under this Agreement in the event Company Water Payments are insufficient, the District shall (i) own AWT Water for sale and delivery to the Company, (ii) have the right to sell AWT Water to the Company or any Additional Project Participant (if approved by the Company pursuant to Section 19), (iii) have the right to bill the Company for Company Water Payments or to bill any Additional Project Participant for AWT Water, and (iv) have the right to apply all Company Water Payments to payment of Fixed Project Costs and Project Operation and Maintenance Expenses.

7. Obligation to Pay Design and Construction Costs.

The Agency shall be solely responsible for the design, construction, implementation and performance of the Project, and shall bear all costs associated with such design, construction, implementation and performance. Title to the structures, improvements, fixtures, machinery, equipment, materials, and pipeline capacity rights constituting the Project shall remain with the Agency and the Agency shall bear all risk of loss concerning such structures, improvements, fixtures, machinery, equipment, and materials.

8. Obligation to Pay Operation and Maintenance Costs.

The Agency shall be solely responsible for the operation, maintenance, repair and replacement of the Project, and shall bear all costs associated with such operation, maintenance, repair and replacement.

9. Point of Delivery and Ownership of AWT Water.

All AWT Water shall be delivered to the Delivery Point. Water utilized to backflush an injection well that percolates into the ground is considered delivered AWT Water.

The Agency shall own the AWT Water until the point it leaves the AWT Facilities. The District shall own the AWT Water from the point it leaves the AWT Facilities to the Delivery Point. After the Delivery Point, if the water is Company Water, it will be owned by the Company. If, however, the water is Excess Water after the Delivery Point, then ownership of such water shall remain with the District. The District shall own any water in the Reserve Account, until such time as Operating Reserve Water or Drought Reserve Water is used to satisfy the Water Availability Guarantee at which point it shall become Company Water and be owned by the Company.

The Company recognizes and agrees that it acquires no interest in or to any portion of the District's system or any Agency facilities.

Delivery by the District and withdrawal by the Company shall be governed by the Storage and Recovery Agreement.

10. Points of Withdrawal.

All AWT Water furnished pursuant to this Agreement shall be taken from storage by the Company at the points of withdrawal controlled by the Company and permitted by the California Department of Public Health. The Company shall be solely responsible for operating and maintaining all of its facilities for withdrawal of water.

11. Measurement.

All AWT Water furnished pursuant to this Agreement shall be measured by the Agency at the Delivery Point. Such measurement shall be with equipment chosen by the Agency, installed by the Agency on Agency facilities, and approved by the District and Company in writing. All measuring equipment shall be installed, maintained, repaired and replaced by the Agency. The Agency will provide annual meter calibration by an outside contractor and provide a copy of results of such calibrations to District and Company. The Agency shall have the primary obligation to measure the quantity of AWT Water delivered to the Delivery Point. The Company may request, at any time, investigation and confirmation by the District or Agency of the measurement being made as well as the charges associated with those measurements. Errors in measurement and charges discovered by the investigation will be corrected in a timely manner by the Agency and the District. The Company may, at its own expense, at any time, inspect the measuring equipment and the record of such measurements for the purpose of determining the accuracy of the equipment and measurements.

12. Water Delivery Guarantee.

(a) Beginning on the Performance Start Date and in every Fiscal Year throughout the term of this Agreement, the Agency shall use its best efforts to deliver AWT Water to the District in quantities at least equal to the Company Allotment.

(b) Beginning on the Performance Start Date and in every Fiscal Year throughout the term of this Agreement, the District shall use its best efforts to deliver Company Water to the Delivery Point in quantities at least equal to the Company Allotment.

(c) Beginning on the Performance Start Date and in every Fiscal Year throughout the term of this Agreement, the Agency shall deliver AWT Water to the District in quantities at least equal to the Minimum Allotment (the "Water Delivery Guarantee").

(d) Beginning on the Performance Start Date and in every Fiscal Year throughout the term of this Agreement, the District shall deliver Company Water to the Delivery Point in quantities at least equal to the Minimum Allotment (also, the "Water Delivery Guarantee").

(e) All AWT Water delivered by the District to the Delivery Point between the Delivery Start Date and the Performance Start Date shall be deemed Operating Reserve Water and allocated to the Operating Reserve. The Performance Start Date shall not occur until the Operating Reserve Minimum has been allocated to the Operating Reserve. Beginning on the Performance Start Date and in every Fiscal Year throughout the term of this

Agreement, the first 3,500 acre-feet of AWT Water delivered to the Delivery Point each Fiscal Year shall be Company Water.

13. Water Availability Guarantee.

(a) Beginning on the Performance Start Date and throughout the term of this Agreement, the Agency must deliver enough AWT Water to the District so that the Company may draw AWT Water (including Company Water, Operating Reserve Water, and Drought Reserve Water released by the District to the Company) from the Seaside Basin every Fiscal Year in an amount at least equal to the Company Allotment (the "Water Availability Guarantee").

(b) Beginning on the Performance Start Date and throughout the term of this Agreement, the District must deliver enough AWT Water to the Delivery Point so that the Company may draw AWT Water (including Company Water, Operating Reserve Water, and Drought Reserve Water released by the District to the Company) from the Seaside Basin every Fiscal Year in an amount at least equal to the Company Allotment (also, the "Water Availability Guarantee").

(c) If in any Fiscal Year the District delivers Excess Water, any such amount shall be credited to the Reserve Account. The Reserve Account will have two sub-accounts: the Operating Reserve and the Drought Reserve. The District will allocate all Excess Water into either the Operating Reserve or the Drought Reserve as it shall determine in its sole discretion.

(d) If the amount of Operating Reserve Water in the Operating Reserve at any time is less than the Operating Reserve Minimum, then all Excess Water in a Fiscal Year must be allocated to the Operating Reserve until the Operating Reserve Minimum is achieved, except for up to 200 acre-feet of Excess Water that may, at the District's election, be allocated to the Drought Reserve but only if the balance in the Drought Reserve is less than the Drought Reserve Minimum. In no instance shall the District reduce Company Water deliveries to make available additional irrigation water to the Monterey County Water Resources Agency from Agency sources in an amount exceeding the balance available in the Drought Reserve.

(e) If in any Fiscal Year the District delivers Company Water to the Delivery Point in quantities less than the Company Allotment, the Company shall have the right, but not the obligation, to draw Operating Reserve Water from the Operating Reserve to make up for any such shortfall in Company Water. In addition, if a shortfall still exists after Operating Reserve Water is drawn by the Company, the District may, in its sole discretion, use Drought Reserve Water available in the Drought Reserve to satisfy the Water Availability

Guarantee. Upon the occurrence of the Expiration Date, or the earlier termination of this Agreement as contemplated herein, the Company shall have the right to draw Drought Reserve Water from the Drought Reserve.

(f) Every three (3) months during the term of this Agreement, beginning on the Performance Start Date, the District will report to the Company the balances and activity in the Operating Reserve and Drought Reserve. In addition, the District shall, with ten (10) days following the Company's request, provide to the Company the balances and activity in the Operating Reserve and Drought Reserve.

14. Water Treatment Guarantee.

All AWT Water delivered by the Agency to the District and by the District to the Delivery Point must meet the water quality requirements set forth in Applicable Law (the "Water Treatment Guarantee"). If at any time the Agency or the District fails to meet the Water Treatment Guarantee, the Agency or the District shall give the Company immediate notice thereof and shall promptly meet with the Company to discuss the circumstances of such failure and the District's and the Agency's proposed action plan for remediation so that the Water Treatment Guarantee will be met. AWT Water delivered by the Agency to the District or by the District to the Delivery Point that does not meet the Water Treatment Guarantee shall not be considered Company Water or Excess Water.

15. Budgeting.

Not later than May 1 each year, the Fixed Project Costs and Project Operation and Maintenance Expenses shall be estimated by the Agency and the District for the following Fiscal Year. Such estimates shall be made available for review by the Parties at least fifteen (15) days prior to adoption by the Agency's or District's respective boards.

16. Rate of Payment for Company Water.

For Company Water furnished to the Company under this Agreement, the Company shall pay Company Water Payments to the District on a monthly basis determined as the Company Water Rate multiplied by the quantity of Company Water delivered the previous month. The Company shall not pay for deliveries to the Operating Reserve and the Drought Reserve until such reserves are designated by the Company or the District, as applicable, as Company Water.

The Company Water Rate in each Fiscal Year of the Agreement shall be the sum of the Fixed Project Costs and Project Operation and Maintenance Expenses budgeted for production and delivery of AWT Water in such Fiscal Year, divided by the amount of AWT Water expected to be produced during such Fiscal Year. The Parties agree that the fundamental rate-setting

principles of this Agreement shall be (a) the Company does not pay for water it does not receive, (b) the cost of water shall only reflect the true cost of service consistent with California public agency laws and regulations, and (c) the Company shall pay only its proportionate share of the costs of the Agency and the District producing AWT Water.

In the first year following the Performance Start Date, the Company Water Rate shall not exceed $1,720 per acre foot (the "Soft Cap"). Prior to the Performance Start Date, if the first-year Company Water Rate as calculated is expected to exceed the Soft Cap, the Company shall apply to the CPUC through a Tier 2 advice letter for approval of such rate before the Company shall be required under this Agreement to pay an amount greater than the Soft Cap as the Company Water Rate. Unless and until the CPUC approves a Company Water Rate in an amount greater than the Soft Cap, the Company shall only be required to pay an amount equal to the Soft Cap as the Company Water Rate. In no circumstance shall the District's or the Agency's obligations under this Agreement to deliver Company Water to the Company be affected by the pendency of the Company's application to the CPUC for approval of a rate greater than the Soft Cap or a decision by the CPUC to deny any such application.

As Project Operation and Maintenance Expenses are projected or budgeted for an upcoming Fiscal Year, the Parties agree there will be a "true-up" or reconciliation at the end of every Fiscal Year following the Performance Start Date to ensure the principles set forth in this section are met. Such "true-up" shall mean: if actual Project Operation and Maintenance Expenses are more or less than budgeted Project Operation and Maintenance Expenses used to calculate the Company Water Rate paid during the Fiscal Year, a corresponding adjustment (up or down) will be provided against the subsequent Fiscal Year budget and computed Company Water Rate for that Fiscal Year.

The Parties agree that, given the status of the Agency and the District as governmental agencies and the requirements under law that they incur only reasonable and prudent costs and expenses for purposes related to their governmental duties and the fact that such costs and expenses are subject to public review and scrutiny, all Fixed Project Costs and Project Operation and Maintenance Expenses incurred by the Agency and/or the District in compliance with the terms of this Agreement shall reflect only the actual cost of service consistent with California public agency laws and regulations and shall be subject to CPUC review consistent with that used for existing water purchase agreements by CPUC-regulated Class A investor-owned water utilities.

The District covenants and agrees to pay to the Agency the revenues received from the Company from the Company Water Payments provided, however, it will reduce the payment amount by any portion of the Fixed Project Costs and Project Operation and Maintenance Expenses directly paid or incurred by the District.

17. Time and Method of Payments.

The District shall send the Company a detailed monthly statement of charges due for all Company Water delivered to the Delivery Point during the preceding month as measured by the Agency meters, which shall be read on a monthly basis, and all Operating Reserve Water and Drought Reserve Water used to satisfy the Water Availability Guarantee, The Company shall not be billed for Excess Water that goes into the Reserve Account.

The Company shall pay to the District all undisputed portions of statements, within forty-five (45) days after receipt. Statements shall be mailed to the Company at the following address:

California American Water Company
Director of Operations
511 Forest Lodge Rd # 100
Pacific Grove, CA 93950

The Agency shall send the District a monthly statement of charges due for all AWT Water actually delivered to the District during the preceding month as measured by the meters, which shall be read on a monthly basis. The District shall pay all statements within forty-five (45) days after receipt. Statements shall be mailed to the District at the following address:

Monterey Peninsula Water Management District
Administrative Services Division Manager
5 Harris Court, Building G
Monterey, CA 93940

If payment of any amount due hereunder is not made when due, excluding disputed amounts, simple interest will be payable on such undisputed amount at the legal rate of interest charged on California judgments, as provided in California Code of Civil Procedure Section 685.010, and shall be calculated on the basis of a 365-day year from the date such payment is due under this Agreement until paid.

The Company is obligated to pay to the District the undisputed amounts becoming due under this Agreement, notwithstanding any individual default by its water users or others in the payment to the Company of assessments or other charges levied by the Company.

GENERAL PROVISIONS

18. CPUC Rate Recovery Process.

All costs that the Company pays to the District pursuant to this Agreement shall be considered purchased water costs that are a pass-through to customers to be recovered via the Modified Cost Balancing Account ("MCBA") mechanism.

At least six (6) months prior to the Performance Start Date, at least one time between May 1 and June 1 of every year thereafter, and at any time throughout the term of this Agreement the District deems necessary, the District shall provide the Company with written notice of the Company Water Rate, supported by detailed information relating to the Fixed Project Costs and the estimated Operation and Maintenance Expenses to be incurred in the upcoming Fiscal Year that were used to determine the Company Water Rate. Within sixty (60) days following receipt of the written notice containing the Company Water Rate, the Company shall file a Tier 1 advice letter for rate recovery with the CPUC to update its rates and tariffs, and in doing so establish a surcharge rate to reflect the Company Water Rate.

All changes to the Company Water Rate resulting from annual increases or decreases to the Fixed Project Costs or Project Operation and Maintenance Expenses, as reflected in the Company Water Rate, shall be requested for rate recovery through a Tier 1 advice letter in accordance with Section 3.2 of Water Industry Rules in General Order 96-B, as amended from time to time, for processing expense offset rate changes. The rate change will be applied to the surcharge to ensure that the Company's customer rates remain aligned with the Company Water Rate under the Agreement.

The Company shall have no obligation to make Company Water Payments unless and until the CPUC approves payment and recovery of those payments in rates through the process set forth in General Order 96-B, including a Tier 1 advice letter, which is effective upon filing pending CPUC approval, or another process resulting in CPUC approval of such costs, which shall be diligently pursued by the Company. Failure of the Company to pay amounts in excess of the amount approved by the CPUC shall not constitute a breach, and the District and Agency shall not be relieved of any obligations hereunder as a result thereof.

Access to the books and records of the Agency and the District will be made available to the Company for purposes of reviewing the accuracy and reasonableness of all costs relating to the Project and determination of the Company Water Rate.

19. Additional Project Participants.

After giving sixty (60) days' prior written notice to the Company, the District and Agency may enter into water purchase agreements for AWT Water with Additional Project Participants subsequent to the Effective Date of this Agreement to the extent the District determines sufficient capacity exists (after accounting for the need to maintain the Operating Reserve Minimum and the Drought Reserve Minimum), to the extent there is no additional cost to the Company as a result of any such agreement, and to the extent any such agreement does not

adversely affect the Agency's or the District's ability to meet their performance obligations under this Agreement.

In order to not diminish the source waters available to produce AWT Water under this Agreement, the Company shall have the right, prior to the District or the Agency entering into any water purchase agreement for AWT Water and in the Company's sole discretion, to approve or not approve in writing any Additional Project Participants deriving water from the water sources identified for the Project, specifically source waters identified in Sections 1.04 and 2.02 of the Amended and Restated Water Recycling Agreement between the Agency and Monterey County Water Resources Agency, dated November 3, 2015.

The Company shall not have the right to approve Additional Project Participants deriving water from prior existing rights to wastewater flows to the Regional Treatment Plant pursuant to Section 4.01 of the Agency's agreement with Monterey County Water Resources Agency or from future additional sources, as yet unidentified, such as wastewater systems annexed to the Agency's service area.

Any Additional Project Participant will pay for all additional capital costs necessitated by existence of the new water purchase agreement, its proportionate share of both the unamortized capital costs of the Project, and its proportionate share of future operation and maintenance expenses of the Project. The District and Agency will provide supporting documentation to the Company to ensure the Company Water Payments do not include any costs properly allocable to an Additional Project Participant.

20. Breach, Event of Default and Termination.

(a) Remedies for Breach – The Parties agree that, except as otherwise provided in this section with respect to termination rights, if any Party breaches this Agreement, any other Party may exercise any legal rights it may have under this Agreement and under Applicable Law to recover damages or to secure specific performance. No Party shall have the right to terminate this Agreement for cause except upon the occurrence of an Event of Default. If a Party exercises its rights to recover damages upon a breach of this Agreement or upon a termination due to an Event of Default, such Party shall use all reasonable efforts to mitigate damages. If a Force Majeure Event occurs, the Affected Party shall be entitled to relief from determination of a breach pursuant to Section 23 of this Agreement.

(b) If the District fails to exercise, and diligently pursue, any legal rights it may have against the Agency pursuant to subsection (a) of this section 20 within forty-five (45) days after the Company's written request that the District do so, the District shall be deemed to have assigned to the Company all such legal rights. The Agency shall not object to any such

assignment, but shall not waive any defense it may otherwise assert to any claim brought by the Company.

(c) Event of Default – The following shall each constitute an "Event of Default" under this Agreement:

(1) The Delivery Start Date does not occur on or before July 1, 2019;

(2) The Performance Start Date does not occur on or before January 1, 2020;

(3) The failure of the Agency or the District to deliver Company Water to the Delivery Point in quantities at least equal to the Company Allotment in each of three consecutive Fiscal Years;

(4) The failure of the Agency or the District to meet the Water Delivery Guarantee in each of two consecutive Fiscal Years;

(5) The failure of the Agency or the District to deliver Company Water to the Delivery Point in quantities at least equal to 1,800 acre-feet in any Fiscal Year;

(6) The failure of the Agency or the District to meet the Water Availability Guarantee in any Fiscal Year;

(7) The failure of any Party to perform any material term, covenant, or condition of this Agreement, and the failure continues for more than thirty (30) days following the defaulting Party's receipt of written notice of such default from a non-defaulting Party; provided, however, that if and to the extent such default cannot reasonably be cured with such thirty (30) day period, and if the defaulting Party has diligently attempted to cure the same within such thirty (30) period and thereafter continues to diligently attempt to cure the same, then the cure period provided for herein shall be extended from thirty (30) days to one-hundred twenty (120) days;

(8) The failure of the Agency or the District to meet the Water Treatment Guarantee on a repeated basis; and

(9) The Company no longer has a statutory duty to serve water in the Service Area.

(d) Termination for Event of Default – If an Event of Default occurs, any non-defaulting Party may terminate this Agreement immediately upon written notice to the other Parties. A

non-defaulting Party may enforce any and all rights and remedies it may have against a defaulting Party under Applicable Law.

21. Dispute Resolution.

Representatives from each Party shall meet and use reasonable efforts to settle any dispute, claim, question or disagreement (a "Dispute") arising from or relating to this Agreement. To that end, the Parties' representatives shall consult and negotiate with each other in good faith and, recognizing their mutual interests, attempt to reach a just and equitable solution satisfactory to the Parties. If the Parties do not reach such a solution within a period of thirty (30) days after the first notice of the Dispute is received by the non-disputing Parties, then the Parties shall pursue non-binding mediation to be completed within one-hundred twenty (120) days after the notice of the Dispute is received by the non-disputing Parties. If the Parties do not settle the Dispute within the one-hundred twenty (120) day period, any Party may pursue any and all available legal and equitable remedies.

22. Indemnification.

Each Party (an "Indemnifying Party") shall fully indemnify the other Parties and their respective officers, directors, employees, consultants, contractors, representatives and agents (the "Indemnified Persons") against, and hold completely free and harmless from, all liability and damages including any cost, expense, fine, penalty, claim, demand, judgment, loss, injury and/or other liability of any kind or nature, including personal or bodily injury, death or property damage, that are incurred by or assessed against the Indemnified Persons and directly or indirectly caused by, resulting from, or attributable to the fault, failure, breach, error, omission, negligent or wrongful act of the Indemnifying Party, or its officers, directors, employees, consultants, contractors, representatives and agents, in the performance or purported performance of the Indemnifying Party's obligations under this Agreement, but only to the extent of and in proportion to the degree of fault, failure, breach, error, omission, negligent or wrongful act of the Indemnifying Party, or its officers, directors, employees, consultants, contractors, representatives and agents.

23. Force Majeure Event Relief.

(a) If a Force Majeure Event occurs, the Affected Party shall be entitled to (1) relief from its performance obligations under this Agreement to the extent the occurrence of the Force Majeure Event prevents or adversely affects Affected Party's performance of such obligations, and (2) an extension of schedule to perform its obligations under this Agreement to the extent the occurrence of the Force Majeure Event prevents or adversely affects Affected Party's ability to perform such obligations in the time specified in this Agreement. The occurrence of a Force Majeure Event shall not, however, excuse or delay

the other Parties' obligation to pay monies previously accrued and owing to Affected Party under this Agreement, or for Affected Party to perform any obligation under this Agreement not affected by the occurrence of the Force Majeure Event.

(b) Upon the occurrence of a Force Majeure Event, Affected Party shall notify the other Parties in accordance with the notice provisions set forth herein promptly after Affected Party first knew of the occurrence thereof, followed within fifteen (15) days by a written description of the Force Majeure Event, the cause thereof (to the extent known), the date the Force Majeure Event began, its expected duration and an estimate of the specific relief requested or to be requested by the Affected Party. Affected Party shall use commercially reasonable efforts to reduce costs resulting from the occurrence of the Force Majeure Event, fulfill its performance obligations under the Agreement and otherwise mitigate the adverse effects of the Force Majeure Event. While the Force Majeure Event continues, the Affected Party shall give the other Parties a monthly update of the information previously submitted. The Affected Party shall also provide prompt written notice to the other Parties of the cessation of the Force Majeure Event.

24. Amendments.

No change, alteration, revision or modification of the terms and conditions of this Agreement shall be made, and no verbal understanding of the Parties, their officers, agents or employees shall be valid, except through a written amendment to this Agreement duly authorized and executed by the Parties.

25. Remedies Not Exclusive.

The use by any Party of any remedy for the enforcement of this Agreement is not exclusive and shall not deprive the Party using such remedy of, or limit the application of, any other remedy provided by law.

26. Mitigation of Damages.

In all situations arising out of this Agreement, the Parties shall attempt to avoid and minimize the damages resulting from the conduct of another Party.

27. Failure of CPUC Approval.

If this Agreement is not approved by the CPUC in a manner acceptable to the Parties, any Party may, within sixty (60) days after the effective date of the decision or order of the CPUC relating to the approval of this Agreement, give written notice to the other Parties that the Agreement will terminate ten (10) days after receipt of such notice. Those acts and obligations

that are to be performed on or after the Execution Date shall be discharged and no Party shall thereafter be obligated to continue to perform this Agreement or any provision hereof. Whether this Agreement is approved by the CPUC in a manner acceptable to the Parties or not, those acts and obligations performed prior to the date of termination shall be final and no party shall have any claim to be restored to its pre-Execution Date status with regard to any of those acts or obligations.

28. Insurance.

The Agency and District will each obtain the applicable Required Insurance, as set forth in Exhibit D. If insurance proceeds fail to satisfy the obligations of the Agency or the District under this Agreement, the District and the Agency will utilize their own resources, including Prop 218 revenue raising capacity, to the extent allowable by law, to satisfy their obligations.

29. No Waiver.

Failure by a Party to insist upon the strict performance of any of the provisions of this Agreement by another Party, irrespective of the length of time for which such failure continues, shall not constitute a waiver of such Party's right to demand strict compliance by such other Party in the future. No waiver by a Party of any default or breach shall affect or alter this Agreement, and each and every covenant, term, and condition hereof shall continue in full force and effect to any existing or subsequent default or breach.

30. Successors in Interest, Transferees, and Assignees.

(a) This Agreement and all the rights and obligations created by this Agreement shall be in full force and effect whether or not any of the Parties to this Agreement have been succeeded by another entity, or had their interests transferred or assigned to another entity, and all rights and obligations created by this Agreement shall be vested and binding on any Party's successor in interest, transferee, or assignee. If the Company, the Agency or the District is succeeded by another entity, it shall assign this Agreement to its successor. If the District ceases to exist, the Agency and the Company shall continue their obligations hereunder in a manner that will substantively comply with the intent of this Agreement. Except as provided in subsection (b) of this Section 30, no succession, assignment or transfer of this Agreement, or any part hereof or interest herein, by a Party shall be valid without the prior written consent of the other Parties, such consent not to be unreasonably withheld.

(b) In the event of the creation of a local governmental agency duly established for the sole purpose of succeeding to, assuming, and performing all obligations and rights of Agency or District created by this Agreement, Agency or District may assign this Agreement and

all those obligations and rights to such local governmental agency without consent, written or otherwise, of any other Party.

31. Covenants and Conditions.

All provisions of this Agreement expressed either as covenants or conditions on the part of the District, Agency, or the Company shall be deemed to be both covenants and conditions.

32. Governing Law.

This Agreement and the rights and obligations of the Parties shall be governed, controlled and interpreted in accordance with the laws of the State of California.

33. Headings.

All headings are for convenience only and shall not affect the interpretation of this Agreement.

34. Construction of Agreement Language.

The provisions of this Agreement shall be construed as a whole according to its common meaning and purpose of providing a public benefit and not strictly for or against any Party. The Agreement shall be construed consistent with the provisions hereof, in order to achieve the objectives and purposes of the Parties. Wherever required by the context, the singular shall include the plural and vice versa, and the masculine gender shall include the feminine or neutral genders or vice versa.

35. Drafting Ambiguities.

This Agreement is the product of negotiation and preparation between the Parties. The Parties and their counsel have had the opportunity to review and revise this Agreement. The Parties waive the provisions of Section 1654 of the Civil Code of California and any other rule of construction to the effect that ambiguities are to be resolved against the drafting Party, and the Parties warrant and agree that the language of this Agreement shall neither be construed against nor in favor of any Party unless otherwise specifically indicated.

36. Partial Invalidity; Severability.

If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions will nevertheless continue in full force without being impaired or invalidated in any way.

37. No Third Party Beneficiaries.

Nothing in this Agreement is intended to create any third Party beneficiaries to the Agreement, and no person or entity other than the Parties and the permitted successors, transferees and assignees of either of them shall be authorized to enforce the provisions of this Agreement.

38. Relationship of the Parties.

The relationship of the Parties to this Agreement shall be that of independent contractors. Each Party shall be solely responsible for any workers compensation, withholding taxes, unemployment insurance, and any other employer obligations associated with the described work or obligations assigned to them under this Agreement.

39. Signing Authority.

The representative of each Party signing this Agreement hereby declares that authority has been obtained to sign on behalf of the Party such person is representing.

40. Further Acts and Assurances.

The Parties agree to execute, acknowledge and deliver any and all additional papers, documents and other assurances, and shall perform any and all acts and things reasonably necessary in connection with the performance of the obligations hereunder and to carry out the intent of the Parties.

41. Opinions and Determinations.

Where the terms of this Agreement provide for action to be based upon opinion, judgment, approval, review or determination of any Party hereto, such terms are not intended to be and shall never be construed as permitting such opinion, judgment, approval, review or determination to be arbitrary, capricious or unreasonable.

42. Interpretation of Conflicting Provisions.

If there is any conflict, discrepancy or inconsistency between the provisions of this Agreement and the provisions of any exhibit or attachment to this Agreement, the provisions of this Agreement shall prevail and control.

43. Integration.

This Agreement, including the exhibits, represent the entire Agreement between the Parties with respect to the subject matter of this Agreement and shall supersede all prior negotiations, representations, or agreements, either written or oral, between the Parties as of the Effective Date.

44. Counterparts.

All signatures need not appear on the same counterpart of this Agreement and all counterparts of this Agreement shall constitute one and the same instrument.

45. Notices.

All notices to a Party required or permitted under this Agreement shall be in writing and shall be deemed delivered (i) when delivered in person; (ii) on the third day after mailing, if mailed, postage prepaid, by registered or certified mail (return receipt requested); or (iii) on the day after mailing if sent by a nationally recognized overnight delivery service which maintains records of the time, place, and recipient of delivery. Notices to the Parties shall be sent to the following addresses or to other such addresses as may be furnished in writing by one Party to the other Parties:

Monterey Peninsula Water Management District
5 Harris Court, Building G
Monterey, CA 93940
Attention: General Manager

Monterey Regional Water Pollution Control Agency
5 Harris Court, Building D
Monterey, CA 93940
Attention: General Manager

California American Water
Attn: President
1033 B Avenue, Suite 200
Coronado, CA 92118

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written.

MONTEREY REGIONAL WATER POLLUTION CONTROL AGENCY,

By: _____

Board Chair, Agency Board of Directors

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT,

By: _____

Chair, District Board of Directors

CALIFORNIA-AMERICAN WATER COMPANY,

By: _____

President

EXHIBIT A

Service Area

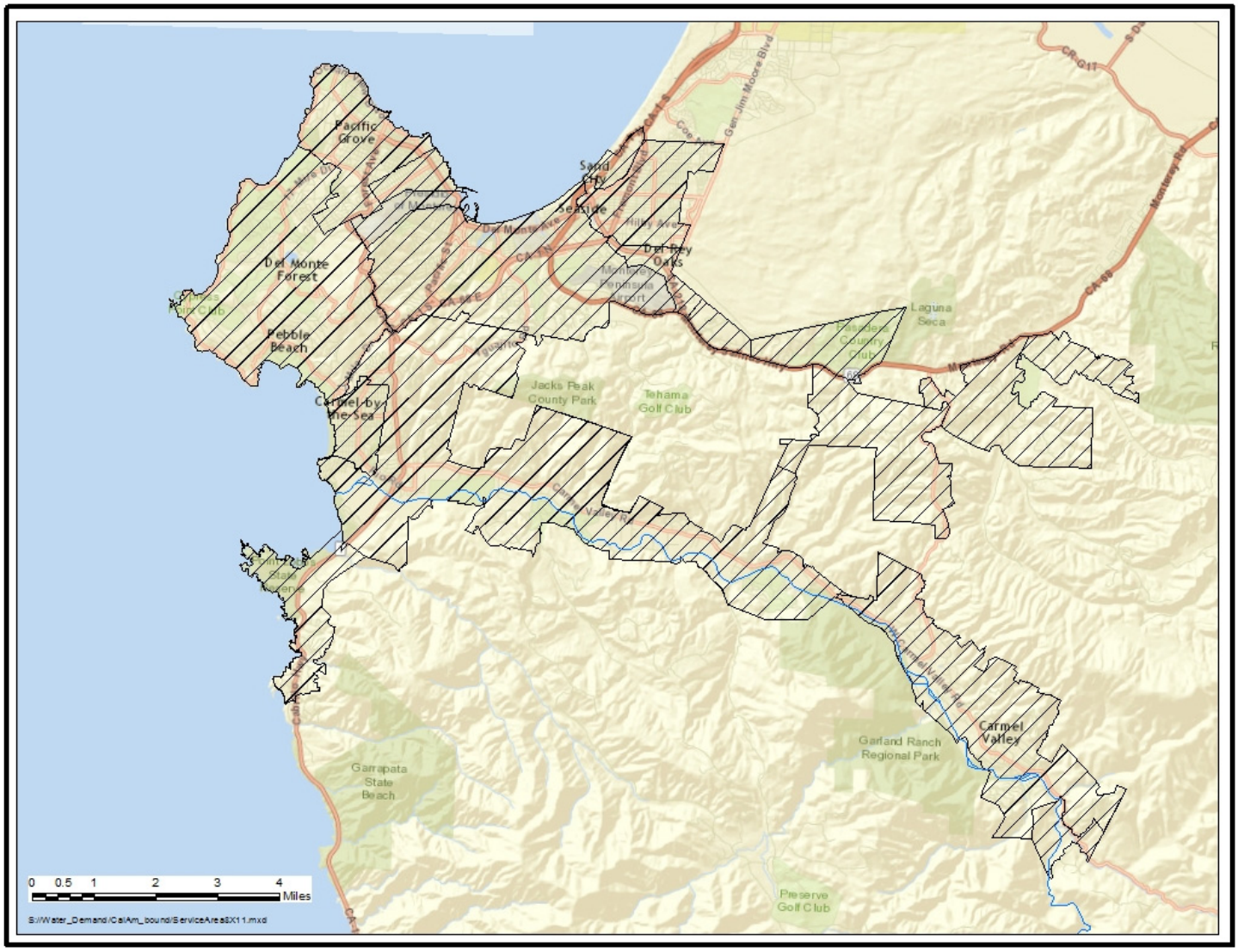


EXHIBIT B

Description of Project

Source Water Facilities – facilities to enable diversion of new source waters to the existing municipal wastewater collection system and conveyance of those waters as municipal wastewater to the Regional Treatment Plant to increase availability of wastewater for recycling. Modifications would also be made to the existing Salinas Industrial Wastewater Treatment Facility to allow the use of the existing treatment ponds for storage of excess winter source water flows and later delivery to the Regional Treatment Plant for recycling.

AWT Facilities – use of existing primary and secondary treatment facilities at the Regional Treatment Plant, as well as new pre-treatment, advanced water treatment (AWT), product water stabilization, product water pump station, and concentrate disposal facilities.

Product Water Facilities – new pipelines, pipeline capacity rights, booster pump station(s), appurtenant facilities along one of two optional pipeline alignments to move the product water from the Regional Treatment Plant to the Seaside Groundwater Basin injection well facilities.

Injection Facilities – new deep and vadose zone wells to inject Proposed Project product water into the Seaside Groundwater Basin, along with associated back-flush facilities, pipelines, electricity/ power distribution facilities, and electrical/motor control buildings.

EXHIBIT C

Delivery Point

AWT Water will be injected into the Seaside Groundwater Basin using new injection wells. The proposed new Injection Well Facilities will be located east of General Jim Moore Boulevard, south of Eucalyptus Road in the City of Seaside, including up to eight injection wells (four deep injection wells, four vadose zone wells, in pairs identified as #5, #6, #7, and #8 in the figure below), six monitoring wells, and back-flush facilities.

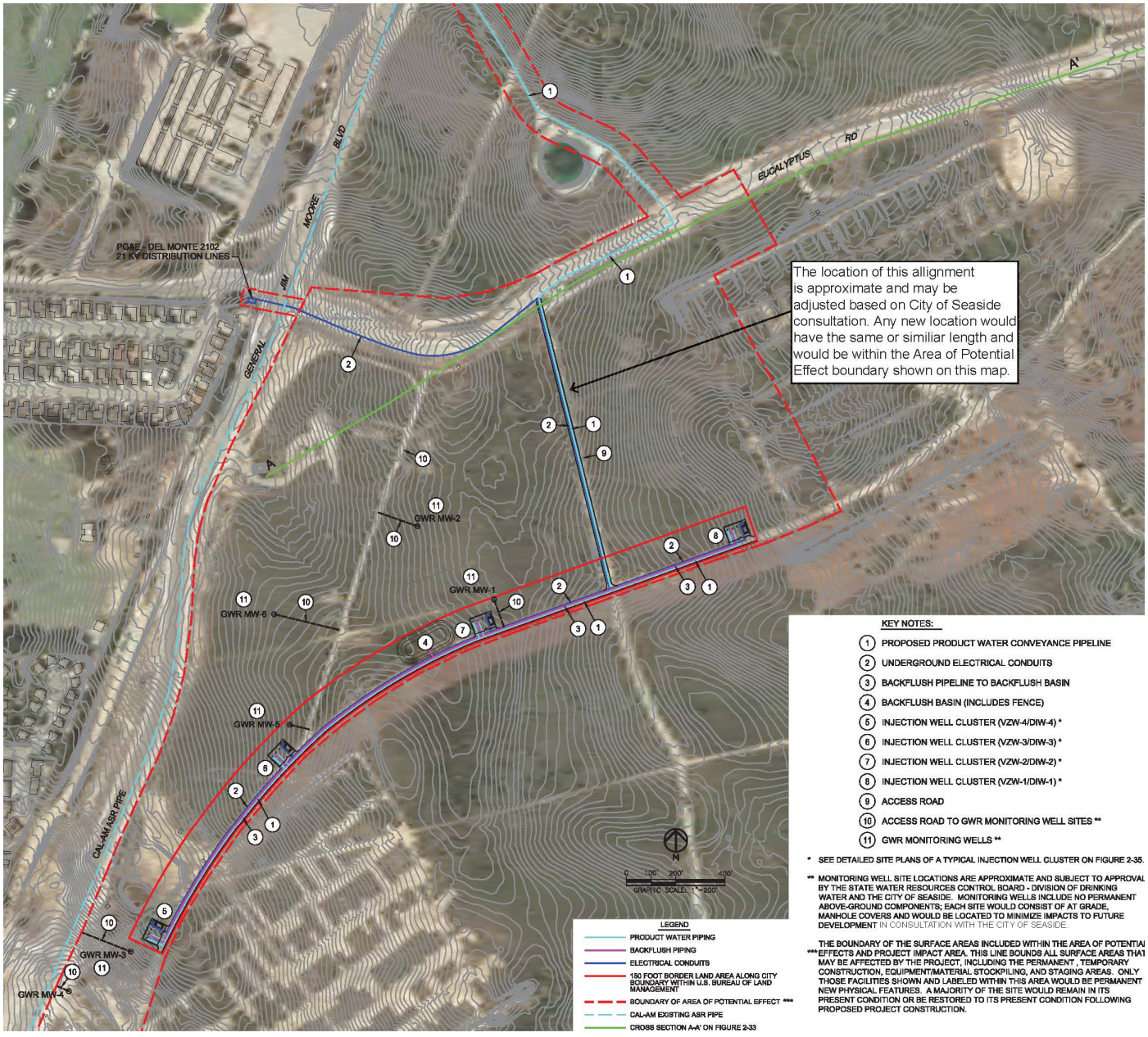


EXHIBIT D

Required Insurance

As provided in Section 28 of this Agreement, Agency and District shall, to the extent it continues to be available and applicable to the insured risk, obtain and keep in force during the term of this Agreement the following minimum insurance limits and coverage (or greater where required by Applicable Law). Such coverage will be in place not later than the inception of the covered activity, or such time as the Agency's and the District's insurable interest exists.

The cost of Project insurance obtained pursuant to this Exhibit is a Project Operation and Maintenance Expense as defined in Section 2 of this Agreement.

Upon request, Agency and District will provide Company with a certificate of insurance or memorandum of coverage as to any Project insurance and/or complete copies of policies.

Company shall be provided at least 30 days' written notification of cancellation, material reduction in coverage or reduction in limits.

Project insurance may be issued by a public agency Joint Powers Authority Program or insurance companies authorized to do business in California with a current A. M. Best rating of A or better.

All commercial general liability insurance, including completed operations-products liability, automobile liability, and pollution liability insurance obtained pursuant to this Agreement shall designate Company, its parent and affiliates, their respective directors, officers, employees and agents, as additional covered parties. All such insurance should be primary and non-contributory, and is required to respond and pay prior to any other insurance or self-insurance available to Company. In addition to the liability limits available, such insurance will pay on behalf or will indemnify Company for defense costs. Any other coverage available to Company applies on a contingent and excess basis. All such insurance shall include appropriate clauses pursuant to which the insurance companies shall waive their rights of subrogation against Company, its parent and affiliates, their respective directors, officers, employees and agents.

Agency shall require that the contractors and subcontractors of all tiers as appropriate provide insurance during the pre-construction and construction (as covered activities begin) of the AWT Facilities as described in "Pure Water Monterey – Insurance Requirements for Construction and Design Professional Contracts," attached to this Exhibit D as Attachment 1. Approval of any deviation or exception from these insurance requirements resides solely with the Agency.

Coverages:

i. The Agency will provide coverage as follows:

(a) General liability insurance, including coverage for auto, errors and omissions and employment practices, and for the Water Delivery Guarantee, Water Availability Guarantee, and Water Treatment Guarantee at Sections 12, 13, and 14, respectively, of this Agreement. Total general and excess liability coverage limits shall be no less than $15,000,000 per occurrence.

(b) "All Risk" Property Insurance (including coverage for Builders' Risk, with additional coverage for loss or damage by water, earthquake, flood, collapse, and subsidence) with a total insured value equal to replacement cost of the AWT Facilities during the term of this Agreement

(c) Cyber Liability Insurance with $2,000,000 coverage limits for first and third party limits.

(d) (1) Public Entity Pollution Liability (claims made and reported) with coverage limits in the amounts of $25,000,000 policy aggregate and $2,000,000 per pollution condition with a $75,000 per pollution condition retention; (2) Pollution & Remediation Legal Liability with coverage limits in the amounts of $1,000,000 each pollution condition and $5,000,000 aggregate liability limits including a self-insured retention not to exceed $25,000 each pollution condition; and (3) TankAdvantage Pollution Liability with coverage limits in the amounts of $1,000,000 each claim and $2,000,000 aggregate.

(e) Workers' Compensation/Employers' Liability. Workers' Compensation and Employer's Liability insurance and excess insurance policy(s) shall be written on a policy form providing workers' compensation statutory benefits as required by California law. Employers' liability limits shall be no less than one million dollars ($1,000,000) per accident or disease.

ii. The District will provide coverage as follows:

(a) General Liability Coverage: $10,000,000 per Occurrence
Personal injury and Property Damage Coverage

(b) Automobile Liability Coverage: $10,000,000 per Occurrence
Personal Injury and Property Damage Coverage

(c) Workers' Compensation Coverage
A. Statutory Workers Compensation Coverage;
B. Employers' Liability Coverage: $5,000,000 each Occurrence

(d) Public Officials' and Employees Errors and Omissions: $10,000,000 per Occurrence

(e) Property Coverage: $1,000,000,000 (pooled limit)
Includes Fire, Theft and Flood Coverage with property replacement values

(f) Public Entity Pollution Liability with coverage limits in the amounts of $10,000,000 per occurrence with a not-to-exceed $75,000 per-pollution-condition retention; and (2) Pollution & Remediation Legal Liability with coverage limits in the amounts of $10,000,000 per occurrence including a self-insured retention not to exceed $25,000 each pollution condition.

Attachment 1

Pure Water Monterey
Proposed Insurance Requirements for Construction
and Design Professional Contracts

Contractors and design professionals (as that term is used in California Civil Code §2782.8) shall procure and maintain for the duration of the contract, and for twelve (12) years thereafter, insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by the contractor or design professional, his/her agents, representatives, employees, or subcontractors.[1]

MINIMUM SCOPE AND LIMIT OF INSURANCE

Coverage shall be at least as broad as:

1. **Commercial General Liability (CGL):** Insurance Services Office Form CG 00 01 covering CGL on an "occurrence" basis, including products and completed operations, property damage, bodily injury and personal & advertising injury with limits no less than $5,000,000 per occurrence. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.

2. **Automobile Liability:** Insurance Services Office Form Number CA 0001 covering Code 1 (any auto), with limits no less than $5,000,000 per accident for bodily injury and property damage.

3. **Workers' Compensation** insurance as required by the State of California, with Statutory Limits, and Employers' Liability insurance with a limit of no less than $1,000,000 per accident for bodily injury or disease.

4. **Builder's Risk (Course of Construction)** insurance utilizing an "All Risk" (Special Perils) coverage form, with limits equal to the completed value of the project and no coinsurance penalty provisions.

5. **Surety Bonds** as described below.

[1] The coverages herein are understood to be representative only and the Agency and District retain the right to modify the insurance and indemnity requirements based upon the scope of services for any engagement.

6. **Professional Liability** (for all design professionals and contractors for design/build projects), with limits no less than $2,000,000 per occurrence or claim, and $4,000,000 policy aggregate.

7. **Contractors' Pollution Legal Liability and Errors and Omissions** (if project involves environmental hazards) with limits no less than $2,000,000 per occurrence or claim, and $4,000,000 policy aggregate.

If the contractor or design professional maintains higher limits than the minimums shown above, the Entity[2] requires and shall be entitled to coverage for the higher limits maintained by the contractor or design professional. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to the Entity.

Deductibles and Self-Insured Retentions

Any deductibles or self-insured retentions must be declared to and approved by the Entity. At the option of the Entity, either: the contractor shall cause the insurer to reduce or eliminate such deductibles or self-insured retentions as respects the Entity, its officers, officials, employees, and volunteers; or the contractor or design professional shall provide a financial guarantee satisfactory to the Entity guaranteeing payment of losses and related investigations, claim administration, and defense expenses.

The insurance policies are to contain, or be endorsed to contain, the following provisions[3]:

1. The Entity, its officers, officials, employees, and volunteers are to be covered as additional insureds on the CGL policy with respect to liability arising out of with respect to liability arising out of work or operations performed by or on behalf of the Contractor including materials, parts, or equipment furnished in connection with such work or operations and automobiles owned, leased, hired, or borrowed by or on behalf of the Contractor. General liability coverage can be provided in the form of an endorsement to the Contractor's insurance (at least as broad as ISO Form CG 20 10 10 93, CG 00 01 11 85 or both CG 20 10 10 01 and CG 20 37 10 01 forms if later revisions used).

2. For any claims related to this project, the Contractor's insurance coverage shall be primary insurance as respects the Entity, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the Entity, its officers, officials, employees, or volunteers shall be excess of the Contractor's insurance and shall not contribute with it.

[2] The term "Entity" as used herein means the Agency or the District.

[3] The term "Contractor" as used herein also means Design Professional in context of an agreement for services by a design professional as that term is used in CA CC 2782.8.

3. Each insurance policy required by this clause shall provide at least thirty (30) days' written notification of cancellation, material reduction in coverage or reduction in available limits.

Builder's Risk (Course of Construction) Insurance

Contractor may submit evidence of Builder's Risk insurance in the form of Course of Construction coverage. Such coverage shall name the Entity as a loss payee as their interest may appear.

If the project does not involve new or major reconstruction, at the option of the Entity, an Installation Floater may be acceptable. For such projects, a Property Installation Floater shall be obtained that provides for the improvement, remodel, modification, alteration, conversion or adjustment to existing buildings, structures, processes, machinery and equipment. The Property Installation Floater shall provide property damage coverage for any building, structure, machinery or equipment damaged, impaired, broken, or destroyed during the performance of the Work, including during transit, installation, and testing at the Entity's site.

Claims Made Policies

If any coverage required is written on a claims-made coverage form:

1. The retroactive date must be shown, and this date must be before the execution date of the contract or the beginning of contract work.

2. Insurance must be maintained and evidence of insurance must be provided for at least twelve (12) years after completion of contract work.

3. If coverage is canceled or non-renewed, and not replaced with another claims-made policy form with a retroactive date prior to the contract effective, or start of work date, the Contractor must purchase extended reporting period coverage for a minimum of five (5) years after completion of contract work.

4. A copy of the claims reporting requirements must be submitted to the Entity for review.

5. If the services involve lead-based paint or asbestos identification/remediation, the Contractors Pollution Liability policy shall not contain lead-based paint or asbestos exclusions. If the services involve mold identification/remediation, the Contractors Pollution Liability policy shall not contain a mold exclusion, and the definition of Pollution shall include microbial matter, including mold.

Acceptability of Insurers

Insurance is to be placed with insurers authorized to do business in California with a current A.M. Best rating of no less than A: VII, unless otherwise acceptable to the Entity.

Waiver of Subrogation

Contractor hereby agrees to waive rights of subrogation which any insurer of Contractor may acquire from Contractor by virtue of the payment of any loss. Contractor agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation. The Workers' Compensation policy shall be endorsed with a waiver of subrogation in favor of the Entity for all work performed by the Contractor, its employees, agents and subcontractors.

Verification of Coverage

Contractor shall furnish the Entity with original certificates and amendatory endorsements, or copies of the applicable insurance language, effecting coverage required by this contract. All certificates and endorsements are to be received and approved by the Entity before work commences. However, failure to obtain the required documents prior to the work beginning shall not waive the Contractor's obligation to provide them. The Entity reserves the right to require complete, certified copies of all required insurance policies, including endorsements, required by these specifications, at any time.

Subcontractors

Contractor shall require and verify that all subcontractors maintain insurance meeting all the requirements stated herein, and Contractor shall ensure that Entity is an additional insured on insurance required from subcontractors. For CGL coverage subcontractors shall provide coverage with a format least as broad as CG 20 38 04 13.

Surety Bonds

Contractor shall provide the following Surety Bonds:

1. Bid bond
2. Performance bond
3. Payment bond
4. Maintenance bond

The Payment Bond and the Performance Bond shall be in a sum equal to the contract price. If the Performance Bond provides for a one-year warranty a separate Maintenance Bond is not necessary. If the warranty period specified in the contract is for longer than one year a Maintenance Bond equal to 10% of the contract price is required. Bonds shall be duly executed by a responsible corporate surety, authorized to issue such bonds in the State of California and secured through an authorized agent with an office in California.

Special Risks or Circumstances

Entity reserves the right to modify these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other circumstances.

Hold Harmless - Contractor

To the fullest extent permitted by law, Contractor shall hold harmless, immediately defend, and indemnify Entity and its officers, officials, employees, and volunteers from and against all claims, damages, losses, and expenses including attorney fees arising out of the performance of the work described herein, caused in whole or in part by any negligent act or omission of the Contractor, any subcontractor, anyone directly or indirectly employed by any of them, or anyone for whose acts any of them may be liable, except to the extent caused by the active negligence, sole negligence, or willful misconduct of the Entity.

Hold Harmless – Design Professional

To the fullest extent permitted by law, Design Professional shall hold harmless, immediately defend, and indemnify Entity and its officers, officials, employees, and volunteers from and against all claims, damages, losses, and expenses including attorney fees that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of the Design Professional, or its employees, agents or subcontractors, except to the extent caused by the active negligence, sole negligence, or willful misconduct of the Entity.

(End of Appendix C)

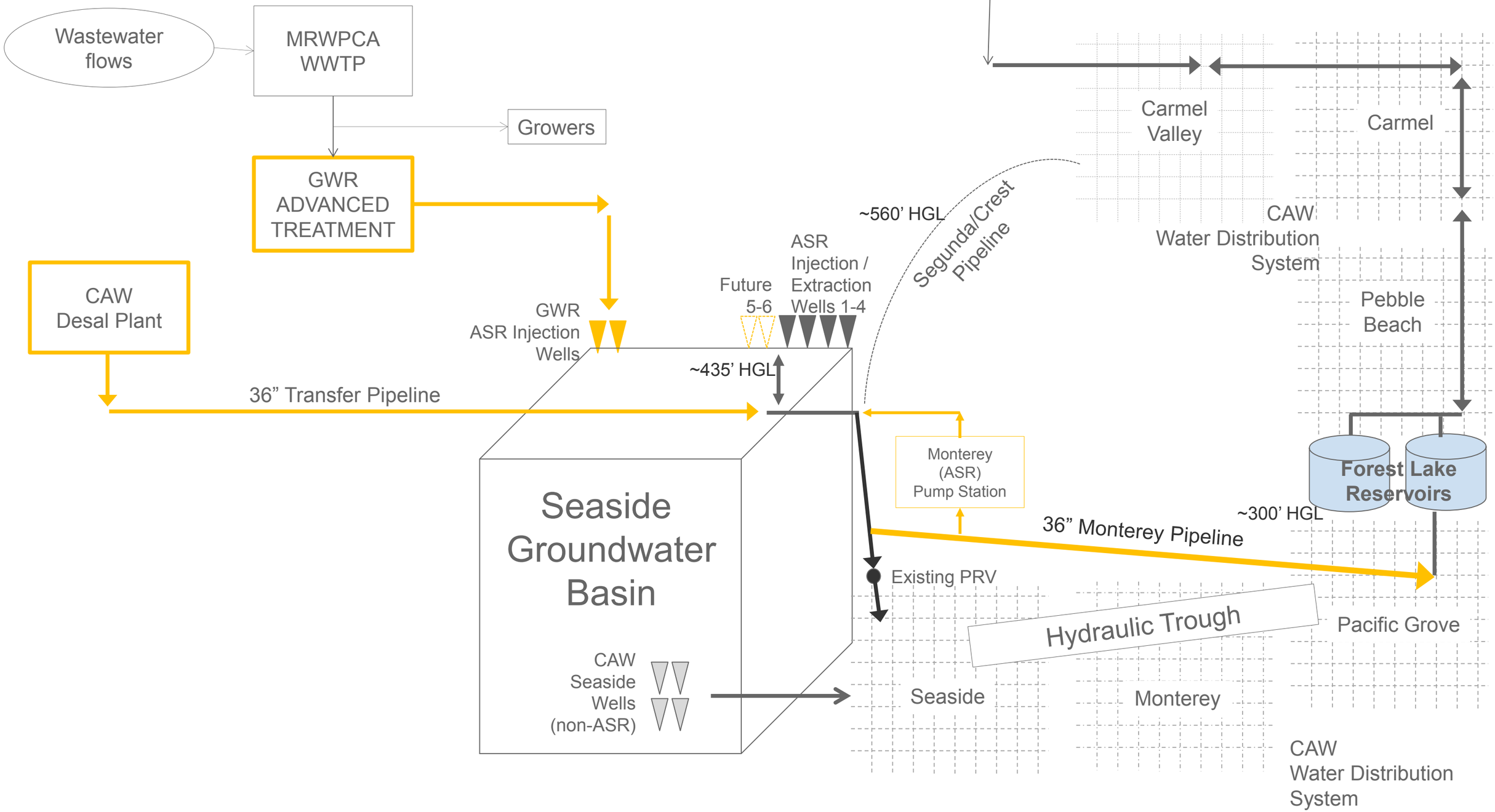
APPENDIX D

System Schematics

MPWSP GWR ASR SYSTEM SCHEMATIC

EXHIBIT 2-D

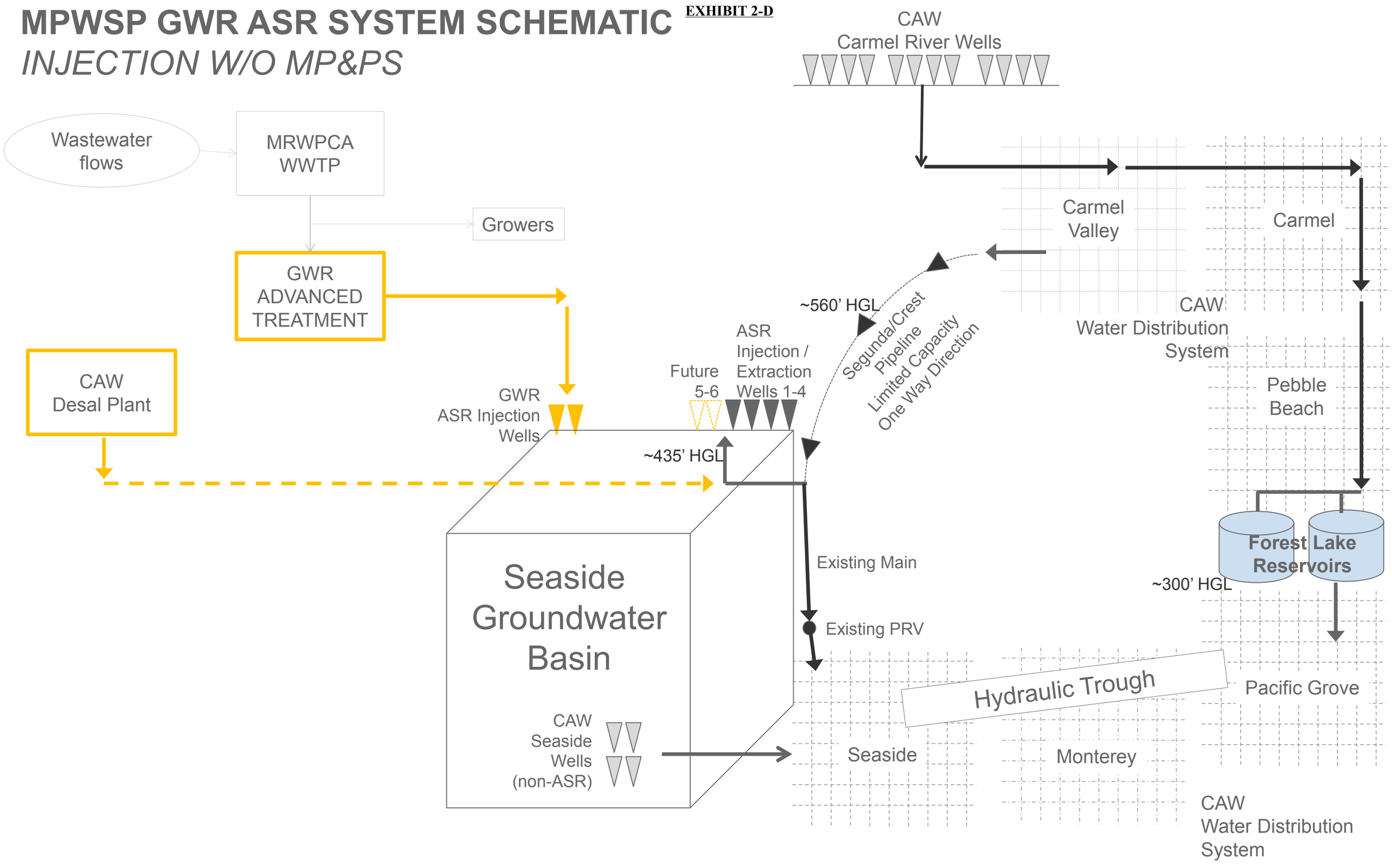
BASELINE SCHEMATIC



MPWSP GWR ASR SYSTEM SCHEMATIC

EXHIBIT 2-D

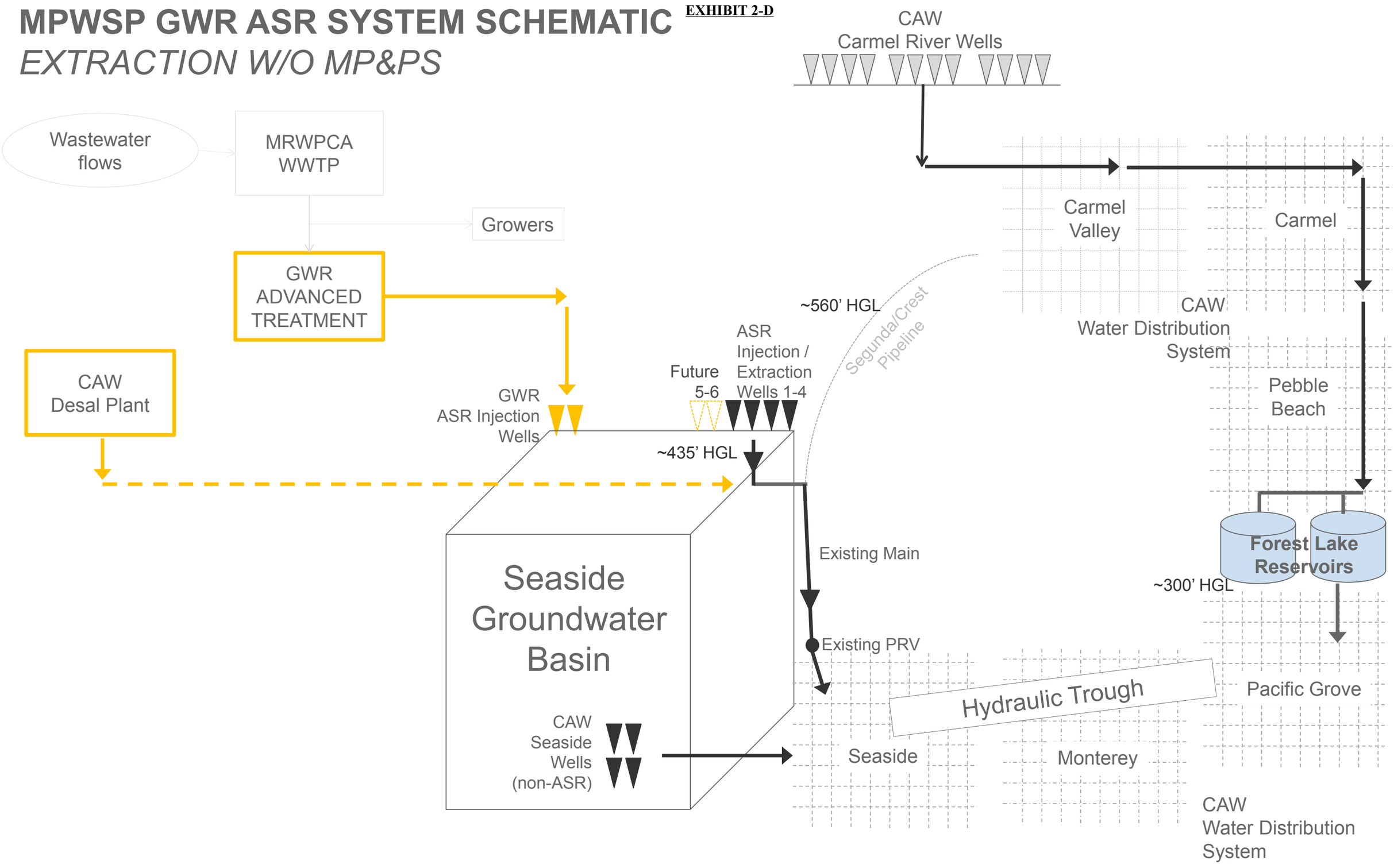
INJECTION W/O MP&PS



MPWSP GWR ASR SYSTEM SCHEMATIC

EXHIBIT 2-D

EXTRACTION W/O MP&PS



MPWSP GWR ASR SYSTEM SCHEMATIC

EXHIBIT 2-D

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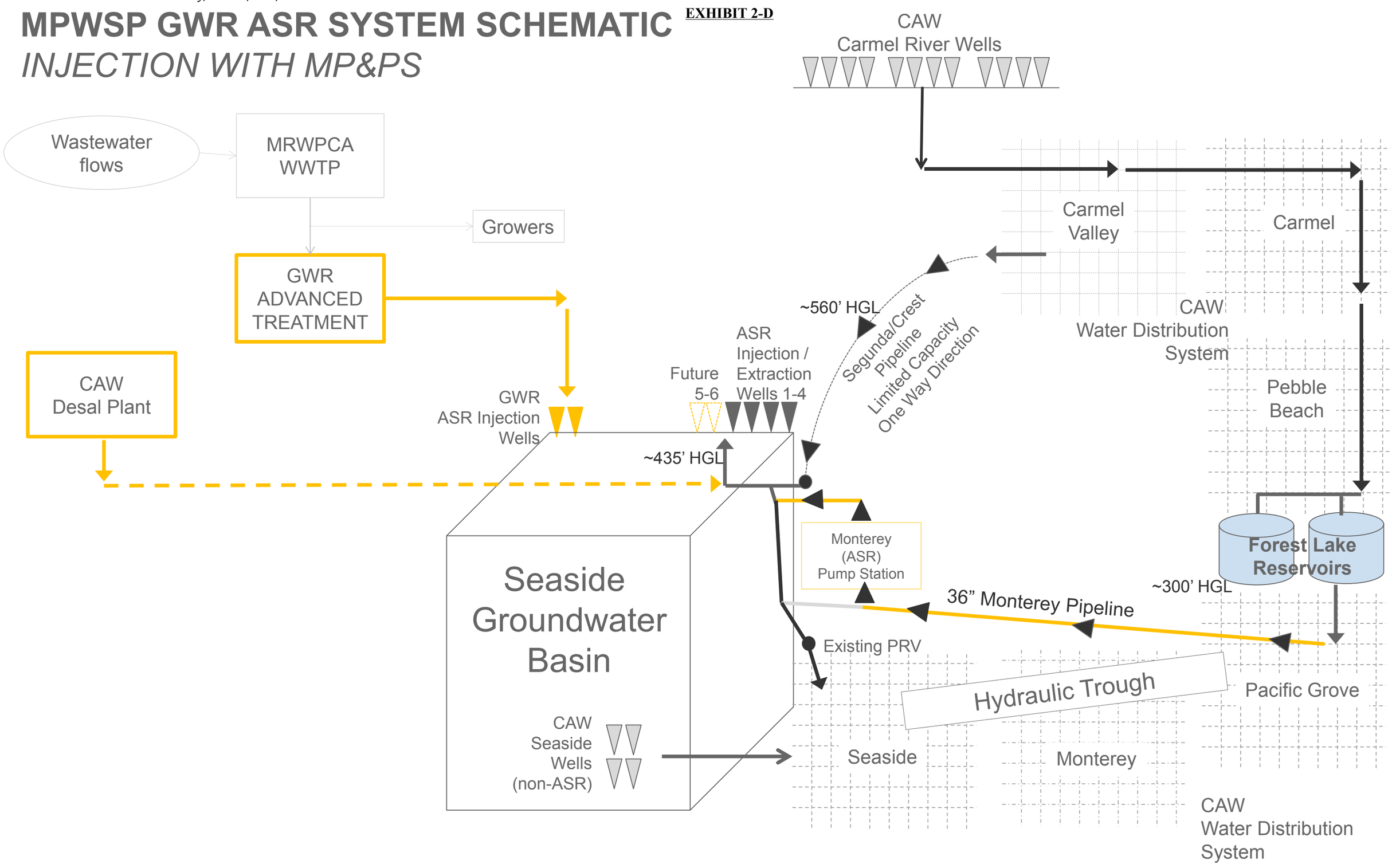

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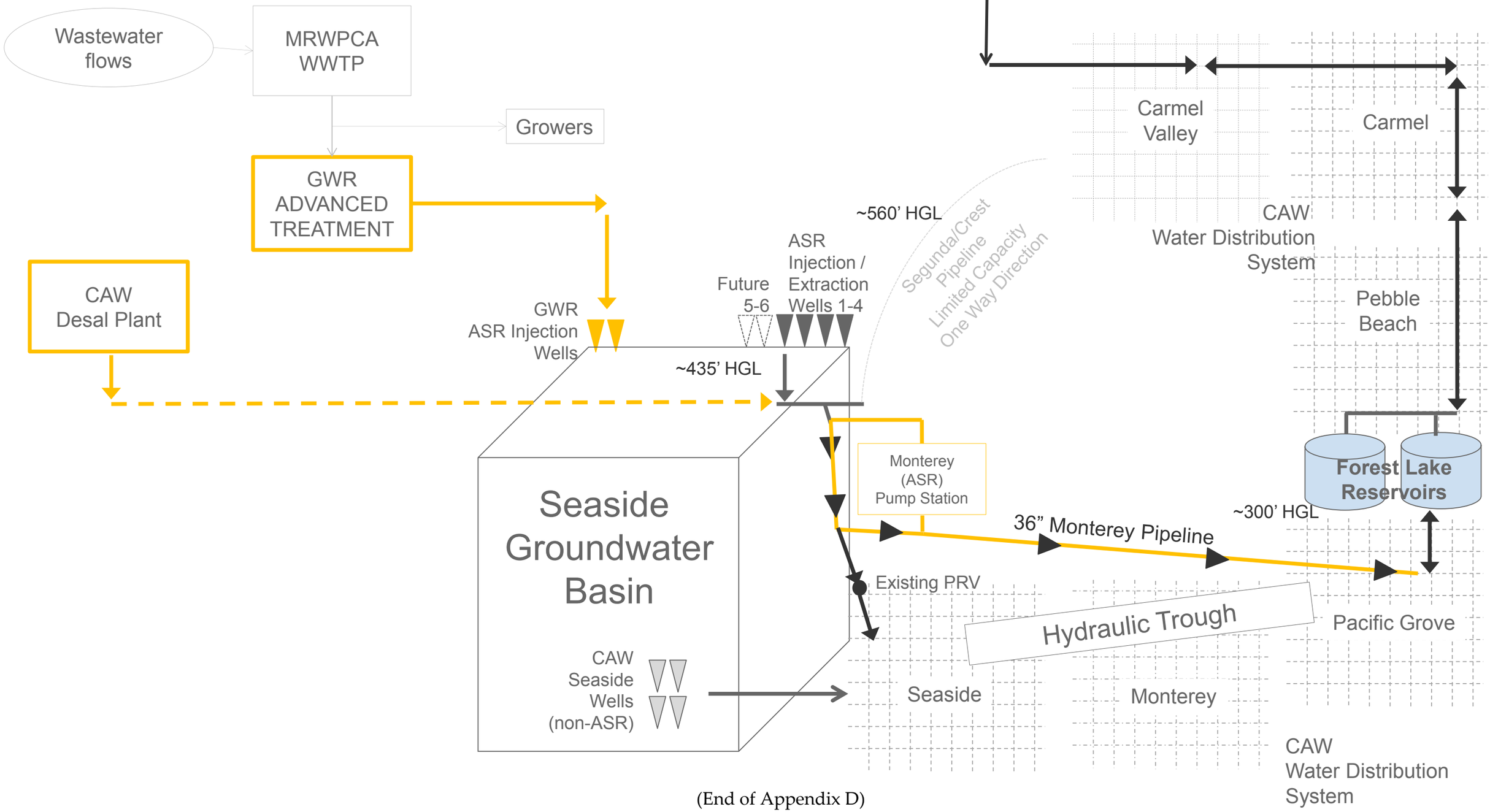
MPWSP GWR ASR SYSTEM SCHEMATIC

EXHIBIT 2-D

EXTRACTION WITH MP&PS



(End of Appendix D)

APPENDIX E

Mitigation Monitoring and Reporting Program

Mitigation Monitoring and Reporting Program
Hilby Avenue Pump Station (June 14, 2016)

Section 21081.6 of the Public Resources Code requires all state and local agencies to establish monitoring or reporting programs whenever approval of a project relies upon an environmental impact report (EIR). The purpose of the monitoring and reporting program is to ensure implementation of the measures being imposed to mitigate or avoid the significant adverse environmental impacts identified in the Aquifer Storage and Recover EIR/EA and the Pure Water Monterey Groundwater Replenishment Project EIR as amended in the Hilby Avenue Pump Station Addendum.

The following table contains text edits to the Mitigation Measures shown in strikeout for deleted text and underline for added text. These changes have been made to the mitigation measures to make them applicable to the Hilby Avenue Pump Station.

Mitigation Measure	Timing of Implementation	Responsible Party		Done (X)
		Implementation	Compliance/ Verification	
AIR QUALITY				
Mitigation Measure AQ-1: Construction Fugitive Dust Control Plan. (PWM/GWR EIR) The following standard Dust Control Measures shall be implemented during construction to help prevent potential nuisances to nearby receptors due to fugitive dust and to reduce contributions to exceedances of the state ambient air quality standards for PM_{10}, in accordance with MBUAPCD's CEQA Guidelines. a) Water all active construction areas as required with non-potable sources to the extent feasible; frequency should be based on the type of operation, soil, and wind exposure and minimized to prevent wasteful use of water. b) Prohibit grading activities during periods of high wind (over 15 mph). c) Cover all trucks hauling soil, sand, and other loose materials and require trucks to maintain at least 2 feet of freeboard. d) Sweep daily (with water sweepers) all paved access roads, parking areas, and staging areas at construction sites. e) Sweep streets daily (with water sweepers) if visible soil material is carried onto adjacent public streets; f) Enclose, cover, or water daily exposed stockpiles (dirt, sand, etc.); g) Replant vegetation in disturbed areas as quickly as possible. h) Wheel washers shall be installed and used by truck operators at the exits of the construction sites to the AWT Facility site, the Injection Well Facilities, and the Booster Pump Station.	During Construction	CalAm and construction contractor	CalAm and MPWMD	☐

i) Post a publicly visible sign that specifies the telephone number and person to contact regarding dust complaints. This person shall respond to complaints and take corrective action within 48 hours. The phone number of the MBUAPCD shall also be visible to ensure compliance with MBUAPCD rules.				
Mitigation Measure AQ-1: Use Newer, Cleaner-Burning Engines. (ASR EIR/EA) The project applicant will encourage all construction contractors that use equipment with diesel engines to use as much equipment as possible that meets EPA Tier II engine standards. The project applicant will also encourage construction contractors to install diesel particulate matter filters and lean-NOx or diesel oxidation catalysts in all equipment, especially equipment that doesn't meet Tier II engine standards.	During Construction	Construction contractor	CalAm and MPWMD	☐
BIOLOGICAL RESOURCES				
Mitigation Measure BT-1a: Implement Construction Best Management Practices. (PWM/GWR EIR) The following best management practices shall be implemented during all identified phases of construction (i.e., pre-, during, and post-) to reduce impacts to special-status plant and wildlife species: 1) A qualified biologist must conduct an Employee Education Program for the construction crew prior to any construction activities. A qualified biologist must meet with the construction crew at the onset of construction at the site to educate the construction crew on the following: 1) the appropriate access route(s) in and out of the construction area and review project boundaries; 2) how a biological monitor will examine the area and agree upon a method which would ensure the safety of the monitor during such activities, 3) the special-status species that may be present; 4) the specific mitigation measures that will be incorporated into the construction effort; 5) the general provisions and protections afforded by the USFWS and CDFW; and 6) the proper procedures if a special-status species is encountered within the site. 2) Trees and vegetation not planned for removal or trimming shall be protected prior to and during construction to the maximum extent possible through the use of exclusionary fencing, such as hay bales for herbaceous and shrubby vegetation, and protective wood barriers for trees. Only certified weed-free straw shall be used, to avoid the introduction of non-native, invasive species. A biological monitor shall supervise the installation of protective fencing and monitor at least once per week until construction is complete to ensure that the protective fencing remains intact. 3) Protective fencing shall be placed prior to and during construction to keep construction equipment and personnel from impacting vegetation outside of work	Prior to commencement of construction, During Construction	Construction contractor	CalAm and MPWMD	☐

limits. A biological monitor shall supervise the installation of protective fencing and monitor at least once per week until construction is complete to ensure that the protective fencing remains intact. 4) Following construction, disturbed areas shall be restored to pre-construction contours to the maximum extent possible and revegetated using locally-occurring native species and native erosion control seed mix, per the recommendations of a qualified biologist. 5) Grading, excavating, and other activities that involve substantial soil disturbance shall be planned and carried out in consultation with a qualified hydrologist, engineer, or erosion control specialist, and shall utilize standard erosion control techniques to minimize erosion and sedimentation to native vegetation (pre-,during, and post-construction). 6) No firearms shall be allowed on the construction sites at any time. 7) All food-related and other trash shall be disposed of in closed containers and removed from the project area at least once a week during the construction period, or more often if trash is attracting avian or mammalian predators. Construction personnel shall not feed or otherwise attract wildlife to the area. 8) To protect against spills and fluids leaking from equipment, the project proponents shall require that the construction contractor maintains an on-site spill plan and on-site spill containment measures that can be easily accessed. 9) Refueling or maintaining vehicles and equipment should only occur within a specified staging area that is at least 100 feet from a waterbody (including riparian and wetland habitat) and that has sufficient management measures that will prevent fluids or other construction materials including water from being transported into waters of the state. Measures shall include confined concrete washout areas, straw wattles placed around stockpiled materials and plastic sheets to cover materials from becoming airborne or otherwise transported due to wind or rain into surface waters. 10) The project proponents and/or their contractors shall coordinate with the City of Seaside on the location of the Pump Station ~~Injection Well Facilities~~ and the removal of sensitive biotic material.				
CULTURAL RESOURCES				
Mitigation Measure CR-1: Stop Work If Buried Cultural Deposits Are Encountered during Construction Activities. (ASR EIR/EA) If buried cultural resources such as chipped stone or groundstone, historic debris, building foundations, or human bone are inadvertently discovered during ground-	During Construction	Construction contractor	CalAm and MPWMD	☐

disturbing activities, the construction contractor will stop work in that area and within a 100-foot radius of the find until a qualified archaeologist can assess the significance of the find and, if necessary, develop appropriate treatment measures. Treatment measures typically include avoidance strategies or mitigation of impacts through data recovery programs such as excavation or detailed documentation.				
Mitigation Measure CR-2: Stop Work If Human Remains Are Encountered during Construction Activities. (ASR EIR/EA) If human skeletal remains are encountered, the construction contractor will notify CalAm ~~MPWMD~~ and the county coroner immediately. CalAm ~~MPWMD~~ will ensure the construction specifications include this order. If the county coroner determines that the remains are Native American, the coroner will be required to contact the NAHC (pursuant to Section 7050.5 [c] of the California Health and Safety Code) and the County Coordinator of Indian Affairs. A qualified archaeologist will also be contacted immediately. If human remains are discovered in any location other than a dedicated cemetery, there will be no further excavation or disturbance of the site or any nearby area reasonably suspected to overlie adjacent human remains until: • the coroner of the county has been informed and has determined that no investigation of the cause of death is required; and • if the remains are of Native American origin: o the descendants from the deceased Native Americans have made a recommendation to the landowner or the person responsible for the excavation work for means of treating or disposing of with appropriate dignity the human remains and any associated grave goods as provided in Public Resources Code Section 5097.98; or o the NAHC was unable to identify a descendent or the descendent failed to make a recommendation within 24 hours after being notified by the commission. According to the California Health and Safety Code, six or more human burials at one location constitute a cemetery (Section 8100), and disturbance of Native American cemeteries is a felony (Section 7052). Section 7050.5 requires that construction or excavation be stopped in the vicinity of discovered human remains until the coroner can determine whether the remains are those of a Native American. If the remains are determined to be Native American, the coroner must contact the NAHC.	During Construction	Construction contractor	CalAm and MPWMD	☐
NOISE				
Mitigation Measure NZ-1a: Prohibit Ancillary and Unnecessary Equipment During	During	Construction	CalAm and	☐

Nighttime Construction ~~Well Drilling~~ Activities. (ASR EIR/EA) The project applicant shall ensure that the construction contractor prohibit the use of all ancillary equipment (i.e., backhoe, truck, air compressor, and pump, etc.) during nighttime hours. Cleanup and other activities will occur only during daytime activities.	Construction	contractor	MPWMD	
Mitigation Measure NZ-1b: Employ Noise-Reducing Construction Practices to Meet Nighttime Standards. (ASR EIR/EA) The construction contractor will employ noise-reducing construction practices such that nighttime standards are not exceeded. Measures that will be used to limit noise include, but are not limited to: • using noise-reducing enclosures around noise-generating equipment; • constructing barriers between noise sources and noise-sensitive land uses or taking advantage of existing barrier features (terrain, structures) to block sound transmission; and • enclosing equipment.	During Construction	Construction contractor	CalAm and MPWMD	☐
Mitigation Measure NZ-1c: Prepare a Noise Control Plan. (ASR EIR/EA) The construction contractor will prepare a detailed noise control plan based on the construction methods proposed. This plan will identify specific measurement that will be taken to ensure compliance with the noise limits specified above. The plan shall also identify anticipated construction schedule, notification procedures, and contact information for noise related complaints. The noise control plan will be reviewed and approved by City of Seaside staff before any noise-generating construction activity begins.	Prior to commencement of construction	Construction contractor	CalAm and MPWMD	☐

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MITIGATION MONITORING AND REPORTING PROGRAM

for the Monterey Pipeline (previously the Alternative Monterey Pipeline in the Pure Water Monterey Groundwater Replenishment Project)

June 14, 2016

INTRODUCTION

Section 21081.6 of the California Public Resources Code and Section 15091(d) and Section 15097 of the California Environmental Quality Act (CEQA) Guidelines require public agencies "to adopt a reporting or monitoring program for changes to the project which it has adopted or made a condition of project approval in order to mitigate or avoid significant effects on the environment." This Mitigation Monitoring and Reporting Program (MMRP) has been prepared for the Pure Water Monterey Groundwater Replenishment (GWR) Project's Alternative Monterey Pipeline. This MMRP is based on the mitigation measures included in the Final Environmental Impact Report (EIR).

This MMRP is applicable to the "Alternative Monterey Pipeline" of the GWR Project that is referenced as the Monterey Pipeline in the MPWMD consideration of the CalAm Water Distribution System Permit Amendments being considered in June 2016. Therefore, this MMRP includes mitigation measures, monitoring and reporting requirements identified in the Final EIR for this project component, and it does not include all mitigation measures applicable to the ASR Project nor the GWR Project. The original MMRP for the ASR Project is Chapter 4 of the Final Phase 1 EIR/EA, as amended by the Phase 2 Addendum accepted in April 2012.[1] The original MMRP for the PWM/GWR Project can be found in Section 5 of Volume IV of the Consolidated Final EIR found at http://purewatermonterey.org/reports-docs/cfeir/. These MMRPs included mitigation measures applicable to operation of the ASR Wells 1 through 4, and construction and operation of the Monterey Pipeline (referred to as the Alternative Monterey Pipeline in the PWM/GWR MMRP).

For a complete list of acronyms used in this document, please refer to the acronym list in the EIRs for each project.

[1] See Draft and Final EIR/EA at http://www.mpwmd.net/wp-content/uploads/2015/08/MPWMD-Draft-EIR-EA-3-06.pdf and http://www.mpwmd.net/wp-content/uploads/2015/08/FEIR_8-21-06.pdf and Addendum No. 1 for the Phase 2 ASR facilities at: http://www.mpwmd.net/asd/board/boardpacket/2012/20120416/16/item16.htm.

EXHIBIT 2-D

Impacts	Mitigation Measures	Timing of Implementation	Implementation Responsibility[2]	Timing of Monitoring	Responsibility for Compliance Monitoring[1]
Impact AE-2: Construction Impacts due to Temporary Light and Glare	**Mitigation Measure AE-2**: **Minimize Construction Nighttime Lighting**. As part of its contract specifications, MRWPCA shall require its construction contractors to implement site-specific nighttime construction lighting measures for nighttime construction at the proposed Injection Well Facilities site and for the CalAm Distribution System: Alternative Monterey Pipeline. The measures shall, at a minimum, require that lighting be shielded, directed downward onto work areas to minimize light spillover, and specify that construction lighting use the minimum wattage necessary to provide safety at the construction sites. MRWPCA shall ensure these measures are implemented at all times during nighttime construction at the Injection Well Facilities site and for the CalAm Distribution System: Alternative Monterey Pipeline and for the duration of all required nighttime construction activity at these locations.	In contract specifications and during project construction	MRWPCA, CalAm, construction contractors	During project construction	MRWPCA and CalAm
Impact AQ-1: Construction Criteria Pollutant Emissions	**Mitigation Measure AQ-1**: **Construction Fugitive Dust Control Plan.** The following standard Dust Control Measures shall be implemented during construction to help prevent potential nuisances to nearby receptors due to fugitive dust and to reduce contributions to exceedances of the state ambient air quality standards for PM_{10}, in accordance with MBUAPCD's CEQA Guidelines. • Water all active construction areas as required with non-potable sources to the extent feasible; frequency should be based on the type of operation, soil, and wind exposure and minimized to prevent wasteful use of water. • Prohibit grading activities during periods of high wind (over 15 mph). • Cover all trucks hauling soil, sand, and other loose materials and require trucks to maintain at least 2 feet of freeboard. • Sweep daily (with water sweepers) all paved access roads, parking areas, and staging areas at construction sites. • Sweep streets daily (with water sweepers) if visible soil material is carried onto adjacent public streets. • Enclose, cover, or water daily exposed stockpiles (dirt, sand, etc.). • Replant vegetation in disturbed areas as quickly as possible. • Wheel washers shall be installed and used by truck operators at the exits of the construction sites to the AWT Facility site, the Injection Well Facilities, and the Booster Pump Station. • Post a publicly visible sign that specifies the telephone number and person to contact regarding dust complaints. This person shall respond to complaints and take corrective action within 48 hours. The phone number of the MBUAPCD shall also be visible to ensure compliance with MBUAPCD rules.	During project construction	MRWPCA, CalAm project engineers and contractors	During project construction	MRWPCA, CalAm, and MBUAPCD
Impact BT-1: Construction Impacts to Special-Status Species and Habitat	**Mitigation Measure BT-1a: Implement Construction Best Management Practices**. The following best management practices shall be implemented during all identified phases of construction (i.e., pre-, during, and post-) to reduce impacts to special-status plant and wildlife species: 1. A qualified biologist must conduct an Employee Education Program for the construction crew prior to any construction activities. A qualified biologist must meet with the construction crew at the onset of construction at the site to educate the construction crew on the following: 1) the appropriate access route(s) in and out of the construction area and review project boundaries; 2) how a biological monitor will examine the area and agree upon a method which would ensure the safety of the monitor during such activities, 3) the special-status species that may be present; 4) the specific mitigation measures that will be incorporated into the construction effort; 5) the general provisions and protections afforded by the USFWS and CDFW; and 6) the proper procedures if a special-status species is encountered within the site. 2. Trees and vegetation not planned for removal or trimming shall be protected prior to and during construction to the maximum extent possible through the use of exclusionary fencing, such as hay bales for herbaceous and shrubby vegetation, and protective wood barriers for trees. Only certified weed-free straw shall be used, to avoid the introduction of non-native, invasive species. A biological monitor shall supervise the installation of protective fencing and monitor at least once per week until construction is complete to ensure that the protective fencing remains intact. 3. Protective fencing shall be placed prior to and during construction to keep construction equipment and personnel from impacting vegetation outside of work limits. A biological monitor shall supervise the installation of protective fencing and monitor at least once per week until construction is complete to ensure that the protective fencing remains intact. 4. Following construction, disturbed areas shall be restored to pre-construction contours to the maximum extent possible and revegetated using locally-occurring native species and native erosion control seed mix, per the recommendations of a qualified biologist. 5. Grading, excavating, and other activities that involve substantial soil disturbance shall be planned and carried out in consultation with a qualified hydrologist, engineer, or erosion control specialist, and shall utilize standard erosion control techniques to minimize erosion and sedimentation to native vegetation (pre-,	Prior to, during and after project construction	MRWPCA, CalAm, construction contractors and qualified biologist	Prior to and during project construction	MRWPCA, CalAm, qualified biologist and construction biological monitor; City of Seaside for Injection Well Facilities

[2] CalAm Distribution System: Alternative Monterey Pipelines and the associated mitigation measures would be the responsibility of CalAm to implement and the local jurisdictions and/or the California Public Utilities Commission to monitor.

Impacts	Mitigation Measures	Timing of Implementation	Implementation Responsibility[2]	Timing of Monitoring	Responsibility for Compliance Monitoring[1]
	during, and post-construction). 6. No firearms shall be allowed on the construction sites at any time. 7. All food-related and other trash shall be disposed of in closed containers and removed from the project area at least once a week during the construction period, or more often if trash is attracting avian or mammalian predators. Construction personnel shall not feed or otherwise attract wildlife to the area. 8. To protect against spills and fluids leaking from equipment, the project proponent shall require that the construction contractor maintains an on-site spill plan and on-site spill containment measures that can be easily accessed. 9. Refueling or maintaining vehicles and equipment should only occur within a specified staging area that is at least 100 feet from a waterbody (including riparian and wetland habitat) and that has sufficient management measures that will prevent fluids or other construction materials including water from being transported into waters of the state. Measures shall include confined concrete washout areas, straw wattles placed around stockpiled materials and plastic sheets to cover materials from becoming airborne or otherwise transported due to wind or rain into surface waters. 10. The project proponent and/or its contractors shall coordinate with the City of Seaside on the location of Injection Well Facilities and the removal of sensitive biotic material.				
	Mitigation Measure BT-1k: Conduct Pre-Construction Surveys for Protected Avian Species, including, but not limited to, white-tailed kite and California horned lark. Prior to the start of construction activities at each project component site, a qualified biologist shall conduct pre-construction surveys for suitable nesting habitat within the component Project Study Area and within a suitable buffer area from the component Project Study Area. The qualified biologist shall determine the suitable buffer area based on the avian species with the potential to nest at the site. In areas where nesting habitat is present within the component project area or within the determined suitable buffer area, construction activities that may directly (e.g., vegetation removal) or indirectly (e.g., noise/ground disturbance) affect protected nesting avian species shall be timed to avoid the breeding and nesting season. Specifically, vegetation and/or tree removal can be scheduled after September 16 and before January 31. Alternatively, a qualified biologist shall be retained by the project proponents to conduct pre-construction surveys for nesting raptors and other protected avian species where nesting habitat was identified and within the suitable buffer area if construction commences between February 1 and September 15. Pre-construction surveys shall be conducted no more than 14 days prior to the start of construction activities during the early part of the breeding season (February through April) and no more than 30 days prior to the initiation of these activities during the late part of the breeding season (May through August). Because some bird species nest early in spring and others nest later in summer, surveys for nesting birds may be required to continue during construction to address new arrivals, and because some species breed multiple times in a season. The necessity and timing of these continued surveys shall be determined by the qualified biologist based on review of the final construction plans. If active raptor or other protected avian species nests are identified during the preconstruction surveys, the qualified biologist shall notify the project proponents and an appropriate no-disturbance buffer shall be imposed within which no construction activities or disturbance shall take place until the young have fledged and are no longer reliant upon the nest or parental care for survival, as determined by a qualified biologist.	Prior to project construction and if found establish and comply with no-disturbance buffer	MRWPCA, CalAm, construction contractors, and qualified biologists	Prior to project construction	MRWPCA, CalAm, qualified biologist(s), USFWS
Impact BT-1: Construction Impacts to Special-Status Species and Habitat (continued)	**Mitigation Measure BT-1m: Minimize Effects of Nighttime Construction Lighting.** Nighttime construction lighting shall be focused and downward directed to preclude night illumination of the adjacent open space area.	During project construction	MRWPCA and CalAm construction contractors	During project construction	MRWPCA, CalAm, City of Seaside, City of Monterey
Impact CR-1: Construction Impacts on Historic Resources	**Mitigation Measure CR-1: Avoidance and Vibration Monitoring for Pipeline Installation in the Presidio of Monterey Historic District, and Downtown Monterey.** Avoidance and Vibration Monitoring for Pipeline Installation in the Presidio of Monterey Historic District, and Downtown Monterey. (Applies to portion of the CalAm Distribution System: Alternative Monterey Pipeline) CalAm shall construct the section of the Alternative Monterey Pipeline located on Stillwell Avenue within the Presidio of Monterey Historic District, adjacent to the Spanish Royal Presidio, and within the Monterey Old Town National Historic Landmark District (including adjacent to Stokes Adobe, the Gabriel de la Torre Adobe, the Fremont Adobe, Colton Hall, and Friendly Plaza in downtown Monterey)[3] as close as possible to the centerlines of these streets to: (1) avoid direct impacts to the historic Presidio Entrance Monument, and (2) reduce impacts from construction vibration	During project construction	CalAm, project engineers, construction contractors	During project construction	CalAm and City of Monterey

[3] A modification to this mitigation measure has been made to clarify its applicability to the Staff-Recommendation Alternative of the GWR Project. Specifically, the text highlighted in gray has been added and the following text deleted: "and within W. Franklin Street in downtown Monterey." This change to the mitigation measure does not constitute significant new information; it merely clarifies the mitigation for the selected alternative.

Impacts	Mitigation Measures	Timing of Implementation	Implementation Responsibility[2]	Timing of Monitoring	Responsibility for Compliance Monitoring[1]
	to below the 0.12 inches per second (in/sec) peak particle velocity vibration PPV) threshold. If CalAm determines that the pipeline cannot be located near the centerline of these street segments due to traffic concerns or existing utilities, the historic properties identified on Table 4.6-2 of the GWR Project Draft EIR (MRWPCA/DD&A, April 2015) shall be monitored for vibration during pipeline construction, especially during the use of jackhammers and vibratory rollers. If construction vibration levels exceed 0.12 in/sec PPV, construction shall be halted and other construction methods shall be employed to reduce the vibration levels below the standard threshold. Alternative construction methods may include using concrete saws instead of jackhammers or hoe-rams to open excavation trenches, the use of non-vibratory rollers, and hand excavation. If impact sheet pile installation is needed (i.e., for horizontal directional drilling or jack-and-bore) within 80 feet of any historical resource or within 80 feet of a historic district, CalAm shall monitor vibration levels to ensure that the 0.12-in/sec PPV damage threshold is not exceeded. If vibration levels exceed the applicable threshold, the contractor shall use alternative construction methods such as vibratory pile drivers.				
Impact CR-2: Construction Impacts on Archaeological Resources or Human Remains	**Mitigation Measure CR-2a**: **Archaeological Monitoring Plan.** Each of the project proponents shall contract a qualified archaeologist meeting the Secretary of the Interior's Qualification Standard (Lead Archaeologist) to prepare and implement an Archaeological Monitoring Plan, and oversee and direct all archaeological monitoring activities during construction. Archaeological monitoring shall be conducted for all subsurface excavation work within 100 feet of Presidio #2 in the Presidio of Monterey, and within the areas of known archaeologically sensitive sites in Monterey[4]. At a minimum, the Archaeological Monitoring Plan shall: • Detail the cultural resources training program that shall be completed by all construction and field workers involved in ground disturbance; • Designate the person(s) responsible for conducting monitoring activities, including Native American monitor(s), if deemed necessary; • Establish monitoring protocols to ensure monitoring is conducted in accordance with current professional standards provided by the California Office of Historic Preservation; • Establish the template and content requirements for monitoring reports; • Establish a schedule for submittal of monitoring reports and person(s) responsible for review and approval of monitoring reports; • Establish protocols for notifications in case of encountering cultural resources, as well as methods for evaluating significance, developing and implementing a plan to avoid or mitigate significant resource impacts, facilitating Native American participation and consultation, implementing a collection and curation plan, and ensuring consistency with applicable laws including Section 7050.5 of the California Health and Safety Code and Section 5097.98 of the Public Resources Code; • Establish methods to ensure security of cultural resources sites; • Describe the appropriate protocols for notifying the County, Native Americans, and local authorities (i.e. Sheriff, Police) should site looting and other illegal activities occur during construction with reference to Public Resources Code 5097.99. During the course of the monitoring, the Lead Archaeologist may adjust the frequency—from continuous to intermittent—of the monitoring based on the conditions and professional judgment regarding the potential to encounter resources. If archaeological materials are encountered, all soil disturbing activities within 100 feet of the find shall cease until the resource is evaluated. The Lead Archaeologist shall immediately notify the relevant Project proponent of the encountered archaeological resource. The Lead Archaeologist shall, after making a reasonable effort to assess the identity, integrity, and significance of the encountered archaeological resource, present the findings of this assessment to the lead agency, or CPUC, for the CalAm Distribution Pipeline. In the event archaeological resources qualifying as either historical resources pursuant to CEQA Section 15064.5 or as unique archaeological resources as defined by Public Resources Code 21083.2 are encountered, preservation in place shall be the preferred manner of mitigation. If preservation in place is not feasible, the applicable project proponent(s) shall implement an Archaeological Research Design and Treatment Plan (ARDTP). The Lead Archaeologist, Native American representatives, and the State Historic Preservation Office designee shall meet to determine the scope of the ARDTP. The ARDTP will identify a program for the treatment and recovery of important scientific data contained within the portions of the archaeological resources located within the project Area of Potential Effects; would preserve any significant historical information obtained; and will identify the scientific/historic research questions applicable to the resources, the data classes the resource is expected to possess, and how the expected data classes would address the applicable research questions. The results of the investigation shall be documented in a technical report that provides a full artifact catalog, analysis of items collected, results of any special studies conducted, and interpretations of the resource within a regional and local context. All technical documents shall be placed on file at the Northwest Information Center of the California Historical Resources Information System.	Prior to and during project construction	MRWPCA (for Lake El Estero Diversion only), CalAm, qualified archaeologist	During project construction	MRWPCA, CalAm, qualified archaeologist

[4] A modification to this mitigation measure has been made to clarify its applicability to the Staff-Recommendation Alternative of the GWR Project. Specifically, the text highlighted in gray has been added and the following text deleted: "in downtown Monterey on W. Franklin Street between High and Figuero Streets, and at potentially sensitive archaeological sites at Lake El Estero"

EXHIBIT 2-D

Impacts	Mitigation Measures	Timing of Implementation	Implementation Responsibility[2]	Timing of Monitoring	Responsibility for Compliance Monitoring[1]
	Mitigation Measure CR-2b: **Discovery of Archaeological Resources or Human Remains.** If archaeological resources or human remains are unexpectedly discovered during any construction, work shall be halted within 50 meters (±160 feet) of the find until it can be evaluated by a qualified professional archaeologist. If the find is determined to be significant, appropriate mitigation measures shall be formulated and implemented. The County Coroner shall be notified in accordance with provisions of Public Resources Code 5097.98-99 in the event human remains are found and the Native American Heritage Commission shall be notified in accordance with the provisions of Public Resources Code section 5097 if the remains are determined to be of Native American origin.	During project construction	MRWPCA, CalAm, and qualified archaeologists	During project construction	MRWPCA, CalAm, and qualified archaeologist
	Mitigation Measure CR-2c: **Native American Notification.** Because of their continuing interest in potential discoveries during construction, all listed Native American Contacts shall be notified of any and all discoveries of archaeological resources in the project area.	During project construction	MRWCPA, CalAm and qualified archaeologist	During project construction	MRWCPA, CalAm and qualified archaeologist
Impact EN-1: Construction Impacts due to Temporary Energy Use	**Mitigation Measure EN-1**: **Construction Equipment Efficiency Plan.** MRWPCA (for all components except the CalAm Distribution System) or CalAm (for the Cal Am Distribution System) shall contract a qualified professional (i.e., construction planner/energy efficiency expert) to prepare a Construction Equipment Efficiency Plan that identifies the specific measures that MRWPCA or CalAm (and its construction contractors) will implement as part of project construction to increase the efficient use of construction equipment. Such measures shall include, but not necessarily be limited to: procedures to ensure that all construction equipment is properly tuned and maintained at all times; a commitment to utilize existing electricity sources where feasible rather than portable diesel-powered generators; consistent compliance with idling restrictions of the state; and identification of procedures (including the use of routing plans for haul trips) that will be followed to ensure that all materials and debris hauling is conducted in a fuel-efficient manner.	Prior to project construction	MRWPCA, CalAm. energy efficiency expert, construction contractors	During project construction	MRWPCA and CalAm
Impact HH-2: Accidental Release of Hazardous Materials During Construction	**Mitigation Measure HH-2a**: **Environmental Site Assessment.** If required by local jurisdictions and property owners with approval responsibility for construction of each component, MRWPCA and CalAm shall conduct a Phase I Environmental Site Assessment in conformance with ASTM Standard 1527-05 to identify potential locations where hazardous material contamination may be encountered. If an Environmental Site Assessment indicates that a release of hazardous materials could have affected soil or groundwater quality at a project site, a Phase II environmental site assessment shall be conducted to determine the extent of contamination and to prescribe an appropriate course of remediation, including but not limited to removal of contaminated soils, in conformance with state and local guidelines and regulations. If the results of the subsurface investigation(s) indicate the presence of hazardous materials, additional site remediation may be required by the applicable state or local regulatory agencies, and the contractors shall be required to comply with all regulatory requirements for facility design or site remediation.	Prior to project construction (if presence of hazardous materials is identified, site remediation or design changes may be required)	MRWPCA and CalAm project engineers, construction contractors	Only needed until owner/contractor deems each construction site is deemed safe for required construction	MRWPCA and CalAm
	Mitigation Measure HH-2b: **Health and Safety Plan.** The construction contractor(s) shall prepare and implement a project-specific Health and Safety Plan (HSP) for each site on which construction may occur, in accordance with 29 CFR 1910 to protect construction workers and the public during all excavation, grading, and construction. The HSP shall include the following, at a minimum: • A summary of all potential risks to construction workers and the maximum exposure limits for all known and reasonably foreseeable site chemicals (the HSP shall incorporate and consider the information in all available existing Environmental Site Assessments and remediation reports for properties within ¼-mile using the EnviroStor Database); • Specified personal protective equipment and decontamination procedures, if needed; • Emergency procedures, including route to the nearest hospital; Procedures to be followed in the event that evidence of potential soil or groundwater contamination (such as soil staining, noxious odors, debris or buried storage containers) is encountered. These procedures shall be in accordance with hazardous waste operations regulations and specifically include, but are not limited to, the following: immediately stopping work in the vicinity of the unknown hazardous materials release, notifying Monterey County Department of Environmental Health, and retaining a qualified environmental firm to perform sampling and remediation; and The identification and responsibilities of a site health and safety supervisor.	Prior to project construction	Construction contactors	During project construction	MRWPCA, CalAm, Monterey County Dept. of Environmental Health
	Mitigation Measure HH-2c: **Materials and Dewatering Disposal Plan.** MRWPCA and CalAm and/or their contractors shall develop a materials disposal plan specifying how the contractor will remove, handle, transport, and dispose of all excavated material in a safe, appropriate, and lawful manner. The plan must identify the disposal method for soil and the approved disposal site, and include written documentation that the disposal site will accept the waste. For areas within the	Prior to and during project construction	MRWPCA, CalAm, construction	During project construction	MRWPCA and CalAm; FORA and the City of

Impacts	Mitigation Measures	Timing of Implementation	Implementation Responsibility[2]	Timing of Monitoring	Responsibility for Compliance Monitoring[1]
	Seaside munitions response areas called Site 39 (coincident with the Injection Well Facilities component), the materials disposal plans shall be reviewed and approved by FORA and the City of Seaside. The contractor shall develop a groundwater dewatering control and disposal plan specifying how the contractor will remove, handle, and dispose of groundwater impacted by hazardous substances in a safe, appropriate, and lawful manner. The plan must identify the locations at which potential contaminated groundwater dewatering are likely to be encountered (if any), the method to analyze groundwater for hazardous materials, and the appropriate treatment and/or disposal methods. If the dewatering effluent contains contaminants that exceed the requirements of the General WDRs for Discharges with a Low Threat to Water Quality (Order No. R3-2011-0223, NPDES Permit No. CAG993001), the construction contractor shall contain the dewatering effluent in a portable holding tank for appropriate offsite disposal or discharge. The contractor can either dispose of the contaminated effluent at a permitted waste management facility or discharge the effluent, under permit, to the Regional Treatment Plant.		contractors		Seaside for areas within Site 39
Impact LU-2: Operational Consistency with Plans, Policies, and Regulations	See the following mitigation measures: AQ-1, BF-1a, BF-1b, BF-1c, BF-2a or Alternate BF-2a, BT-1a through BT-1q, BT-2a through BT-2c, CR-2a through CR-2c, EN-1, NV-1a through NV-1d, NV-2a, NV-2b, PS-3, TR-2, TR-3, and TR-4.	See other rows for specific timing of each mitigation measure	See other lines for responsibilities for each mitigation measure	See other rows for specific timing of each mitigation measure	See other rows for responsibilities for each mitigation measure
Impact NV-1: Construction Noise	**Mitigation Measure NV-1b**: **Monterey Pipeline Noise Control Plan for Nighttime Pipeline Construction.** CalAm shall submit a Noise Control Plan for all nighttime pipeline work to the California Public Utilities Commission for review and approval prior to the commencement of project construction activities. The Noise Control Plan shall identify all feasible noise control procedures to be implemented during nighttime pipeline installation in order to reduce noise levels to the extent practicable at the nearest residential or noise sensitive receptor. At a minimum, the Noise Control Plan shall require use of moveable noise screens, noise blankets, or other suitable sound attenuation devices be used to reduce noise levels during nighttime pipeline installation activities.	Prior to project construction	CalAm	During project construction	CalAm, CPUC and City of Monterey
	Mitigation Measure NV-1c: **Neighborhood Notice**. Residences and other sensitive receptors within 900 feet of a nighttime construction area shall be notified of the construction location and schedule in writing, at least two weeks prior to the commencement of construction activities. The notice shall also be posted along the proposed pipeline alignments, near the proposed facility sites, and at nearby recreational facilities. The contractor shall designate a noise disturbance coordinator who would be responsible for responding to complaints regarding construction noise. The coordinator shall determine the cause of the complaint and ensure that reasonable measures are implemented to correct the problem. A contact number for the noise disturbance coordinator shall be conspicuously placed on construction site fences and included in the construction schedule notification sent to nearby residences. The notice to be distributed to residences and sensitive receptors shall first be submitted, for review and approval, to the MRWPCA and city and county staff as may be required by local regulations.	Prior to project construction	MRWPCA, CalAm, construction contractor, noise disturbance coordinator	Prior to project construction	MRWPCA and CalAm
Impact PS-3: Construction Solid Waste Policies and Regulations	**Mitigation Measure PS-3**: **Construction Waste Reduction and Recycling Plan**. The construction contractor(s) shall prepare and implement a construction waste reduction and recycling plan identifying the types of construction debris the Project will generate and the manner in which those waste streams will be handled. In accordance with the California Integrated Waste Management Act of 1989, the plan shall emphasize source reduction measures, followed by recycling and composting methods, to ensure that construction and demolition waste generated by the project is managed consistent with applicable statutes and regulations. In accordance with the California Green Building Standards Code and local regulations, the plan shall specify that all trees, stumps, rocks, and associated vegetation and soils, and 50% of all other nonhazardous construction and demolition waste, be diverted from landfill disposal. The plan shall be prepared in coordination with the Monterey Regional Waste Management District and be consistent with Monterey County's Integrated Waste Management Plan. Upon project completion, MRWPCA and CalAm shall collect the receipts from the contractor(s) to document that the waste reduction, recycling, and diversion goals have been met.	Prior to, during, and after project construction	MRWPCA and CalAm construction contractors	Upon project completion	MRWPCA and CalAm
Impact TR-2: Construction-Related Traffic Delays, Safety and Access Limitations	**Mitigation Measure TR-2**: **Traffic Control and Safety Assurance Plan.** Prior to construction, MRWPCA and/or its contractor shall prepare and implement a traffic control plan or plans for the roadways and intersections affected by MRWPCA construction (Product Water Conveyance Pipeline) and CalAm shall prepare and implement a traffic control plan for the roadways and intersections affected by the CalAm Distribution System Improvements (Transfer and Monterey pipelines). The traffic control plan(s) shall comply with the affected jurisdiction's encroachment permit requirements and will be based on detailed design plans. For all project construction activities that could affect the public right-of-way (e.g., roadways, sidewalks, and walkways), the plan shall include measures that would provide for continuity of vehicular, pedestrian, and bicyclist access; reduce the potential for traffic accidents; and ensure worker safety in construction zones. Where project construction activities could disrupt mobility and access for bicyclists and pedestrians, the plan shall include measures to ensure safe and convenient access would	Prior to project construction	MRWPCA and CalAm construction contractor	During project construction	MRWPCA, CalAm, and local jurisdictions

Impacts	Mitigation Measures	Timing of Implementation	Implementation Responsibility[2]	Timing of Monitoring	Responsibility for Compliance Monitoring[1]
	be maintained. The traffic control and safety assurance plan shall be developed on the basis of detailed design plans for the approved project. The plan shall include, but not necessarily be limited to, the elements listed below: ***General*** a. Develop circulation and detour plans to minimize impacts on local streets. As necessary, signage and/or flaggers shall be used to guide vehicles to detour routes and/or through the construction work areas. b. Implement a public information program to notify motorists, bicyclists, nearby residents, and adjacent businesses of the impending construction activities (e.g., media coverage, email notices, websites, etc.). Notices of the location(s) and timing of lane closures shall be published in local newspapers and on available websites to allow motorists to select alternative routes. ***Roadways*** c. Haul routes that minimize truck traffic on local roadways and residential streets shall be used to the extent feasible. d. Schedule truck trips outside of peak morning and evening commute hours to minimize adverse impacts on traffic flow. e. Limit lane closures during peak hours. Travel lane closures, when necessary, shall be managed such that one travel lane is kept open at all times to allow alternating traffic flow in both directions along affected two-lane roadways. In the City of Marina, one-way traffic shall be limited to a maximum of 5 minutes of traffic delay. f. Restore roads and streets to normal operation by covering trenches with steel plates outside of normal work hours or when work is not in progress. g. Comply with roadside safety protocols to reduce the risk of accidents. Provide "Road Work Ahead" warning signs and speed control (including signs informing drivers of state legislated double fines for speed infractions in a construction zone) to achieve required speed reductions for safe traffic flow through the work zone. Train construction personnel to apply appropriate safety measures as described in the plan. h. Provide flaggers in school areas at street crossings to manage traffic flow and maintain traffic safety during the school drop-off and pickup hours on days when pipeline installation would occur in designated school zones. i. Maintain access to private driveways. j. Coordinate with MST so the transit provider can temporarily relocate bus routes or bus stops in work zones as deemed necessary. ***Pedestrian and Bicyclists*** k. Perform construction that crosses on street and off street bikeways, sidewalks, and other walkways in a manner that allows for safe access for bicyclists and pedestrians. Alternatively, provide safe detours to reroute affected bicycle/pedestrian traffic. ***Recreational Trails*** l. At least two weeks prior to construction, post signage along all potentially affected recreational trails; Class I, II, and II bicycle routes; and pedestrian pathways, including the Monterey Peninsula Recreational Trail, to warn bicyclists and pedestrians of construction activities. The signs shall include information regarding the nature of construction activities, duration, and detour routes. Signage shall be composed of or encased in weatherproof material and posted in conspicuous locations, including on park message boards, and existing wayfinding signage and kiosks, for the duration of the closure period. At the end of the closure period, CalAm, MRWPCA or either of its contractors shall retrieve all notice materials. ***Emergency Access*** m. Maintain access for emergency vehicles at all times. Coordinate with facility owners or administrators of sensitive land uses such as police and fire stations, transit stations, hospitals, and schools. n. Provide advance notification to local police, fire, and emergency service providers of the timing, location, and duration of construction activities that could affect the movement of emergency vehicles on area roadways. o. Avoid truck trips through designated school zones during the school drop-off and pickup hours.				
Impact TR-3: Construction-Related Roadway Deterioration	**Mitigation Measure TR-3**: **Roadway Rehabilitation Program.** Prior to commencing project construction, MRWPCA (for all components other than the CalAm Distribution System Improvements) and CalAm (for CalAm Distribution System Improvements) shall detail the preconstruction condition of all local construction access and haul routes proposed for substantial use by project-related construction vehicles. The construction routes surveyed must be consistent with those identified in the construction traffic control and safety assurance plan developed under Mitigation Measure TR-2. After construction is completed, the same roads shall be surveyed again to determine whether excessive wear and tear or construction damage has occurred. Roads damaged by project-related construction vehicles shall be repaired to a structural condition equal to, or greater than, that which existed prior to construction activities. In the City of Marina, the construction in the city rights-way must comply with the City's design standards, including restoration of the streets from curb to curb, as applicable. In the City of Monterey, asphalt pavement of full travel lanes will be resurfaced without seams along wheel or bike paths.	Prior to project construction, after project construction	MRWPCA and CalAm construction contractors	After project construction	MRWPCA, CalAm, and local jurisdictions

EXHIBIT 2-D

Impacts	Mitigation Measures	Timing of Implementation	Implementation Responsibility[2]	Timing of Monitoring	Responsibility for Compliance Monitoring[1]
Impact TR-4: Construction Parking Interference	**Mitigation Measure TR-4**: **Construction Parking Requirements**. Prior to commencing project construction, the construction contractor(s) shall coordinate with the potentially affected jurisdictions to identify designated worker parking areas that would avoid or minimize parking displacement in congested areas of Marina, Seaside, and downtown Monterey. The contractors shall provide transport between the designated parking location and the construction work areas. The construction contractor(s) shall also provide incentives for workers that carpool or take public transportation to the construction work areas. The engineering and construction design plans shall specify that contractors limit time of construction within travel lanes and public parking spaces and provide information to the public about locations of alternative spaces to reduce parking disruptions.	Prior to project construction	MRWPCA and CalAm construction contractor	During project construction	MRWPCA City of Marina, City of Seaside, City of Monterey

(End of Appendix E)