

This meeting has been noticed according to the Brown Act rules. The Board of Directors meets regularly on the third Monday of each month, except in January, February and November. The meetings begin at 7:00 PM.



AGENDA
**Special Joint Meeting
Board of Directors
Monterey Peninsula Water Management District
and
Monterey Peninsula Regional Water Authority**

Monday, October 16, 2017, 5:30 pm
Conference Room, Monterey Peninsula Water Management District
5 Harris Court, Building G, Monterey, CA

Staff notes will be available on the District web site at
<http://www.mpwmd.net/who-we-are/board-of-directors/bod-meeting-agendas-calendar/>
by 5 PM on Friday, October 13, 2017.

Note: This meeting is intended as a forum for discussion only. General direction may be provided to staff, but no action will be taken.

CALL TO ORDER/ROLL CALL

PLEDGE OF ALLEGIANCE

ADDITIONS AND CORRECTIONS TO AGENDA - The Clerk of the Board will announce agenda corrections and proposed additions, which may be acted on by the Board as provided in Sections 54954.2 of the California Government Code.

ORAL COMMUNICATIONS - Anyone wishing to address the Board on matters not listed on the agenda may do so only during Oral Communications. Please limit your comment to three (3) minutes. The public may comment on all other items at the time they are presented to the Board.

INFORMATION ITEM: *Public comment will be received. Limit your comment to three (3) minutes.*

1. Water Use by Jurisdiction – Last 10 Years

DISCUSSION ITEM: *Public comment will be received. Limit your comment to three (3) minutes.*

2. Long-Term Water Supply for the Peninsula – Where do we stand and where are we going?
The discussion will encompass the following areas.
 - Summary of recent Monterey Peninsula Water Supply Project testimony. (Demands, supply need and interim supplies. Where do future general plan needs come in?)
 - CPUC schedule and SWRB milestones/penalties under the CDO. How will it really work?
 - Water allocation process going forward – history, method, timing.
 - How can our agencies best support each other in advancing our missions, and meeting the needs of our community? (Includes review of mission statements of each agency.)

ADJOURNMENT

Upon request, MPWMD will make a reasonable effort to provide written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services, to enable individuals with disabilities to participate in public meetings. MPWMD will also make a reasonable effort to provide translation services upon request. Please submit a written request, including your name, mailing address, phone number and brief description of the requested materials and preferred alternative format or auxiliary aid or service by 5:00 PM on Friday, October 13, 2017. Requests should be sent to the Board Secretary, MPWMD, P.O. Box 85, Monterey, CA, 93942. You may also fax your request to the Administrative Services Division at 831-644-9560, or call 831-658-5600.

Board of Directors

Robert S. Brower, Sr., Chair – Division 5
Andrew Clarke, Vice Chair – Division 2
Brenda Lewis – Division 1
Molly Evans – Division 3
Jeanne Byrne – Division 4
Ralph Rubio, Mayoral Representative
Mary Adams, Monterey County Board of Supervisors Representative

General Manager

David J. Stoldt

This agenda was posted at the District office at 5 Harris Court, Bldg. G Monterey on Thursday, October 12, 2017. Staff reports regarding these agenda items will be available for public review on 10/13/2017, at the District office and at the Carmel, Carmel Valley, Monterey, Pacific Grove and Seaside libraries. After staff reports have been distributed, if additional documents are produced by the District and provided to a majority of the Board regarding any item on the agenda, they will be available at the District office during normal business hours, and posted on the District website at www.mpwmd.net/who-we-are/board-of-directors/bod-meeting-agendas-calendar/. Documents distributed at the meeting will be made available in the same manner. The next regular meeting of the Board of Directors is scheduled for November 13, 2017 at 7 pm.

SPECIAL JOINT MEETING

INFORMATION ITEM

1. WATER USE BY JURISDICTION – LAST 10 YEARS

Meeting Date: October 17, 2017 Budgeted: N/A

From: David J. Stoldt Program/
General Manager Line Item No.: N/A

Prepared By: David J. Stoldt Cost Estimate: N/A

General Counsel Approval: N/A

Committee Recommendation: N/A

CEQA Compliance: Not a project as defined by the California Environmental Quality Act Guidelines Section 15378.

SUMMARY: Water use by jurisdiction for the past 10 years is shown in **Exhibit 1-A** and water use for residential and non-residential customers, by jurisdiction, for selected years is shown in **Exhibit 1-B**.

Water use by jurisdiction is summarized below:

<u>Jurisdiction</u>	Consumption (Acre-Feet)			
	2016 % of Total	Last <u>10-Yr Avg</u>	Last <u>5-Yr Avg</u>	Last <u>3-Yr Avg</u>
Carmel-By-The-Sea	6.4%	678.47	634.29	611.47
Del Rey Oaks	1.2%	143.95	128.78	113.65
Monterey	33.1%	3,456.53	3,268.57	3,123.00
Pacific Grove	13.0%	1,366.89	1,279.63	1,223.20
Sand City	0.9%	91.36	81.87	81.58
Seaside	14.3%	1,574.14	1,444.00	1,369.69
Unincorporated County	31.2%	<u>3,656.45</u>	<u>3,187.70</u>	<u>2,993.64</u>
		10,967.78	10,024.85	9,516.22

Water Use for Residential and Non-Residential Customers, by Jurisdiction, is shown on the next page.

**Residential Vs. Non-Residential Consumption
(Acre-Feet)**

<u>Jurisdiction</u>	2016 <u>Residential</u>	2016 <u>Non-Residential</u>	2016 <u>Total</u>
Carmel-By-The-Sea	380.56 65.1%	203.80 34.9%	584.36
Del Rey Oaks	86.99 81.6%	19.67 18.4%	106.66
Monterey	1,586.60 52.6%	1,432.06 47.4%	3,018.66
Pacific Grove	840.36 70.9%	344.21 29.1%	1,184.57
Sand City	19.07 23.7%	61.46 76.3%	80.53
Seaside	999.94 76.7%	304.14 23.3%	1,304.08
Unincorporated County	2,087.09 73.4%	757.38 26.6%	2,844.47
Total	6,000.61 65.8%	3,122.72 34.2%	9,123.33

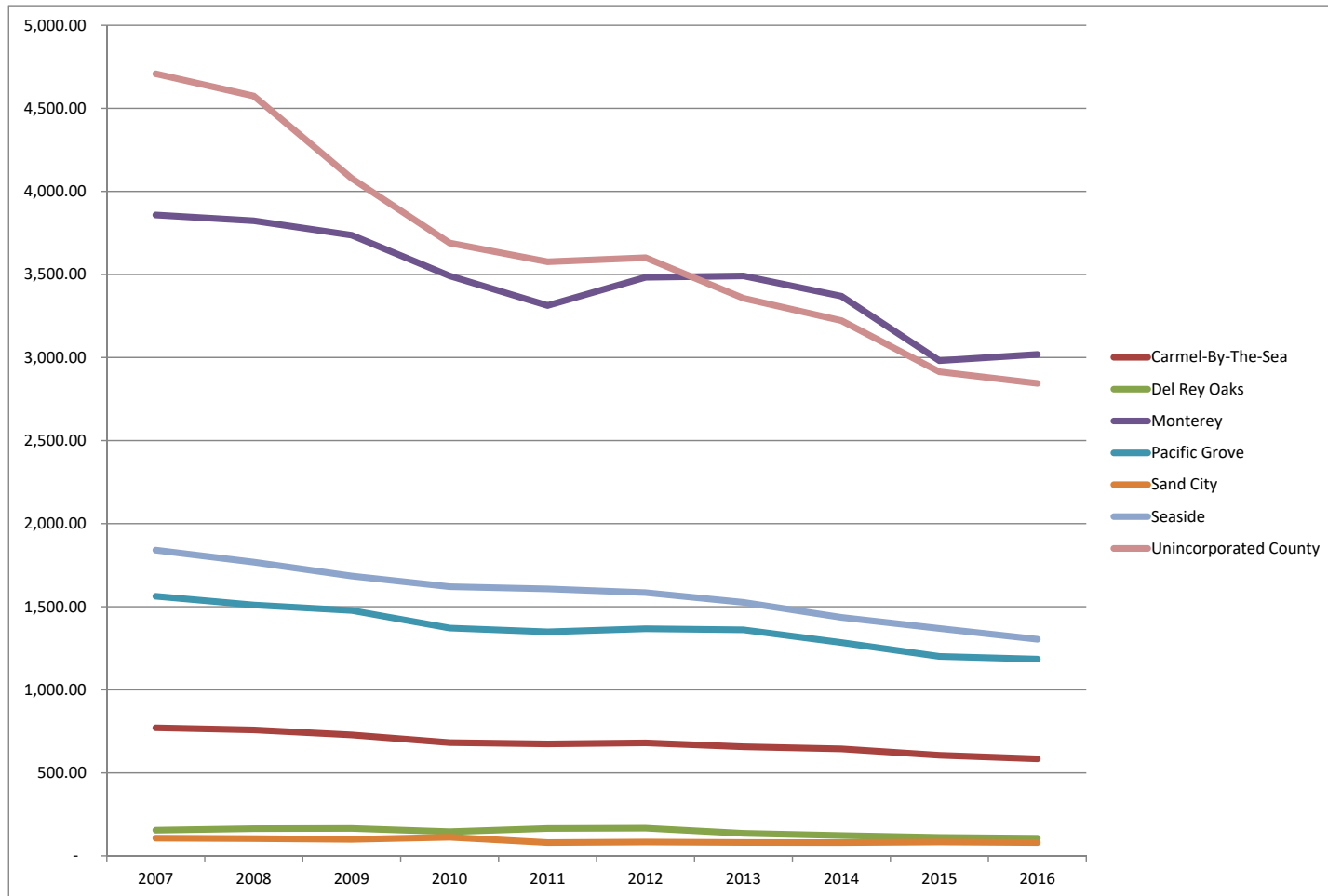
EXHIBITS

1-A Water Use by Jurisdiction – Last 10 Years

**Water Use by Jurisdiction - Last 10 Years
(Acre-Feet)**

Jurisdiction	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2016% of Total	Last 10-Yr Avg	Last 5-Yr Avg	Last 3-Yr Avg
Carmel-By-The-Sea	771.01	758.36	728.10	681.80	674.02	680.24	656.79	644.18	605.87	584.36	6.4%	678.47	634.29	611.47
Del Rey Oaks	154.91	164.01	165.56	145.90	165.18	167.18	135.80	122.74	111.54	106.66	1.2%	143.95	128.78	113.65
Monterey	3,858.12	3,823.25	3,736.47	3,491.40	3,313.20	3,482.82	3,491.06	3,369.12	2,981.21	3,018.66	33.1%	3,456.53	3,268.57	3,123.00
Pacific Grove	1,562.70	1,510.17	1,477.32	1,371.50	1,349.00	1,367.54	1,361.04	1,284.11	1,200.91	1,184.57	13.0%	1,366.89	1,279.63	1,223.20
Sand City	107.12	104.31	99.84	112.50	80.49	83.69	80.92	80.13	84.07	80.53	0.9%	91.36	81.87	81.58
Seaside	1,840.49	1,768.42	1,684.68	1,620.60	1,607.20	1,584.86	1,526.07	1,435.86	1,369.14	1,304.08	14.3%	1,574.14	1,444.00	1,369.69
Unincorporated County	4,707.84	4,574.03	4,078.44	3,689.30	3,576.34	3,600.87	3,356.73	3,222.13	2,914.31	2,844.47	31.2%	3,656.45	3,187.70	2,993.64
	13,002.19	12,702.55	11,970.41	11,113.00	10,765.43	10,967.20	10,608.41	10,158.27	9,267.05	9,123.33		10,967.78	10,024.85	9,516.22

Notes: Monterey includes Ryan Ranch satellite
Unincorporated County includes Hidden Hills and Bishop satellites



SPECIAL JOINT MEETING

DISCUSSION ITEM

2. LONG-TERM WATER SUPPLY FOR THE PENINSULA – WHERE DO WE STAND AND WHERE ARE WE GOING?

Meeting Date: October 17, 2017 **Budgeted:** N/A
From: David J. Stoldt **Program/**
 General Manager **Line Item No.:** N/A
Prepared By: David J. Stoldt **Cost Estimate:** N/A

General Counsel Approval: N/A

Committee Recommendation: N/A

CEQA Compliance: Not a project as defined by the California Environmental Quality Act Guidelines Section 15378.

SUMMARY: The application to the California Public Utilities Commission (CPUC) for the Monterey Peninsula Water Supply Project (MPWSP) was filed by California American Water (Cal-Am) in April 2012. During that extended time period through today, several events have occurred: (i) The environmental impact report for the MPWSP was delayed several times and is now expected in March 2018; (ii) The Cease and Desist Order (CDO) issued by the State Water Resources Control Board (SWRCB) was extended to December 31, 2021 with the implementation of new annual milestones and penalties; (iii) The Pure Water Monterey project and Monterey Pipeline were approved by the CPUC; (iv) Consumer demand for water use has trended downward, and the CPUC has asked for additional testimony on demand levels and the supplies required to meet them; among other things. As a result, the Authority and the District should engage discussion on the following:

- a) Summary of recent MPWSP testimony at the CPUC (Demands, supply need, interim supplies; Where do future general plan needs come in?)
- b) CPUC Schedule and SWRCB milestones/penalties under the CDO; How will it really work?
- c) Water allocation process going forward – History, method, timing
- d) How can our agencies best support each other in advancing our missions, and meeting the needs of our community? (Includes review of mission statements of each agency)

Each of these is addressed below.

a) Summary of Recent CPUC Testimony

DEMAND AND SUPPLY: In an August 28, 2017 ruling titled “Assigned Commissioner and Administrative Law Judge’s Ruling Setting Issues and Schedule for Further

Evidentiary Hearings and Requiring Submission of Supporting Documents” the CPUC requested additional testimony on 9 areas. Primary among the topics, was sizing the water supply project – the first two issues:

1. Demand: updated estimates and analysis of demand including but not limited to:
 - a. use by existing customers
 - b. status with respect to legal lots of record
 - c. status with respect to Pebble Beach
 - d. status with respect to economic recovery of hospitality industry
2. Supply: updated estimates and analysis of supply including but not limited to:
 - a. Plans for expansion of the Pure Water Monterey (PWM) project, if any
 - b. Can expansion of the PWM project provide water to applicant in excess of 3,500 acre-feet per year, in what amounts, and at what cost
 - c. Is water available for purchase by applicant from Marina Coast Water District, in what amounts, and at what cost

The other issues upon which the CPUC requested input are:

3. Updated cost estimates for the MPWSP.
4. Updated information on project financing
5. Feasibility and costs of MPWSP being downsized or construction in modular increments
6. Role of solar and renewables.
7. Access to land at the CEMEX site if CEMEX ends operation
8. Are modifications needed, if any, to any pending Settlement Agreement?
9. In determining whether or not to grant the CPCN, what consideration should the Commission give to community values, recreational and park areas, and historical and aesthetic values

Testimony of the parties is summarized in **Exhibit 2-A** attached hereto. Since the 2012 application was filed, the overall water supply needs of the Peninsula, and required supply, have been sized as follows:

Demand	Supply
13,290 AF average customer demand	3,376 AF legally from Carmel River (2017)
500 AF for economic recovery	1,474 AF legally from Seaside Basin (2021)
325 AF for Pebble Beach buildout	(700) AF Cal-Am intends to leave in the Seaside Basin for recharge for 25 years
1,181 AF for legal lots of record	94 AF available from Sand City long term
-----	1,300 AF assumed available from ASR
15,296 AF total demand	3,500 AF from Pure Water Monterey
	6,252 AF from Desalination Plant

	15,296 AF total supply

The testimony reflects differing views on the applicability of the 4 components of demand, and therefore, the needed supply project to serve replacement water.

DEMAND FOR GENERAL PLAN BUILD-OUT: None of the demand projections in the testimony include water for build-out of the 6 cities, unincorporated county, or airport general plans, with the exception of the testimony of the Coalition of Peninsula Businesses, which supports a 9.6 MGD desalination facility, despite already existing approval and construction of Pure Water Monterey. By design, the proposed MPWSP is only supposed to replace the unlawful diversions and meet already approved, legally required uses of water, not general plan growth. Hence, the issue of when to plan for additional water is worthy of discussion.

In 2006, the District prepared an estimate of future water needs based on information obtained from the service area jurisdictions. Each jurisdiction provided estimates of the number of residential units and nonresidential square footage that would be developed under buildout of the currently adopted general plan, as well as anticipated residential remodels. The MPWMD estimated that 4,545 AFY would be needed to meet future water demands.

Since the 2006 estimate was prepared, the future water needs of four jurisdictions have been revised, reducing the total:

- Monterey County adopted a new general plan in 2010 that revised their water demand estimates;
- The City of Pacific Grove testified on the MPWSP in 2013, revising its estimate of water needed to accommodate general plan buildout;
- The City of Seaside commented on the April 2015 MPWSP Draft EIR, updating its future water needs, and noting that full buildout of the West Broadway Urban Village Specific Plan would require a net increase of 80 afy of water.
- Sand City built the 300-afy Sand City Coastal Desalination Plant. In consideration for the delivery of 300 afy of potable water from this plant to the CalAm system, MPWMD Ordinance 132 establishes a water entitlement of 206 afy from the CalAm system for Sand City, separate from the city's current water allocation, and indicates that the remaining 94 afy will be permanently added to CalAm's system. The estimated future demand for Sand City is therefore revised to reflect that 206 afy of the city's future demand will be offset by supply from the city's desalination plant, which is why it is not included in the supplies assumed for the MPWSP in most demand analyses, even though most of it is likely to remain available to Cal-Am for the next 10 to 15 years.

With these revisions, future demand would total 3,526 afy. The table on the next page shows the District's 2006 future demand estimates, with and without the four revisions. In addition, Pacific Grove may reduce its future demand estimate by 66 afy because of the Pacific Grove Local Water Project. However, the city has not submitted a formal revision to its demand numbers since the 2013 revision noted above.

FUTURE WATER DEMAND - SERVICE AREA JURISDICTIONS
(acre-feet per year)

Jurisdiction	Future Supply Needs (2006 Estimate)^a	Future Supply Needs (Revised Estimate)
City of Carmel	288	288 ^b
City of Del Rey Oaks	48	48
City of Monterey	705	705
City of Pacific Grove	1,264	500 ^{c,d}
City of Sand City	386	180 ^e
City of Seaside	582	662 ^f
Monterey County (Unincorporated)	1,135	1,005
Monterey Peninsula Airport District	138	138
Total	4,545	3,526

Note: All footnotes have been deleted for this staff note; Interested parties should contact the General Manager for additional information if desired.

At some point, the jurisdictions and the District should coordinate an update of future water needs related to general plans, as well as better understand the interaction of future needs with legal lots of record and Pebble Beach entitlement. How and when to update future general plan buildout might be a topic subject to discussion at the Special Joint Meeting.

SUPPLY – EXPANSION OF PURE WATER MONTEREY: With respect to the issue of Pure Water Monterey expansion, in its testimony Monterey One Water developed 3 scenarios of plant expansion that are deemed possible. They are summarized in the table below:

Summary of PWM Project Expansion Scenarios

	Scenario A	Scenario B	Scenario C
AWPF rated capacity (approved PWM Project = 4 mgd)	5 mgd	6.5 mgd	10 mgd
Approved PWM project yield to CalAm	3,500 AFY	3,500 AFY	3,500 AFY
Incremental yield above approved PWM Project for CalAm	650 AFY	2,250 AFY	3,570 AFY
Estimated total yield for CalAm	4,150 AFY	5,750 AFY	7,070 AFY
Incremental capital cost above the approved PWM Project	\$6.9 million	\$51.6 million	\$132.9 million
Annual operations and maintenance costs (Approved plus Expansion Scenario)	\$5.0 million	\$6.2 million	\$8.4 million

Cost of water (\$/AF) ⁽¹⁾	\$1,897	\$1,858	\$2,335
Estimated construction completion date (see Note 2)	4th Quarter of 2019	4th Quarter of 2020	4th Quarter of 2022

Note 1: Loan term of 10 years for Scenario A; and a 40 year term for Scenarios B and C. Assumes a 3% interest rate on revenue bonds, interest only internal loan to support the debt reserve requirement for the State Revolving Fund Loan, and supplemented replacement and renewal costs.

Note 2. The completion dates are based on concept-level critical path analysis that are affected by timing of MRWPCA receiving funding, financing, local partner agency

b) CPUC Schedule and SWRCB milestones

The current CPUC schedule for the proceeding is attached as **Exhibit 2-C** and the SWRCB milestones for performance under the CDO are included as **Exhibit 2-D**.

Key questions related to schedule include the following:

- What is the CPUC's schedule for approval?
- Will approval happen soon enough to meet the next CDO milestone?
- What if there is a CEQA lawsuit over the Final Environmental Impact Report (FEIR), will CPUC approval be delayed? Will we miss a milestone?
- If there is a CEQA lawsuit, do we have a contingent back-up plan?
- If we miss a milestone, what happens?
- Doesn't Pure Water Monterey help us against a missed milestone?

Each of these are addressed below:

WHAT IS THE CPUC'S SCHEDULE FOR APPROVAL? **Exhibit 2-C** shows the CPUC schedule. The FEIR is scheduled to be released March 16, 2018. There are 10 days to then file opening briefs on the FEIR, followed by 7 days to file closing briefs, or April 2nd. On such a schedule, the best that could occur is a proposed decision from the CPUC in mid- to late-April. To allow 30-day public review, that means the certification of the FEIR would not likely occur until the second business meeting of the CPUC, late May. As discussed below, it is likely that the Certificate of Public Convenience and Necessity (CPCN) or project approval would be issued by the CPUC at the same time.

WILL APPROVAL HAPPEN SOON ENOUGH TO MEET THE NEXT CDO MILESTONE? Yes, likely. As shown in **Exhibit 2-D**, the next CDO milestone is the issuance of the CPCN on or before September 30, 2018. If the CPCN is issued at the CPUC's second May business meeting, this milestone is met. It also means there are 4 months available for delays at the CPUC. However, any delay at this point must be met with reaction from the Parties and entreaties to the SWRCB to weigh in with the CPUC.

WHAT IF THERE IS A CEQA LAWSUIT OVER THE FINAL ENVIRONMENTAL IMPACT REPORT (FEIR), WILL CPUC APPROVAL BE DELAYED? It is unlikely that a CEQA lawsuit can be filed before CPUC approval and the issuance of a CPCN. There are 3 actions the CPUC must take before a party can file a CEQA lawsuit: (i) a Notice of Determination (NOD) is filed upon project approval, which triggers a 30-day period for legal challenges; (ii) the project approval in the CPUC's case is done through the issuance of the CPCN; and (iii) the CPCN can only be issued upon certification of the FEIR. Hence, it is likely that the CPUC will both certify the FEIR and issue the CPCN at the same business meeting, although they could separate the two. The NOD is usually filed by staff a few days after the project approval step. Hence, it appears that the CPCN would not be delayed beyond the CDO milestone due to a CEQA lawsuit. (Note: some agencies have issued an NOD upon certification of an FEIR, however the body of law shows that that project approval is required.)

WHAT IF THERE IS A CEQA LAWSUIT OVER THE FINAL ENVIRONMENTAL IMPACT REPORT (FEIR), WILL WE MISS A MILESTONE? As shown above, it is unlikely to miss the CDO's September 30, 2018 milestone due to a CEQA lawsuit. However, the subsequent 2019 CDO milestone would be at risk. The 2019 milestone is start of construction of the desalination plant, excavation of brine and backwash storage basins, and 25% completion of the transmission pipeline. Any litigant would first attempt to get the court to issue an injunction against proceeding with the project. An injunction would require showing irreparable harm and a set of facts that could be construed as the basis for potentially prevailing in court. An injunction would halt the project.

Even without an injunction, if the case is allowed to proceed, then there is always the specter that a plaintiff might prevail. Thus, it becomes a Cal-Am corporate decision whether to proceed with the project in the face of litigation.

One nuance here is the venue – the California Supreme Court. The Supreme Court could send it down to a lower court or hear the case itself. It is unknown at this time path would be taken. Either way, landing in the courts will likely require 2 years or more to resolve.

IF THERE IS A CEQA LAWSUIT, DO WE HAVE A CONTINGENT BACK-UP PLAN? This is part of the reason for the CPUC request for information about expansion of Pure Water Monterey. In its testimony, the Planning and Conservation League has suggested that the CPUC consider a contingent CPCN for Pure Water Monterey expansion. The concept would be: If the desal plant becomes uncertain, delayed, or deferred, then expansion of Pure Water Monterey would be allowed to proceed. (Note: Other intervenors in the CPUC proceeding have suggested an expansion of Pure Water Monterey should be done in lieu of the desalination facility.) There has also been the offer by Marina Coast Water District of interim water supplies for a 6- to 10-year period. Then, once lawsuits clear, a down-sized desalination facility would be permitted to proceed.

Relative to the CDO risks: Carmel River pumping the past three years of record (2014-16) averaged 7,209 AF. Pure Water Monterey can replace 3,500 AF and Cal-Am has a legal right to 3,376 AF – leaving 340 AF of unmet need. The expansion and interim water can more than offset that amount. Hence, even if the desalination plant gets tied up in court, there is a path to satisfying the CDO milestones. However, in this case, the SWRCB would need to invoke footnote 17 of the CDO: *“If at any point prior to completion of the facilities listed in these Milestones the CPUC authorizes Cal-Am to acquire more than 1,000 afa of water from an alternative source, then the following shall occur. Cal-Am shall submit to the Executive Director within 60 days a revised set of milestones taking this water supply source into account. If the proponents of the alternative project are unable to reach concurrence with Cal-Am on revised milestones to propose, the proponents may also submit revised milestones within that time period. The Executive Director shall determine whether to bring forward a recommendation to the State Water Board regarding amendment of the milestones.”*

IF WE MISS A MILESTONE, WHAT HAPPENS? The first effort will be, months in advance of the milestone, to report to the SWRCB indicating that a milestone is likely to be missed for reasons beyond Applicants’ control (“Applicant” includes Cal-Am, the Authority, and the District), and request the State Water Board to make a determination during its regular meeting that the cause for delay is beyond Applicants’ control. If the State Water Board determines that the cause is beyond Applicants’ control, it may suspend any corresponding reductions under the CDO until such time as the Applicants can reasonably control progress towards the milestone. The report must be submitted at least 120 days prior to the milestone and a hearing at a regular board meeting may be scheduled with the State Board no sooner than 60 days after submission of the report

If such relief of the milestone is not granted by the SWRCB, then 1,000 AF is subtracted from the Effective Diversion Limit (EDL) for withdrawals from the Carmel River. Currently, that limit is 8,310 AFY, so the new limit would be 7,310 AFY. If the milestone is eventually met during the ensuing year, a portion of the EDL will be restored. If a subsequent milestone is missed, another 1,000 AF is subtracted from the then-current EDL, and so on.

The 2016 Monterey Peninsula Conservation and Rationing Plan (Plan) has specific triggers and actions related to pumping relative to regulatory limits. Typically, the last 12-months of pumping is compared to the then current EDL to see if there is a violation. Certainly, if the EDL is reduced at the beginning of a water year, even without a violation based on the prior 12-months, we will immediately determine if action is warranted. The Plan invokes a series of steps, first a call for increased voluntary conservation, then conservation (penalty) rates, and then finally rationing. These steps are summarized in **Exhibit 2-E**, as they relate to regulatory triggers. Because the Plan evaluates Carmel River withdrawals in conjunction with Seaside Basin and Sand City desal production, our approach will need to be modified to assess Carmel River pumping relative to the EDL.

Based on the regulatory triggers, the timeline is as follows:

- If 12-month Cal-Am production is greater than the EDL, but less than 105% of the EDL, then Stage 2 is entered and there is a call for additional voluntary conservation with increased enforcement of water waste. If the 12-month production goes below the EDL for 2 consecutive months the Stage is lifted, if 6 months pass without lifting, then Stage 3 is implemented.

- If Stage 2 didn't work, or 12-month production exceeds 105% of the EDL, Stage 3 is entered. Level 1 of Stage 3 is a period of a 25% surcharge on all rates, except Tier 1 residential customers, for a minimum of 3 months. If over the last 2 of the 3 months the target is still exceeded, the surcharge is raised to 40%. If the 12-month production goes below the EDL for 2 consecutive months the Stage is lifted, if 8 months in Stage 3 pass without lifting, then Stage 4 is implemented.
- If Stage 3 didn't work, then Stage 4 – Rationing – is entered. Stage 4 first prohibits non-essential water use, with a focus on landscaping, for non-residential and residential uses. Then the residential sector is rationed. If measurable results are not achieved within 6 months, then non-residential uses will be rationed; however, exemptions are provided to “best management practice” (BMP) compliant customers and businesses that require water in their normal course of business (laundromats, nurseries, among others). The reader is directed to pages 5 and 7-10 of **Exhibit 2-E** for a description of the rationing program.

This is an orderly progression that does not lead straight to rationing. Even in the case where Stage 3 is entered directly, 8 months would pass with rate surcharges before implementing rationing. Another 6 months would pass before non-BMP compliant businesses would be rationed.

However, if the SWRCB believes Cal-Am is not making adequate progress to achieve the revised EDL, they could potentially circumvent the Plan with a direct regulatory order to accelerate to a higher level of penalty rates or rationing, as shown in **Exhibit 2-E** under “Regulatory Trigger – Regulatory Order” under Stages 2 and 3, or “Regulatory Trigger” under Stage 4.

c) **Water Allocation Process Going Forward**

Water for new uses is only available from three sources: Jurisdictional Allocations, Entitlements, and Credits.

Credits are created either from permanent abandonment of a Cal-Am use (“Water Use Credit”) or a non-permanent removal of a use on a site which may be later re-used on that site (“On-Site Credit”)

Entitlements are the result of a specific water-saving or water creating project that the entitlement holder can then sell or apply to specific benefitted properties. Examples include Pebble Beach as a result of its Reclamation Project or Malpaso Water Company LLC resulting from the Eastwood Trust water right on the Odello East property.

Jurisdictional Allocations are amounts of water allotted to each jurisdiction as a result of several sources: (i) allocations made pursuant to the District's 1990 Allocation EIR, (ii) 1993 allocations of new capacity from the Paralta Well, (iii) from time to time some jurisdictions developed their own water-saving projects resulting in a public water credit, and (iv) the additional water in the MPWSP beyond existing use. **Exhibit 2-F** provides a history of the District's water allocation program. The table below shows the current state of jurisdictional allocations.

Jurisdictional Water Allocations

Jurisdiction	Original Allocation (all sources)	Remaining Allocation
Airport District	8.1 AF	5.2 AF
Carmel-By-The-Sea	21.4 AF	2.7 AF
Del Rey Oaks	8.54 AF	0 AF
Monterey	165.1 AF	2.6 AF
County	108.6 AF	13.0 AF
Pacific Grove	43.1 AF	0.2 AF
Sand City	77.4 AF	23.4 AF
Seaside	102.6 AF	43.4 AF

No new water from the MPWSP will be available for allocation to the cities and the county until the final water supply project comes on line that allows the CDO to be lifted. Once the CDO is lifted, the District will make a determination of how much water supply is available for new uses over and above existing uses. From that amount, a portion will be allocated to the jurisdictions. It is that future allocation process that should be discussed at the Special Joint Meeting. The allocation process will require an EIR and will invariably take time for all affected parties to participate. The process should start 18 months to 2 years from completion of the last increment of water supply.

d) How can our agencies best support each other in advancing our missions and meeting the needs of our community?

Attached as **Exhibit 2-F** are the mission and powers of the Authority and District. Not all powers have been actively pursued by the Authority or District, and each entity has prioritized its activities periodically to meet the desired strategic outcomes of each respective board.

EXHIBITS

- 2-A** Summary of Testimony Related to MPWSP Demands and Supplies
- 2-B** Table of Historical Water Demand in Cal-Am Main Service Are
- 2-C** CPUC Schedule for MPWSP
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EXHIBIT 2-A**Summary of September 2017 CPUC Testimony****Demand Issues**

Cal-Am	District	Authority	Business Coalition	Marina Coast	City of Marina	Surfrider/PCL
What is Long-Term Demand Planning Value						
14,355 AF Based on average of historical (below) and population adjusted based on Urban Water Management Plan (12,971 AF), plus legal lots of record, Pebble Beach entitlement, and economic recovery or "bounce back"	13,142 AF Based on historical (below), plus legal lots of record representing population growth, Pebble Beach entitlement, and economic recovery or "bounce back", losses to the system, and Salinas Valley return flows	14,000 AF Based on historical (below), plus legal lots of record, Pebble Beach entitlement, and economic recovery or "bounce back", below	15,000 AF Based on historical (below), plus legal lots of record, Pebble Beach entitlement, and economic recovery or "bounce back", below	10,210 AF Based on historical (below), plus legal lots of record, Pebble Beach entitlement, and economic recovery or "bounce back", below	10,599 AF Based on historical (below), plus legal lots of record, Pebble Beach entitlement, and economic recovery or "bounce back", below	9,698 AF A 15 th year number including 300 AF for growth
What Average Annual Historical Demand is Planning Target?						
11,745 AF Based on an average of 10-year, 4 recent years, and year with recent maximum month.	10,400 AF Based on last 5-years average and assumptions about existing levels of conservation	12,000 AF As representative of a 5- to 8-year historical period	13,000 AF As representative of current peak demand	9,285 AF 2016 demand	9,300 AF Reflecting price elasticity and continuing conservation policies	9,398 AF Past 36-month average
Legal Lots of Record						
1,180 AF No change	1,181 AF No change	1,180 AF No change	1,200 AF No change, rounded	600 AF	974 AF Adjust to "current"	300 AF Growth to 15 th year
Pebble Beach Entitlement						
325 AF No change	325 AF No change	325 AF No change	325 AF No change	325 AF No change, but slow	325 AF No change	N/A
Economic Bounce-Back						
500 AF No change	250 AF Reduced by 50% due to permanent conservation regulations	500 AF No change (however, total is reduced by 5 AF for rounding)	500 AF No change	0 AF Fully recouped since 2008 downturn	0 AF Fully recovered	0 AF Fully recovered

Cal-Am	District	Authority	Business Coalition	Marina Coast	City of Marina	Surfrider/PCL
Other Factors to Consider						
<ul style="list-style-type: none"> • Maximum Month = 1.23 x Normal Month; • Should run at lower capacity factor – 86% • Provide protection against extended drought/no ASR 	<ul style="list-style-type: none"> • Maximum Month = 1.215 x Normal Month; • Should run at lower capacity factor – 80% - 85% • Provide protection against extended drought/no ASR • Buffer for health and safety concerns • Losses (303 AF) and Salinas Valley return flows (683 AF) • Distinguish between long-term need and near-term demands 	<ul style="list-style-type: none"> • Historical demand number includes “contingency buffer” of 20% over recent drought year demands. • 1.6 MGD increments in adding or reducing size 		<ul style="list-style-type: none"> • Need to consider long-term effects of conservation 	<ul style="list-style-type: none"> • Need to consider long-term effects of conservation and price elasticity 	<ul style="list-style-type: none"> • Need to consider long-term effects of conservation and slow market absorption of legal lots and Pebble Beach

Summary of September 2017 CPUC Testimony

Supply Issues

Cal-Am	District	Authority	Business Coalition	Marina Coast	City of Marina	Surfrider/PCL
What Size Desalination Plant is Warranted?						
6.4 MGD	6.4 MGD	6.4 MGD	9.6 MGD	0 MGD	1,555 AF from somewhere	654 AF from somewhere
Can Pure Water Monterey be Expanded?						
N/A	Refer to Monterey One Water; Supports in the event desalination is delayed or deferred.	Supports, subject to conditions	Concerns about the long-term reliability and viability of Pure Water Monterey	Yes, and MCWD is willing to sell its output for a period of at least 10 years	N/A	Yes, should be evaluated and SWRCB should consider an alternate milestone under the CDO
Is Water Available from Marina Coast Water District?						
Not aware & unlikely to enter into agreement	Yes, on an interim basis (10 years); 1,000 AFY at \$2,200/AF and 700 AFY at \$2,800/AF	N/A	N/A	Yes, on an interim basis (10 years); 1,000 AFY at \$2,200/AF and 700 AFY at \$2,800/AF	N/A	Understanding is "yes"

EXHIBIT 2-B**Table of Historical Water Demand in Cal-Am Main Service Area**

The table below shows historic deliveries for customer service for the Cal-Am Main, Ryan Ranch, Hidden Hills, and Bishop systems. These are numbers on which both Cal-Am and the District agree.

Historic Demand
(Calendar Year in Acre-Feet)

Year	Demand	Max Month
2007	14,596	1,522
2008	14,439	1,496
2009	13,198	1,369
2010	12,270	1,328
2011	12,129	1,250
2012	11,549	1,206
2013	11,356	1,131
2014	10,250	1,023
2015	9,545	956
2016	9,285	946
10-Year Avg	11,862	1,223
Last 5-Year Avg	10,397	1,052
Last 3-Year Avg	9,693	975

EXHIBIT 2-C**CPUC Schedule
for Monterey Peninsula Water Supply Project**

ITEM	DATE
Service of proposed direct testimony by applicant	September 15, 2017
Service of proposed testimony by intervenors	September 29, 2017
Service of proposed rebuttal testimony by applicant	October 13, 2017
Evidentiary Hearing (EH)	9:30 a.m. on October 25, 2017, continuing October 26 and October 30 through November 3, 2017, if needed
Parties agree to outline for briefs on CPCN issues	No later than the last day of EH
File and serve opening briefs on CPCN issues	Three weeks after the close of EH
File and serve reply briefs on CPCN issues	Two weeks after opening briefs
Parties agree on outline for briefs on FEIR/FEIS or submit disputes to Administrative Law Judge	March 1, 2018
Publication of FEIR/FEIS	About March 16, 2018
File and serve opening briefs on FEIR/FEIS issues	Ten days after publication of FEIR/FEIS
File and serve closing briefs on FEIR/FEIS issues	Seven days after filing of opening briefs on FEIR/FEIS issues

EXHIBIT 2-D**State Water Board CDO Milestones
for MPWSP Progress**

Water Year	Milestone¹⁷	Deadline
2015-2016	CPUC approval of (1) the Water Purchase Agreement for Cal-Am's purchase of Pure Water Monterey water, and of (2) construction of the Cal-Am components of the Pure Water Monterey conveyance facilities, ¹⁸ including the Monterey Pipeline and pump station.	December 31, 2016* ACHIEVED
2016-2017	Start of construction of the Cal-Am components of the Pure Water Monterey project, meaning commencement of physical work after issuance of required regulatory permits and authorizations to begin work.	September 30, 2017 ACHIEVED
2017-2018	Issuance of a Certificate of Public Convenience and Necessity to Construct the Monterey Peninsula Water Supply Project Desalination Plant ("MPWSP Desalination Plant") by the California Public Utilities Commission.	September 30, 2018 UP NEXT
2018-2019	Start of construction for any of the Cal-Am Components of the MSWSP Desalination Plant, meaning commencement of physical work after issuance of required regulatory permits and authorizations to begin work.	September 30, 2019
2019-2020	(1) Drilling activity for at least one MPWSP Desalination Plant source water production well complete; (2) foundation and structural framing complete for MPWSP Desalination Plant pretreatment seawater reverse osmosis, and administration buildings at desalination plant; (3) excavation complete for MPWSP Desalination Plant brine and backwash storage basins; and (4) 25% of MPWSP Desalination Plant transmission pipelines installed based on total length, including 100% installation of the "Monterey Pipeline and other ASR related improvements".	September 30, 2020
2020-2021	For MPWSP Desalination Plant: (1) 50% of drilling activity complete for source water production wells based on total number of wells required; (2) mechanical systems for brine and backwash storage basins complete; (3) construction of filtered water tanks and finished water tanks complete; (4) 50% of transmission pipelines installed based on total length.	September 30, 2021

2021-2022 and beyond	Substantial completion of the Cal-Am Components of the MPWSP Desalination Plant, meaning the Cal-Am Components are sufficiently complete and appropriately permitted to allow delivery of MPWSP Desalination Plant produced potable water to Cal-Am's Monterey Main system, eliminating further Cal-Am diversions of Carmel River water without valid basis of right	December 31, 2021
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* It is anticipated that this milestone will be achieved during Water Year 2015-2016. The deadline includes a three-month extension in the event that it occurs soon after the end of the water year.

¹⁷ If at any point prior to completion of the facilities listed in these Milestones the CPUC authorizes Cal-Am to acquire more than 1,000 afa of water from an alternative source, then the following shall occur. Cal-Am shall submit to the Executive Director within 60 days a revised set of milestones taking this water supply source into account. If the proponents of the alternative project are unable to reach concurrence with Cal-Am on revised milestones to propose, the proponents may also submit revised milestones within that time period. The Executive Director shall determine whether to bring forward a recommendation to the State Water Board regarding amendment of the milestones.

¹⁸ "Cal-Am components" of the Pure Water Monterey Project refers to the pump station and pipeline within or leading to Cal-Am's Service Area needed to transmit water to Cal-Am's service area.

EXHIBIT 2-E

2016 Monterey Peninsula Conservation and Rationing Plan

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

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

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

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

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

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

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

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

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

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

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

- A. Trigger.
 1. Stage 2 Deemed Unsuccessful: Stage 3 shall take effect for all California-American Water Company Water Distribution Systems if Stage 2 has been implemented pursuant to Rule 162-A-1 or Rule 162-A-3 and has failed to sunset after a period of six (6) months.
 2. Physical Shortage Trigger: *(Description of in-ground storage trigger follows)*
 3. Regulatory Trigger – Production Targets: Stage 3 shall take effect for all California-American Water Company Water Distribution Systems when the most recent 12 month California American Water production from the MPWRS is greater than 105 percent of the then-current annual production target as determined in Table XV-1 and Stage 2 has not been implemented.
 4. Regulatory Trigger – Regulatory Order: Stage 3 shall take effect for all California-American Water Company Water Distribution Systems when directed by a governmental or regulatory agency to implement Stage 3.
 5. Emergency Trigger: *(Describes emergency actions due to an outage or interruption.)*
- B. Stages 1 and 2 shall remain in effect.
- C. If Stage 2 has not already been implemented, Stage 2 shall be triggered simultaneously with Stage 3.
- D. Thirty days prior to implementation of Stage 3, California American Water shall file to implement Level 1 Conservation Rates within its Main California-American Water Company Water Distribution System, the Bishop Water Distribution System, Hidden Hills System, and Ryan Ranch Water Distribution System and shall provide notification to its customers that such rates shall be implemented after thirty (30) days. Prior to an increase to Level 2 Conservation Rates, California American Water shall provide notification to its customers that such rates shall be implemented after thirty (30) days.

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

E. Sunset.

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

Stage 4: Water Rationing (MPWMD Rule 165)

A. Trigger.

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

4. Emergency Trigger: *(Describes emergency actions due to an outage or interruption.)*
 5. Stage 4 shall not be triggered if the General Manager determines upon credible evidence that the production targets associated with a final Cease and Desist Order are likely to be met by adhering to the requirements of a lesser Stage. The General Manager shall record this determination and any amendment thereto, by memorandum which may be appealed to the Board in accord with Regulation VII, Appeals.
 6. Delay of Stage Implementation. The Board may delay implementation of Stage 4 Water Rationing for any Water Distribution System to ensure adequate operation of the program. Delays authorized by the Board shall not exceed sixty (60) days.
- B. Amount of Reduction.
1. The amount of mandatory reduction shall equal the shortfall in Total Storage Available as compared to the Total Storage Required; or
 2. The amount of mandatory reduction shall equal the overage of the last 12 months actual production as compared to the then-current annual production target; or
 3. The amount of mandatory reduction shall equal some other amount as reflected in a governmental or regulatory order.
- C. Stages 1, 2, and 3 (if applicable) shall remain in effect.
- D. Additional Prohibitions.
1. The Board shall consider prohibiting all or specific Non-Essential Water Uses. The Board may enact such prohibitions by Resolution.
 2. California American Water shall maintain Non-Revenue Water at or below seven (7) percent.
 3. Moratorium. Upon implementation of Stage 4, the Board shall declare a moratorium on accepting Water Permit applications within the affected Water Distribution System other than those applications that rely upon a Water Credit,

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

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

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

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

E. Residential Rations.

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

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

2. Additional Water Rations for Large Households:

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

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

3. Procedure for Obtaining Additional Water Rations for Large Households:
 - a. The Applicant shall complete a Residency Affidavit (obtained from the District) that requests the name, age and verification of full-time Permanent Residents for each resident in the Household for which the additional Water Ration is requested. The information on the application shall be presented under penalty of perjury. The additional Water Ration request shall be submitted to the General Manager, who will approve or disapprove the request within 10 business days of submission of a completed application.
 - b. If the application is disapproved, the General Manager will explain in writing the reason for the disapproval, and if the Applicant is not satisfied with the decision of the General Manager, the Applicant may appeal the General Manager's decision to the Board of Directors.

4. Procedure for Obtaining Additional Water Rations Where Two or More Households are Served by a Master Meter:
 - a. The Applicant must fill out the required form that lists the number of Residences served by the Master Meter and submit a use permit issued by the Jurisdiction for the Multi-Residential Dwelling Units served by the Master Meter. The District shall retain the right to require Residency Affidavits to determine the appropriate Water Rations. The additional Water Ration request shall be submitted to the General Manager, who will approve or disapprove the request within 10 business days of submission of a completed application. The Application shall be submitted under penalty of perjury.
 - b. If the application is disapproved, the General Manager will explain in writing the reason for the disapproval, and if the Applicant is not satisfied

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

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

F. Non-Residential Water Rations.

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

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

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

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

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

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

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

I. Sunset.

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

EXHIBIT 2-F

History of District's Water Allocation Program

Ordinance No. 1 was adopted in September 1980 to establish interim municipal water allocations based on existing water use by the jurisdictions. Resolution 81-7 was adopted in April 1981 to modify the interim allocations and incorporate projected water demands through the year 2000. Under the 1981 allocation, Cal-Am's annual production limit was set at 20,000 acre-feet.

Ordinance No. 52 was adopted in December 1990 to implement the District's water allocation program, modify the resource system supply limit, and to temporarily limit new uses of water. As a result of Ordinance No. 52, a moratorium on the issuance of most water permits within the District was established. Adoption of Ordinance No. 52 reduced Cal-Am's annual production limit to 16,744 acre-feet.

Ordinance No. 70 was adopted in June 1993 to modify the resource system supply limit, establish a water allocation for each of the jurisdictions within the District, and end the moratorium on the issuance of water permits. Adoption of Ordinance No. 70 was based on development of the Paralta Well in the Seaside Groundwater Basin and increased Cal-Am's annual production limit to 17,619 acre-feet. More specifically, Ordinance No. 70 allocated 308 acre-feet of water to the jurisdictions and 50 acre-feet to a District Reserve for regional projects with public benefit.

Ordinance No. 73 was adopted in February 1995 to eliminate the District Reserve and allocate the remaining water equally among the eight jurisdictions. Of the original 50 acre-feet that was allocated to the District Reserve, 34.72 acre-feet remained and was distributed equally (4.34 acre-feet) among the jurisdictions.

Ordinance No. 74 was adopted in March 1995 to allow the reinvestment of toilet retrofit water savings on single-family residential properties. The reinvested retrofit credits must be repaid by the jurisdiction from the next available water allocation and are limited to a maximum of 10 acre-feet. This ordinance sunset in July 1998.

Ordinance No. 75 was adopted in March 1995 to allow the reinvestment of water saved through toilet retrofits and other permanent water savings methods at publicly owned and operated facilities. Fifteen percent of the savings are set aside to meet the District's long-term water conservation goal and the remainder of the savings are credited to the jurisdictions allocation. This ordinance sunset in July 1998.

Ordinance No. 83 was adopted in April 1996 and set Cal-Am's annual production limit at 17,621 acre-feet and the non-Cal-Am annual production limit at 3,046 acre-feet. The modifications to the production limit were made based on the agreement by non-Cal-Am water users to permanently reduce annual water production from the Carmel Valley Alluvial Aquifer in exchange for water service from Cal-Am. As part of the agreement, fifteen percent of the historical non-Cal-Am production was set aside to meet the District's long-term water conservation goal.

Ordinance No. 87 was adopted in February 1997 as an urgency ordinance establishing a community benefit allocation for the planned expansion of the Community Hospital of the Monterey Peninsula (CHOMP). Specifically, a special reserve allocation of 19.60 acre-feet of production was created exclusively for the benefit of CHOMP. With this new allocation, Cal-Am's annual production limit was increased to 17,641 acre-feet and the non-Cal-Am annual production limit remained at 3,046 acre-feet.

Ordinance No. 90 was adopted in June 1998 to continue the program allowing the reinvestment of toilet retrofit water savings on single-family residential properties for 90-days following the expiration of Ordinance No. 74. This ordinance sunset in September 1998.

Ordinance No. 91 was adopted in June 1998 to continue the program allowing the reinvestment of water saved through toilet retrofits and other permanent water savings methods at publicly owned and operated facilities.

Ordinance No. 90 and No. 91 were challenged for compliance with CEQA and nullified by the Monterey Superior Court in December 1998.

Ordinance No. 109 was adopted on May 27, 2004, revised the Pebble Beach entitlement under Rule 23.5 and adopted additional provisions to facilitate the financing and expansion of the CAWD/PBCSD Recycled Water Project.

Ordinance No. 132 was adopted on January 24, 2008, established a Water Entitlement for Sand City and amended the rules to reflect the process for issuing Water Use Permits.

Ordinance No. 165 was adopted on August 17, 2015, established a Water Entitlement for Malpas Water Company and amended the rules to reflect the process for issuing Water Use Permits.

Ordinance No. 166 was adopted on December 15, 2015, established a Water Entitlement for D.B.O. Development No. 30.

Ordinance No. 168 was adopted on January 27, 2016, established a Water Entitlement for the City of Pacific Grove.

EXHIBIT 2-G

**Mission and Powers
of the
Monterey Peninsula Regional Water Authority
and the
Monterey Peninsula Water Management District**

Authority	District
Mission, Vision, or Purpose	
<p>Purpose: Each Member has in common the power to study, plan, develop, finance, acquire, construct, maintain, repair, manage, operate, control, and govern Water Projects either alone or in cooperation with other public or private non-member entities. The purpose of this Agreement is to restate the creation of a public entity separate from its Members to jointly exercise some or all of the foregoing common powers, as deemed necessary by the Authority, to: (1) ensure the timely development, financing, construction, operation, repair, and maintenance of one or more Water Projects; and (2) ensure that the governance of such Water Projects includes representation that is directly accountable to the water users within the incorporated Cities and unincorporated portions of the County.</p>	<p>Mission: The Monterey Peninsula Water Management District’s mission is to promote or provide for a long-term sustainable water supply, and to manage and protect water resources for the benefit of the community and the environment.</p> <p>Vision: The Monterey Peninsula Water Management District will: (1) Strive to ensure a public role in development, ownership, and oversight of water supply solutions in collaboration with private or other public entities, resulting in sustainable, legal, affordable, and environmentally responsible water supply, consistent with adopted general plans; and shall: (2) Carry out its leadership role in water resource management in a fiscally responsible, and professional manner.</p> <p>Other – In District Legislation: “In order to serve the people of the Monterey Peninsula efficiently, to prevent waste or unreasonable use of water supplies, to promote the control and treatment of storm water and wastewater, and to conserve and foster the scenic values, environmental quality, and native vegetation and fish and wildlife and recreation in the Monterey Peninsula and the Carmel River basin, it is, therefore, hereby declared that a general law cannot be made applicable to such area, and that the enactment of this special law is necessary for the public welfare and for the protection of the environmental quality and the health and property of the residents therein”</p>

Authority	District
Powers	
<p>Powers – From First Amended and Restated Joint Exercise of Powers Agreement</p> <ul style="list-style-type: none"> • To study, plan, develop, finance, acquire, construct, maintain, repair, manage, operate, control, or govern Water Projects, or any portion thereof, and related works and improvements, either by the Authority alone or in cooperation with other public or private non- member entities. • To perform other ancillary tasks relating to Water Projects, including without limitation environmental review, engineering, and design. • To obtain rights, permits and other authorizations for, or pertaining to, Water Projects. • To purvey water and enter into water supply agreements with its Members or other public or private non-members, including without limitation water supply agreements with Cal-Am. • To exercise the common powers of its Members to develop, collect, provide, and disseminate information concerning Water Projects to the Members and others, including but not limited to legislative, administrative, and judicial bodies, as well the public generally. • To make and enter into contracts necessary for the full exercise of its powers. • To employ, or otherwise contract for the services of, agents, officers, employees, attorneys, engineers, planners, financial consultants, technical specialists, advisors, and independent contractors. • To accumulate operating and reserve funds for the purposes herein stated. 	<p>Powers – From District enabling legislation</p> <p><i>(Note: District has all the same powers as the Authority, except as they relate to “members.”)</i></p> <ul style="list-style-type: none"> • To sell, lease or otherwise dispose of water or any rights to the use of the works of the district. • To fix, revise, and collect rates and charges for the services, facilities, or water furnished by it. • To establish rules and regulations, consistent with the provisions of law and the rules and regulations of the state and county health officials, to protect the public health in the operation of the works, to provide for the sale, distribution, and use of water, and the services and facilities of the works, to provide that service, facilities, or water shall not be furnished to persons against whom there are delinquent charges, and to provide for charges for the restoration of service. • To acquire public or private water systems necessary or proper to carry out the purposes of this law. • To store water in surface or underground reservoirs within or outside of the district for the common benefit of the district. • To conserve and reclaim water for present and future use within the district. • To appropriate and acquire water and water rights, and import water into the district and to conserve and utilize, within or outside of the district, water for any purpose useful to the district. • To commence, maintain, intervene in, defend or compromise, in the name of the district on behalf of the landowners therein, or otherwise, and to assume the costs and expenses of any action or proceeding involving or affecting the ownership or use of waters or

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| <ul style="list-style-type: none"> • To incur debts, liabilities, or other obligations necessary or proper to carry out the purposes of this Agreement. • To issue bonds, notes, and other forms of indebtedness, and to enter into leases, installment sales, and installment purchase contracts. • To acquire property and other assets by grant, lease, purchase, bequest, devise, or eminent domain, and to hold, enjoy, lease or sell, or otherwise dispose of, property, including real property, water rights, and personal property, necessary for the full exercise of its powers. • Receive gifts, contributions, and donations or property, funds, services, and other forms of financial or other assistance from any persons, firms, corporations, or governmental entities, or any other source. • To invest money that is not required for the immediate necessities of the Authority • To apply for, accept, and receive state, federal or local licenses, permits, grants, loans, or other aid and assistance from the United States, the State, or other public agencies or private entities necessary for the Authority's full exercise of its powers. • To sue and to be sued in its own name. • To undertake any investigations, studies, and matters of general administration. • To develop, collect, provide, and disseminate information to the Members and others that furthers the purposes of the Authority. • To adopt bylaws and other rules, policies, regulations and procedures governing the operation of the Authority consistent with this Agreement. | <p>water rights, within or without the district, used or useful for any purpose of the district or of common benefit to any land situated therein, or involving the wasteful use of water therein.</p> <ul style="list-style-type: none"> • To commence, maintain, intervene in, defend, and compromise and to assume the cost and expenses of any and all actions and proceedings now or hereafter begun. • To prevent interference with or diminution of, or to declare rights in, the natural flow of any stream or surface or subterranean supply of waters used or useful for any purpose of the district or of common benefit to the lands within the district or to its inhabitants. • To prevent unlawful exportation of water from the district. • To prevent, control, or abate waste, contamination, pollution, or otherwise rendering unfit for beneficial use, the surface or subsurface water used in or useful to the district or its inhabitants, and to commence, maintain, and defend actions and proceedings to prevent any such interference with such waters as may endanger or damage the inhabitants, lands, or use of water in, or flowing into, the district. |
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| <ul style="list-style-type: none">• To perform all other acts necessary or proper to carry out fully the purposes of this Agreement.• To organize and/or participate with local agencies to form a water management group to develop and implement an Integrated Water Management Plan pursuant to Water Code sections 10530 <i>et seq.</i> | |
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