

**SEASIDE GROUNDWATER BASIN WATERMASTER**

**TO:** Board of Directors

**FROM:** Robert S. Jaques, Technical Program Manager

**DATE:** February 5, 2020

**SUBJECT:** Request from California American Water for Discussion of Issues Pertaining to Potential Moratorium of New/Expanded Service in the Laguna Seca Subarea (LSSA)

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**RECOMMENDATIONS:**

Make the following findings:

- (1) the Decision provides for Producers to over pump their allocations by levying a Replenishment Assessment on the amount of such over pumping;
- (2) California American Water is allowed by the Decision to over pump its allocation basin-wide, subject to a Replenishment Assessment, with no differentiation as to production in the LSSA versus the other subareas;
- (3) the Watermaster does not identify any adverse impacts associated with California American Water's planned schedule for phasing out its pumping from the LSSA, and therefore does not object to it; and
- (4) the Watermaster recognizes that California American Water's continued pumping from the LSSA at current rates until the interties to California American Water's Main System are constructed is an interim condition that would not necessitate imposing a moratorium on new or expanded service in the LSSA

**BACKGROUND:**

Based on input from Monterey Peninsula Water Management District, California American Water requested that the Watermaster determine whether or not the Adjudication Decision (the Decision) provides for California American Water to over pump its Laguna Seca Subarea (LSSA) allocation and not be in violation of the Decision, and whether such over pumping would cause any harm to the Basin. This request is the result of California American Water's initial belief that its pumping allocation in the LSSA had fallen to zero after the triennial ramp-downs in pumping were implemented. Under California American Water's belief, it felt it needed to take whatever steps it could in order to minimize its LSSA pumping while still serving its customers in that area. Consequently, California American Water filed an application with the California Public Utilities Commission (PUC) for authorization to implement a moratorium on new or expanded service connections for users served by California American Water's LSSA wells.

The TAC discussed this topic at its January 8, 2020 meeting, and that discussion is summarized below.

**DISCUSSION**

At the January 8 TAC meeting Mr. O'Halloran of California American Water explained that California American Water's intention in proposing a moratorium resulted from their understanding that they had no further pumping allocation available to them in the Laguna Seca Subarea. He went on to say that California American Water is working toward construction of an intertie to serve its Ryan Ranch and Bishop Units from California American Water's Main System. California American Water anticipates that this intertie will be completed in the fall of 2020. The Hidden Hills Unit (which is served by California American Water's Bay Ridge well) would continue to be served by pumping from the Laguna Seca Subarea.

## EXHIBIT 13-C

Principle points made during the TAC's discussion of this topic included:

- California American Water's objective is to avoid having a moratorium, if it will not be in violation of the Decision and if no harm to the Basin will occur by not having a moratorium.
- California American Water confirmed that after the intertie to serve the Ryan Ranch and Bishop Units from its Main System is constructed, the Hidden Hills unit would continue to be served by pumping from California American Water's Bay Ridge Well in the LSSA.
- A few years from now, California American Water plans to construct a separate intertie to serve the Hidden Hills unit from its Main System. After both interties are completed, California American Water would completely discontinue pumping from the Laguna Seca subarea.
- The Adjudication Decision provides for producers to overpump their allocations by subjecting them to Replenishment Assessment charges.
- California American Water's request involves some issues of interpretation of the Adjudication Decision, as well as some technical issues. The TAC should weigh-in on the technical issues and defer to the Board on issues involving interpretation of the Adjudication Decision.
- The technical issues pertain to what adverse impacts, if any, will result from deferring until the fall of 2020 California American Water's cessation of the majority of its LSSA pumping, with California American Water's LSSA pumping thereafter only to serve its Hidden Hills Unit until the intertie to serve the Hidden Hills Unit is constructed.

Watermaster Staff Input (jointly from the Administrative Officer and the Technical Program Manager):

- The Adjudication Decision (Decision) makes no mention of moratoriums. Thus, California American Water imposing a moratorium on Laguna Seca Subarea (LSSA) wells is not inconsistent with the Decision, and in so doing would be at the sole discretion of California American Water.
  
- The Decision specifies allocation quantities for producers in the Coastal Subareas (Northern and Southern) and the LSSA, however, annual replenishment assessments and carryover are not calculated on a subarea-by-subarea basis, but basin-wide as established by the court and legal counsels at the inception of the Watermaster in 2006. The reason that these calculations are done on a basin-wide basis is due to the anomalies in the Decision which are described in the attachment.
  
- This means that California American Water is allowed by the Decision to over pump its allocation basin-wide, subject to a Replenishment Assessment, with no differentiation as to production in the LSSA versus the other subareas.

The TAC unanimously approved a motion stating that:

- (1) the TAC does not identify any adverse impacts associated with California American Water's planned schedule for phasing out its pumping from the LSSA, and therefore does not see any reason to object to it from a technical basis, and
- (2) the TAC recognizes that continued pumping at current rates until the interties to California American Water's Main System are constructed is an interim condition that would not necessitate imposing a moratorium on new or expanded service in the LSSA.

### ATTACHMENTS:

Brief description of Anomalies in the Decision which pertain to how replenishment assessments are calculated

## EXHIBIT 13-C

### Anomalies in the Decision

(Note: This Attachment contains excerpts from a March 18, 2019 Memorandum that was presented to the Board at its June 5, 2019 meeting and which is contained in Attachment 10 of the Watermaster's 2019 Annual Report)

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The Adjudication Decision which created the Watermaster breaks the Seaside Basin down into these four subareas:

- Northern Coastal Subarea
- Southern Coastal Subarea
- Northern Inland Subarea
- Laguna Seca Subarea

The Decision used the Natural Safe Yield (NSY) approach to establish the total quantity of water that Producers may ultimately pump from the Basin on an ongoing basis. These are referred to as their long-term Operating Yields (OYs). The Decision laid out how the long-term OYs are to be allocated amongst the various Producers. Under the NSY approach used in the Decision, Alternative Producers have first rights to the NSY, and Standard Producers share in the amount of NSY remaining after the Alternative Producer allocations have been made. The 5,600 AFY Basinwide initial OY consisted of an OY of 4,611 AFY for the Coastal Subareas and an OY of 989 AFY for the Laguna Seca Subarea.

Section III.A.17 of the Decision states that for the Basin as a whole the NSY is between 2,581 and 2,913 AFY, that for the Coastal Subarea the NSY is between 1,973 and 2,305 AFY, and that for the Laguna Seca Subarea the NSY is 608 AFY.

However, Section III.A.20 of the Decision states that the initially assumed Basinwide NSY is 3,000 AFY. In the range of values stated in the Decision for the Coastal Subarea (1,973 to 2,305 AFY), if the upper value of 2,305 AFY is added to the 608 AFY for the Laguna Seca Subarea, the resultant NSY is only 2,913 AFY for these two Subareas. This is slightly less than the Basinwide NSY of 3,000 AFY cited in Section III.A.20. This is an anomaly in the Decision.

Because of this anomaly the Watermaster has, ever since its inception, assumed that the intent of the Decision was to set the Basinwide NSY at 3,000 AFY, and that the ranges of values for NSY cited in Section III.A.17 were simply to provide background information. Consequently, allocations and replenishment assessments for over production have always been calculated on the Basin as a whole, and not on a subarea-by-subarea basis.