FILED
08/13/18
01:58 PM

APPENDIX B
Parties Positions on Supply and Demand

SYSTEM DELIVERY

Monterey Main, Hidden Hills, Ryan Ranch & Bishop*
(All units in acre feet)

Month	2013	2014	2015	2016	2017	2018
Jan	745	893	730	597	624	
Feb	710	667	671	635	581	
Mar	853	757	771	623	653	
Apr	957	800	814	742	645	
May	1,079	982	814	836	861	
Jun	1,056	975	853	912	878	
Jul	1,127	1,018	942	946	962	
Aug	1,131	1,023	956	944	957	
Sep	1,027	906	893	909	902	
Oct	1,002	897	840	826		
Nov	861	707	640	670		
Dec	809	627	621	646		
Total	11,356	10,250	9,545	9,285	7,063	
Max Month	1,131	1,023	956	946	962	

*These values represent the amount of water delivered to the system to serve customer demand. This includes delivered water lost to leaks and fire-flow protection. This data does not include ASR injection

Based on Evidence Submitted and Summarized in Briefs submitted Dec. 2017 and Jan. 2018

Demand and Supply Acre-Feet per Year (AFY)	Existing Customers	Lots of Record	Pebble Beach	Toursim Rebound	Other	DEMAND Total	Carmel River	Groundwater Recharge (GWR)*	Aquifer Storage and Recovery (ASR)	Seaside Basin	Sand City Desal	Other	SUPPLY Total
California-American Water Company (CA)	12,350	1,180	325	500	0	14,355	3,376	3,500	1,300	774	94	-	9,044
City of Marina (MNA)	9,300	974	325	0	0	10,599	3,376	3,500	1,300	774	200	-	9,150
Marina Coast Water District (MCD)	9,375	300-925				9,675 - 10,300	3,376	3,500	1,300	1,474	200	500	10,350
Monterey Peninsula Regional Water Authority (RWA)	12,000	2,000				14,000	3,376	3,500	1,300	774	94	-	9,044
Monterey Peninsula Water Management District (WD)	10,400	1,180	325	250	987	13,142	3,376	3,500	1,300	774	94	-	9,044
Planning and Conservation League Foundation (PCL), Sierra Club, & LandWatch Monterey County	9,398	300				9,698	3,376	3,500	1,300	774	94	-	9,044
Surfrider Foundation (SF)	10,085	0	200	0	350	10,635	3,376	3,500	1,300	774	94	-	9,044
Coalition of Peninsula Businesses (CPB)	13,000	2,000				15,000							n/a
Water Plus (WP)	8,000 - 11,000					9,800	3,376	3,500	1,300	774	94	-	9,044

Demand figures derived from:

Exhibit CA-51 at 10-14, Exhibit MNA-2 at 11-12, Marina Coast Water District's Opening Brief and Request for Oral Argument, Dec. 15, 2017, at 12, Exhibit RWA-27 at 6-8, Exhibit WD-15 at 15, Opening Brief of Planning and Conservation League Foundation, Sierra Club & LandWatch Monterey County at 3-5, Surfrider Foundation's Phase 1 Opening Brief at 21, Exhibit CPB-1A at 4-6, Opening Brief of Water Plus at 4-7 and Appendix 1.

Supply figures derived from

Exhibit CA-51 at 14, Exhibit MNA-2 at 14, Exhibit MCD-36A at 9-10, Exhibit RWA-27 at 6-7, Exhibit WD-15 at 16, Opening Brief of Planning and Conservation League Foundation, Sierra Club and LandWatch Monterey County at 6, Exhibit SF-12 at 6, Exhibit WP-9 at 18, Opening Brief of City of Marina on Certificate of Public Convenience and Necessity Issues at 22.

Comprehensive supply and demand figures for parties not included in the table above could not be identified in testimony or briefs.

FILED
08/13/18
01:58 PM

CEQA FINDINGS

CalAm Monterey Peninsula Water Supply Project

I. INTRODUCTION

These findings are made pursuant to the California Environmental Quality Act (Public Resources Code sections 21000 *et seq.*; "CEQA") and CEQA Guidelines (California Code of Regulations, Title 14, sections 15000 *et seq.*) by the California Public Utilities Commission ("CPUC") in connection with the Final Environmental Impact Report/Environmental Impact Statement ("EIR/EIS")[1] prepared for the Monterey Peninsula Water Supply Project ("MPWSP"). The CPUC is the lead agency under CEQA for the MPWSP. A portion of the MPWSP is proposed to occur within the Monterey Bay National Marine Sanctuary ("MBNMS"), and therefore, the National Oceanic and Atmospheric Administration is the federal lead agency under the National Environmental Policy Act ("NEPA") for the MPWSP. (The CPUC and the NOAA shall be referred hereafter as "the Lead Agencies".)

These findings are based on substantial evidence in the entire administrative record and references to specific reports and specific pages of documents are not intended to identify those sources as the exclusive basis for the findings. These findings reflect the CPUC's independent judgment and analysis.

a. PURPOSE OF CEQA FINDINGS

CEQA findings play an important role in the consideration of projects for which an EIR is prepared. Under Public Resources Code section 21081 and CEQA Guidelines section 15091, where a Final EIR identifies one or more significant environmental effects, a project may not be approved until the public agency makes written findings supported by substantial evidence in the administrative record regarding each of the significant effects. In turn, the three possible findings specified in CEQA Guidelines section 15091(a) are:

1. Changes or alterations have been required in, or incorporated into, the project, which avoid or substantially lessen the significant environmental effect as identified in the Final EIR.

2. Such changes or alterations are within the responsibility and jurisdiction of another public agency and not the agency making the finding. Such changes have been adopted by such other agency or can and should be adopted by such other agency.

[1] Unless referring to a specific document, "EIR/EIS" shall mean the Final EIR/EIS, including the Draft EIR/EIS and all appendices and attachments to either document, as well as the Errata issued in July 2018.

3. Specific economic, legal, social, technological, or other considerations, including provision of employment opportunities for highly trained workers, make infeasible the mitigation measures or project alternatives identified in the Final EIR.

CEQA Guidelines section 15092(b) provides that no agency shall approve a project for which an EIR was prepared unless either:

1. The project approved will not have a significant effect on the environment; or

2. The agency has:

    a. Eliminated or substantially lessened all significant effects where feasible as shown in the findings under CEQA Guidelines section 15091; and

    b. Determined that any remaining significant effects on the environment found to be unavoidable under CEQA Guidelines section 15091 are acceptable due to overriding considerations as described in CEQA Guidelines section 15093.

b. BRIEF DESCRIPTION OF THE PROJECT

The California-American Water Company ("CalAm") is a privately owned public water utility that serves the Monterey District with surface water and groundwater and has proposed the MPWSP to develop water supplies to serve its customers and find solutions to comply with its legal obligations, as discussed further in Section V. The EIR/EIS presents the MPWSP in two options, equally: a 9.6 mgd desalination project that is considered the "project" throughout the EIR/EIS and a smaller 6.4 mgd desalination plant with supplemental purchase water from the Pure Water Monterey Project ("PWM Project")[2] as an alternative. After consideration of the two options, as well as all of the alternatives in the EIR/EIS, the CPUC is approving the smaller variant as the project. Except where the term "9.6 mgd Project" is used, the term "Project" as used in these Findings shall mean the reduced-capacity 6.4 mgd desalination plant. The MPWSP shall be used in these Findings to mean either the 9.6 mgd Project or the Project.

II. ENVIRONMENTAL REVIEW OF THE PROJECT

Pursuant to CEQA and the CEQA Guidelines, the CPUC determined that an EIR would be required for the MPWSP. On October 5, 2012, the CPUC issued a Notice of Preparation for the MPWSP and circulated it to local, state, and federal agencies, to Native American tribal organizations, and to other interested parties for review and comments. The CPUC prepared a Draft EIR for the MPWSP to disclose the potential environmental effects of the MPWSP. On April 30, 2015, the CPUC published a Draft EIR and initiated a 60-day review period that was extended until September 30, 2015. Based upon comments received on the Draft EIR during the public review period, internal deliberations, and consultation with MBNMS, the CPUC and MBNMS determined that a joint EIR/EIS should be prepared for the MPWSP.

On August 26, 2015, the NOAA Office of National Marine Sanctuaries published a Notice of Intent to prepare an EIS under NEPA. On January 13, 2017, the CPUC and the NOAA, as Lead Agencies under CEQA and NEPA, respectively, published a Draft EIR/EIS that was circulated to local, state, and federal agencies, as well as interested organizations and individuals. The January 13, 2017 Draft EIR/EIS, issued for a 45-day public review period, included a description of the 9.6 mgd Project and the Project, an assessment of the potential effects of both the 9.6 mgd

[2] This was previously referred to in the EIR/EIS as the GWR Project.

Project and the Project, a description of feasible mitigation measures to reduce identified significant effects, and an evaluation of alternatives to the MPWSP. The EIR/EIS, pursuant to CEQA and NEPA, analyzed project related environmental effects relative to the following 19 substantive potential impacts:

- Geology, Soils and Seismicity
- Surface Water, Hydrology and Water Quality
- Groundwater Resources
- Marine Resources
- Terrestrial Biological Resources
- Hazards and Hazardous Materials
- Land Use, Land Use Planning and Recreation
- Traffic and Transportation
- Air Quality
- Greenhouse Gas Emissions
- Noise and Vibration
- Public Services and Utilities
- Aesthetic Resources
- Cultural and Paleontological Resources
- Agriculture and Forestry Resources
- Mineral Resources
- Energy Conservation
- Population and Housing
- Socioeconomics and Environmental Justice

The EIR/EIS included other CEQA substantive sections: an Executive Summary, Introduction and Background, Description of the Project, Alternatives, and Other Required Considerations. Although not explicitly required by CEQA or NEPA, the EIR/EIS included a section describing the current Water Demand, available Water Supplies and Water Rights for the MPWSP.

During this review period, the document was reviewed by various State, regional, and local agencies, as well as by interested organizations and individuals. The Lead Agencies received 82 comment letters and 2 form letter submissions, and 18 oral comments were made to CPUC staff at a public hearing.

The Final EIR/EIS was published on March 30, 2018. The Final EIR/EIS includes and responds to all comments concerning CEQA/NEPA issues that were received on the Draft EIR/EIS, and includes revisions to the Draft EIR/EIS text made in response to comments, as well as Lead Agency-initiated changes. Comment letters on the Final EIR/EIS were received from numerous individuals, organizations and agencies. An Errata document containing minor revisions to the Final EIR/EIS was published in August 2018.

III. THE ADMINISTRATIVE RECORD

The record, upon which all findings and determinations related to the approval of the Project are based for the purposes of CEQA compliance, includes the following:

- The EIR/EIS and all documents referenced in or relied upon by the EIR/EIS.
- All information (including written evidence and testimony) presented to the CPUC, CPUC staff, consultants, and others.
- All final applications, letters, testimony, exhibits, and presentations presented to the CPUC in connection with the EIR/EIS and the MPWSP.

- All information (including written evidence and testimony) presented at any CPUC public hearing or public meeting or CPUC workshop related to the Project and the EIR/EIS.
- The Mitigation Monitoring and Reporting Program for the Project.
- Matters of common knowledge to the CPUC that it may consider, including applicable state or local laws, ordinances and policies.
- All other documents comprising the record pursuant to Public Resources Code section 21167.6(e).

IV. CERTIFICATION AND CONSIDERATION OF THE EIR/EIS

In accordance with CEQA, the CPUC certifies that it has been provided copies of the Final EIR/EIS prepared by Environmental Sciences Associates (EIR SCH #2006101004) for the Lead Agencies, that the Final EIR/EIS was completed in compliance with CEQA, and that the Final EIR/EIS reflects the CPUC's independent judgment. The CPUC further certifies that it has reviewed and considered the information contained in the Final EIR/EIS prior to acting on the Project. The CPUC has reached its own conclusions on whether and how to approve the Project.

V. PROJECT DESCRIPTION

a. PROJECT BACKGROUND AND HISTORY

CalAm is a privately owned public water utility that serves the Monterey District with surface water and groundwater. The Monterey District encompasses most of the Monterey Peninsula, including the cities of Carmel-by-the-Sea, Del Rey Oaks, Monterey, Pacific Grove, Sand City, and Seaside, and the unincorporated areas of Carmel Highlands, Carmel Valley, Pebble Beach, and the Del Monte Forest. CalAm's water supply is sourced from surface water and groundwater from the Carmel River System and the coastal subarea of the Seaside Groundwater Basin. Since 1966, in order to service its 39,000 metered connections, CalAm has diverted up to approximately 10,730 acre-feet per year ("afy") of surface and/or subsurface flow from the Carmel River and pumped up to 4,000 afy groundwater from the Seaside Groundwater Basin.

CalAm's water supply faces legal constraints:

- In 1995, the State Water Resources Control Board ("SWRCB") issued Order 95-10, concluding that CalAm only had a legal right to 3,376 afy from the Carmel River, including surface water and water pumped from the Carmel Valley wells. The approximately 10,730 afy of surface and/or subsurface flow from the Carmel River that CalAm had been diverting was without a valid basis of right.

- In 2006, the Monterey County Superior Court adjudicated the rights of various entities to use groundwater resources from the Seaside Groundwater Basin, and reduced CalAm's rights to groundwater in the Seaside Groundwater Basin (from approximately 4,000 afy to 1,474 afy). To replenish the basin, CalAm must pay back the Seaside Groundwater Basin by approximately 700 afy over 25 years.

- In 2009, the State Water Board issued Cease and Desist Order 2009-0060, directing CalAm to "diligently implement actions to terminate its unlawful diversions from the Carmel River and … terminate all unlawful diversions from the river no later than December 31, 2016."

As a result, in April 2012, CalAm filed an application with the CPUC (Application A.12-04-019) for a Certificate of Public Convenience and Necessity to build, own, and operate the MPWSP. In 2013, CalAm provided testimony that a 9.6 mgd desalination plant would produce approximately 10,627 afy of desalinated product water.

- In 2016, the State Water Board adopted Cease and Desist Order 2016-0016, amending Orders 95-10 and 2009-0060 and extending the date by which CalAm must terminate all unlawful diversions to December 31, 2021. This Order also establishes annual milestones that CalAm must achieve in order to maintain the diversion limit through 2021 and for maintaining replacement water, such as through the MPWSP.

In order to meet the mandates under CDO 2016-0016, CalAm amended its application and project description in March 2016, specifically the estimates of the quantities of desalinated Project water that would be delivered to CalAm's service and returned to the Salinas Valley Groundwater Basin ("SVGB" or "Basin").

b. PHYSICAL DESCRIPTION

In order to comply with its legal obligations, CalAm has proposed the MPWSP to replace its current Carmel River diversions in excess of CalAm's legal entitlement of 3,376 afy, and develop water supplies to enable CalAm to reduce pumping from the Seaside Groundwater Basin from 4,000 to 1,474 afy. CalAm is also seeking a solution to replenish the Seaside Groundwater Basin by approximately 700 afy over 25 years and to develop a reliable water supply to service its customers in the Monterey District.

The 9.6 mgd Project described in the Final EIR/EIS is a source water intake system with 10 subsurface slant wells (8 active, 2 standby) extending offshore into the submerged lands of MBNMS, and a source water pipeline. The slant wells would be located on the CEMEX mining site and extract 24.1 million gallons per day (mgd) of source water. CalAm would own, construct, operate and maintain the wells and raw water conveyance facilities where the source water would then be delivered to a 9.6 mgd desalination plant, producing 10,750 afy. Other facilities would include pretreatment, reverse osmosis, and post-treatment systems, backwash supply and filtered water equalization tanks, chemical feed and storage facilities, brine storage and conveyance facilities, and other associated non-process facilities. CalAm also proposes improvements to the Seaside Groundwater Basin Aquifer Storage and Recovery ("ASR") System facilities, which could enable CalAm to inject desalination product water into the groundwater basin for subsequent extraction and distribution to customers (expanded ASR system).

CalAm's application for the MPWSP also included a variation of the 9.6 mgd Project (the two were presented in an "either/or" fashion) that would meet all of the project objectives: a reduced-capacity desalination plant (6.4 mgd) and supplemental advanced treated water (3,500 afy) from the PWM Project, (referred to in the EIR/EIS as the Pure Water Monterey Groundwater Replenishment Project, or simply the GWR Project), a project developed by Monterey One Water (formerly known as the Monterey Regional Water Pollution Control Agency, or MRWPCA) in partnership with the Monterey Peninsula Water Management District. The 6.4 mgd desalination plant is fully analyzed and considered in the Final EIR/EIS as Alternative 5a, and identified as the

environmentally superior alternative, both considered on its own and considered in conjunction with the PWM Project, which would supply the remainder of the water to achieve project objectives[3]. The approved PWM Project is assumed in the No Action alternative and also analyzed as a project in the cumulative scenario for Alternative 5a.

On September 15, 2016, by Decision 16-09-021, the CPUC approved the water purchase agreement allowing CalAm to purchase 3,500 afy of water from the Monterey Peninsula Water Management District that was produced by Monterey One Water from the PWM Project. The 6.4 mgd reduced desalination plant is the project being approved by the CPUC.

The main difference between the Project and the 9.6 mgd Project is that the Project will employ fewer slant wells and a smaller sized desalination plant. The remaining aspects of the Project would be the same as for the 9.6 mgd Project: the slant wells will be located at CEMEX, and the brine discharge/outfall facilities will have the same specifications as the 9.6 mgd Project. However, the Project's fewer slant wells and less volume of pumping will ultimately result in a reduced impact on groundwater levels.

VI. NO RECIRCULATION OF EIR/EIS REQUIRED

Public Resources Code section 21092.1 and CEQA Guidelines section 15088.5 dictate that, under certain circumstances, when new information is added to an EIR after it has been circulated for the required public review and comment period, the EIR must undergo another round of public review and comment. The Final EIR/EIS contains new information added in response to public comment. However, none of the new information triggers recirculation of the EIR/EIS. For instance, none of the data indicates that the Project would generate new or substantially more severe significant environmental effects than identified in the Draft EIR/EIS, or that new feasible alternatives or mitigation measures would clearly lessen Project significant effects but CalAm refuses to embrace such alternatives or mitigation measures. In addition, although CEQA does not provide a formal public comment period after publication of a Final EIR, numerous comments were submitted to the Lead Agencies on the Final EIR/EIS after its publication. The CPUC has analyzed all of such comments, as well as the party briefs concerning the Final EIR/EIS, and has concluded that none of these submittals require changes to the conclusions or mitigation measures within the EIR/EIS, or otherwise raise concerns that would trigger recirculation of the EIR/EIS.

VII. MITIGATION MEASURES, CONDITIONS OR APPROVAL AND MITIGATION MONITORING AND REPORTING PROGRAM

Public Resources Code section 21081.6 and CEQA Guidelines section 15097 require the CPUC to adopt a monitoring or reporting program to ensure that the mitigation measures and revisions to the Project identified in the EIR/EIS are implemented. The Mitigation Monitoring and Reporting Program ("MMRP") attached to the CPUC's Decision and incorporated by reference is

[3] The Final EIR/EIS concludes that the No Project Alternative is the environmentally superior alternative. However, consistent with CEQA's directive to identify the environmentally superior action alternative, the Final EIR/EIS identifies Alternative 5a as the environmentally superior alternative. Further, as discussed below, the No Project Alternative is infeasible in that it fails to meet the basic objectives of the project.

being adopted by the CPUC concurrent with and as part of Project approval. The MMRP satisfies the requirements of CEQA.

The mitigation measures set forth in the MMRP are specific and enforceable and are capable of being fully implemented by the efforts of the CPUC, other identified responsible agencies, or CalAm. As appropriate, some mitigation measures define performance standards to ensure that no significant environmental impacts will result. The MMRP adequately describes implementation procedures, monitoring responsibility, reporting actions, compliance schedule, and verification of compliance in order to ensure that the Project complies with the adopted mitigation measures.

The MMRP contains measures to substantially lessen or eliminate significant environmental effects where feasible. The CPUC has thus committed to enforcing the mitigation measures contained in the MMRP and has adopted the MMRP as enforceable conditions of approval for the Project. CalAm must comply with the MMRP regarding the Project. The mitigation measures incorporated into and imposed as part of the MMRP will not have significant impacts that were not analyzed in the EIR/EIS.

VIII. WATER RIGHTS

Most CEQA documents do not address the topic of water rights; however, the EIR/EIS explores in considerable detail whether CalAm would likely possess legal rights to the supply water for the Project. This issue is considered as a Project feasibility matter. The supply water for the Project will be via underground slant wells that draw water from the aquifers that extend underneath the ocean and would be recharged primarily by seawater. These wells will be located at the western edge of the SVGB, a large basin that extends approximately 100 miles from the Monterey Bay to the Salinas River headwaters.

By letter dated September 26, 2012, the CPUC asked that the SWRCB assist the CPUC and issue an opinion as to whether CalAm has a credible legal claim to the supply water for the MPWSP. After careful consideration, the SWRCB prepared a draft report on water rights, circulated that draft for public comments and ultimately issued its July 31, 2013, Final Review of California American Water Company's Monterey Peninsula Water Supply Project ("SWRCB Report"). The SWRCB Report determined that extracting water from the ocean does not require water rights and CalAm could draw ocean water from the landward area of the Basin. However, as evaluated in detail in the EIR/EIS, a portion of the Project source water is expected to be brackish water, a combination of ocean water and fresh water originating from the inland aquifers of the Basin. This has raised questions about whether CalAm will possess the appropriative legal right to retrieve and export Basin water that is not ocean water, i.e., the fresh water component of the Project supply water. As explained in the SWRCB Report and in the EIR/EIS, in order for CalAm to possess appropriative rights to the fresh water under a "developed water" legal basis, whereby the Project essentially creates a new water source, CalAm would need to be able to demonstrate that its withdrawal of Basin water that is *not* ocean water would not injure or harm other existing Basin water rights holders. There is no permit for such appropriative water rights. This means that CalAm cannot have secured the water right prior to this stage and cannot obtain a water rights permit before Project implementation. Rather, it is the implementation of the Project in a manner that meets the criteria that would create the appropriative water right.

Based upon the analysis in the EIR/EIS, the Project would draw primarily seawater. The "capture zone" within which the Project would draw source water could include some brackish water that contains fresh water, but is not expected to intersect with or draw fresh water on its own. Such

brackish water is not useful and usable in its current state. Thus, the withdrawal of the fresh water component of the source water is not expected to cause harm or injury to existing legal water users. Furthermore, CalAm proposes that Basin groundwater could be extracted without harm to existing lawful water uses by returning desalinated product water into the Basin in the amount of the fresh water molecules that originated in the Basin that are included in the withdrawn brackish water. Such return of Basin fresh water would be accomplished by supplying water to the Castroville Community Services District ("CCSD") for municipal water supply (in lieu of groundwater pumping from the Basin) and also to the Castroville Seawater Intrusion Project ("CSIP"). The return water component of the Project ensures that the Basin is made whole with regards to any fresh water withdrawn by the Project supply wells. In addition, CalAm has proposed an Applicant Proposed Measure to address and alleviate any actual harm or injury that the Project creates for existing Basin water users. Such measure, while voluntarily proposed by CalAm, is required as a condition of Project approval and is included with the MMRP, such that the CPUC will monitor and ensure its implementation. In light of the evidence in the EIR/EIS and otherwise in the administrative record, the CPUC concludes that CalAm's extraction will not harm the quality of the Basin water, and over the years, by returning supply water to the Basin, the Project will ultimately benefit Basin groundwater users. Therefore, the CPUC concludes that there is every reason to believe that CalAm will possess legal water rights for the Project and that the Project is not made infeasible by concerns over water rights.

IX. FINDINGS REGARDING SIGNIFICANT IMPACTS

In accordance with Public Resources Code section 21081 and CEQA Guidelines sections 15091 and 15092, the CPUC adopts the findings and conclusions regarding impacts and mitigation measures that are set forth in the EIR/EIS and summarized in the MMRP. These findings do not repeat the full discussions of environmental impacts contained in the EIR/EIS. The CPUC ratifies, adopts, and incorporates the analysis, explanation, findings, responses to comments and conclusions of the EIR/EIS.

The CPUC recognizes that the environmental analysis of the Project raises controversial environmental issues, and that a range of technical and scientific opinion exists with respect to those issues. The CPUC acknowledges that there are differing and potentially conflicting expert and other opinions regarding the Project and its environmental effects. The CPUC has, through review of the evidence and analysis presented in the record, acquired a comprehensive understanding of the breadth of this technical and scientific opinion and of the full scope of the environmental issues presented. This understanding has enabled the CPUC to make fully informed, thoroughly considered decisions after taking account of the various viewpoints on these important issues and reviewing the record. These findings are based on a full appraisal of all viewpoints expressed in the EIR/EIS, as well as other relevant information in the record of the proceedings for the Project.

The EIR/EIS concludes that the environmental impacts related to geology, soils and seismicity; surface water, hydrology and water quality; groundwater resources; marine biological resources; hazards and hazardous materials; land use, land use planning and recreation; traffic and transportation; public service and utilities; aesthetic resources; cultural and paleontological resources; greenhouse gas emissions; agricultural resources; energy conservation; socioeconomic and environmental justice can be reduced to a less than significant level through the implementation of specified mitigation measures, as discussed below. However, the Project will have significant unavoidable impacts to terrestrial biology, air quality (during construction), noise and vibration (during construction), and indirect impacts from growth. There are no feasible

mitigation measures or alternatives to avoid or reduce these impacts to a less than significant level.

a. FINDINGS REGARDING IMPACTS ANALYZED IN THE EIR/EIS AND DETERMINED TO BE MITIGATED TO LESS THAN SIGNIFICANT

4.2 Geology, Soils, and Seismicity

Impact 4.2-1: Substantial soil erosion or loss of topsoil during construction.

a. Impact: Grading, excavation, and backfill activities for construction of the Source Water Pipeline, new Desalinated Water Pipeline, and Castroville Pipeline, ASR-5 and ASR-6 Wells, and the Carmel Valley Pump Station could result in the loss of topsoil (a fertile soil horizon that typically contains a seed base) if there is a well-developed topsoil horizon and it is mixed with other soil horizons or otherwise lost during excavation and backfilling. Impacts related to the loss of topsoil during construction of these components would be significant.

b. Mitigation: See Impact 4.6-2 in Section 4.6, Terrestrial Biological Resources, below, for a description of Mitigation Measure 4.6-2b.

   See Impact 4.16-1 in Section 4.16, Agricultural Resources, below, for a description of Mitigation Measure 4.16-1.

c. Findings: Implementation of Mitigation Measures 4.6-2b and 4.16-1 will reduce Impact 4.2-1 to a less-than-significant level by ensuring that topsoil is salvaged, separated according to soil type, maintained during construction, and backfilled in the appropriate location and density in the soil profile such that it is returned to near pre-construction condition. The CPUC has imposed Mitigation Measures 4.6-2b and 4.16-1 on the Project as a condition of approval of the Certification of Public Convenience and Necessity ("CPCN") and implementation will be monitored through the MMRP.

Impact 4.2-10: Accelerate and/or exacerbate natural rates of coastal erosion, scour, or dune retreat, resulting in damage to adjoining properties or a substantial change in the natural coastal environment.

a. Impact: Coastal retreat could migrate the beach inland such that the subsurface slant well casings, concrete well head vaults, electrical panels, and certain sections of conveyance pipelines would become located on the beach within the project lifetime. The exposure of the project components to wave action, storm events, and rip embayments could alter the existing natural beach dynamics and the coastal environment, resulting in an increase in beach erosion and/or an interruption in the sand supply to other beaches along the Monterey Bay.

b. Mitigation: In accordance with Mitigation Measure 4.2-10, CalAm shall conduct annual monitoring and report the rate of coastal retreat relative to the slant wells to establish an annual erosion rate to be used to estimate the year at which the wells and associated pipelines have 5 years before exposure. Beginning at least 5 years prior to the anticipated exposure of the slant wells, CalAm shall implement the planning and

permitting necessary to abandon the at risk slant well(s) in accordance with state well destruction standards. CalAm shall remove the slant well(s) from service prior to their exposure, and abandonment activities would be restricted to the snowy plover non-nesting season (October 1 through February 28) to avoid impacts on nesting plovers and other sensitive species. Abandonment procedures shall be pursuant to the requirements of State of California Well Standards Bulletin 74-81 and 74-90, Part III Section 23.

c. Findings: Implementation of Mitigation Measure 4.2-10 will reduce Impact 4.2-10 to a less-than-significant level by requiring CalAm to monitor coastal retreat rates and initiate well decommissioning before the beach migrates inland to the location of the subsurface slant wells. This will ensure that slant wells do not become exposed due to coastal retreat, and therefore, will not alter natural beach dynamics and the coastal environment, or cause further beach erosion. The CPUC has imposed Mitigation Measure 4.2-10 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.2-C: Cumulative impacts related to Geology, Soils, and Seismicity.

a. Impact:

Construction. Two of the Project's water conveyance pipelines (Castroville and New Desalinated Water Pipelines) and Transportation Agency for Monterey County's ("TAMC") Monterey Peninsula Light Rail Project would be constructed adjacent to each other and within the same alignment adjacent to active farmland and potentially in areas of sensitive natural communities that are dependent on the topsoil. If the Project and TAMC's project are constructed at the same time, the loss of topsoil impacts could have a significant cumulative impact to which the Project would make a considerable contribution.

Operation. As discussed in Impact 4.2-10, coastal retreat due to sea level rise is anticipated to result in coastal erosion and bluff retreat. Over time, coastal retreat is anticipated to migrate beaches inland, and structures located within the areas of coastal retreat could become located on beaches. The presence of structures on beaches could exacerbate shoreline erosion and scour and/or be subject to damage or failure associated with severe storm events. Several cumulative projects are located at the coast, particularly the sandy beach areas of Monterey Bay: Fort Ord Dunes State Park Campground, Monterey Bay Shores Resort, The Collection at Monterey Bay Resort, City of Seaside 90-inch Bay Avenue Outfall Phase 1, and City of Sand City Coastal Desalination Plant. The exposure of structures on the beach from one or more of these sites could result in increased scour and erosion that could result in cumulatively considerable impacts. Because over the Project lifetime, the subsurface slant well casings, concrete well head vaults, electrical panels, and certain sections of conveyance pipelines could become located on the beach and therefore, could exacerbate shoreline erosion and scour, the Project would make a considerable contribution to this cumulative impact.

b. Mitigation:

Construction. See Impact 4.6-2 in Section 4.6, Terrestrial Biological Resources, below, for a description of Mitigation Measure 4.6-2b.

See Impact 4.16-1 in Section 4.16, Agricultural Resources, below, for a description of Mitigation Measure 4.16-1.

Operation. See Impact 4.2-10, above, for a description of Mitigation Measure 4.2-10.

c. Findings: Implementation of Mitigation Measures 4.6-2b and 4.16-1 would reduce the significant cumulative impacts associated with construction to a less-than-significant level by ensuring that topsoil is salvaged, separated according to soil type, maintained during construction, and backfilled in the appropriate location and density in the soil profile such that it is returned to near pre-construction condition. Thus, after mitigation, topsoil would be replaced and there would be no substantial residual contribution to a cumulative impact. It is unknown whether the TAMC's Monterey Peninsula Light Rail Project would implement similar mitigation measures, although it is likely that existing regulations would require mitigation measures for sensitive natural communities.

Implementation of Mitigation Measure 4.2-10 would reduce the significant cumulative impact associated with operation to a less-than-significant level by requiring CalAm to monitor coastal retreat rates and initiate well decommissioning before the subsurface slant wells become located on the active beach. Thus, after mitigation, no project structures would become located on the active beach, and the residual contribution to a cumulative impact related to coastal erosion would be negligible.

The CPUC has imposed Mitigation Measures 4.6-2b, 4.16-1, and 4.2-10 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

4.3 Surface Water Hydrology and Water Quality

Impact 4.3-2: Degradation of water quality from construction-related discharges of dewatering effluent from open excavations and water produced during well drilling and development.

a. Impact: Dewatering could be required during construction to create a dry work area if surface water or groundwater is encountered in excavations. Sites with known soil and/or groundwater contamination are located close to or extend into the proposed construction alignments for pipelines. The contaminants with the potential to be encountered during project construction activities include petroleum hydrocarbons, VOCs, PAHs, and metals from gasoline service stations, and dry cleaners. The dewatering of contaminated groundwater during construction excavation activities would be considered a significant impact if the contaminated groundwater (i.e., dewatering effluent) were not handled properly and released into the environment. Although most dewatering effluent from general construction would be disposed of in accordance with General Waste Discharge Requirements (Central Coast RWQCB Order R3-2011-0223), discharges of dewatering effluent exceeding the water quality limitations in the General WDRs would result in a significant impact.

b. Mitigation: See Impact 4.7-2 in Section 4.7, Hazards and Hazardous Materials, below, for a discussion of Mitigation Measure 4.7-2b.

c. Findings: Implementation of Mitigation Measure 4.7-2b will reduce Impact 4.3-2 to a less-than-significant level by requiring CalAm or its contractor to develop a groundwater dewatering control and disposal plan that identifies locations where groundwater dewatering is likely to be required, the method to analyze groundwater for hazardous materials, and appropriate treatment and/or disposal methods. The CPUC has imposed Mitigation Measure 4.7-2b on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact: 4.3-4: Violate water quality standards or waste discharge requirements or degrade water quality from increased salinity as a result of brine discharge from the operation of the Project's Desalination Plant.

a. Impact: The analysis of salinity levels indicates that for all scenarios modeled, and assuming a continuous discharge stream, the Project brine-only discharges and discharges of brine combined with varying amounts of wastewater will meet 2016 California Ocean Plan salinity and dissolved oxygen standards and will not result in hypoxia on the ocean floor. The Project is substantially consistent with the MBNMS Desalination Guidelines for operational discharges regarding water quality and salinity. However, the Ocean Plan requires owners or operators of a desalination facility to submit a Monitoring and Reporting Plan to the Regional Water Quality Control Board for approval, which includes provisions for monitoring effluent and receiving water characteristics and impacts on all forms of marine life. Further, the Guidelines specify that a monitoring program should be developed to evaluate the extent of impacts from the plant's discharge operations on marine resources.

   A monitoring and reporting plan, consistent with the Ocean Plan requirements and MBNMS Guidelines for operation of a new desalination facility, has not been defined and proposed as part of the Project. Several of the parties to the CPUC proceeding have agreed upon terms of the brine discharge that establishes, in part, a detailed monitoring and reporting program that includes the collection of relevant, long-term water quality data. The intent of the monitoring program is to determine compliance with defined water quality standards and to implement specific corrective actions when non-compliance is determined to occur. While the monitoring plan defined by the settling parties is consistent with portions of the Ocean Plan requirements and the MBNMS Desalination Guidelines, it does not include biological monitoring to determine impacts on marine life. Additionally, the monitoring requirements defined in the Ocean Plan are broadly described and do not include specific thresholds, performance standards, or corrective actions.

   While impacts related to water quality from increased salinity have been determined to be less than significant based on model analyses, a monitoring and reporting plan needs to ensure compliance with the Ocean Plan monitoring requirements and consistency with MBNMS Guidelines for operation of desalination facilities that are protective of the beneficial uses (including aquatic wildlife and habitat) of Monterey Bay.

b. Mitigation: In accordance with Mitigation Measure 4.3-4, CalAm would be required to implement a comprehensive Monitoring and Reporting Plan following review and approval by the RWQCB and MBNMS that is consistent with the requirements and monitoring guidelines of the Ocean Plan and MBNMS Guidelines for desalination plants. The Plan shall include water quality monitoring protocols and monitoring

frequencies to assess baseline conditions and to track the compliance of the Project with the performance standard of ensuring operational discharges do not exceed ambient salinity by more than 2 ppt at the edge of the brine mixing zone ("BMZ"), as well as to assess the efficacy of any operational or design features implemented. If at the end of five complete years of monitoring operational discharges, the 24-hour average salinity measured at the edge of the BMZ is less than 75% of the salinity performance standard for 45 days without interruption under all discharge scenarios representative of typical operations (i.e. irrigation season and non-irrigation season operations), and with approval by the RWQCB and MBNMS, the discharger(s) may terminate the monitoring and reporting specified as part of this mitigation measure (but not terminate monitoring and reporting required as part of compliance with NPDES permit conditions or Ocean Plan monitoring and reporting requirements for discharges into California ocean waters).

c. Findings: Implementation of Mitigation Measure 4.3-4 will provide analysis and reporting that will determine the need for corrective actions to be implemented in the form of the design features and operational measures prescribed in Mitigation Measure 4.3-5 (discussed below) to reduce any identified impacts to less-than-significant levels. The CPUC has imposed Mitigation Measure 4.3-4 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.3-5: Violate water quality standards or waste discharge requirements or degrade water quality as a result of brine discharge.

a. Impact: Operational discharges from the Project may contain a variety of water quality constituents that, in high enough concentrations, could violate water quality standards or waste discharge requirements or otherwise degrade water quality and adversely affect the beneficial uses of the receiving waters in Monterey Bay and MBNMS resources. The model-based analyses concluded constituent concentrations would become elevated for the assessed discharge scenarios to levels greater than 80 percent of the Ocean Plan objective for ammonia and cyanide. Therefore, it was concluded that the Project would result in exceedances of Ocean Plan objectives, resulting in a significant impact related to water quality standards, waste discharge requirements and water quality of receiving waters in Monterey Bay.

b. Mitigation: In accordance with Mitigation Measure 4.3-5, prior to implementing operational discharges via the existing outfall, CalAm must perform an extensive water quality assessment as part of a waste disposal study to demonstrate compliance with Ocean Plan water quality objectives and minimum initial dilution requirements. Specifically, CalAm (and other dischargers, if applicable) would be required to analyze Project operational discharges for the full range of regulated water quality constituents specified in the Ocean Plan and NPDES water quality requirements, in accordance with protocols approved by the RWQCB. If the results of the water quality assessment and waste disposal study find that operational discharges will not meet the NPDES water quality requirements, including the Ocean Plan receiving water limitation for salinity, at the edge of the zone of initial dilution ("ZID") and the Brine Mixing Zone ("BMZ"), respectively, then the Project operational discharges shall not be released as proposed. Such operational discharges shall be subject to additional design features, engineering solutions, and/or operational measures to reduce the concentration of water quality constituents to be in conformance with the

Ocean Plan water quality objectives and amended NPDES permit requirements at the edge of the ZID or BMZ, as applicable. Such necessary design features and operational measures shall either be implemented individually or in combination to achieve compliance (unless the RWQCB determines that different but equally effective measures be employed).

c. Findings: Implementation of Mitigation Measure 4.3-5 will reduce Impact 4.3-5 to a less-than-significant level by prohibiting discharges if they do not conform to Ocean Plan objectives for water quality. Further, if the water quality assessment shows that releases via the existing outfall would exceed Ocean Plan objectives, then additional design features, engineering solutions, and/or operational measures must be implemented to reduce the concentration of water quality constituents in the operational discharges such that they conform with these objectives. The CPUC has imposed Mitigation Measure 4.3-5 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.3-C: Cumulative impacts related to Surface Water Hydrology and Water Quality

a. Impact:

Construction. Nearly all the cumulative projects involve excavation and use of heavy equipment during construction and have the potential to degrade surface water quality. If the Project's dewatering effluent from open excavations were to contain materials from previous spills or leaks, discharges of contaminated dewatering effluent to vegetated upland areas or the local storm drain system would result in a significant impact, which also could result in a cumulatively considerable contribution to cumulative surface water quality impact.

The water extracted during drilling and development of the subsurface slant wells and ASR-5 and ASR-6 Wells would be disposed in accordance with the RWQCB's General Waiver of WDRs for Specific Types of Discharges (General Waiver). However, dewatering of contaminated groundwater could result in a significant impact if released into the environment, which also could result in a cumulatively considerable contribution to a significant cumulative surface water quality impact.

Operation. At the project level, it is conservatively determined that under the assessed discharge scenarios, operational discharges from implementation of the Project could exceed Ocean Plan water quality objectives for certain constituents. This would result in a significant impact, and because the Ocean Plan water quality objectives are based on the effects of cumulative impacts on ocean water quality, an exceedance of water quality objectives also would represent a cumulatively considerable contribution to a potential significant cumulative impact.

b. Mitigation:

Construction. See Impact 4.7-2 in Section 4.7, Hazards and Hazardous Materials, below, for a description of Mitigation Measure 4.7-2b.

Operation. See Impacts 4.3-4 and 4.3-5, above, for a description of Mitigation Measures 4.3-4 and 4.3-5.

c. Findings: Implementation of Mitigation Measure 4.7-2b would reduce significant cumulative impacts associated with construction to a less-than-significant level by requiring construction contractors to comply with all relevant environmental regulations and plan for the safe and lawful disposal of contaminated groundwater, when encountered. Implementation of Mitigation Measures 4.3-4 and 4.3-5 would reduce significant cumulative impacts associated with project discharge scenarios to a less-than-significant level by ensuring that the Project complies with NPDES permit requirements as well as water quality objectives detailed in the Ocean Plan.

   The CPUC has imposed Mitigation Measures 4.7-2b, 4.3-4, and 4.3-5 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

4.4 Groundwater Resources

Impact 4.4-3: Deplete groundwater supplies or interfere substantially with groundwater recharge such that there would be a net deficit in aquifer volume or a lowering of the local groundwater table level during operations.

a. Impact: The Project would extract mostly seawater and some brackish groundwater from a localized area; no fresh water supplies would be removed from the Basin. When water is returned to the Basin, groundwater elevations and the volume of water in storage would increase in the 400-Foot Aquifer underlying the CSIP and CCSD and adjacent areas. Water levels in nearby wells may decline in the 180-FTE Aquifer between 1 and 5 feet, but that would not expose screens, cause damage, or reduce yield in the groundwater supply wells. Injection and extraction through the ASR well system would be managed so that the water provided from the desalination plant would not constitute a net change in storage. The reduction of surface water from the Salinas River attributable to slant well pumping would not be a substantial loss to water supply, nor would it constitute a substantial interference to surface water recharge. Pumping at the slant wells could cause drawdown in the large dredge pond at CEMEX over periods of extended pumping, but the magnitude of that response would not interfere with recharge. Impacts associated with changes to groundwater recharge during the operation of all project facilities would be less than significant.

b. Mitigation: Although no mitigation is required to reduce this impact to less than significant, CalAm has proposed to expand the existing regional groundwater monitoring program to include the area where groundwater elevations are anticipated to decrease in the Dune Sand Aquifer, the 180-FTE Aquifer and the 400-Foot Aquifer as well as the Deeper Aquifer. In accordance with Applicant Proposed Measure 4.4-3, prior to the start of MPWSP slant well construction, CalAm, working with MCWRA, shall develop a groundwater monitoring and reporting program (the "Program") to the satisfaction of MCWRA. All costs of Program development and implementation shall be borne by CalAm either directly or through funding of MCWRA's staff, consultants and Program activities. The Program shall augment the MCWRA's existing regional groundwater monitoring network to focus on the area that could be affected by the proposed slant wells. The geographic area of the Program shall be within the model domain of the North Marina Groundwater Model, also referred to as NMGWM^{2016} and include the Dune Sand Aquifer, the 180-Foot Aquifer, the 400-Foot Aquifer and the Deeper Aquifer (i.e., the 900-Foot Aquifer) of the Salinas Valley Groundwater Basin (the "Monitoring Area"). The purpose of the

Program is to ensure that owners of existing public or private groundwater supply wells within the Monitoring Area on the date the MPWSP commences slant well pumping ("Active Supply Wells") suffer no harm as a result of MPWSP slant well pumping. If it is determined that an Active Supply Well has been damaged or otherwise negatively affected by Project slant well pumping, CalAm and the Monterey County Water Resources Agency hydrogeologist shall coordinate with the well owner to develop and implement a mutually agreed upon course of action, which may include but not be limited to repairing or deepening the existing well, restoring groundwater yield by improving well efficiency, facilitating an interim or long-term replacement of water supply, constructing a new well, or compensating the owner for increased pumping costs.

c. Findings: Implementation of Applicant Proposed Measure 4.4-3 would monitor changes in the groundwater surface elevations caused by the Project pumping at the slant wells through a voluntary program and use of new groundwater monitoring wells. If it is determined that the Project is causing groundwater levels to damage local active wells within the Dune Sand, 180-Foot/FTE, 400-Foot Aquifer or Deeper Aquifer, this measure would ensure that active wells are repaired or replaced and that water supplies are available to the well owner. Implementation of Applicant Proposed Measure 4.4-3 is not necessary to address any significant project effect. Applicant Proposed Measure 4.4-3 will further ensure that the impact remains at a less than significant level.

   The CPUC has imposed Applicant Proposed Measure 4.4-3 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.4-4: Violate any water quality standards or otherwise degrade groundwater quality during operations.

a. Impact: Slant well pumping at the CEMEX site could intersect the operable unit carbon tetrachloride plume (OUCTP) A-Aquifer plume and degrade groundwater in areas not affected by the current contaminant plume. The OUCTP Upper 180-Foot Aquifer Plume would not be impacted by the Project pumping because the magnitude of drawdown (about 1-2 feet) would be masked by the cone of depression currently created by the pump and treat remediation system. The Project would result in a less than significant impact related to interference with existing groundwater remediation activities, with the possible exception of two of the OUCTP plumes at the former Fort Ord. Impacts related to existing groundwater remediation systems would be significant.

b. Mitigation: In accordance with Mitigation Measure 4.4-4, prior to the start of Project construction, CalAm shall incorporate the future quarterly groundwater elevation monitoring results for the OUCTP A-Aquifer and 180-Foot Aquifer (upper and lower) plumes into its well monitoring program until the two OUCTP plumes have been appropriately remediated and the RWQCB no longer requires remediation activities. Groundwater elevation data shall be obtained from the periodic monitoring reports developed by the U.S. Army and its contractors to characterize the flow direction and water quality of the three OUCTP plumes located in the A-Aquifer, the Upper 180-Foot Aquifer and the Lower 180-Foot Aquifer. The groundwater elevation results shall be evaluated by CalAm and its consultants on a quarterly basis to assess whether the 1-foot drawdown contour from the proposed subsurface intake system is

approaching the edge of the OUCTP plumes. CalAm shall continuously coordinate with and include the U.S. Army in all pertinent correspondence during the groundwater data evaluation stages.

c. Findings: Implementation of Mitigation Measure 4.4-4 would monitor changes in the groundwater surface elevation caused by Project pumping near the two OUCTP Plumes. If it is determined that Project pumping could interfere with the Fort Ord plumes, this mitigation measure requires CalAm to take actions so the plumes do not expand and contaminate other areas, such as bearing the costs for work necessary to change the plume flow direction, arrest migration of the plumes, and/or to remediate areas of new contamination created by slant well pumping. This mitigation would reduce the impacts to less than significant. The CPUC has imposed Mitigation Measure 4.4-4 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

4.6 Terrestrial Biological Resources

Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly or through habitat modification, during construction.

a. Impact: Construction of the entire Project has the potential to temporarily impact up to 9 acres of potential western snowy plover habitat (up to 1 acre of permanent impact, leaving 8 acres temporarily impacted), temporarily impact up to 2.1 acres of Smith's blue butterfly habitat, temporarily impact up to 12.3 acres and permanently impact up to 15.4 acres of California tiger salamander habitat, and temporarily impact up to 13.3 acres and permanently impact up to 15.5 acres of California red-legged frog habitat. Construction activities associated with all proposed project facilities have the potential to result in significant impacts on special-status species.

b. Mitigation: In accordance with Mitigation Measure 4.6-1a, CalAm shall retain a Lead Biologist to oversee compliance with and implementation of avoidance and mitigation measures.

   In accordance with Mitigation Measure 4.6-1b, prior to starting work, all construction workers at the project areas shall attend a Construction Worker Environmental Awareness Training and Education Program developed and presented by the Lead Biologist, which ensures that workers are aware of special-status species that may occur in the project area and the measures to be implemented to avoid, minimize, and/or mitigate impacts.

   In accordance with Mitigation Measure 4.6-1c, the construction contractor shall implement avoidance and minimization measures to protect special-status species and sensitive natural communities including, clear delineation of the construction, staging, and access areas; soil stockpile management BMPs; erosion BMPs; fuel and fluid leak pollution prevention procedures; invasive species preventative measures; herbicide use BMPs; fencing requirements; work stoppage procedures in the event that a special-status species is found; vegetation removal and grading procedures; in advertent entrapment procedures; pipe inspection procedures; dust abatement procedures; and a trash abatement program.

In accordance with Mitigation Measure 4.6-1d, the construction contractor shall implement measures to protect western snowy plover, including conducting work only during the western snowy plover non-breeding season unless approved by the USFWS; retaining a biologist to evaluate and monitor the nature and extent of wintering plover activity in the project area; restoration of temporarily impacted plover habitat following construction; installation of anti-perching devices; and enacting a compensation program if permanent loss of plover habitat occurs.

In accordance with Mitigation Measure 4.6-1e, CalAm or its contractor shall conduct focused botanical surveys for special-status plants in all potentially suitable habitat during the appropriate blooming period for each species and in accordance with the guidelines established by the CDFW. Habitat maps shall be combined with previous survey results. Project facilities should be sited to avoid permanent and temporary impacts to special-status plants. Avoidance measures shall be applied as appropriate. CalAm shall comply with FESA/CESA by implementing USFWS and CDFW consultation requirements. Habitat Management Plan (HMP) species on Fort Ord shall be salvaged under the direction of a biologist. A compensation program may be enacted for temporary or permanent loss of special-status plant occurrences.

In accordance with Mitigation Measure 4.6-1f, CalAm or its contractor shall reduce impacts on Smith's blue butterfly by implementing measures, including following all avoidance and minimization measures required by USFWS as part of the FESA Section 7 consultation between ONMS and USFWS; conducting botanical surveys of all suitable habitat for the butterfly during Project design and prior to implementation; avoidance of mapped host plants; preparation of a protect-in-place and relocation plan if avoidance is not possible; restoration of butterfly habitat temporarily impacted during construction; and enacting a compensation program if permanent impacts occur to butterfly habitat.

In accordance with Mitigation Measure 4.6-1g, a biologist shall conduct preconstruction surveys for black legless lizard, silvery legless lizard, and coast horned lizard within 24 hours prior to the initiation of ground disturbing activities or vegetation clearing in suitable habitats such as central dune scrub, coast sage scrub, and central maritime chaparral.

In accordance with Mitigation Measure 4.6-1h, a biologist shall conduct protocol surveys for burrowing owl consistent with the methods of the CDFW. If burrowing owls are present, the biologist shall monitor the site during all construction activities. No ground disturbing activities shall be permitted within specified distances if burrowing owls are detected during the nesting and fledging seasons. A Burrowing Owl Exclusion Plan shall be developed by the biologist, approved by the CDFW and submitted to the CPUC, if necessary. If burrowing owls are found on-site, compensatory mitigation for the loss of breeding and/or wintering habitat shall be implemented onsite or offsite in accordance with consultation with the CDFW via a Burrowing Owl Habitat Monitoring Plan.

In accordance with Mitigation Measure 4.6-1i, a biologist shall conduct preconstruction nesting surveys for all nesting birds protected by the federal Migratory Bird Treaty Act and Section 3503 of the California Fish and Game Code. If active nests are found, nests shall be continuously surveyed for the first 24 hours prior to construction activities. All nests shall be continuously monitored to detect

behavioral changes as a result of the project, and appropriate avoidance and minimization measures shall be applied.

In accordance with Mitigation Measure 4.6-1j, a biologist shall conduct preconstruction surveys for American badger dens at potentially affected sites. If potential dens are identified, the biologist shall excavate the dens to prevent badgers from using during construction. If active dens are found during construction, avoidance and minimization measure shall be implemented.

In accordance with Mitigation Measure 4.6-1k, a biologist shall conduct preconstruction surveys for the Monterey dusky-footed woodrat 14 days prior to the start of construction in suitable habitat. Nests located within 50 feet of anticipated construction disturbance areas shall be identified, and additional surveys shall be conducted throughout construction. If nests are found, avoidance, minimization, and relocation measures shall be conducted.

In accordance with Mitigation Measure 4.6-1l, a biologist who is experienced with bat surveying techniques (including auditory sampling methods), behavior, roosting habitat, and identification of local bat species shall conduct a preconstruction habitat assessment to characterize potential bat habitat and identify active roost sites. The preconstruction habitat assessment shall be conducted within 100 feet of construction activities. If potential roosting habitat or potentially active bat roosts are identified during the habitat assessment in trees and/or structures to be disturbed under the project, the avoidance and minimization measures shall be implemented.

In accordance with Mitigation Measure 4.6-1m, a botanist or arborist shall conduct surveys for native stands of Monterey pine prior to completion of final project design documents. Individual Monterey pine trees existing within the construction work area shall be evaluated to determine if they are native occurrences, relics, or otherwise naturally-occurring remnants of the past historic range. To the extent feasible, project facilities shall be sited and construction activities planned to avoid impacts on native stands of Monterey pine. Any native stands located within a construction disturbance area shall be fenced or flagged for avoidance prior to construction, and a biological monitor shall be present to ensure compliance with off-limits areas. If removal of native stands of Monterey pine cannot be avoided, trees shall be replaced at a 2:1 ratio for trees removed or directly impacted by construction activities.

In accordance with Mitigation Measure 4.6-1n, CalAm shall develop and submit a Habitat Mitigation and Monitoring Plan (HMMP) to the appropriate resource agencies (CCC, CDFW, CCRWQCB, USACE, USFWS, and local agencies that require a habitat mitigation and monitoring plan) for approval prior to project construction. The HMMP will be a comprehensive document that will describe all of restoration and compensatory mitigation requirements, including the required performance standards, identified in Mitigation Measures 4.6-1d, 4.6-1e, 4.6-1f, 4.6-1h, 4.6-1m, 4.6-1o, and 4.6-2b. The HMMP shall be implemented at all areas where special-status species habitat or sensitive natural communities will be restored, created, or enhanced to mitigate for project impacts either prior to, concurrently with, or following project construction, as specified in the HMMP. The HMMP shall outline measures to be implemented, depending on the mitigation requirements, to restore, improve, or re-establish special-status species habitat, sensitive natural communities, and critical habitat on the site.

In accordance with Mitigation Measure 4.6-1o, a biologist must conduct a preconstruction survey 5 days prior to, and immediately prior to vegetation removal, grading, or the installation of exclusion fencing, for California red-legged frog and California tiger salamander in suitable habitat where there is moderate to high potential for these species to occur. If necessary, the biologist shall prepare a relocation plan that must be submitted to USFWS and CDFW for approval. Any vacant burrows shall be collapsed. If take authorization is not obtained from CDFW and USFWS for California tiger salamander, then all small mammal burrows within dispersal distance of a known or potential breeding pond shall be avoided by a minimum buffer of 50 feet. Upon completion of construction activities, CalAm shall restore California tiger salamander and California red-legged frog habitat temporarily impacted during construction. Compensatory mitigation for permanent impacts shall be provided either onsite or offsite at a minimum ratio of 2:1. Compensation for permanent impacts may be in the form of permanent on-site or off-site creation, restoration, enhancement, or preservation of habitat.

In accordance with Mitigation Measure 4.6-1p, the construction contractor shall implement best management practices in construction areas within or adjacent to lands with native plant communities that may be susceptible to non-native plant species invasion to prevent the spread of invasive plants, seed, propagules, and pathogens.

In accordance with Mitigation Measure 4.6-1q, a licensed geotechnical engineer shall develop a Frac-out Contingency Plan for approval from appropriate resource agencies prior to the start of construction of any pipeline that will use HDD installation. The Plan shall be implemented at all areas where HDD installation under a waterway would occur to avoid, minimize, or mitigate for project impacts either prior to, concurrently with, or following HDD installation, as specified in the Plan.

See Impact 4.12-1 in Section 4.12, Noise and Vibration, below, for a summary of Mitigation Measure 4.12-1b, General Noise Controls for Construction Equipment.

See Impact 4.14-2 in Section 4.14, Aesthetic Resources, below, for a summary of Mitigation Measure 4.14-2, Site Specific Nighttime Lighting Measures.

c. Findings: Implementation of Mitigation Measures 4.6-1a through 4.6-1q, 4.14-1b, and 4.14-2 will reduce Impact 4.6-1 to a less-than-significant level by designating a lead biologist to oversee and ensure implementation of special-status species protective measures; requiring worker training regarding special-status species potentially present to ensure that workers are aware of special-status species that occur in the Project area and the measures to be implemented to avoid, minimize, and/or mitigate impacts; requiring general measures such as installation of an exclusion fencing to ensure special-status species do not occur within the construction area, a trash abatement program to ensure special-status species predators are not attracted to the site, and other measures to avoid and minimize impacts on special-status species; requiring specific measures to avoid, minimize, and compensate for impacts on the western snowy plover such as avoiding the breeding season, installing a visual construction barrier for work conducted adjacent to breeding habitat during the breeding season to reduce human disturbance to plovers, conducting pre-construction surveys to determine if plovers are present and implementing minimization measures to minimize construction impacts on plovers, if present, and

compensating for habitat loss to mitigate for temporary and permanent loss of habitat; requiring specific measures to avoid and minimize impacts on special-status plants such as avoiding individual plants to the extent feasible and compensating for temporary or permanent loss of special-status plants at a level acceptable to the applicable resource agencies; requiring specific measures to avoid and minimize impacts on Smith's blue butterfly such as avoiding host plants to the extent feasible to avoid impacts to individuals, relocating host plants, duff, and/or soil that cannot be avoided, and providing compensatory mitigation for permanent impacts; requiring specific measures to avoid and minimize impacts on black legless lizard, silvery legless lizard, and coast horned lizard such as relocating individuals to areas outside of the construction area to avoid injury or mortality from construction; requiring measures to avoid and minimize impacts on western burrowing owl such as conducting pre-construction surveys to determine if owls are present, requiring a no-disturbance buffer around nesting sites or occupied burrows, and potentially excluding wintering burrowing owls from the work area, and compensating for loss of habitat; requiring specific measures to avoid and minimize impacts on nesting birds such as limiting construction to the non-nesting season when feasible to avoid impacts to active nests and requiring a no-disturbance buffer around active nests if work is scheduled during the nesting season; requiring specific measures to avoid and minimize impacts on American badger such as conducting pre-construction surveys to identify whether any badger dens are present and avoiding and/or passively relocating badgers from dens as necessary to avoid and minimize impacts to badgers within active dens; requiring measures to avoid and minimize impacts on Monterey dusky-footed woodrat such as relocating active nests within the construction area to areas outside of the construction area to minimize impacts to individual woodrats from construction activities; requiring measures to avoid and minimize impacts on special-status bats such as limiting removal of trees or structures with potential bat roosting habitat to the time of year when bats are active to avoid disturbing bats during the maternity roosting season or months of winter torpor; developing and implementing a mitigation and monitoring plan for temporarily and permanently impacted sensitive habitats to ensure that temporary and permanent losses are fully compensated as required; requiring measures to avoid and minimize impacts on native stands of Monterey Pines such as avoiding any stands present to avoid tree loss and replacing trees that cannot be avoided to compensate for any loss; developing and implementing a mitigation and monitoring plan for temporarily and permanently impacted sensitive habitats to ensure that temporary and permanent losses are fully compensated as required; requiring measures to avoid and minimize impacts on California red-legged frog and California tiger salamander such as pre-construction surveys to determine if these species are present and implementing minimization measures to minimize construction impacts on these species, if present, and compensating for permanent impacts; requiring implementation of measures to reduce the introduction or spread of invasive species that may degrade habitat for special-status species such as cleaning tools and equipment before entering and leaving worksites, avoiding driving or operating equipment in weed-infested areas, and covering non-active stockpiles; requiring preparation of a Frac-out Contingency Plan and implementation of measures in the Plan to contain and clean-up any frac-outs in waterways to minimize impacts of frac-outs on special-status species and their habitat; requiring implementation of noise controls for construction equipment to reduce noise impacts on special-status wildlife species; and requiring measures to minimize light spillover outside of the construction area to minimize construction lighting impacts on special-status wildlife species. The CPUC has imposed

Mitigation Measures 4.6-1a through 4.6-1q, 4.14-1b, and 4.14-2 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.6-2: Result in substantial adverse effects on riparian habitat, critical habitat, or other sensitive natural communities during construction.

a. Impact: Construction of the entire Project has the potential to temporarily impact up to 23 acres and permanently impact up to 1 acre of central dune scrub, temporarily impact up to 0.2 acre and permanently impact up to 0.06 acre of northern coastal scrub, temporarily impact up to 11 acres of central maritime chaparral, temporarily impact up to 0.7 acre and permanently impact up to 0.04 acre of oak woodland, temporarily impact up to 0.06 acre of freshwater marsh, and temporarily impact up to 1.3 acre of riparian woodland and scrub. Overall, construction of the Project would temporarily impact up to 35 acres and permanently impact up to 1 acre of environmentally sensitive habitat areas (ESHA). Impacts on riparian and critical habitat, and other sensitive natural communities during construction would be significant.

b. Mitigation: See Impact 4.6-1, above, for a description of Mitigation Measures 4.6-1a through 4.6-1d, and 4.6-1n though 4.6-1q.

   In accordance with Mitigation Measure 4.6-2a, parts of the project area that occur within the Coastal Zone would require a Coastal Development Permit. Prior to the initiation of ground-disturbing activities CalAm shall consult with the CCC or local jurisdiction and obtain the necessary permit(s) in order to proceed with the Project. The CCC or local agency would authorize the project if it conforms to ESHA policies or other policies of the Coastal Act.

   In accordance with Mitigation Measure 4.6-2b, CalAm and/or its construction contractor(s) shall implement avoidance, minimization, and compensation measures for sensitive natural communities, the special-status species that utilize these sensitive communities, ESHA as defined by the California Coastal Commission (CCC) or in a local coastal plan (LCP), and primary habitat as defined in the City of Marina's Local Coastal Land Use Plan (LCLUP). Compensatory mitigation for permanent loss from periodic maintenance of the subsurface slant wells shall only be applied once and would not be applied for each five-year maintenance event.

c. Findings: Implementation of Mitigation Measures 4.6-1a through 4.6-1d, 4.6-1n through 4.6-1q, and 4.6-2a and 4.6-2b would reduce impacts on sensitive natural communities, critical habitat and ESHA to a less-than-significant level by designating a lead biologist to oversee and ensure implementation of sensitive natural community protective measures; requiring worker training regarding sensitive natural communities potentially present to ensure that workers are aware of sensitive natural communities that occur in the project area and the measures to be implemented to avoid, minimize, and/or mitigate impacts; requiring general measures such as staking or flagging the construction area to ensure work is restricted to the construction footprint and avoids adjacent sensitive natural communities and other measures to avoid and minimize impacts on sensitive natural communities; requiring specific measures to avoid, minimize, and compensate for impacts on the western snowy plover such as avoiding the breeding season, installing a visual construction barrier

for work conducted adjacent to breeding habitat during the breeding season to reduce human disturbance to plovers, conducting pre-construction surveys to determine if plovers are present and implementing minimization measures to minimize construction impacts on plovers, if present, and compensating for habitat loss to mitigate for temporary and permanent loss of habitat; requiring specific measures to avoid and minimize impacts on special-status plants such as avoiding individual plants to the extent feasible and compensating for temporary or permanent loss of special-status plants at a level acceptable to the applicable resource agencies; developing and implementing a mitigation and monitoring plan for temporarily and permanently impacted sensitive habitats to ensure that temporary and permanent losses are fully compensated as required; requiring measures to avoid and minimize impacts on California red-legged frog and California tiger salamander such as pre-construction surveys to determine if these species are present and implementing minimization measures to minimize construction impacts on these species, if present, and compensating for permanent impacts; requiring implementation of measures to reduce the introduction or spread of invasive species that may degrade sensitive habitat such as cleaning tools and equipment before entering and leaving worksites, avoiding driving or operating equipment in weed-infested areas, and covering non-active stockpiles; requiring preparation of a Frac-out Contingency Plan and implementation of measures in the Plan to contain and clean-up any frac-outs in waterways to minimize impacts of frac-outs on sensitive habitat; ensuring the Project conforms to ESHA policies; and requiring measures to avoid and minimize impacts on sensitive natural communities such as requiring that staging areas are located away from sensitive communities to minimize project impacts to these resources and compensating for loss of habitat. The CPUC has imposed Mitigation Measures 4.6-1a through 4.6-1d, 4.6-1n through 4.6-1, and 4.6-2a and 4.6-2b on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.6-3: Result in substantial adverse effects on federal wetlands, federal other waters, and/or waters of the State during construction.

a. Impact: Construction of the Project has the potential to temporarily impact up to 1.6 acre of federal wetlands, federal other waters, and/or waters of the state as a result of placement of fill, removal of a water/wetland feature, and/or the potential for construction activities or construction worker foot traffic to extend beyond the designated construction work area. Impacts on federal wetlands, federal other waters, and/or waters of the State during construction would be significant.

b. Mitigation: See Impact 4.6-1, above, for a description of Mitigation Measures 4.6-1a through 4.6-1c, and 4.6-1q.

   In accordance with Mitigation Measure 4.6-3, CalAm shall conduct a jurisdictional wetland delineation to determine the extent of waters of the U.S. and waters of the state within the Project component's footprints and anticipated construction disturbance area. The Project shall be designed to avoid and/or minimize direct impacts on wetlands and/or waters under the jurisdiction of the U.S. Army Corps of Engineers, RWQCB, California Department of Fish and Wildlife, and/or the CCC to the extent feasible. Horizontal Directional Drilling or other trenchless or above water methods will be used at all pipeline crossings of wetlands and other waters of the U.S. and of the state, except some small order seasonal or ephemeral drainages which

do not support riparian woodland, riparian scrub, marsh or other wetland vegetation, and which would be crossed during the dry season in the absence of flow or standing water.

Where disturbance to jurisdictional waters cannot be avoided, any temporarily impacted jurisdictional water shall be restored to pre-construction conditions or better at the end of construction. Compensation for permanent impacts shall be provided at a 2:1 or greater ratio. Compensation shall be detailed on a project-specific basis and shall include development of a Wetland Mitigation and Monitoring Plan (WMMP), which shall be developed prior to the start of construction and in coordination with permit applications and/or conditions. Alternatively, offsite mitigation credits may be purchased at an approved mitigation bank; if no banks are available, then alternative mitigation may be achieved through payment of in-lieu fees.

c. Findings: Implementation of Mitigation Measures 4.6-1a through 4.6-1c, 4.6-1q, and 4.6-3 would reduce impacts on waters of the U.S. and/or waters of the state to a less-than-significant level by designating a lead biologist to oversee and ensure implementation of protective measures for jurisdictional waters; requiring worker training regarding jurisdictional waters potentially present to ensure that workers are aware of jurisdictional waters that occur in the Project area and the measures to be implemented to avoid, minimize, and/or mitigate impacts; requiring general measures such as staking or flagging the construction area to ensure work is restricted to the construction footprint and avoids adjacent jurisdictional waters and other measures to avoid and minimize impacts on jurisdictional waters; requiring preparation of a Frac-out Contingency Plan and implementation of measures in the Plan to contain and clean-up any frac-outs in waterways to minimize impacts of frac-outs on special-status species and their habitat; and requiring the Project to be designed to avoid and/or minimize direct impacts on jurisdictional waters to the extent feasible, using HDD or other trenchless methods to install pipeline underneath wetlands or waters (with some exceptions), and compensating for loss of jurisdictional waters. The CPUC has imposed Mitigation Measures 4.6-1a through 4.6-1c, 4.6-1q, and 4.6-3 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.6-5: Introduce or spread an invasive non-native species during construction.

a. Impact: Project construction activities could contribute to the spread of invasive plants and/or introduce new invasive plants to the Project area or adjacent lands with native plant communities through earth moving, transport of vehicles, equipment and materials, and unanticipated sediment dispersal during rain events, which would be a significant impact.

b. Mitigation: See Impact 4.6-1, above, for a description of Mitigation Measures 4.6-1a and 4.6-1p.

c. Findings: Implementation of Mitigation Measures 4.6-1a and 4.6-1p would reduce impacts to less than significant by designating a lead biologist to oversee and ensure implementation of special-status species and sensitive natural community protective measures and requiring implementation of measures, such as cleaning tools and equipment, to reduce the introduction or spread of invasive species. The CPUC has

imposed Mitigation Measures 4.6-1a and 4.6-1p on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.6-6: Result in substantial adverse effects on candidate, sensitive, or special-status species during project operations.

a. Impact: Periodic maintenance of the subsurface slant wells (approximately once every 5 years) would result in approximately 1 to 2 acres of ground disturbance in the CEMEX active mining area. Several special-status species have potential to occur within central dune scrub in the immediate vicinity of the subsurface slant wells. Disturbance in this area may preclude western snowy plovers from nesting in this location in the future. Therefore, this would be a permanent loss of up to 2 acres of western snowy plover habitat, which includes a mix of relatively undisturbed central dune scrub, formerly disturbed sand dunes that are revegetating with native and non-native dune scrub vegetation, and unvegetated disturbed sandy soil in actively mined areas, which would be a significant impact (in addition to the 1 acre of permanent loss identified in Impact 4.6-1). Maintenance activities have potential to impact up to approximately 1.6 acre of Smith's blue butterfly habitat, which would be a significant impact.

   The salinity of the brine in the Project brine storage basin is expected to range between 57 and 58 parts per thousand (ppt; Flow Science, Inc., 2014). Waterfowl using the brine storage basin over long periods of time could become sick or die from salt toxicosis. Although it is unlikely that many birds would become sick or die at the brine storage basin annually, over the life of the Project, some migratory waterfowl could become sick or die from use of the brine storage basin, which is a significant impact.

   Minimal nighttime lighting would be used at the Carmel Valley Pump Station for security. As the Carmel Valley Pump Station is located in the vicinity of the Carmel River riparian corridor, which provides habitat for migratory birds and bats, the new lighting would introduce a new source of substantial light to the area that could impact migratory birds or bats by causing them to abandon their nests or roosts, which is a significant impact.

   Noise from upgraded pumps at the Main System-Hidden Hills Interconnection Improvements would substantially increase noise levels. Substantial increases in the ambient noise level could adversely affect special-status wildlife within 50 feet of the booster stations, which would be a significant impact.

b. Mitigation: See Impact 4.6-1, above, for a description of Mitigation Measures 4.6-1a through 4.6-1g, 4.6-1i, 4.6-1n, and 4.6-1p.

   In accordance with Mitigation Measure 4.6-6, Bird deterrents (such as reflective flagging, whistles, or a falconer) shall be utilized at the Brine Storage Basin. The type of bird deterrent shall be determined by the lead biologist and shall be modified if, through monitoring, the bird deterrents are either not sufficient at deterring birds from the Brine Storage Basin or pose a risk to wildlife.

   See Impact 4.12-1 in Section 4.12, Noise and Vibration, below, for a description of Mitigation Measure 4.12-1b.

See Impact 4.12-5 in Section 4.12, Noise and Vibration, below, for a description of Mitigation Measure 4.12-5.

See Impact 4.14-2 in Section 4.14, Aesthetic Resources, below, for a description of Mitigation Measure 4.14-2.

c. Findings: Implementation of Mitigation Measures 4.6-1a through 4.6-1g, 4.6-1i, 4.6-1n, 4.6-1p, 4.6-6, 4.12-5, and 4.14-2 would reduce impacts on special-status species from Project operations to a less-than-significant level by designating a lead biologist to oversee and ensure implementation of special-status species protective measures; requiring worker training regarding special-status species potentially present to ensure that workers are aware of special-status species that occur in the Project area and the measures to be implemented to avoid, minimize, and/or mitigate impacts; requiring general measures such as installation of an exclusion fencing to ensure special-status species do not occur within the construction area, a trash abatement program to ensure special-status species predators are not attracted to the site, and other measures to avoid and minimize impacts on special-status species; requiring specific measures to avoid, minimize, and compensate for impacts on the western snowy plover such as avoiding the breeding season, installing a visual construction barrier for work conducted adjacent to breeding habitat during the breeding season to reduce human disturbance to plovers, conducting pre-construction surveys to determine if plovers are present and implementing minimization measures to minimize construction impacts on plovers, if present, and compensating for habitat loss to mitigate for temporary and permanent loss of habitat; requiring specific measures to avoid and minimize impacts on special-status plants such as avoiding individual plants to the extent feasible and compensating for temporary or permanent loss of special-status plants at a level acceptable to the applicable resource agencies; requiring specific measures to avoid and minimize impacts on Smith's blue butterfly such as avoiding host plants to the extent feasible to avoid impacts to individuals, relocating host plants, duff, and/or soil that cannot be avoided, and providing compensatory mitigation for permanent impacts; requiring specific measures to avoid and minimize impacts on black legless lizard, silvery legless lizard, and coast horned lizard such as relocating individuals to areas outside of the construction area to avoid injury or mortality from construction; requiring specific measures to avoid and minimize impacts on nesting birds such as limiting construction to the non-nesting season when feasible to avoid impacts to active nests and requiring a no-disturbance buffer around active nests if work is scheduled during the nesting season; developing and implementing a mitigation and monitoring plan for temporarily and permanently impacted sensitive habitats to ensure that temporary and permanent losses are fully compensated as required; requiring implementation of measures to reduce the introduction or spread of invasive species that may degrade habitat for special-status species such as cleaning tools and equipment before entering and leaving worksites, avoiding driving or operating equipment in weed-infested areas, and covering non-active stockpiles; discouraging migratory waterfowl from using the Brine Storage Basin via reflective flagging, whistles, or a falconer; requiring implementation of noise controls for construction equipment to reduce noise impacts on special-status wildlife species; ensuring that noise levels are maintained no greater than 5 dBA above existing monitored ambient values to reduce noise impacts on special-status wildlife species; and requiring use of low-intensity lighting and that light be shielded or directed downward to prevent light spillage into adjoining areas where special-status wildlife species may occur. The CPUC has imposed Mitigation Measures 4.6-1a through 4.6-

1g, 4.6-1i, 4.6-1n, 4.6-1p, 4.6-6, 4.12-5, and 4.14-2 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.6-7: Result in substantial adverse effects on riparian habitat, critical habitat, or other sensitive natural communities during project operations.

a. Impact: Maintenance of the slant wells would be required approximately every 5 years and would disturb a total of 1 to 2 acres of central dune scrub and areas that are currently actively disturbed for sand mining activities. This disturbance area includes relatively undisturbed central dune scrub, formerly disturbed sand dunes that are revegetating with native and non-native dune scrub vegetation, and unvegetated disturbed sandy soil areas. Disturbance every 5 years would keep these sites in a permanent state of recovery from disturbance and dune scrub vegetation would not be allowed to mature, which would be a significant impact. The site is in the coastal zone and the entire maintenance area would likely be considered primary habitat under the City of Marina LCLUP and ESHA by the CCC. Impacts to central dune scrub and primary habitat/ESHA would be potentially significant.

   Slant well maintenance at well Site 1 could indirectly impact western snowy plover critical habitat if worker foot traffic extends beyond the designated construction work area, if trash and debris is left behind following construction, and/or if invasive plant species are introduced or spread at the site. Indirect impacts on critical habitat would be significant.

b. Mitigation: See Impact 4.6-1, above for a description of Mitigation Measures 4.6-1a through 4.6-1d, 4.6-1n, and 4.6-1p.

   See Impact 4.6-2, above, for a description of Mitigation Measures 4.6-2a and 4.6-2b.

c. Findings: Implementation of Mitigation Measures 4.6-1a through 4.6-1d, 4.6-1n, 4.6-1p, 4.6-2a, and 4.6-2b would reduce impacts on sensitive natural communities, critical habitat and ESHA to a less-than-significant level by designating a lead biologist to oversee and ensure implementation of sensitive natural community protective measures; requiring worker training regarding sensitive natural communities potentially present to ensure that workers are aware of sensitive natural communities that occur in the project area and the measures to be implemented to avoid, minimize, and/or mitigate impacts; requiring general measures such as staking or flagging the construction area to ensure work is restricted to the construction footprint and avoids adjacent sensitive natural communities and other measures to avoid and minimize impacts on sensitive natural communities; requiring specific measures to avoid, minimize, and compensate for impacts on the western snowy plover such as avoiding the breeding season, installing a visual construction barrier for work conducted adjacent to breeding habitat during the breeding season to reduce human disturbance to plovers, conducting pre-construction surveys to determine if plovers are present and implementing minimization measures to minimize construction impacts on plovers, if present, and compensating for habitat loss to mitigate for temporary and permanent loss of habitat; requiring specific measures to avoid and minimize impacts on special-status plants such as avoiding individual plants to the extent feasible and compensating for temporary or permanent loss of special-status plants at a level acceptable to the applicable resource agencies; requiring implementation of measures to reduce the introduction or spread of

invasive species that may degrade sensitive habitat such as cleaning tools and equipment before entering and leaving worksites, avoiding driving or operating equipment in weed-infested areas, and covering non-active stockpiles; ensuring the Project conforms to ESHA policies; and requiring measures to avoid and minimize impacts on sensitive natural communities such as requiring that staging areas are located away from sensitive communities to minimize Project impacts to these resources and compensating for loss of habitat. The CPUC has imposed Mitigation Measures 4.6-1a through 4.6-1d, 4.6-1n, 4.6-1p, 4.6-2a, and 4.6-2b on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.6-8: Result in substantial adverse effects on federal wetlands, federal other waters, and waters of the State during project operations.

a. Impact: Maintenance activities of the subsurface slant wells would not occur in potential waters of the U.S./waters of the state. However, the CEMEX settling ponds, potentially waters of the U.S./waters of the state, are located approximately 50 feet from the slant well Site 1. Due to proximity, construction crews could inadvertently impact wetlands by walking or driving through them during maintenance, which would be a significant impact.

b. Mitigation: See Impact 4.6-1, above, for a description of Mitigation Measures 4.6-1a through 4.6-1c.

c. Findings: Implementation of Mitigation Measures 4.6-1a through 4.6-1c would reduce impacts on waters of the U.S. and/or waters of the state to a less-than-significant level by designating a lead biologist to oversee and ensure implementation of jurisdictional waters protective measures; requiring worker training regarding jurisdictional waters potentially present to ensure that workers are aware of jurisdictional waters that occur in the Project area and the measures to be implemented to avoid, minimize, and/or mitigate impacts; requiring general measures such as staking or flagging the construction area to ensure work is restricted to the construction footprint and avoids adjacent jurisdictional waters and other measures to avoid and minimize impacts on jurisdictional waters. The CPUC has imposed Mitigation Measures 4.6-1a through 4.6-1c on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.6-9: Introduce or spread an invasive non-native species during Project operations.

a. Impact: Periodic maintenance activities at the subsurface slant wells would include ground disturbance, which could contribute to the spread of invasive plants and/or introduce new invasive plants to the project area or adjacent lands with native plant communities through earth moving, transport of vehicles, equipment and materials, and unanticipated sediment dispersal during rain events, which would be a significant impact.

b. Mitigation: See Impact 4.6-1, above, for a description of Mitigation Measures 4.6-1a and 4.6-1p.

c. Findings: Implementation of Mitigation Measures 4.6-1a and 4.6-1p would reduce impacts from the introduction or spread of invasive species to a less than significant

level by designating a lead biologist to oversee and ensure implementation of special-status species and sensitive natural community protective measures and requiring implementation of measures, such as cleaning tools and equipment, to reduce the introduction or spread of invasive species. The CPUC has imposed Mitigation Measures 4.6-1a and 4.6-1p on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.6-10: Be inconsistent with the provisions of an adopted Habitat Conservation Plan, natural community conservation plan, or other approved local, regional, or state habitat conservation plan during construction or operations.

a. Impact: The new Transmission Main would pass through the HMP's Caltrans State Route 1 Area within the Development with Reserve Areas or Development with Restrictions category. The management requirements for these parcels specify that in conjunction with any transportation work conducted by Caltrans, Caltrans will restore and enhance native coastal strand, dune scrub, and sand hill maritime chaparral habitats in the road shoulders and medians in areas that will not conflict with anticipated highway expansion, improvements, operations, or maintenance. Even though the HMP only describes the potential for Caltrans transportation in this corridor, for the purpose of this analysis, we assume that the intent of the measure was to ensure that any projects that temporarily disturbed native habitat would restore and enhance these areas following construction. Construction of the new Transmission Main would temporarily impact central dune scrub habitat, which would be inconsistent with the HMP, which is a significant impact.

b. Mitigation: See Impact 4.6-1, above, for a description of Mitigation Measures 4.6-1a and 4.6-1n.

   See Impact 4.6-2, above, for a description of Mitigation Measure 4.6-2b.

c. Findings: Implementation of Mitigation Measures 4.6-1a, 4.6-1n, and 4.6-2b would ensure that the Project is not inconsistent with the provisions of an adopted Habitat Conservation Plan, natural community conservation plan, or other approved local, regional, or state habitat conservation plan and would reduce potential impacts to a less-than-significant level. These measures would reduce impacts by designating a lead biologist to oversee and ensure implementation of special-status species and sensitive natural community protective measures; developing and implementing a mitigation and monitoring plan for temporarily and permanently impacted sensitive habitats to ensure that temporary and permanent losses are fully compensated as required; and requiring measures to minimize and/or mitigate impacts on sensitive natural communities such as restoration of temporarily impacted sensitive communities, to ensure no net loss of habitat; and ensuring that measures that may be required to be implemented as part of the HMP are implemented for the proposed project. The CPUC has imposed Mitigation Measures 4.6-1a, 4.6-1n, and 4.6-2b on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

4.7 Hazards and Hazardous Materials

Impact 4.7-2: Encountering hazardous materials from other hazardous materials release sites during construction.

a. Impact: The Project involves excavation, trenching, and grading for the construction of water conveyance pipelines, building footings, and utilities. Some sites with known soil and/or groundwater contamination are located within 0.25 mile of Project facilities and may have affected subsurface conditions at various locations along the Project area. In addition, although previous site cleanup activities have remediated known contamination at some sites, it is still possible that undiscovered contamination may be present, given the land use history in the Project area. Soil disturbance during construction could further disperse existing contamination into the environment and expose construction workers and the public to contaminants. If substantial hazardous materials are present in excavated soils, health and safety risks to workers and the public could occur. Such risks could occur from stockpiling, handling, or transportation of soils that have been contaminated by hazardous materials from previous spills or leaks. The dewatering of contaminated groundwater could also present risks to public health and safety, and the environment, if the contaminated groundwater (i.e., dewatering effluent) is not handled properly. The potential for contaminated soil and groundwater to be released into the environment during Project construction would be considered a significant impact.

b. Mitigation: In accordance with Mitigation Measure 4.7-2a, the construction contractor shall prepare and implement a site-specific Health and Safety Plan as required by and in accordance with 29 CFR 1910.120 to protect construction workers and the public during all excavation and grading activities. This plan shall be submitted to the CPUC for review prior to commencement of construction. The plan shall designate a site safety and health supervisor, include a summary of all potential risks to construction workers, specify personal protective equipment and decontamination procedures, include emergency procedures, and procedures to be followed in the case of potential soil or groundwater contamination.

   In accordance with Mitigation Measure 4.7-2b, CalAm or its contractor will develop a groundwater dewatering control and disposal plan specifying how contaminated groundwater (dewatering effluent), if encountered, will be handled and disposed of in a safe, appropriate and lawful manner. The plan must identify the locations at which groundwater dewatering is likely to be required, 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 will 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 a publicly owned treatment works such as the MRWPCA Regional Wastewater Treatment Plant.

c. Findings: Implementation of Mitigation Measures 4.7-2a and 4.7-2b will reduce Impact 4.7-2 to a less-than-significant level by requiring that construction contractors prepare a health and safety plan in accordance with Cal OSHA regulations and

requiring construction contractors to comply with all relevant environmental regulations and plan appropriately for the safe and lawful handling and disposal of excavated soil and groundwater, when encountered. The CPUC has imposed Mitigation Measures 4.7-2a and 4.7-2b on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.7-C: Cumulative impacts related to Hazards and Hazardous Materials.

a. Impact: The Project would result in a significant impact resulting from the potential release of or exposure to hazardous materials in soil or groundwater that could have a significant contribution to a potentially significant cumulative impact resulting from such releases from more than one project.

b. Mitigation: See Impact 4.7-2, above, for a description of Mitigation Measures 4.7-2a and 4.7-2b.

c. Findings: Implementation of Mitigation Measures 4.7-2a and 4.7-2b would reduce significant cumulative impacts associated with the release of hazardous materials during construction to a less-than-significant level by requiring that construction contractors prepare a health and safety plan in accordance with Cal OSHA regulations that protects workers and the public by outlining potential risks, required personal protective equipment, decontamination procedures, and emergency procedures and by requiring construction contractors to comply with all relevant environmental regulations and plan appropriately for the safe and lawful handling and disposal of excavated soil and groundwater, when encountered. The CPUC has imposed Mitigation Measures 4.7-2a and 4.7-2b on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

4.8 Land Use, Land Use Planning, and Recreation

Impact 4.8-2: Disrupt or preclude public access to or along the coast during construction.

a. Impact: Construction of the new Transmission Main would impede access to vertical and lateral public accessways within Fort Ord Dunes State Park. Pipeline construction activities would progress at a rate of 150 to 250 feet per day. Construction-period impacts at park entrances would typically be limited to a period of one or two weeks. Temporary closures of these entrances would affect access into the Park at specific locations.

b. Mitigation: See Impact 4.9-1 in Section 4.9, Traffic and Transportation, below, for a description of Mitigation Measure 4.9-1.

c. Findings: Implementation of Mitigation Measure 4.9-1 would reduce Impact 4.8-2 to a less-than significant level by ensuring that recreational users of Fort Ord Dunes State Park would be informed of the location and duration of construction activities that could cause temporary closures of accessways, and be provided with detour routes for other accessways that would be accessible during construction. The CPUC has imposed Mitigation Measure 4.9-1 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.8-C: Cumulative impacts related to Land Use, Land Use Planning, and Recreation.

a. Impact: Project construction would temporarily obstruct specific Fort Ord Dunes State Parks entry points, and thus disrupt public access to existing vertical and lateral coastal accessways within the park. The Fort Ord Dunes Campground project is the only cumulative project whose effects could combine with those of the Project to further impact coastal public access within the park. The implementation schedule remains unknown. However, if the two projects were constructed at the same time or in sequence, the duration of disruption to Beach Range Road access and the Divarty Street/1st Street access points could be extended. The impacts of the Project would be temporary, limited to the construction phase, and affected areas would thereafter be returned to their approximate pre-construction condition. During the construction period, alternative access entry points into the park would remain open, and vertical and lateral access within the park would not be impacted; however, the cumulative impact resulting from more than one project affecting coastal public access would be significant.

b. Mitigation: See Impact 4.9-1 in Section 4.9, Traffic and Transportation, below, for a description of Mitigation Measure 4.9-1.

c. Findings: Implementation of Mitigation Measure 4.9-1 would reduce the significant cumulative impact associated with coastal public access during construction to a less-than-significant level by requiring that signage be posted in advance of and during construction to notify bicyclists and pedestrians of construction activity and advise them about detour routes and construction schedules. The CPUC has imposed Mitigation Measure 4.9-1 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

4.9 Traffic and Transportation

Impact 4.9-1: Temporary traffic increases on regional and local roadways due to construction-related vehicle trips.

a. Impact: Project-related construction activities would result in a temporary increase in traffic from construction workers and trucks traveling to and from the construction work areas. Although the estimated maximum increase in traffic along regional roadways would remain within the carrying capacities of the regional roadways and would not substantially affect traffic flow, construction-related traffic increases along local and neighborhood (residential) streets could result in adverse traffic conditions. This would be a potentially significant impact.

b. Mitigation: In accordance with Mitigation Measure 4.9-1, CalAm and/or its construction contractor shall obtain and comply with all necessary encroachment permits prior to construction. A traffic engineer shall prepare a traffic control and safety assurance plan that includes measures that would provide for continuity of vehicular, pedestrian, and bicyclist traffic; 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 that safe and convenient access, including recreation and coastal, would be maintained. The plan shall include circulation and detour plans to minimize impacts on local streets; installation of traffic control devices where warranted;

scheduling truck trips outside of peak morning and evening commute hours to minimize adverse impacts on traffic flow; posting detour signs along affected roadways to notify motorists of alternative routes; providing safe detours to reroute affected bicycle/pedestrian traffic; posting signage along all potentially affected recreational trails and coastal access points; Class I, II, and II bicycle routes; and pedestrian pathways, including the Monterey Peninsula Recreational Trail, to warn bicyclists and pedestrians of construction activities; scheduling construction activities to minimize impacts during heavy recreational use periods; implementing a public information program to notify motorists, bicyclists, nearby residents, and adjacent businesses of the impending construction activities; storing all equipment and materials in designated contractor staging areas; maintaining alternate one-way traffic flow past the construction zone where possible; limiting lane closures during peak hours; restoring roads and streets to normal operation by covering trenches with steel plates; providing warning signs and speed control devices to achieve required speed reductions for safe traffic flow through the work zone; maintaining access for emergency vehicles at all times; coordinate with police and fire stations, transit stations, hospitals, and schools and 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; developing a school traffic and pedestrian safety plan to minimize adverse impacts associated with truck trips and lane closures; avoiding truck trips through designated school zones during the school drop-off and pickup hours; 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; and coordinating with Monterey-Salinas Transit so the transit provider can temporarily relocate bus stops in work zones as deemed necessary.

c. Findings: Implementation of Mitigation Measure 4.9-1 would reduce traffic impacts to regional and local roadways during construction to a less-than-significant level by requiring that CalAm or its contractors develop project-specific circulation and detour plans to reduce traffic congestion. The CPUC has imposed Mitigation Measure 4.9-1 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.9-2: Temporary reduction in roadway capacities and increased traffic delays during construction.

a. Impact: The Project would include installation of approximately 21 miles of new pipelines. Pipeline installation would generally be accomplished using conventional open-trench methods. Depending on the final pipeline alignments, where construction would occur in vehicle travel lanes or the adjacent road shoulder, temporary lane closures and/or detours could be needed to accommodate the construction zone. All pipelines could require construction within or adjacent to vehicle travel lanes and could require temporary lane closures and/or detours. Impacts on roadway capacities and traffic flow related to pipeline installation are considered to be potentially significant for all proposed pipelines.

b. Mitigation: See Impact 4.9-1, above, for a description of Mitigation Measure 4.9-1.

c. Findings: Implementation of Mitigation Measure 4.9-1 would reduce Impact 4.9-2 to a less-than-significant level by creating a traffic control plan that would include measures to minimize adverse effects of roadway construction and detours, thereby relieving temporary conflicts with reduced road capacity or increased traffic delays during construction. The CPUC has imposed Mitigation Measure 4.9-1 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.9-3: Increased traffic safety hazards for vehicles, bicyclists, and pedestrians on public roadways during construction.

a. Impact: Construction vehicles travelling to and from the Project area would share the roadways with other vehicles, and during construction bicyclists and pedestrians could be required to enter the adjacent road shoulder or use other temporary detours to circumvent construction work areas. Potential increases in traffic safety hazards during project construction would be a potentially significant impact.

b. Mitigation: See Impact 4.9-1, above, for a description of Mitigation Measure 4.9-1.

c. Findings: Implementation of Mitigation Measure 4.9-1 would reduce Impact 4.9-3 to a less-than-significant level by creating a traffic control plan that would include measures to minimize safety hazards for vehicles, bicyclists, and pedestrians during temporary construction activities along roadways, pedestrian pathways, recreation trails, and bicycle routes. The CPUC has imposed Mitigation Measure 4.9-1 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.9-4: Impaired emergency access during construction.

a. Impact: Pipeline installation activities could require construction within vehicle travel lanes and road shoulders. Temporary reductions in travel lanes and roadway capacity to accommodate the construction work areas could result in delays for emergency vehicles. Trenching and paving along roadways during pipeline installation could also disrupt emergency vehicle access to adjacent land uses. This impact is a potentially significant impact.

b. Mitigation: See Impact 4.9-1, above, for a description of Mitigation Measure 4.9-1.

c. Findings: Implementation of Mitigation Measure 4.9-1 would reduce Impact 4.9-4 to a less-than-significant level by creating a traffic control plan that would include measures to maintain access for emergency vehicles at all times during construction and to coordinate with and provide advance notification to local emergency responders regarding the timing, location, and duration of construction activities that could affect the movement of emergency vehicles on area roadways. The CPUC has imposed Mitigation Measure 4.9-1 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.9-5: Temporary disruptions to public transportation, bicycle, and pedestrian facilities during construction.

a. Impact: Construction activities within or adjacent to vehicle travel lanes could disrupt access to bus stops operated by Monterey-Salinas Transit, require that bus stops be temporarily relocated, and/or conflict with bicycle traffic along roads with designated bike lanes. Pipeline installation activities along the Monterey Peninsula Recreational Trail could conflict with bicycle and pedestrian traffic. Construction-related impacts on alternative transportation modes and facilities during pipeline installation activities would be potentially significant.

b. Mitigation: See Impact 4.9-1, above, for a description of Mitigation Measure 4.9-1.

c. Findings: Implementation of Mitigation Measure 4.9-1 would reduce Impact 4.9-5 to a less-than-significant level by creating a traffic control plan that would include measures to minimize adverse impacts to public transportation, bicycle, and pedestrian facilities during construction by providing safe access and detours for affected bicycle and pedestrian traffic; scheduling construction to minimize impacts to recreational facilities; creating a public information program that would notify the public about impending construction activities; and coordinating with the MST to provide temporary relocation of bus stops in work zones. The CPUC has imposed Mitigation Measure 4.9-1 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.9-6: Increased wear-and-tear on the designated haul routes used by construction vehicles.

a. Impact: The use of trucks to transport equipment and material to and from the construction work areas could affect road conditions on the designated haul routes by increasing the rate of road wear. The degree to which this impact would occur depends on the roadway design (pavement type and thickness) and the existing condition of the road. Some of the smaller roadways and residential streets may not have been constructed to support use by heavy construction trucks and vehicles, and Project-related increases in construction truck trips could cause excessive wear-and-tear on these roadways, which is a potentially significant impact.

b. Mitigation: In accordance with Mitigation Measure 4.9-6, prior to commencing project construction, CalAm and the affected jurisdiction(s) shall enter into an agreement detailing the preconstruction condition of all major project-related construction access and haul routes, in addition to any appropriate post-construction roadway rehabilitation requirements (e.g., who would make the roadway repair, and by when). Temporary detour routes may also be included in the inventory of preconstruction road conditions, if appropriate. The construction routes identified in the rehabilitation program must be consistent with those identified in the construction traffic control and safety assurance plan developed under Mitigation Measure 4.9-1. Roads damaged by Project-related construction vehicles shall be repaired to a structural condition equal to that which existed prior to construction activities. CalAm shall be responsible for paying for all repairs needed to fix the damage caused by Project-related construction vehicles.

c. Findings: Implementation of Mitigation Measure 4.9-6 would reduce Impact 4.9-6 to a less-than-significant level by ensuring that roadways and haul routes that are damaged by Project-related construction are repaired to a structural condition equal to that which existed prior to construction activities. The CPUC has imposed Mitigation Measure 4.9-6 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.9-7: Parking interference during construction.

a. Impact: Provision of staging areas in publicly used parking lots would result in potentially significant parking impacts due to temporary increases in parking demand associated with construction worker vehicles and/or temporary displacement of parking spaces in publicly used parking lots for staging areas (off-street).

b. Mitigation: In accordance with Mitigation Measure 4.9-7, prior to commencing Project construction, the construction contractor(s) shall coordinate with the affected jurisdictions (i.e., Monterey County, Cal State Monterey, and the cities of Marina and Seaside), and affected parties (i.e., the Walmart Superstore at 150 Beach Road), to design the staging areas to avoid or minimize parking impacts in the publicly used parking lots.

c. Findings: Implementation of Mitigation Measure 4.9-7 would reduce Impact 4.9-7 to a less-than-significant level by ensuring that publicly used parking lots are either avoided when designing and planning staging areas, or that parking impacts in public parking lots that will be used for staging areas would be minimized. The CPUC has imposed Mitigation Measure 4.9-7 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

4.11 Greenhouse Gas Emissions

Impact 4.11-1: Incremental contribution to climate change from GHG emissions associated with the proposed project.

a. Impact: The sum of the 40-year amortized construction GHG emissions and the total net operation emissions that would be associated with the proposed project is approximately 8,365 metric tons CO2e per year. These emissions would exceed the 2,000 metric tons per year significance threshold; therefore, a significant impact would occur, and the Project would be considered to contribute to the primary and secondary adverse effects of climate change, such as increases in global temperatures, global rise in sea level, ocean acidification, impacts on agriculture, changes in disease vectors, and changes in habitat and biodiversity.

b. Mitigation: In accordance with Mitigation Measure 4.11-1, CalAm shall submit a GHG Emissions Reduction Plan to the CPUC prior to the start of construction activities that details the carbon footprint for all operational components of the approved project. The Plan shall include a summary of energy recovery and conservation technologies and conservation technologies available and shall include a commitment by CalAm to incorporate available feasible energy recovery and conservation technologies. CalAm shall ensure that the approved project's operational electricity use results in net zero GHG emissions using the following loading order, based upon physical and economic feasibility:

i. Onsite (solar photovoltaic panels) or local (landfill-gas-to-energy) renewable energy

ii. Off-site renewable energy within California

iii. Procure and retire Renewable Energy Certificates

iv. Procure and retire Carbon Offsets

CalAm shall calculate the project's GHG emissions from operational electricity usage annually. If the CPUC determines that CalAm failed to achieve net zero GHG emissions for the approved project's operational electricity use for a particular year, then the CPUC shall notify CalAm in writing of the exceedance within 45 days of receipt of the documentation submitted by CalAm under this mitigation measure. The notice shall specify the metric tons of GHG emissions that exceeded the net zero obligation. Within 45 days of receipt of this notice, CalAm shall procure and retire Carbon Offsets in an amount at least equivalent to the exceedance, and will submit documentation to the CPUC demonstrating this procurement and retirement.

See Impact 4.18-1 in Section 4.18, Energy Conservation, below, for a description of Mitigation Measure 4.18-1.

c. Findings: Implementation of Mitigation Measures 4.11-1 and 4.18-1 would reduce Impact 4.11-1 to a less-than-significant level by requiring a GHG Emissions Reduction Plan that would include energy recovery and conservation measures that would ensure that the Project's operational electricity use results in net zero GHG emissions, and by requiring a Construction Equipment Efficiency Plan that includes mandatory energy reduction measures. The CPUC has imposed Mitigation Measures 4.11-1 and 4.18-1 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.11-2: Conflict with the Executive Order B-30-15 Emissions Reduction Goal.

a. Impact: GHG emissions associated with the proposed project would exceed the emissions significance threshold, which indicates that implementation of the project would not be consistent with the GHG emission reduction goals for year 2030 identified in Executive Order B-30-15. Therefore, the proposed project would conflict with Executive Order B-30-15 and would result in a potentially significant impact.

b. Mitigation: See Impact 4.11-1, above, for a description of Mitigation Measure 4.11-1.

See Impact 4.18-1 in Section 4.18, Energy Conservation, below, for a description of Mitigation Measure 4.18-1.

c. Findings: Implementation of Mitigation Measures 4.11-1 and 4.18-1 would reduce Impact 4.11-1 to a less-than-significant level by requiring a GHG Emissions Reduction Plan that would include energy recovery and conservation measures that would ensure that the Project's operational electricity use results in net zero GHG emissions, and by requiring a Construction Equipment Efficiency Plan that includes mandatory energy reduction measures. These measures would ensure that the Project meets the conditions of EO B-30-15. The CPUC has imposed Mitigation Measures

4.11-1 and 4.18-1 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.11-3: Conflict with AB 32 Climate Change Scoping Plan.

a. Impact: Via AB 32 Scoping Plan Measure W-3, Water System Energy Efficiency, the California Air Resources Board has set a 20 percent electricity use reduction target from 2006 levels. Although the Desalination Plant designs already include state of the art energy recovery and energy efficient features in place of standard energy saving systems, there may be additional feasible energy reducing features available to further reduce the electrical consumption associated with the project.

b. Mitigation: See Impact 4.11-1, above, for a description of Mitigation Measure 4.11-1.

c. Findings: Implementation of Mitigation Measure 4.11-1 will reduce Impact 4.11-3 to a less-than-significant level by ensuring that the proposed project is operated in an energy-efficient manner to the extent feasible. Although the CPUC cannot substantiate that the proposed project's electricity use would be reduced by 20 percent, pursuant to implementation of Mitigation Measure 4.11-1, the electricity that would supply the project would be generated from renewable energy sources, and/or would otherwise be offset through the procurement of Renewable Energy Certificates and/or retirement of Carbon Offsets. The CPUC has imposed Mitigation Measures 4.11-1 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.11-C: Cumulative impacts related to greenhouse gas emissions.

a. Impact: Because GHG emissions have global climate change implications, the evaluation of GHG emissions impacts is inherently a cumulative impact analysis. Project construction and operations would result in GHG emissions greater than 2,000 metric tons CO2e per year, conflict with Executive Order B-30-15 Emissions Reduction Goal, and conflict with AB 32 Scoping Plan Measures; therefore, the MPWSP would not be considered consistent with the State's GHG reduction goals and the associated impact would have a cumulatively considerable contribution to such a cumulative impact.

b. Mitigation: See Impact 4.11-1, above, for a description of Mitigation Measure 4.11-1.

   See Impact 4.18-1 in Section 4.18, Energy Conservation, below, for a description of Mitigation Measure 4.18-1.

c. Findings: Implementation of Mitigation Measures 4.11-1 and 4.18-1 would reduce the Project's contribution to a cumulative impact to a less-than-significant level by requiring a GHG Emissions Reduction Plan that would include energy recovery and conservation measures that would ensure that the Project's operational electricity use results in net zero GHG emissions, and by requiring a Construction Equipment Efficiency Plan that includes mandatory energy reduction measures. The CPUC has imposed Mitigation Measures 4.11-1 and 4.18-1 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

4.12 Noise and Vibration

Impact 4.12-2: Expose people to or generate noise levels in excess of standards established in the local general plan, noise ordinance, or applicable standards of other agencies during construction.

a. Impact: Construction of the new Desalinated Water Pipeline, Castroville Pipeline, new Transmission Main, ASR Conveyance Pipeline, ASR Recirculation Pipeline, and ASR Pump-to-Waste Pipeline would generate noise levels in excess of local noise level standards. The new Desalinated Water Pipeline and new Transmission Main would exceed the City of Marina's 60-dBA noise level standard for construction noise, a significant impact. In the absence of Project-specific information regarding noise-reduction measures that would be implemented during Project construction, it is conservatively assumed that noise resulting from construction of ASR Conveyance Pipeline, ASR Recirculation Pipeline, and ASR Pump-to-Waste Pipeline would violate Noise Policy B-9 of the Fort Ord Reuse Plan, a significant impact.

b. Mitigation: In accordance with Mitigation Measure 4.12-1b, the constructor contractor(s) shall ensure that construction equipment with internal combustion engines have sound control devices at least as effective as those provided by the original manufacturer. Impact tools shall be hydraulically or electrically powered, when possible, to avoid noise associated with compressed air exhaust from pneumatically powered tools. Where use of pneumatic tools is unavoidable, an exhaust muffler shall be placed on the compressed air exhaust to lower noise levels by up to approximately 10 dBA. External jackets shall be used on impact tools, where feasible, in order to achieve a further reduction of 5 dBA. The construction contractor(s) shall locate staging areas and stationary noise sources as far from nearby receptors as possible, and shall muffle and enclose them in temporary sheds, incorporate noise barriers, or implement other noise control measures to the extent feasible.

   In accordance with Mitigation Measure 4.12-1c, CalAm shall submit a Noise Control Plan for all nighttime pipeline work to the CPUC 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 below 60 dBA L_{eq}.

c. Findings: Implementation of Mitigation Measures 4.12-1b and 4.12-1c would reduce Impact 4.12-2 to a less-than-significant level by requiring that construction contractors implement noise control measures, including temporary sound enclosures, if necessary, to reduce the resultant daytime and nighttime noise levels below 60 dBA; by providing 15 dBA of sound attenuation, which would be sufficient to reduce the impact of sheet pile driving to less than the 85 dBA threshold of the Monterey County Code; by ensuring that construction activities would be consistent with Monterey County General Plan Policy S-7.9 and local plans; and by reducing construction noise levels to comply with Noise Policy B-9 of the Fort Ord Reuse Plan. The CPUC has imposed Mitigation Measures 4.12-1b and 4.12-1c on the

Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.12-3: Exposure of people to or generation of excessive groundborne vibration during construction.

a. Impact: Trenchless construction methods required for construction of the new Desalinated Water Pipeline and new Transmission Main would generate vibration levels above the 0.3 in/sec PPV structural damage threshold at modern buildings if it were to occur within 45 feet of such a structure. Such a condition would only potentially occur at the southern terminus of Marina Drive in the City of Marina where the entry pit would be approximately 45 feet from an existing residential structure, resulting in a vibration level would be 0.27 in/sec PPV. These vibration levels would meet the "strongly perceptible" threshold of 0.1 in/sec PPV, at a distance of 85 feet from sensitive land uses, resulting in a significant impact related to human annoyance, particularly if these operations were to occur during nighttime hours. This would be a significant impact.

b. Mitigation: In accordance with Mitigation Measure 4.12-3, construction practices shall be utilized at the closest sensitive land uses that do not generate vibration levels above 0.1 in/sec PPV by ensuring that vibration monitoring be conducted for the first 500 feet of pipeline construction for each segment to confirm vibration levels do not exceed the above vibration threshold. If vibration levels exceed the limits of this mitigation measure, construction practices shall be modified to use smaller types of construction equipment or excavator-mounted compaction wheels, operate the equipment in a manner to reduce vibration, or use alternate construction methods, (such as use of manual shoring jacks), and monitoring shall continue for an additional 200 feet or until construction practices meet the required vibration levels. Smaller vibratory rollers shall be used to minimize vibration levels during repaving activities where needed to meet vibration limits. Sheet pile driving for trenchless pipeline installation shall be conducted during daytime hours and access pits shall be located greater than 45 feet from standard structures and 80 feet from historic resources.

c. Findings: Implementation of Mitigation Measure 4.12-3 would reduce Impact 4.12-3 to a less-than-significant level by requiring vibration monitoring during pipeline installation, restricting the location of sheet piles, and restricting pile driving to daytime hours in order to reduce vibration levels below structural damage and human annoyance thresholds. The CPUC has imposed Mitigation Measure 4.12-3 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.12-4: Consistency with the construction time limits established by the local jurisdictions.

a. Impact: Portions of the new Desalinated Water Pipeline and the new Transmission Main would be constructed within the City of Marina and within 100 feet of residential uses. The City of Marina's noise ordinance time limits prohibit nighttime construction work if it would be adjacent to residential uses, but does not specify a distance that defines the term adjacent. Conservatively, open trench pipeline construction that would occur within 500 feet of a residence or lodging facility would

exceed 60 dBA and result in a significant impact and is considered to be inconsistent with the noise ordinance.

b. Mitigation: In accordance with Mitigation Measure 4.12-4, open trench pipeline construction work within 500 feet to residential uses or transient lodging shall be restricted to the hours of 7:00 a.m. to 7:00 p.m. (standard time) Monday through Saturday, and 10:00 a.m. to 7:00 p.m. (standard time) on Sundays and holidays. During daylight savings time, construction hours may be extended to 8:00 p.m.

c. Findings: Implementation of Mitigation Measure 4.12-4 would reduce Impact 4.12-4 to a less-than-significant level by ensuring that open trench pipeline construction is conducted in accordance with the City of Marina's construction noise ordinance. The CPUC has imposed Mitigation Measure 4.12-4 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.12-5: Substantial permanent increases in ambient noise levels in the Project vicinity above levels existing without the Project during operations.

a. Impact: Operation of the ASR-5 and ASR-6 Wells and the booster stations that would be upgraded by the Main System-Hidden Hills Interconnection Improvements would generate noise levels above the 5-dBA threshold. This would be a significant permanent noise increase over existing conditions.

b. Mitigation: In accordance with Mitigation Measure 4.12-5, an acoustical engineer shall design stationary-source noise controls and ensure the applicable noise standards are met. At a minimum, all stationary noise sources (e.g., pump station, emergency generators, variable-frequency-drive motors, well heads with motors) shall be located within enclosed structures and with adequate noise screening, as needed, to maintain noise levels to no greater than 5 dBA above the existing monitored ambient values and 60 CNEL, at the property lines of nearby residences and other noise-sensitive receptors. Once the stationary noise sources have been installed, the contractor(s) shall conduct a single long-term (24-hour) monitoring of noise levels to ensure compliance with local noise standards. CalAm shall submit a compliance monitoring report to the CPUC.

c. Findings: Implementation of Mitigation Measure 4.12-5 would reduce Impact 4.12-5 to a less-than-significant by ensuring that sufficient noise insulation or sound-absorbing material is provided to the pump enclosure to provide additional noise attenuation. The CPUC has imposed Mitigation Measure 4.12-5 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

4.13 Public Services and Utilities

Impact 4.13-1: Disrupt or relocate regional or local utilities during construction.

a. Impact: Construction of the Project could damage or interfere with existing water, sewer, stormwater drainage, natural gas, electric, or communication utility service lines. Construction could require the permanent relocation of these utility lines, potentially interrupting service if the relocation could not be avoided. Accidental rupture of or damage to utility lines during project construction could temporarily

disrupt utility services and, in the case of high-risk utilities, such as high-pressure gas pipelines, could result in significant safety hazards for construction workers. For these reasons, impacts on existing utilities and utility services during Project construction would be potentially significant.

b. Mitigation: In accordance with Mitigation Measure 4.13-1a, before excavation begins, CalAm or its contractor(s) shall locate all overhead and underground utility lines that are reasonably expected to be encountered during excavation. The exact location should be determined and highlighted on all construction drawings.

In accordance with Mitigation Measure 4.13-1b, CalAm or its contractor(s) shall coordinate final construction plans, schedule, and specifications with affected utilities. Arrangements shall be made with these entities regarding the appropriate protection, relocation, or temporary disconnection of services. If any interruption of service is required, CalAm or its contractor(s) shall notify residents and businesses in the project corridor of any planned utility service disruption at least 2 working days and up to 14 calendar days in advance, in conformance with county and state standards.

In accordance with Mitigation Measure 4.13-1c, when any excavation is open, the construction contractor(s) shall protect, support, or remove underground utilities as necessary to safeguard employees. The contractor(s) shall provide weekly updates to CalAm and construction workers regarding the planned excavations for the upcoming week and to specify when construction will occur near a high-priority utility.

In accordance with Mitigation Measure 4.13-1d, before commencement of construction, CalAm or its contractor(s) shall develop an emergency response plan that outlines procedures to follow in the event of a leak or explosion and submit a copy to the CPUC and MBNMS.

In accordance with Mitigation Measure 4.13-1e, CalAm or its contractor(s) shall notify local fire departments in advance of any work that is to be performed within or adjacent to a right-of-way that contains a gas utility line, or any time damage to a gas utility line results in a leak or suspected leak, or whenever damage to any utility results in a threat to public safety.

In accordance with Mitigation Measure 4.13-1f, CalAm or its contractor(s) shall promptly contact utility providers to reconnect any disconnected utility lines as soon as it is safe to do so.

c. Findings: Implementation of Mitigation Measures 4.13-1a through 4.13-1f would reduce Impact 4.13-1 to a less-than-significant level by locating and mapping all utilities in the Project area on construction drawings; coordinating with utilities, fire departments, and customers (if affected) regarding planned excavations and/or planned utility disruptions; regular review of safety measures with employees when working near high-priority utilities; and creation of an emergency response plan which outlines procedures to follow in case of a leak or explosion. The CPUC has imposed Mitigation Measures 4.13-1a through 4.13-1f on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.13-2: Exceed landfill capacity or be out of compliance with federal, state, and local statutes and regulations related to solid waste during construction.

a. Impact: Construction of the Project would generate approximately 25,110 cubic yards (37,665 tons) of excess spoils and construction materials that would require transport out of the project area, such as sand, soil, and asphalt. Failure of CalAm's construction contractor(s) to reuse or recycle excavation materials and other construction waste generated during Project construction would conflict with the County's Integrated Waste Management Plan policies, and could also adversely affect the state-mandated diversion rates of the jurisdictions in which construction activities would be located. This would be a significant impact.

b. Mitigation: In accordance with Mitigation Measure 4.13-2, the construction contractor(s) shall prepare and implement a construction waste reduction and recycling plan identifying the types of debris the project will generate and the manner in which those waste streams will be handled. The plan shall be prepared in coordination with the Monterey Regional Waste Management District and be consistent with the California Integrated Waste Management Act of 1989, and Monterey County's Integrated Waste Management Plan. Upon Project completion, CalAm shall collect the receipts from the contractor(s) and submit them to the CPUC as documentation that the waste reduction, recycling, and diversion goals have been met.

c. Findings: Implementation of Mitigation Measure 4.13-2 would reduce Impact 4.13-2 to a less-than-significant level by ensuring that the waste reduction and recycling plan is developed in coordination with the Monterey Regional Waste Management District, and in accordance with state and local waste reduction and recycling policies. The CPUC has imposed Mitigation Measure 4.13-2 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.13-4: Exceed wastewater treatment requirements of the Central Coast RWQCB, or result in a determination by the wastewater treatment provider that it has inadequate treatment or outfall capacity to serve the project.

a. Impact: Brine generated by the Desalination Plant would be discharged to Monterey Bay through the MRWPCA's existing ocean outfall and diffuser. During certain times of the year, particularly during the non-irrigation (wet) season, the brine stream would be blended with treated wastewater effluent from the MRWPCA Regional Wastewater Treatment Plant prior to discharge. The availability of wastewater effluent for blending with the brine is limited during the dry season (irrigation season) and the brine could be discharged without dilution for extended periods. The *Discharge Requirements for the Monterey Regional Water Pollution Control Agency Treatment Plant* [Order No. R3-2014-0013, NPDES Permit No. CA0048551], which regulate discharges from the outfall, would be amended before the Desalination Plant starts operating to incorporate the "brine only" and combined discharges. Both the "brine only" discharges and the combined discharges would comply with Ocean Plan water quality objectives for all assessed constituents. With implementation of the Project, certain constituent concentrations could become elevated under several assessed discharge scenarios to a level that is close to the Ocean Plan standard. Due to gaps in the available water quality data, a compliance determination could not be

made for ten individual constituents; therefore, it is conservatively assumed that an exceedance of Ocean Plan water quality objectives could occur as a result of operational discharges. This would be a significant impact.

b. Mitigation: See Impacts 4.3-4 and 4.3-5 in Section 4.3, Surface Water Hydrology and Water Quality, above, for a description of Mitigation Measures 4.3-4 and 4.3-5.

c. Findings: Implementation of Mitigation Measures 4.3-4 and 4.3-5 would reduce Impact 4.13-4 to a less-than-significant level by requiring CalAm to conduct water quality assessments prior to Project operation and to implement a comprehensive Monitoring and Reporting Plan that is consistent with the Ocean Plan requirements. The CPUC has imposed Mitigation Measures 4.3-4 and 4.3-5 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.13-5: Increased corrosion of the MRWPCA outfall and diffuser as a result of brine discharge associated with project operations.

a. Impact: The Desalination Plant would generate brine that would be conveyed to a brine mixing facility, and then flow through the land and offshore segments of the MRWPCA outfall and diffuser. The land segment of the outfall and the stainless steel WEKO clamps installed inside the offshore portion of the outfall could be susceptible to chloride corrosion from the brine generated by the Desalination Plant, which would be a significant impact.

   Significant secondary impacts from implementation of Mitigation Measure 4.13-5a include temporary impacts associated with limitations to beach access during high tide due to temporary fencing at the construction locations, greenhouse gas emissions and air quality impacts from the potential use of a 5 kW generator, and potential effects on biological resources from beach disturbance.

   Significant secondary impacts from implementation of Mitigation Measure 4.13-5b could result in possible disturbances to roadways, recreational trails, farmland, ranchland, and terrestrial biological resources. Potential effects on air quality and greenhouse gas emissions could also result.

b. Mitigation: In accordance with Mitigation Measure 4.13-5a, prior to operation of the Desalination Plant, CalAm shall protect the offshore segment of the MRWPCA ocean outfall from corrosion by replacing the existing WEKO seal clamps in the nearshore portion of the ocean outfall with new corrosion-resistant clamps. CalAm shall perform annual inspections of the offshore portion of the outfall and diffuser for the first three years of operation. Thereafter, the offshore portion of the outfall shall be inspected every five years.

   In accordance with Mitigation Measure 4.13-5b, prior to operation of the Desalination Plant, CalAm shall line the land segment of the outfall with a protective liner system.

   Secondary impacts from Mitigation Measure 4.13-5a. See Impact 4.9-1 in Section 4.9, Traffic and Transportation, above, for a description of Mitigation Measure 4.9-1. See Impact 4.10-1 in Section 4.10, Air Quality, for a description of Mitigation

Measures 4.10-1a, 1b, and 1c. See Impact 4.11-1 in Section 4.11, Greenhouse Gas Emissions, above, for a description of Mitigation Measure 4.11-1; See Impact 4.18-1 in Section 4.18, Energy Conservation, above, for a description of Mitigation Measure 4.18-1. See Section 4.6, Terrestrial Biological Resources, above, for a description of Mitigation Measures 4.6-1a through 4.6-1g, 4.6-1i, 4.6-1n, 4.6-1p, 4.6-2a, and 4.6-2b. See Impact 4.12-1 in Section 4.12, Noise and Vibration, for a description of Mitigation Measure 4.12-1b. See Impact 4.14-2 in Section 4.14, Aesthetic Resources, for a description of Mitigation Measure 4.14-2.

Secondary impacts from Mitigation Measure 4.13-5b. See Impacts 4.9-1 and 4.9-6 in Section 4.9, Traffic and Transportation, for a description of Mitigation Measures 4.9-1 and 4.9-6, respectively. See Impact 4.16-1 in Section 4.16, Agricultural Resources, for a description of Mitigation Measure 4.16-1. See Section 4.6, Terrestrial Biological Resources, for a description of Mitigation Measures 4.6-1a through 4.6-1j, 4.6-1l, 4.6-1o, 4.6-1p, and 4.6-1n. See Impact 4.10-1 in Section 4.10, Air Quality for a description of Mitigation Measures 4.10-1a, 1b, and 1c. See Impact 4.11-1 in Section 4.11, Greenhouse Gas Emissions, above, for a description of Mitigation Measure 4.11-1; See Impact 4.18-1 in Section 4.18, Energy Conservation, above, for a description of Mitigation Measure 4.18-1.

c. Findings: Implementation of Mitigation Measures 4.13-5a and 4.13-5b would reduce Impact 4.13-5 to a less-than-significant level by installing corrosion resistant WEKO seal clamps and a corrosion-resistant liner to offshore and land segments of the MRWPCA outfall before operation of the Desalination Plant. This would ensure that outfall components that may be susceptible to corrosion would be protected before accepting brine. The CPUC has imposed Mitigation Measures 4.13-5a and 4.13-5b on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Implementation of Mitigation Measure 4.9-1 would reduce the secondary impact of Mitigation Measure 4.13-5a to a less-than-significant level by notifying recreational users of construction activities. Implementation of Mitigation Measures 4.10-1a, 1b, and 1c would reduce the secondary impacts of Mitigation Measure 4.13-5a to a less-than-significant level by requiring the use of construction equipment that meets the highest USEPA-certified tiered emission standards, by limiting idling time to 5 minutes, and by implementing dust control procedures which would reduce PM_{10} emissions. Implementation of Mitigation Measure 4.11-1 would reduce the secondary impact of Mitigation Measure 4.13-5a to a less-than-significant level by reducing the overall carbon footprint of the proposed project through the implementation of a GHG Emissions Reduction Plan. Implementation of Mitigation Measure 4.18-1 would reduce Impact 4.13-5a to a less-than-significant level by implementing a Construction Equipment Efficiency Plan that includes mandatory energy reduction measures and by establishing idling restrictions for on- and off-road engines to reduce energy consumption during construction. Implementation of Mitigation Measures 4.6-1a through 4.6-1g, 4.6-1i, 4.6-1n, 4.6-1p, 4.6-2a, 4.6-2b, 4.12-1b, and 4.14-2 would reduce the secondary impacts of Mitigation Measure 4.13-5a to a less-than-significant level by reducing construction impacts on special status species and habitat by implementing avoidance, minimization, and protection measures during construction. The CPUC has imposed Mitigation Measures 4.9-1, 4.10-1a, 1b, and 1c, 4.11-1, 4.6-1a through 4.6-1g, 4.6-1i, 4.6-1n, 4.6-1p, 4.6-2a, 4.6-2b, 4.12-1b, and

4.14-2 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Implementation of Mitigation Measures 4.9-1 and 4.9-6 would reduce the secondary impacts of Mitigation Measure 4.13-5b to a less-than-significant level by maintaining traffic in a controlled and safe manner during temporary road closures and by rehabilitating roads to pre-construction conditions. Implementation of Mitigation Measures 4.10-1a, 1b, and 1c would reduce the secondary impacts of Mitigation Measure 4.13-5b to a less-than-significant level by requiring the use of construction equipment that meets the highest USEPA-certified tiered emission standards, by limiting idling time to 5 minutes, and by implementing dust control procedures which would reduce PM_{10} emissions. Implementation of Mitigation Measure 4.11-1 would reduce the secondary impact of Mitigation Measure 4.13-5b to a less-than-significant level by reducing the overall carbon footprint of the Project through the implementation of a GHG Emissions Reduction Plan. Implementation of Mitigation Measure 4.18-1 would reduce the secondary impact of 4.13-5a to a less-than-significant level by implementing a Construction Equipment Efficiency Plan that includes mandatory energy reduction measures and by establishing idling restrictions for on- and off-road engines to reduce energy consumption during construction. Implementation of Mitigation Measures 4.6-1a through 4.6-1j, 4.6-1l, 4.6-1o, 4.6-1p, and 4.6-1n would reduce the secondary impacts of Mitigation Measure 4.13-5a to a less-than-significant level by reducing construction impacts on special status species and habitat by implementing avoidance, minimization, and protection measures during construction. The CPUC has imposed Mitigation Measures 4.9-1, 4.10-1a, 1b, and 1c, 4.11-1, 4.6-1a through 4.6-1j, 4.6-1l, 4.6-1o, 4.6-1p, and 4.6-1n on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.13-C: Cumulative impacts related to Public Services and Utilities.

a. Impact:

Construction. Construction of the Project could damage or interfere with existing water, sewer, stormwater drainage, natural gas, electric, or communication utility service lines. Project construction activities could involve accidental damage, temporary disconnection, or planned relocation of utility lines, each of which could interrupt service. All cumulative projects involving future construction could cause utility impacts similar to those described for the Project. The cumulative impact resulting from one or more project affecting existing utilities would be significant.

Construction could be inconsistent with the Monterey County Integrated Waste Management Plan because, if not recycled properly, the total volume of construction wastes and excess spoils could be landfilled. Because the Integrated Waste Management Plan is intended to address countywide diversion goals, being inconsistent with this plan could result in a significant contribution to a potentially significant cumulative impact. Most of the cumulative projects listed would also generate construction-related waste. Given the landfill's finite capacity and the potential for waste diversion, and conservatively assuming all cumulative projects would dispose of solid waste at the Monterey Peninsula Landfill, a cumulatively considerable contribution to such a significant impact could occur if cumulative

projects generating solid waste do not adhere to State requirements for diversion of solid waste from landfills.

Operation. The Project's brine stream, when combined with the RUWAP Desalination Element brine stream, could have the potential to contribute a considerably cumulative impact regarding exceedances of Ocean Plan water quality objectives.

The combined salinity of the Project and the RUWAP Desalination Element brine streams which would utilize the MRWPCA outfall would not be dissimilar to that of the Project alone; however, the combined salinity may still result in a significant cumulative impact.

Secondary impacts from implementation of Mitigation Measure 4.13-5a, which would involve replacing the WEKO seal clamps in the ocean outfall, could cause substantial impacts on special-status species and habitat. The Beach Junction Structure Replacement Project would begin directly after the WEKO seal clamps are installed, which has the potential to adversely impact special-status species and habitats similar to those potentially disturbed for implementation of Mitigation Measure 4.13-5a. This would result in a significant cumulative impact.

b. Mitigation: See Impact 4.13-1, in Section 4.13, Public Services and Utilities, above, for a description of Mitigation Measures 4.13-1a through 4.13-1f.

See Impact 4.13-2, in Section 4.13, Public Services and Utilities, above, for a description of Mitigation Measure 4.13-2.

See Impacts 4.3-4 and 4.3-5 in Section 4.3, Surface Water Hydrology and Water Quality, above, for a description of Mitigation Measures 4.3-4 and 4.3-5.

See Impact 4.13-5 in Section 4.13, Public Services and Utilities, above, for a description of Mitigation Measures 4.13-5a and 4.13-5b.

For secondary cumulative impacts from implementation of Mitigation Measure 4.13-5a, see Section 4.6, Terrestrial Biological Resources, above, for a description of Mitigation Measures 4.6-1a through 4.6-1g, 4.6-1i, 4.6-1n, 4.6-1p, 4.6-2a, and 4.6-2b. See Impact 4.12-1 in Section 4.12, Noise and Vibration, for a description of Mitigation Measure 4.12-1b. See Impact 4.14-2 in Section 4.14, Aesthetic Resources, for a description of Mitigation Measure 4.14-2.

c. Findings: Implementation of Mitigation Measures 4.13-1a through 4.13-1f would reduce the significant cumulative impact associated with disruption to utilities to a less-than-significant level by locating and mapping all utilities in the Project area on construction drawings; coordinating with utilities, fire departments, and customers (if affected) regarding planned excavations and/or planned utility disruptions; regular review of safety measures with employees when working near high-priority utilities; and creation of an emergency response plan which outlines procedures to follow in case of a leak or explosion. Implementation of Mitigation Measure 4.13-2 would reduce the significant cumulative impact associated with solid waste regulations to a less-than-significant level by ensuring that the waste reduction and recycling plan is developed in coordination with the Monterey Regional Waste Management District,

and in accordance with state and local waste reduction and recycling policies. Implementation of Mitigation Measures 4.3-4 and 4.3-5 would reduce the significant cumulative impact regarding exceedance of wastewater treatment requirements to a less-than-significant level by requiring CalAm to conduct water quality assessments prior to Project operation and to implement a comprehensive Monitoring and Reporting Plan that is consistent with the Ocean Plan requirements. Implementation of Mitigation Measures 4.13-5a and 4.13-5b would reduce the significant cumulative impact associated with corrosion of the MRWPCA outfall to a less-than-significant level by installing corrosion resistant WEKO seal clamps and a corrosion-resistant liner to offshore and land segments of the MRWPCA outfall before operation of the Desalination Plant. This would ensure that outfall components that may be susceptible to corrosion would be protected before accepting brine.

Implementation of Mitigation Measures 4.6-1a through 4.6-1g, 4.6-1i, 4.6-1n, 4.6-1p, 4.6-2a, and 4.6-2b would reduce the secondary cumulative impacts of Mitigation Measure 4.13-5a to a less-than-significant level by implementing a construction worker environmental awareness training and education program; avoidance and minimization measures for applicable special-status species and habitats; protective measures for western snowy plover; a habitat mitigation and monitoring plan; control measures for spread of invasive plants; and measures to avoid, minimize and compensate for direct construction impacts to sensitive communities. Implementation of Mitigation Measure 4.12-1b would reduce the secondary cumulative impacts of Mitigation Measure 4.13-5a to a less-than-significant level by requiring general noise controls for construction equipment. Implementation of Mitigation Measure 4.14-2 would reduce the secondary cumulative impacts of Mitigation Measure 4.13-5a to a less-than-significant level by requiring site-specific nighttime lighting measures.

The CPUC has imposed Mitigation Measures 4.3-4, 4.3-5, 4.6-1a through 4.6-1g, 4.6-1i, 4.6-1n, 4.6-1p, 4.6-2a, 4.6-2b, 4.12-1b, 4.13-1a through 4.13-1f, 4.13-2, 4.13-5a, 4.13-5b, and 4.14-2 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

4.14 Aesthetic Resources

Impact 4.14-2: Temporary sources of substantial light or glare during construction.

a. Impact: Construction of the ASR-5 and ASR-6 Wells and all pipeline routes (including optional routes) have the potential to introduce temporary sources of substantial light into the project area during nighttime construction. This would be a significant impact.

b. Mitigation: In accordance with Mitigation Measure 4.14-2, exterior lighting shall be prevented from affecting nighttime views by using low-intensity street lighting and low-intensity exterior lighting; lighting fixtures that are cast downward and shielded to prevent light from spilling onto adjacent offsite uses; lighting fixtures that are designed and placed to minimize glare that could affect users of adjacent properties, buildings, and roadways; and fixtures and standards that conform to state and local safety and illumination requirements. CalAm shall ensure these measures are implemented at all times during nighttime construction and for the duration of all required nighttime construction activity.

c. Findings: Implementation of Mitigation Measure 4.14-2 will reduce Impact 4.14-2 to a less-than-significant level by ensuring that nighttime construction activities utilize lighting fixtures and lighting that will prevent nighttime views from being adversely affected. The CPUC has imposed Mitigation Measure 4.14-2 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.14-3: Permanent impacts on scenic resources (vistas, roadways, and designated scenic areas) or the visual character of the project area and its surroundings.

a. Impact: The aboveground components of the subsurface slant wells and the ASR-5 and ASR-6 Wells could have an adverse impact on scenic resources and/or the existing visual character of the surrounding area.

b. Mitigation: In accordance with Mitigation Measure 4.14-3a, CalAm shall avoid reflective exterior finishes and treat visible structures with earth-tone finishes to reduce contrast with the ground surface and increase compatibility with the visual setting. Primary structures shall be treated with complementary colors in the brown, tan, gray, or green color spectrum, or with other natural colors. Choose paint and exterior finishes to ensure that structures blend into the surrounding landscape.

   In accordance with Mitigation Measure 4.14-3b, CalAm shall ensure that fencing is designed to be minimally intrusive and to complement the architectural character of the proposed facility and the community. Fencing design shall be coordinated with nearby landscaping and Project facility design to ensure all Project components blend with the surrounding community and/or natural setting. Native plants, trees, or shrubs shall be used whenever practicable to screen views of the proposed aboveground facilities. Facility screening shall be in keeping with the character of the site and setting, and walled perimeters shall be avoided in natural settings to minimize the dominance of structures.

c. Findings: Implementation of Mitigation Measures 4.14-3a and 4.14-3b would reduce Impact 4.14-3 to a less-than-significant level by ensuring that facility design is compatible with the surround natural and built environment, and that permanent fencing and screening of components is designed to blend with the surrounding community and/or natural setting. The CPUC has imposed Mitigation Measures 4.14-3a and 4.14-3b on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.14-4: Permanent new sources of light or glare.

a. Impact: The ASR-5 and ASR-6 Wells and the Carmel Valley Pump Station would introduce permanent sources of substantial light into the project area. This would be a significant impact to nearby motorists and residences.

b. Mitigation: See Impact 4.14-2, above, for a description of Mitigation Measure 4.14-2.

c. Findings: Implementation of Mitigation Measure 4.14-2 would reduce Impact 4.14-4 to a less-than-significant level by ensuring that operational nighttime lighting will prevent nighttime views from being adversely affected. The CPUC has imposed

Mitigation Measure 4.14-2 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.14-C: Cumulative impacts related to Aesthetic Resources.

a. Impact: Construction could result in a significant nighttime lighting impact associated with nighttime construction of the subsurface slant wells. The Beach Junction Structure Project may require temporary nighttime construction lighting on the beach seaward of the slant well construction area, and may result in nighttime lighting impacts that would overlap with or occur in sequence with the proposed project's nighttime lighting at the slant well construction area. If overlap did occur, the combined effects could exceed the established thresholds of significance, resulting in a significant cumulative impact.

b. Mitigation: See Impact 4.14-2, above, for a description of Mitigation Measure 4.14-2.

c. Findings: Implementation of Mitigation Measure 4.14-2 would reduce the significant cumulative effect associated with construction nighttime lighting to a less-than-significant level by ensuring that nighttime lighting has minimal spillover from construction of the subsurface slant wells. The CPUC has imposed Mitigation Measure 4.14-2 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

4.15 Cultural and Paleontological Resources

Impact 4.15-2: Cause a substantial adverse change during construction in the significance of an archaeological resource pursuant to Section 15064.5 of the CEQA Guidelines or historic properties pursuant to 36 CFR 800.5.

a. Impact: Construction of the Castroville Pipeline at Tembladero Slough and the Source Water Pipeline in the Lapis Sand Mining Plant Historic District could result in a significant impact on archaeological resources.

   While no additional impacts or adverse effects on archaeological resources are expected, the possibility of uncovering unknown archaeological resources in the remaining direct APE cannot be entirely discounted. The potential inadvertent discovery of archaeological resources could be a significant impact.

b. Mitigation: In accordance with Mitigation Measure 4.15-2a, a qualified archaeologist shall prepare and implement an Archaeological Monitoring Plan, and oversee and direct all archaeological monitoring activities during Project construction. Archaeological monitoring shall be conducted for all subsurface excavation work within 100 feet of the Castroville Pipeline at Tembladero Slough and the Salinas River; and the Source Water Pipeline in the Lapis Sand Mining Plant Historic District. The plan shall establish a cultural resources training program for construction workers; an on-site monitor; monitoring protocols; requirements for monitoring reports; a reporting schedule; protocols for an encounter of cultural resources; security protocols; and notification protocols. If archaeological materials are encountered, all soil disturbing activities within 100 feet of the find shall cease until the resource is evaluated. 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 applicant shall implement an Archaeological Research Design and Treatment Plan (ARDTP).

In accordance with Mitigation Measure 4.15-2b, if prehistoric or historic-era cultural materials are encountered, all construction activities within 100 feet shall halt and the Lead Agencies shall be notified. For discoveries on lands other than Army-owned lands, a Secretary of the Interior-qualified archaeologist shall inspect the find within 24 hours of discovery. If the find is determined to be potentially significant, the archaeologist, in consultation with MBNMS, the CPUC and the appropriate Native American representative shall determine whether preservation in place is feasible. If avoidance is not feasible, a qualified archaeologist, in consultation with the Lead Agency and the appropriate Native American representative, shall prepare and implement a detailed ARDTP. If cultural resources are inadvertently discovered during construction on Army-owned property, work shall immediately cease within a 100-foot radius of the find and the Army, Presidio of Monterey, Cultural Resources Manager (CRM) will be contacted to assess the discovery. For discoveries on Army lands, the CRM will implement procedures set forth in the Presidio's Integrated Cultural Resources Management Plant (ICRMP) and Army Regulation (AR 200-1), which may include completion of consultation under Section 106 of the National Historic Preservation Act (NHPA) prior to resuming construction in the vicinity of the find.

c. Findings: Implementation of Mitigation Measures 4.15-2a and 4.15-2b would reduce Impact 4.15-2 to a less-than-significant level by requiring archaeological monitoring and established protocols for accidental discovery of archaeological resources that are consistent with state and federal regulations. The CPUC has imposed Mitigation Measures 4.15-2a and 4.15-2b on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.15-4: Disturbance of any human remains, including those interred outside of formal cemeteries, during construction.

a. Impact: While no known human remains have been documented within the Project direct APE, the possibility of inadvertently uncovering human remains cannot be entirely discounted. The potential inadvertent discovery of human remains is considered a significant impact.

b. Mitigation: In accordance with Mitigation Measure 4.15-4, in the event of discovery or recognition of any human remains during construction activities, such activities within 100 feet of the find shall cease. Depending upon the jurisdiction of the land where the find may occur, the appropriate authority must be notified and an investigation into the cultural origin and/or potential cause of death is required. If the remains are determined to be Native American, the particular protocols must be followed according to those that fall under the jurisdiction of the location of the discovery.

c. Findings: Implementation of Mitigation Measure 4.15-4 would reduce Impact 4.15-4 to a less-than-significant level by ensuring that human remains discovered during construction are properly handled according to the regulations of the jurisdiction in

which the discovery is found. The CPUC has imposed Mitigation Measure 4.15-4 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

4.16 Agricultural Resources

Impact 4.16-1: Result in changes in the existing environment that, due to their location or nature, could temporarily disrupt agricultural activities or result in the permanent conversion of farmland to non-agricultural use.

a. Impact: Construction of the 0.5-mile Source Water Pipeline, new Desalinated Water Pipeline, and Castroville Pipeline north of Charles Benson Road would require earthmoving activities and surface disturbance within or near farmland that could result in the loss of topsoil and/or soil compaction and reduce agricultural productivity or result in the conversion of farmland to non-agricultural uses. This would be a significant impact.

b. Mitigation: In accordance with Mitigation Measure 4.16-1, CalAm and its construction contractor(s) shall incorporate measures into construction plans and specifications for all construction activities located in farmland areas to minimize adverse impacts on farmland, including notifying affected property owners at least 90 days prior to initiating construction activities that have the potential to interfere with agricultural operations; minimize the extent of the construction disturbance, including construction access, in agricultural areas to the maximum extent feasible; stockpiling surface and subsurface soil layers separately during trenching activities; using the separated soil horizons as backfill in the appropriate location in the soil profile; backfilling within 5 percent of the original density; ripping the uppermost 3 feet of soil to avoid compaction; inspecting agricultural drainage systems before and after construction to ensure functionality; and restoring disturbed areas to pre-construction conditions following construction.

c. Findings: Implementation of Mitigation Measure 4.16-1 would reduce Impact 4.16-1 to a less-than-significant level by coordinating with landowners about the construction schedule, and ensuring that farmland is returned to pre-construction conditions following any disturbance to farmland during construction. The CPUC has imposed Mitigation Measure 4.16-1 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.16-C: Cumulative impacts related to Agricultural Resources.

a. Impact: The Project would temporarily disrupt agricultural uses along the north side of Charles Benson Road, and construction activities could result in the loss of topsoil and soil compaction that could reduce agricultural productivity. The RUWAP Recycled Water Project and the MPLRP also would have short-term construction-related effects that could result in the conversion of agricultural land to non-agricultural uses. These projects' impacts could combine to result in a significant cumulative impact.

b. Mitigation: See Impact 4.16-1, above, for a description of Mitigation Measure 4.16-1.

c. Findings: Implementation of Mitigation Measure 4.16-1 would reduce the significant cumulative impact associated with conversion of agricultural land to non-agricultural uses to a less-than-significant level by coordinating with landowners about the construction schedule, and ensuring that farmland is returned to pre-construction conditions following any disturbance to farmland during construction. The CPUC has imposed Mitigation Measure 4.16-1 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

4.18 Energy Conservation

Impact 4.18-1: Use large amounts of fuel and energy in an unnecessary, wasteful, or inefficient manner during construction.

a. Impact: Construction of the Project would require the use of fuels (primarily gasoline and diesel) for operation of construction equipment (e.g., dozers, excavators, and trenchers), construction vehicles (e.g., dump and delivery trucks), and construction worker vehicles. Direct energy use would also include the use of electricity required to power construction equipment (e.g., welding machines and electric power tools). Construction and decommissioning activities could result in wasteful or inefficient use of energy if construction and decommissioning equipment is not well maintained, if equipment is left to idle when not in use, or if haul trips are not planned efficiently. This would be a significant impact.

b. Mitigation: In accordance with Mitigation Measure 4.18-1, a Construction Equipment Efficiency Plan shall be prepared that identifies the specific measures and performance standards that CalAm (and its construction contractors) will implement as part of project construction and decommissioning to increase the efficient use of construction equipment and vehicles to the maximum extent feasible. 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; requirement to provide options for worker carpooling; a commitment to utilize existing electricity sources where feasible rather than portable diesel-powered generators; and identification of procedures (including the routing of haul trips) that will be followed to ensure that all materials and debris hauling is conducted in a fuel-efficient manner. The plan shall be submitted to CPUC and the Sanctuary for review and approval at least 30 days prior to the beginning of construction activities and at least 30 days prior to the beginning of decommissioning activities.

   See Impact 4.10-1 in Section 4.10, Air Quality, below, for a description of Mitigation Measure 4.10-1b.

c. Findings: Implementation of Mitigation Measures 4.18-1 and 4.10-1b would reduce Impact 4.18-1 to a less-than-significant level by implementing a Construction Equipment Efficiency Plan that includes mandatory energy reduction measures and by establishing idling restrictions for on- and off-road engines to reduce energy consumption during construction. The CPUC has imposed Mitigation Measures 4.18-1 and 4.10-1b on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.18-C: Cumulative impacts related to Energy Resources.

a. Impact: Project construction could use large amounts of fuel or energy in a wasteful or inefficient manner, which in the context of local and regional energy supplies, in combination with the energy demands of the cumulative projects list, could result in a significant cumulative impact.

b. Mitigation: See Impact 4.10-1, in Section 4.10, Air Quality, above, for a description of Mitigation Measure 4.10-1b.

   See Impact 4.18-1, above, for a description of Mitigation Measure 4.18-1.

c. Findings: Implementation of Mitigation Measures 4.10-1b and 4.18-1 would reduce the significant cumulative impact associated with using fuel or energy in a wasteful or inefficient manner to a less-than-significant level by implementing a Construction Equipment Efficiency Plan that includes mandatory energy reduction measures and by establishing idling restrictions for on- and off-road engines to reduce energy consumption during construction. The CPUC has imposed Mitigation Measures 4.18-1 and 4.10-1b on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

4.20 Socioeconomics and Environmental Justice

Impact 4.20-1: Reductions in the rate of employment, total income, or business activity in Monterey County.

a. Impact: Access for tourists to businesses like retail and dining as well as recreational opportunities may be temporarily impacted by pipeline construction, which would temporarily affect access to streets, parking spaces, and trails. Although pipeline construction would proceed at a rate of 150 to 250 feet per day, the total duration of disturbance at any one location would generally be 1 to 2 weeks. This could result in a significant impact on some individual businesses in the affected locations.

b. Mitigation: See Impact 4.9-1 in Section 4.19, Traffic and Transportation, above, for a description of Mitigation Measure 4.9-1.

c. Findings: Implementation of Mitigation Measure 4.9-1 would reduce Impact 4.20-1 to a less-than-significant level by requiring implementation of circulation and detour plans to minimize impacts on local streets, implementing a public information program to provide advance notice to businesses, residents, and visitors, and restoring roads and streets to normal operation by covering trenches with steel plates outside of normal work hours or when work is not in progress. The CPUC has imposed Mitigation Measure 4.9-1 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

b. FINDINGS REGARDING IMPACTS IDENTIFIED IN THE EIR/EIS AS SIGNIFICANT AND UNAVOIDABLE

The following issues were identified in the EIR/EIS as having the potential to cause significant and unavoidable impacts. As described below in the findings for these impacts, there are either no feasible mitigation measures or the feasible mitigation measure(s) would only partially mitigate the significant impact(s) and the residual effect would remain significant.

4.6 Terrestrial Biological Resources

Impact 4.6-4: Be inconsistent with any local policies or ordinances protecting biological resources, such as a tree preservation policy or ordinance with local tree ordinances.

a. Impact: Several project facilities would occur in areas that may qualify as primary habitat according to the City of Marina LCLUP. These facilities include the subsurface slant wells, Source Water Pipeline, new Desalinated Water Pipeline, new Transmission Main, and the staging area located at Beach Road. The City of Marina LCLUP policy governing protection of primary and secondary habitat prohibits development in primary habitat that is not protective of and dependent upon that habitat. Implementation and construction of these components would be inconsistent with the City of Marina LCLUP policy because the components are not uses or developments dependent upon the sensitive resources that comprise the primary habitat present. Impacts would be significant and unavoidable, even with implementation of mitigation measures.

   To the extent feasible, project facilities would be sited so as to minimize tree removal and avoid impacts on trees. Depending on final siting and design of the proposed project facilities, as well as the construction methods and techniques, implementation of the proposed project could necessitate tree removal at various locations throughout the project area. Any trees removed during project construction may be inconsistent with local tree ordinances. This would be a potentially significant impact.

b. Mitigation: See Impacts 4.6-1 and 4.6-2, in Section 4.6 Terrestrial Biological Resources, above, for a description of Mitigation Measures 4.6-1d through 4.6-1f, and 4.6-1n, which provide compensation for permanent impacts on sensitive biological resources, including western snowy plover, special-status plants, Smith's blue butterfly, sensitive communities, and ESHA. See also Mitigation Measure 4.6-2b for a description of the Habitat Mitigation and Monitoring Plan, which implements restoration and preservation practices for these sensitive biological resources that would occur within the Monterey Bay coastal dune ecosystem.

   In accordance with Mitigation Measure 4.6-4, CalAm shall survey the project footprint to identify, measure, and map trees subject to local tree removal ordinances at least 30 days prior to start of planned ground disturbance or tree removal. Any trees that are subject to local tree removal ordinances shall be avoided to the extent practicable. If tree removal cannot be avoided by project construction, then CalAm shall comply with the applicable local tree policies or ordinances, obtain appropriate tree removal permits from applicable local agencies, and comply with those permits. Tree removal, preservation, or mitigation on Army property would be done in accordance with the Integrated Natural Resource Management Plan Presidio of Monterey and Ord Military Community.

c. Findings: Implementation of Mitigation Measure 4.6-4 would reduce impacts associated with consistency with local tree ordinances to a less-than-significant level by ensuring that CalAm complies with local tree policies or ordinances if the removal of trees subject to local tree ordinances cannot be avoided. Implementation of Mitigation Measures 4.6-1d through 4.6-1f, 4.6-1n, and 4.6-2b would not reduce significant impacts associated with inconsistency with the City of Marina LCLUP policy; therefore, Impact 4.6-4 would remain significant and unavoidable. The CPUC

has imposed Mitigation Measures 4.6-1d through 4.6-1f, 4.6-1n, 4.6-2b, and 4.6-4 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.6-C: Cumulative impacts related to Terrestrial Biological Resources.

a. Impact:

Special-status species. It is possible that the Project and additional projects proposed within the Fort Ord HMP area could affect other habitat types that are not explicitly identified for conservation in the HMP (e.g., non-native grassland, coastal sage scrub, and oak woodland). If not properly mitigated, cumulative impacts from these projects on such habitats and dependent special-status species could be significant, and the Project could have a cumulatively considerable contribution to such cumulative impact.

The CEMEX Removal Plan, Monterey Shores Resort, 90-Inch Bay Avenue Outfall Phase 1, Slant Test Well Project, Moss Landing Community Plan, and The Collection at Monterey Bay Resort would affect beach or dune areas that may support western snowy plover. Implementation of the CEMEX Removal Plan, Monterey Bay Shores Resort and Moss Landing Community Plan projects could occur at the same time as the Project construction and therefore could adversely affect western snowy plover and its habitat through heavy equipment use, dust generation, elevated noise levels, increased human activity, and loss of habitat. The exact acreage of western snowy plover habitat that would be impacted from these cumulative projects is unknown, but could be 40 to 60 acres of coastal dune habitat. The overall effects of these projects would be a cumulatively considerable contribution to this significant impact.

Operation of the brine storage basin at the Desalination Plant could impact migrating waterfowl. The Dredge Laguna Grande and Roberts Lake Project could potentially impact migratory waterfowl by disturbing them during dredging activities, but this would be a short-term effect. Through implementation of the CEMEX Removal Plan, the existing dredge pond located at the CEMEX property, which provides habitat for migratory waterfowl, would be reclaimed by natural processes. Although the impacts to migratory waterfowl would be short-term (for dredging of Laguna Grande and Roberts Lake) and small (for reclamation of the dredge pond), these projects could contribute to a significant cumulative impact on migrating waterfowl, when viewed in combination with the Project's significant impact.

Construction and operation of the Project would temporarily and permanently impact sensitive vegetation types, ESHA, and freshwater marsh wildlife habitat. Concurrent construction and/or operation of the Salinas Valley Water Project Phase II, Laguna Seca Villas, Omni Enterprises, LLC, Ferrini Ranch Subdivision, Marina Downtown Vitalization Specific Plan, Marina Station, Monterey Bay Shores Resort, Rancho Canada Village, Rancho Canada Golf Club, RUWAP Desalination Element, RUWAP Recycled Water Element, Moss Landing Community Plan, TAMC Monterey Peninsula Light Rail Project, Slant Test Well Project, The Collection at Monterey Bay Resort, and 90-Inch Bay Avenue Outfall Phase 1 could result in a significant cumulative impact on sensitive habitat communities and associated special-status species and ESHA through vegetation trimming or removal, elevated noise and dust levels, and increased human presence.

Wetlands or Other Waters. Project construction and operation could temporarily impact federal wetlands, federal other waters, and/or waters of the state. These impacts would be temporary and, upon completion of construction, any affected wetlands would be restored to their approximate pre-construction condition. The TAMC Monterey Peninsula Light Rail Project, Ferrini Ranch Subdivision, Marina Station, Moss Landing Community Plan, Dredge Laguna and Roberts Lake, Monterey Pacific Grove ASBS Stormwater Management Project, and Route 156 West Corridor Project would cause temporary or permanent impacts on federal wetlands, federal other waters, and/or waters of the state. The exact acreage of wetland and other waters that would be impacted from these cumulative projects is unknown, but could be 35 acres. Concurrent construction and/or operation of these projects could result in significant cumulative impacts on these resources through wetlands fill or draining and increased human presence, to which the Project could have a significant contribution.

City of Marina Local Coastal Program Land Use Plan. Construction of Project components would be inconsistent with the City of Marina LCLUP policy since the project is not a resource-dependent use. The test slant well at the CEMEX site is a cumulative project that is within the geographic scope of this analysis. The test slant well was also found to be inconsistent with the City of Marina LCLUP policy. Implementation of the Project would have a significant contribution to this test slant well impact related to inconsistencies with the City of Marina LCLUP policy.

Local Tree Ordinances. Construction of Project components could require trimming or removal of protected trees, inconsistent with local tree ordinances. The Ferrini Ranch Subdivision and Route 156 West Corridor Project would involve removal of a substantial number of trees. Local governments with jurisdiction over the geographic scope of cumulative impacts analysis (e.g., Seaside and Monterey County) have tree ordinances established for the purpose of protecting important trees and compensating for their removal. If the Project and cumulative projects within the geographic scope of the cumulative impact analysis involve tree removal and fail to comply with applicable tree ordinances, a significant cumulative effect would result, to which the Project could have a significant (i.e., cumulatively considerable) contribution.

Inconsistent with an adopted Habitat Conservation Plan. Portions of the Proposed ASR Facilities (ASR-5 and ASR-6 Wells, ASR Pump-to-Waste Pipeline, ASR Conveyance Pipeline, and ASR Recirculation Pipeline) located east of General Jim Moore Boulevard, and portions of the new Transmission Main and new Transmission Main using the optional alignment are located within the 1997 Installation-Wide Multispecies HMP. Many cumulative projects occur on former Fort Ord lands within the boundaries of the HMP. Construction and operation of these projects may include activities subject to HMP resource conservation and management requirements. Failure of the Project and one or more cumulative project to implement an applicable HMP conservation and/or management requirement would constitute a significant cumulative impact to which the Project could have a significant (i.e., cumulatively considerable) contribution.

b. Mitigation: See Section 4.6, Terrestrial Biological Resources, above, for a description of Mitigation Measures 4.6-1a through 4.6-1p, 4.6-2a, 4.6-2b, 4.6-3, 4.6-4, and 4.6-6.

See Section 4.12, Noise and Vibration, above, for a description of Mitigation Measures 4.12-1b and 4.12-5.

See Impact 4.14-2 in Section 4.14, Aesthetic Resources, above, for a description of Mitigation Measure 4.14-2.

c. Findings: Implementation of Mitigation Measures 4.6-1a through 4.6-1p, 4.6-2a, 4.6-2b, 4.6-3, 4.6-4, 4.6-6, 4.12-1b, 4.12-5, and 4.14-2 would reduce all but the LCLUP element of Impact 4.6-C to a less-than-significant cumulative contribution by requiring programs, plans, and actions that would cause the Project's residual impacts on special-status species, sensitive natural communities, wetlands and other waters, local tree ordinances, and consistency with adopted Habitat Conservation Plans to be minimal. However, even with implementation of Mitigation Measures 4.6-1d through 4.6-1f, 4.6-1n, and 4.6-2b, the Project would still be inconsistent with the City of Marina LCLUP policy, and the Project would make a considerable contribution to a significant and unavoidable cumulative impact.

4.9 Traffic and Transportation

Impact 4.9-C: Cumulative impacts related to Traffic and Transportation.

a. Impact: Due to increased traffic and transportation network disruptions, concurrent construction of the Project and most of the cumulative projects would result in potentially significant cumulative impacts on traffic and transportation access and facilities. Such impacts would include a short-term increase in vehicle traffic, reductions in the number or the available width of travel lanes on roads where construction would occur, increased wear-and-tear on the designated haul routes used by construction vehicles, and increases in demand for parking spaces to accommodate construction worker vehicles, among others. In addition, concurrent construction of these projects could create traffic safety hazards for vehicles, bicyclists, and pedestrians on public roadways. Access to adjacent land uses and streets for both general traffic and emergency vehicles could be disrupted. The Project's contributions to these impacts would occur along routes adjacent to most pipeline alignments and above-ground project components south of Reservation Road. Although the construction schedule for many of the cumulative projects is unknown, the construction schedule for several future cumulative projects could overlap with the anticipated Project construction schedule, thereby causing the types of regional and local traffic and transportation impacts described above. Potentially significant cumulative traffic and transportation access and facility impacts of the types described above could occur along regional transportation corridors, including Highways 1, 68, and 218, in the vicinity of Project components. Such impacts also would be expected along local arterial and neighborhood roadways connecting regional thoroughfares with specific project construction sites. Based upon the anticipated Project and cumulative project construction schedules, potentially significant cumulative impacts on local roadways would likely be concentrated in the cities of Marina, Seaside, and Sand City, with possible potential significant cumulative impacts in the cities of Monterey and Pacific Grove, and Monterey County.

b. Mitigation: See Section 4.9, Traffic and Transportation, above, for a description of Mitigation Measures 4.9-1 and 4.9-7.

In accordance with Mitigation Measure 4.9-C, CalAm shall coordinate with the appropriate planning agency within each affected jurisdiction to develop and implement a Construction Traffic Coordination Plan. The purpose of the plan shall be to lessen the cumulative effects of Project and local development project construction-related traffic delays and congestion. The plan shall address construction-related traffic associated with all project sites in the vicinity of Project components (i.e., within 1 mile or would use the same roads) and whose construction schedules overlap that of the Project.

c. Findings: Implementation of Mitigation Measures 4.9-1 and 4.9-7 would lessen the Project's contribution to cumulative construction-related traffic and transportation impacts. Specifically, these measures would reduce the Project's incremental contribution to congestion and traffic delays on area roadways, safety hazards, emergency access, alternative transportation facilities, wear and tear, and parking impacts. However, given the size of the Project, along with the number of cumulative projects and uncertainty regarding cumulative project construction timing, the residual Project transportation impacts could still contribute substantially to cumulative local and regional traffic and roadway capacity disruptions, a cumulatively considerable significant impact.

   Implementation of Mitigation Measure 4.9-C is designed to further reduce the Project's incremental contribution to address the potential cumulative impact. However, there is no guarantee that local agencies would participate in such coordination efforts, but the local agencies can and should impose Mitigation Measure 4.9-C. Therefore, even though this mitigation measure could reduce the Project's cumulative contribution to a less-than-significant level, the conclusion remains that the Project's incremental contribution to potential significant cumulative effects would be significant and unavoidable. The CPUC has imposed Mitigation Measures 4.9-1, 4.9-7, and 4.9-C on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

4.10 Air Quality

Impact 4.10-1: Generate emissions of criteria air pollutants and contribute to a violation of an ambient air quality standard during construction.

a. Impact: Short-term emissions associated with construction of the Project could contribute to an exceedance of a state and/or federal standard for ozone, NO2, and, PM10 based on estimated maximum daily mass emissions levels. This would be a significant impact.

b. Mitigation: In accordance with Mitigation Measure 4.10-1a, CalAm and/or its construction contractor shall make a good faith effort to use available construction equipment that meets the highest USEPA-certified tiered emission standards or is alternatively powered (e.g., with electricity, natural gas, propane, methanol and ethanol blends, or gasoline) construction equipment. For all pieces of equipment that would neither meet Tier 4 emission standards nor be alternatively powered, CalAm or its construction contractor shall provide to the CPUC documentation from two local heavy construction equipment rental companies that indicate that the companies do not have access to higher-tiered equipment or alternatively powered equipment for the given class of equipment.

In accordance with Mitigation Measure 4.10-1b, CalAm and/or its construction contractor(s) shall prepare and implement a written idling policy and distribute it to all equipment operators. The idling policy shall extend the 5-minute idling limit to cover all on-road vehicles (regardless of gross vehicular weight rating) and shall further require that for all diesel-powered off-road engines, the idling limit is reduced to 2 minutes, while maintaining the exceptions specified in Title 13 CCR Section 2449(d)(3). Clear signage of these requirements shall be provided for construction workers at all access points to construction areas.

In accordance with Mitigation Measure 4.10-1c, CalAm shall require its construction contractor(s) to implement a dust control plan that includes measures to water active construction areas at least three times per day; cover haul trucks; use water sweepers at construction sites and/or adjacent roads; apply soil stabilizers to inactive construction areas; cover exposed stockpiles; limit speeds on unpaved roads to 15 mph; install erosion control measures; replant native vegetation; wash wheels before exiting certain construction areas; and post publicly-available signs for dust complaint contacts.

In accordance with Mitigation Measure 4.10-1e, CalAm shall work with the Monterey Bay Air Resources District (MBARD) and put forth a good faith effort to fund an off-site mitigation program that would be contemporaneous with Project construction to offset construction-related NOx.

c. Findings: Exceedances of ozone and NO_2 standards would remain a significant and unavoidable impact even with implementation of Mitigation Measures 4.10-1a, 4.10-1b, and 4.10-1e. Implementation of Mitigation Measures 4.10-1a through 4.10-1c would reduce the impact of PM_{10} standard exceedances to a less-than-significant level by requiring equipment to meet the highest tiered emission standards, by imposing idling restrictions, and by requiring the implementation of a dust control plan. The CPUC has imposed Mitigation Measures 4.10-1a through 4.10-1e on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.10-2: Construction activities could conflict with implementation of the applicable air quality plan.

a. Impact: The most recently adopted air quality plan for the project area is the 2012 AQMP. The 2012 AQMP documents the MBUAPCD's progress toward attaining the state 8-hour ozone standard. Any project that could conflict with the MBUAPCD's goal of attaining the state 8-hour ozone standard would be considered to conflict with the intent of the 2012 AQMP. Project-related short-term construction emissions with mitigation measures incorporated would exceed the significance threshold for NOX (see Impact 4.10-1, above); therefore, the project would not support the primary goal of the 2012 AQMP, and the impact associated with conflicting or obstructing implementation of the applicable air quality plan would be significant.

b. Mitigation: See Impact 4.10-1, above, for a description of Mitigation Measures 4.10-1a, 4.10-1b, and 4.10-1e.

c. Findings: As identified under Impact 4.10-1, above, implementation of Mitigation Measures 4.10-1a, 4.10-1b, and 4.10-1e would not reduce project-related NO_X

emissions to below the significance threshold. Therefore, this impact is considered to be significant and unavoidable, even with implementation of mitigation. The CPUC has imposed Mitigation Measures 4.10-1a, 4.10-1b, and 4.10-1e on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.10-C: Cumulative impacts related to Air Quality.

a. Impact: Project construction activities would generate short-term NOx emissions in quantities that would exceed the MBUAPCD threshold. The cumulative impact of Project construction emissions associated with the potential to contribute to a violation of an ambient air quality standard and conflict with implementation of the applicable air quality plan and would be significant when combined with the emissions associated with cumulative projects, and the Project's incremental contribution to the cumulative impact would be cumulatively significant.

   Project PM_{10} emissions would be significant and would therefore result in a significant cumulative impact.

b. Mitigation: See Impact 4.10-1, above, for a description of Mitigation Measures 4.10-1a through 4.10-1e.

c. Findings: Implementation of Mitigation Measures 4.10-1a through 4.10-e would reduce emissions of PM_{10} during MPWSP construction activities to a level that would be below the MBUAPCD threshold. Conformance with the MBUAPCD threshold ensures that an individual project would not have a cumulative impact with respect to overall air quality within the air basin; therefore, the MPWSP's incremental contribution of construction-related PM_{10} emissions would result in a less than significant cumulative impact. Even with implementation of Mitigation Measures 4.10-1a, 4.10-1b, and 4.10-1e, the Project's cumulatively considerable contribution to the significant cumulative impact associated with NO_X emissions would remain significant and unavoidable.

4.12 Noise and Vibration

Impact 4.12-1: Cause a substantial temporary or periodic increase in ambient noise levels in the project vicinity during construction.

a. Impact: Significant impacts related to temporary increases in daytime noise levels would result during construction of the ASR-5 and ASR-6 Wells and the Carmel Valley Pump Station. Significant nighttime noise impacts would result during construction of the new Desalinated Water Pipeline, Castroville Pipeline and Optional Alignment 1, new Transmission Main, and the ASR-5 and ASR-6 Wells. Nighttime noise impacts during installation of the Castroville Pipeline Optional Alignment 1 and during drilling and development of the ASR-5 and ASR-6 Wells would remain significant and unavoidable, even with implementation of mitigation.

b. Mitigation: In accordance with Mitigation Measure 4.12-1a, residents and other sensitive receptors within 300 feet of a daytime construction area and within 900 feet of a nighttime construction area shall be notified of the construction location, nature of activities, and schedule, in writing, at least 14 days prior to the commencement of

construction activities. CalAm or the contractor(s) shall designate a construction disturbance coordinator who would be responsible for responding to construction complaints. The coordinator shall determine the cause of the complaint and ensure that reasonable measures are implemented to correct the problem. CalAm and/or its contractor shall return all calls within 24 hours to answer noise questions and handle complaints.

See Impact 4.12-2 in Section 4.12, Noise and Vibration, above, for a description of Mitigation Measures 4.12-1b and 4.12-1c.

In accordance with Mitigation Measure 4.12-1d, CalAm or its construction contractor(s) for the ASR-5 and ASR-6 Wells shall identify feasible noise controls for implementation during well drilling development activities at the Fitch Park military housing community. The construction contractor(s) shall locate all stationary noise-generating equipment as far as possible from nearby noise-sensitive receptors. Drill rigs within 500 feet of noise-sensitive receptors shall be equipped with noise-reducing engine housings or other noise-reducing technology. Additionally, acoustic barriers and/or enclosures shall be used with a goal of reducing noise from well drilling activities to 60 dBA, L_{eq} or less at a distance of 50 feet from the construction work area. There are a number of options available to achieve this performance standard. Barrier blankets are available with a sound transmission class rating of 32, which can provide 16 to 40 dBA of sound transmission loss, depending on the frequency of the noise source (ENC, 2014). The realized sound transmission reduction of barrier blankets needs to be sufficient to achieve the performance standard of 60 dBA, L_{eq} or less at a distance of 50 feet from the construction work area.

In accordance with Mitigation Measure 4.12-1e, CalAm shall provide temporary hotel accommodations for all residences and any other nighttime sensitive receptors that would be exposed to 24-hour project construction activities, and where nighttime construction noise would exceed 60 dBA with windows closed or 35 dBA with windows open, even with implementation of acoustic barriers and/or shielding measures. The accommodations shall be provided for the duration of 24-hour construction activities. CalAm shall provide accommodations reasonably similar to those of the impacted residents in terms of number of beds and amenities. If identified accommodations do not include typical residential kitchen facilities (e.g., cooktop, oven, full size refrigerator), then CalAm shall provide displaced individuals with a per diem allowance to offset costs of meals for the period of relocation.

c. Findings: With the exception of nighttime noise impacts during construction of the Castroville Pipeline Optional Alignment 1 and the ASR-5 and ASR-6 Wells, implementation of Mitigation Measures 4.12-1a through 4.12-1c would reduce Impact 4.12-1 to a less-than-significant level by reducing impacts associated with daytime and nighttime ambient noise levels during construction by requiring a preconstruction notification and designated noise complaint program; by installing noise control devices and noise barriers on construction equipment and at staging areas; and by implementing a nighttime noise control plan that would reduce noise levels to the extent practicable. Nighttime noise impacts during installation of the Castroville Pipeline Optional Alignment 1 and during drilling and development of the ASR-5 and ASR-6 Wells would remain significant and unavoidable, even with implementation of mitigation. The CPUC has imposed Mitigation Measures 4.12-1a

through 4.12-1e on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Impact 4.12-C: Cumulative impacts related to Noise and Vibration.

a. Impact: Project components that could generate construction noise in excess of the daytime standard include the ASR Wells, and the Carmel Valley Pump Station. Project components that could generate construction noise in excess of the nighttime standard include the Desalinated Water Pipeline, Castroville Pipeline, the new Transmission main, and the ASR Wells. It is conservatively assumed that the potential exists for residual (post-mitigation) Project pipeline construction noise to combine with that of one or more of five cumulative projects to cause nighttime noise levels to exceed the sleep interference threshold. As a result, temporary cumulative increases in nighttime construction noise could result in a significant cumulative nighttime noise impact. Therefore, Project nighttime construction noise could make a cumulatively considerable contribution to a significant cumulative effect.

   Project construction could cause significant impacts from operation of roller/compactors and sheet pile drivers during pipeline installation. Six cumulative projects could contribute to cumulative effects associated with vibratory impacts on sensitive receptors; therefore, the Project would have a cumulatively considerable contribution to a significant cumulative effect.

b. Mitigation: See Section 4.12, Noise and Vibration, above, for a description of Mitigation Measures 4.12-1a through 4.12-1e, and 4.12-3.

c. Findings: Implementation of Mitigation Measure 4.12-3 would reduce the Project's contribution to a significant cumulative effect associated with vibration to a less-than-significant level by using smaller equipment and alternate construction methods and adjusting equipment operations. However, even with implementation of Mitigation Measures 4.12-1a through 4.12-1e, construction associated with the ASR Wells and Castroville Pipeline would have a residual significant and unavoidable impact. The CPUC has imposed Mitigation Measures 4.12-1a through 4.12-1e, and 4.12-3 on the Project as a condition of approval of the CPCN and implementation will be monitored through the MMRP.

Growth Inducement

Impact 6.3-1: Secondary effects of planned growth.

a. Impact: The MPWSP would not directly contribute to the creation of additional housing or jobs within the area it would serve, as it is limited to construction and operation of water supply facilities and infrastructure. However, the Project would indirectly support growth by removing some water supply limitations as an obstacle to growth, thereby enabling a degree of growth under the approved general plans within the area served by the MPWSP. This would be a significant impact.

b. Mitigation: There are no feasible mitigation measures for Impact 6.3-1. CalAm, the CPUC, and MBNMS do not have the authority to make land use decisions or to approve growth. The cities and county in the area served by the Project have the authority to approve or deny development projects and to impose mitigation to

address significant environmental impacts associated with development projects within their respective jurisdictions. In addition, numerous federal, state, regional, and local agencies are specifically charged with protecting environmental resources, and ensuring that planned development occurs in a sustainable manner. Together, these agencies exercise the authority to reduce the effects of development on the environment.

c. Findings: Land use decisions are within the purview of other agencies that can and should impose mitigation measures on development projects. There are no feasible mitigation measures that the CPUC can impose to reduce the significant impact associated with growth inducement; thus, the Project would have a significant and unavoidable impact.

Impact 6.3-C: Cumulative impacts related to growth inducement.

a. Impact: The Project would indirectly support growth by removing some water supply limitations as an obstacle to growth, thereby enabling a degree of growth under the approved general plans within the area served by the MPWSP. Several planned future cumulative projects would provide new sources of potable water supply in Monterey County. The Monterey Bay Regional Water Project (DeepWater Desal) would provide water to the City of Salinas as well as parts of Santa Cruz County. If both the Project and DeepWater Desal were approved, water from DeepWater Desal could be used to support growth in other nearby areas such as northern Monterey County. The RUWAP Desalination Element would serve the Marina Coast Water District's Ord Community with approximately 1,000 afy of potable supply. Through an agreement with FORA and the Monterey One Water, an additional 1,400 afy of potable supply from the PWM Project would meet the build-out needs of the Ord Community (which is contiguous with CalAm's service area). The Granite Ridge Water Supply Project would increase water supply availability for the area of northern Monterey County that it would serve. The Interlake Tunnel project would reduce the amount of water spilled at Nacimiento Dam by allowing water from Nacimiento Reservoir to be stored at San Antonio Reservoir for later use. Because that project would also provide groundwater recharge, this analysis assumes it could indirectly augment supply available for groundwater users, including municipal supply that could serve additional growth. Although the primary purpose of the Salinas Valley Water Project Phase II is to combat seawater intrusion by providing a new source of surface water to offset groundwater consumption, the availability of a reliable surface water supply provided by that project could induce growth by removing supply reliability limitations as an obstacle to urban development. Growth induced by one or more of these cumulative water supply projects in combination with the Project would result in secondary effects of growth in Monterey County that would constitute a significant cumulative impact.

b. Mitigation: There are no feasible mitigation measures for Impact 6.3-C. The CPUC lacks authority to impose mitigation measures on the agencies that are responsible for considering the cumulative projects other than the Project or on the development projects that could be served by additional water. While constructing a smaller desalination plant, or none at all, could minimize this cumulative growth impact, it is not known if any of these cumulative projects will ultimately be approved and implemented. More importantly, the project objectives for the Project would not be met by approving a smaller Project, or none, in that there would not be a sufficient

and reliable water source for CalAm customers. Implementation of the DeepWater Desal Alternative instead of the Project could reduce this impact since it is one of the assumed cumulative projects that create the cumulative growth impact, but as detailed below, that alternative is neither feasible nor desirable and could not timely achieve the project objectives.

c. Findings: Land use decisions are within the purview of other agencies that can and should impose mitigation measures on development projects. The same is true of the agencies that would consider approval of the cumulative water supply projects. There exist no mitigation measures that the CPUC could impose to reduce the significant cumulative impact associated with growth inducement; thus, the Project would make a considerable contribution to a significant and unavoidable cumulative impact.

X. ALTERNATIVES

The EIR/EIS examined a "no project/no action" alternative and three types of action alternatives at an equal project-level of detail: 1) alternatives to the 9.6 mgd Project; 2) desalination project proposed by other entities; and 3) reduced capacity alternatives.

First, alternatives to the 9.6 mgd Project were crafted by analyzing individual components of a desalination plant – the water intake facility, brine discharge outfalls, and desalination sites -- and identifying the least environmentally damaging and most viable alternatives of these components. The components that were considered the least environmentally damaging and were also feasible were then crafted into "whole" alternatives. These are Alternatives 1 and 2.

Second, the action alternatives analyzed two reduced capacity alternative scenarios. As discussed in the Introduction, *supra*, CalAm's application for the Project included two capacity options for build-out: the 9.6 mgd Project and the Project (a 6.4 mgd desalination plant with a water purchase agreement for 3,500 afy of advanced treated water from the PWM project). This reduced capacity option is presented in the alternatives analysis with alternative locations for the slant well intakes. These are identified as Alternatives 5a[4] (slant wells at CEMEX) and 5b (slant wells at Potrero Road).

Third, the EIR/EIS examines two other desalination projects proposed by project proponents in the Monterey District that could supplement CalAm's water service: the Monterey Bay Regional Water Project, also known as DeepWater Desal (Alternative 3), and the People's Moss Landing Desalination Project (Alternative 4).

The alternatives evaluated in detail in the EIR/EIS are as follows:

- No Project/No Action Alternative
- Alternative 1: Slant Wells at Potrero Road;
- Alternative 2: Open-Water Intake at Moss Landing;
- Alternative 3: the Monterey Bay Regional Water Project aka DeepWater Desal;
- Alternative 4: the People's Moss Landing Desalination Project aka the People's Project, and;

4 This alternative is the Project, as discussed in Section V.b., and is therefore not considered in this Section.

- Alternative 5b: Reduced Project 6.4 mgd Desalination Plant – Intake Slant Wells at Potrero Road.

Each of these alternatives is addressed below, with a brief description provided as well as findings concerning the environmental effects of the alternative, the feasibility of the alternative and the ability of the alternative to meet the basic objectives of the project. The CPUC finds that Alternative 5a: Reduced Project 6.4 mgd Desalination Plant – Intake Wells at CEMEX is the environmentally superior alternative (the Project addressed in these findings) and that no other alternatives are feasible, capable of meeting project objectives and would reduce significant impacts of the Project. Indeed, the Project itself reduces the severity of impacts associated with the 9.6 mgd Project addressed throughout the EIR/EIS.

a. NO PROJECT/NO ACTION ALTERNATIVE

Under the No Project/No Action alternative, no facilities would be constructed and CalAm would continue to operate its Monterey District facilities in compliance with the CDOs and the Seaside Groundwater Basin Adjudication. At the end of the Revised CDO extension period, CalAm would have an estimated 6,380 afy of potable water available for delivery within its service area from existing sources, and would not "payback" any water to the Seaside Groundwater Basin.

While the No Project/No Action Alternative would have the least significant environmental impacts, the No Project Alternative would fail to meet almost all of the key Project objectives: in particular, it would not provide a replacement water supply for CalAm customers, it would not provide water supply reliability and it would not provide supply to allow for replenishment of water that CalAm previously pumped from the Seaside Basin in excess of CalAm's adjudicated right. In addition, it would not provide supply for the development of vacant legal lots of record or supply to meet demand resulting from economic rebound of the hospitality industry. The limited available water supply would trigger rationing measures and could lead to water shortages throughout the Monterey District service area. Further, the Project benefit served by the return water for the community of Castroville would not come to fruition.

Even if the PWM Project provides 3,500 afy of water to CalAm, the Project objectives would not be met. The alternative would fail to replenish the water that CalAm previously pumped from the Seaside Basin in excess of CalAm's adjudicated right, it would fail to establish water supply reliability and would not enable the development of vacant legal lots of record or supply to meet demand resulting from economic recovery and rebound of the hospitality industry. In addition to failing to provide sufficient supply to meet the average demands assumed in MPWSP planning, the No Project Alternative combined with the PWM Project would not provide sufficient supply flexibility to meet most peak demands.

The No Project Alternative would also burden the region's economy. The Project's local and regional economic benefits by way of Project construction would be lost. There would not be temporary new local employment opportunities nor increased spending on construction materials, equipment and/or services. Regarding long-term impacts, the lack of water supply would adversely affect the region's economic vitality, including the County's "four pillars" – agriculture, tourism, education, and research, by substantially reducing the reliability of water resources and water infrastructure.

While the No Project Alternative may involve the least amount of direct impact on the physical environment, there would be different impacts given the failure to supply sufficient water for

customers within the CalAm service area. The CPUC concludes that the No Project Alternative does not meet the Project goals and objectives and is not a feasible alternative.

b. ALTERNATIVE 1: SLANT WELLS AT POTRERO ROAD

Alternative 1 contains the same elements as the 9.6 mgd Project and would produce the same volume of product water. However, because of the hydrogeology of the Potrero Road area, Alternative 1 would draw a greater volume of water from the Salinas Valley Groundwater Basin than the 9.6 mgd Project. In the event that the Salinas Valley Return Water obligation is 12 percent (the highest return value simulated), Alternative 1 would meet the need for replacement supplies and would meet peak month demand, but limited supply would be available for other uses, including accommodating tourism demand under recovered economic conditions and development of legal lots of record.

Moreover, pumping from slant wells at Potrero Road could potentially adversely affect aquatic habitat due to reduced surface water flow and volumes. The slant wells could also draw in groundwater that would otherwise flow to recharge the Elkhorn Slough or draw surface water directly from the Elkhorn Slough that could potentially adversely affect riparian habitat, critical habitat, or other sensitive natural communities. The Project would not generate this significant and unavoidable impact to a key biological resource.

In addition, Alternative 1 would be infeasible and would fail to meet the Project objectives to the same degree as the Project because it would fail to meet the Project's objective to develop a reliable water supply for the Monterey District and accommodate tourism demand and legal lots of record. Furthermore, because of the potential for a greater amount of water needing to be returned to the Salinas Valley Groundwater Basin, the cost of product water could be higher to CalAm customers such that Alternative 1 would not be economically viable. Finally, this alternative would generate the same level of significant and unavoidable impacts as the Project, with the exception of the Project's disturbance of vegetation communities within coastal zone designated as primary habitat under the City of Marina's Local Coastal Land Use Plan ("LCLUP"). The California Coastal Commission ("CCC") on the other hand, determined that the test slant well did not violate the Coastal Act's policy pertaining to environmentally sensitive habitat areas ("ESHA").

In light of this, the CPUC must balance the Project's inconsistency with the LCLUP policy against the alternative's physical effect of lowering water in the Elkhorn Slough, home to many sensitive communities, including sea otters. Based on the CCC's determination of the test slant wells impact to ESHA, the CPUC concludes that Alternative 1's impact to sensitive communities in the Elkhorn Slough is a greater environmental concern than the Project's inconsistency with the LCLUP policy. Accordingly, the CPUC concludes that the Project is environmentally superior to this alternative such that the goals of CEQA would not be enhanced by implementation of Alternative 1.

c. ALTERNATIVE 2: OPEN-WATER INTAKE AT MOSS LANDING

Alternative 2 would supply seawater to the proposed 9.6 mgd desalination plant located at the Charles Benson Road site using a screened open-water intake system located offshore and southwest of the Moss Landing Harbor entrance. The existing test slant well would be decommissioned, and except for an additional 6.5 miles of source water pipeline, the desalination plant, brine discharge, new Desalinated Water Pipeline, new Transmission Main, and ASR components would be identical to the Project. Alternative 2 would meet most of the Project

objectives because it contains most of the same elements as the Project and would produce the same volume of product water. However, the intake facility would be located farther north at a location that CalAm does not currently control, requiring CalAm to construct additional source water pipeline. This would also require additional permitting for the construction and operation of the open-water intake. All of this would create permitting delay, which would ultimately impact the availability of the supply relative to the SWRCB's CDOs, delaying CalAm's ability to service its customers and meet the Project objectives.

Moreover, the open water intake system of Alternative 2 would have the potential to degrade the physical structure of a geologic resource or alter oceanographic processes, such as sediment transport. The open water intake system could affect marine biological resources during construction and operation and have a greater impact on marine species, natural community, or habitat and, therefore, is not an element favored by the California Coastal Commission. In addition to this, construction for additional pipeline would result in an overall increase in construction emissions compared to the Project.

While this alternative would produce the same amount of desalinated product water, no desalinated water would need to be returned to the SVGB. Thus, the Project benefit served by the return water for the community of Castroville would not come to fruition. The alternative also fails to meet Project objectives concerning timely provision of water so that CalAm may comply with legal orders and cease unlawful and environmentally damaging diversions from the Carmel River. In addition, this alternative would result in significant environmental impacts that would not be generated by the Project, but would not ameliorate or reduce any significant effects of the Project. Therefore, it is infeasible and inferior to the Project.

d. ALTERNATIVE 3: MONTEREY BAY REGIONAL WATER PROJECT AKA THE DEEPWATER DESALINATION PROJECT

Alternative 3 includes the construction and operation of a screened open ocean intake system, a brine discharge system, a seawater desalination facility, a co-located data center, and associated components to provide up to 25,000 afy of potable water and data transmission and storage services. This alternative is being developed to meet a regional need for water, and under this Alternative, CalAm would be one of several customers, or off-takers, of the supply. CalAm would decommission the test slant well at CEMEX, and purchase water from the DeepWater Desalination Project to serve the needs of their customers in the Monterey District.

Alternative 3 would meet all of the Project objectives and produce the required volume of product water. The alternative includes an open-water intake and the placement of ballast rock on the seafloor, and the desalination facilities would be co-located with a data center. The alternative would produce more water than is needed for CalAm's Monterey District, though contracts would need to be negotiated for CalAm to secure water from the alternative. Product water pipeline would need to be constructed to connect the alternative to the Project's pipelines in the City of Marina. The CEQA and NEPA review for this alternative has been started, but it is not clear when it will be complete (no Draft EIR or EIS has yet been circulated) and when the alternative would be ready for consideration by the requisite permitting agencies. It is speculative whether the DeepWater Desalination Project would obtain the required permits for the project, and those permits would likely not be granted for years to come. In addition, under this alternative, the project sponsor of the DeepWater Desalination Project would need to agree to the terms of a water purchase agreement with CalAm that would subsequently need to be approved by the CPUC. Each of these elements would create increased permitting complexity that would delay CalAm's ability to serve its customers and to comply with legal mandates to find a substitute for

Carmel River illegal diversions. Any further delay fails to meet the basic Project objectives and makes this alternative infeasible compared to the Project.

As for environmental impacts, the underwater features of Alternative 3 would have impacts on slope stability, landslides, and alteration of geologic resources or marine processes within MBNMS, and an increased impact on marine biological resources during construction and operations. Constructing Alternative 3 would also impact riparian habitat, critical habitat, and sensitive natural communities. Moreover, the desalination plant and data center would occur within 300 feet of a residence over a 24-month period, and would result in elevated pollutant emissions exposure, that would result in increased significant impacts compared to the Project. There are also substantial indirect growth inducing impacts; this alternative would provide substantially more water to the CalAm service area, because desalinated water would not need to be returned to the SVGB and more water would be available, creating the potential for growth.

The CPUC concludes that this alternative would generate numerous significant impacts above and beyond those of the Project and, therefore, is environmentally inferior to the Project such that the goals of CEQA would not be served by its selection.

e. ALTERNATIVE 4: PEOPLE'S MOSS LANDING WATER DESALINATION PROJECT AKA THE PEOPLE'S PROJECT

Alternative 4 is the People's Moss Landing Water Desalination Project ("People's Project"), which includes decommissioning the test slant well at CEMEX, the construction and operation of an open ocean intake system, a brine discharge system, and a 12 mgd desalination plant and associated components to provide 13,400 afy of water supply to meet the current and future needs of the Monterey Peninsula area. This alternative would require an additional 6.5 miles of product water pipeline to connect to the Project's pipelines in the City of Marina.

The CEQA and NEPA review for this alternative has started, but it is not clear when it will be complete (no Draft EIR or EIS has yet been circulated) and when the alternative would be ready for consideration by the requisite permitting agencies. Each of these elements would create increased permitting complexity that would delay CalAm's ability to serve its customers and to comply with its legal mandates to find a substitute for Carmel River illegal diversions. Any further delay fails to meet the basic Project objectives and makes this alternative infeasible compared to the Project.

This alternative would also result in significant and unavoidable impacts from coastal erosion and degradation of marine geologic resources or oceanographic processes. There are also significant flood risks from tsunami and sea level rise compared to the Project due to the location of the desalination facility, and coastal erosion from the facility siting. The construction of Alternative 4 would result in an increased impact on marine biological resources and would result in a greater potential impact on marine species, natural community, or habitat during operations. This impact is an increased impact compared to the Project. Installing the open ocean intake, outfall pipeline and diffuser, and laying intake and brine discharge pipelines on the seafloor, ballasted with concrete collars and protected with riprap armoring, would also have a significant and unavoidable impact on water quality. Short-term emissions associated with construction could contribute to an exceedance of a state and/or federal standard for ozone, NO_2, and/or PM10, and has the potential to result in a violation of an air quality standard. This alternative would also occur within close proximity to sensitive receptors, creating significant and unavoidable impacts.

Even during operations, discharges and increased salinity would create an impact to water quality that would be significant and unavoidable compared to the Project. There are also indirect growth inducing impacts because this alternative would provide more water to the Monterey District service area and desalinated water would not need to be returned to the SVGB and more water would be available, creating the potential for growth. Therefore, the CPUC concludes that the Project is environmentally superior to this Alternative such that the goals of CEQA would not be served by this selection.

f. ALTERNATIVE 5B: REDUCED PROJECT 6.4 MGD DESALINATION PLANT – INTAKE SLANT WELLS AT POTRERO ROAD

Alternative 5b is a variation of the MPWSP: it includes the decommissioning of the test slant well at CEMEX and the construction and operation of the 6.4 mgd Project, with the seven intake wells at Potrero Road (the same location as Alternative 1, with fewer wells).

This alternative would not meet Project's objectives because the 6.4 mgd Project alone would not produce enough supply to meet the annual or peak demands in CalAm's Monterey District. However, if the PWM Project is operational and able to deliver water to CalAm, this alternative would meet Project objectives.

The hydrogeology of the Potrero Road area makes it such that Alternative 5b would draw a greater volume of water from the SVGB than the Project. In the event that the Salinas Valley Return Water obligation is 12 percent (the highest return value simulated), Alternative 5b would meet the need for replacement supplies and would meet peak month demand, but limited supply would be available for other uses, including accommodating tourism demand under recovered economic conditions and development of legal lots of record.

Similar to Alternative 1, pumping from slant wells at Potrero Road under Alternative 5b would result in drawing groundwater that would otherwise flow to recharge the Elkhorn Slough or draw surface water directly from the Elkhorn Slough. This would be an increased level of impact compared to the Project, because it would have a significant and unavoidable impact on marine biological habitat and associated species, riparian habitat, critical habitat, or other sensitive natural communities, particularly the steelhead habitat in Elkhorn Slough. Moreover, Alternative 5b would be infeasible and would fail to meet the Project objectives to the same degree as the Project because it would fail to develop a reliable water supply for the Monterey District and accommodate tourism demand and legal lots of record. Furthermore, because of the potential for a greater amount of water needing to be returned to the Salinas Valley Groundwater Basin, the cost of product water could be higher to CalAm customers such that Alternative 5b would not be economically viable.

These impacts make this Alternative infeasible and would fail to meet the Project objectives to the same degree as the Project, especially because the Project would not generate the significant and unavoidable impact to a key biological resource. The CPUC concludes that this alternative would generate significant impacts above and beyond those of the Project and, therefore, is environmentally inferior to the Project such that the goals of CEQA would not be served by its selection.

Therefore, the CPUC concludes that the No Project/No Action Alternative and Alternatives 1 through 4 and 5b are infeasible and/or environmentally inferior to the Project.

g. EXPANDED PURE WATER MONTEREY PROJECT

Based upon testimony and data provided to the CPUC by parties to the MPWSP proceeding, Monterey One Water is considering the potential to expand the PWM Project from its approved 5 mgd size to 7 mgd (PWM Expansion). Monterey One Water has suggested the PWM Expansion as an interim solution to supply water to CalAm customers in the event that implementation of the Project desalination facility is delayed considerably. Some have suggested that the PWM Expansion could be available as necessary for CalAm to secure water to meet the project objectives, either entirely (substituting for the Project) or partially (allowing for a smaller desalination plant than the Project's 6.4 mgd plant). A document titled "Progress Report on Pure Water Monterey Expansion" prepared by Monterey One Water, dated May 10, 2018 (PWM Expansion Progress Report) details the status of and potential for the PWM Expansion and was submitted by Monterey One Water on May 11, 2018. For myriad independent reasons summarized below, the CPUC finds that, while it may be a worthwhile endeavor and could possibly satisfy short-term needs in the future, the PWM Expansion is not a feasible alternative that would meet the project objectives and be environmentally superior to the Project such that it should be considered a feasible alternative to approving the Project at this time.

When the CPUC approved the Water Purchase Agreement to secure 3,500 afy of water from the PWM Project for CalAm, the CPUC applied nine criteria to evaluate the viability of the PWM Project and the reasonableness of the WPA. Those nine criteria remain applicable to any consideration of the PWM Expansion, yet the PWM Expansion Progress Report acknowledges that the PWM Expansion does not currently satisfy all of those nine criteria. Thus, it is not ready for consideration as an alternative.

Monterey One Water has not approved the PWM Expansion, nor has it formally begun an environmental review and permitting process for the PWM Expansion. The PWM Expansion Report includes a best-case schedule for that process ending in March 2019, contingent on Monterey One Water having already received funding for soft costs. The PWM Expansion Progress Report states that funding for continued work on the PWM Expansion is contingent on further action by the CPUC, such that the schedule outlined in the PWM Expansion Progress Report has apparently not been initiated and thus may be no longer accurate. The fact that the CEQA and NEPA processes have not begun for the PWM Expansion (indeed, NEPA review for the original PWM Project is not yet complete) indicate that the timelines for providing water outlined in the CDOs would not be met by this option. Further, while some have asserted that the CDO milestones may be amended or not enforced, there is insufficient certainty and evidence to support such an assumption. Any suspension of or changes to the CDO is outside the CPUC's jurisdiction and control; thus, any alternative that relies upon suspension of or changes to the CDO milestones is legally infeasible. In addition, the PWM Expansion would necessitate additional agreements (concerning, e.g., funding and water allocations) between Monterey One Water and the Monterey County Water Resources Agency that have not yet been developed and thus are speculative. The PWM Expansion Project was raised late in the Project consideration process and after public review of the EIR/EIS; its implementation is remote and speculative. As such, it is not now a feasible alternative to the Project.

Importantly, the PWM Expansion Progress Report indicates that the PWM Expansion would satisfy the basic and key purposes of the Project (i.e., sufficient and reliable water supply) only in conjunction with construction of a desalination plant of some size within five to fifteen years. Thus, the PWM Expansion would not substitute for a desalination plant, but would merely delay it and possibly (but not certainly) enable it to be smaller. The PWM Expansion fails to qualify as a project alternative under CEQA.

Some parties to this proceeding have expressed concern over the quality of water that would be produced by the PWM Expansion in light of new water sources, such as agricultural runoff water. While the PWM Expansion Progress Report states that, after treatment, the water would meet or exceed drinking water standards, there has yet been no environmental analysis of this key technical feasibility issue. In addition, there is not at this juncture sufficient certainty concerning short- and long-term availability of source water supplies for the PWM Expansion. These technical feasibility concerns preclude the Commission from finding, based on the evidence at hand, that the PWM Expansion is a feasible alternative to satisfy the basic objectives of the Project.

Much of the source water for the PWM Expansion is projected to be storm water, and the PWM Expansion Progress Report source water numbers assumed a normal or wet year. While there would be a drought reserve, there is at least some uncertainty and variability as to the availability of water to support the PWM Expansion. CalAm needs a reliable and consistent water source to meet project objectives and the PWM Expansion would not satisfy this key objective (upon which numerous other project objectives rely).

As indicated in the PWM Expansion Progress Report, funding has not yet been secured for the soft costs (e.g., environmental review and permitting) or construction costs for the PWM Expansion. In addition, the CPUC has not analyzed the rates that would need to be charged to CalAm customers if water were secured from the PWM Expansion. The PWM Expansion Progress Report indicates that if the PWM Expansion were constructed before the desalination facility were built, CalAm would need to construct three extraction wells and associated pipelines, with one of such wells being necessary as a backup well in order to satisfy CalAm system redundancy requirements. However, the costs submitted with the PWM Expansion Progress report assume that only two wells would be built. For these multiple reasons, the economic viability of the PWM Expansion is uncertain, which also raises timing and other key project objective issues.

Furthermore, there is no evidence to indicate that the PWM Expansion (on its own or, most likely with a later-constructed desalination plant) would reduce significant environmental effects of the Project. For this reason alone, it need not be considered as a Project alternative at this juncture. In addition, the PWM Expansion would not result in the benefit of supplying reliable, potable water to the community of Castroville, as would occur with the Project.

On these bases, though its exploration may have merit as an interim solution if the Project desalination facilities are delayed, the PWM Expansion is neither a feasible nor an environmentally superior alternative to the Project.

h. MCWD SALE OF WATER TO CALAM

MCWD has indicated that it may be willing to sell to CalAm approximately 774 afy of water from the PWM Project for use in lieu of Seaside Basin groundwater pumping during the Seaside Basin replenishment period. This alternative is considered unable to meet the basic Project objectives and infeasible on the following independent bases: (a) the MCWD proposal involves only a relatively small amount of water insufficient to substitute for the Project or to make the Project smaller in size, (b) the water would be available to CalAm only on a short-term basis and thus does not provide a permanent and reliable water source, and (c) there is no proposed agreement for such sale before the CPUC, so that the CPUC cannot judge the financial and policy terms of any such water purchase agreement. In addition, there is no evidence that this option would eliminate or reduce any significant effects of the Project, so it is not environmentally superior to the Project. MCWD's

proposal surfaced late in the Project environmental review and consideration process, and is remote and speculative.[5] The CPUC finds that this alternative is not viable.

XI. STATEMENT OF OVERRIDING CONSIDERATIONS

a. OVERRIDING CONSIDERATIONS

The CPUC has considered the Project's significant and unavoidable impacts set forth above, and weighed the benefits of the Project against the significant unavoidable environmental impacts under CEQA. The CPUC hereby finds that for the reasons set forth below, the Project's benefits and economic, legal, social, environmental and other considerations associated with the Project outweigh and make acceptable the unavoidable impacts identified above, and the CPUC adopts and makes this statement of overriding considerations. The CPUC further finds that each benefit specified below independently provides a sufficient basis to outweigh the Project's significant unavoidable impacts. The CPUC further finds that the benefits of the Project outweigh the benefits of any of the other alternatives examined, including the alternatives deemed infeasible in Section X above.

b. BENEFITS OF THE PROJECT

The expected benefits of the Project are:

1. The Project would provide adequate, reliable water supplies for residents in CalAm's Monterey District.

The Project would result in the provision of 7,167 afy of replacement water supplies for residents of the Monterey Peninsula. Including this replacement water, CalAm's total water supply would increase to 16,211 afy. CalAm services 39,621 of accounts, approximately 150,000 residents or 33% of the population of the County. These residents would particularly benefit from the Project; it will allow residential, commercial and industrial activities to continue to exist and flourish within the greater Monterey area.

2. Cease CalAm's illegal diversions from the Carmel River and meet its obligations under the State Water Board's CDOs.

The Project will ensure that CalAm complies with its legal obligations under the State Board's CDOs to meet the key milestones in the CDOs, and ultimately terminate its unlawful diversions from the Carmel River. Under the CDOs, if CalAm were unable to demonstrate tangible process in developing an alternative water supply that would enable it to reduce and terminate its unlawful diversions, the State Board would reduce CalAm's annual diversion limit. Therefore,

[5] MCWD has also criticized the EIR/EIS for not including its modest sale proposal in the No Project analysis or the cumulative impact analyses. First, the potential sale was raised after the EIR/EIS preparation process began. Also, there is no evidence that the water sale would occur without the Project because CPUC approval would be required and the potential water sale is not the subject of any pending CPUC proceeding. As such, it would not have been appropriate to include it in the No Project analysis. Similarly, it was not proposed when the cumulative project analytical methods and assumptions were developed, nor is it a reasonably foreseeable project, so it would not have been appropriate to include it within the EIR/EIS cumulative analyses. Finally, the inclusion of such a small amount of temporary water would not have altered the analysis or conclusions of the EIR/EIS.

this Project ensures that CalAm's service district will not experience severe water cutbacks, and allows CalAm to adhere to the milestones in the CDOs.

3. Cease extracting water beyond its allocated limit from the Seaside Groundwater Basin.

This Project will ensure that CalAm has alternative sources of water to supply its service area and it will no longer need to over extract from the Seaside Groundwater Basin to meet demand. The alternative water source provided by this Project will allow CalAm to abide by the Court's adjudication and pay back its obligation to the Seaside Basin.

4. Protect and promote the Monterey economy.

Implementation of the Project will provide local and regional economic benefits to the Monterey Peninsula area. Construction will boost temporary new local employment opportunities, increased spending on construction materials, equipment, and services.

Ensuring long-term water supply in the Monterey Peninsula area will boost the region's economic vitality, particularly the County's "four pillars" – agriculture, tourism, education, and research, by substantially reducing the reliability of water resources and water infrastructure.

5. Significant environmental benefits to the Carmel River.

The Project would result in a reduction of CalAm's pumping of river subflows from the Carmel River by as much as 7,354 afy compared to existing conditions. By allowing this water to remain in the Carmel River, the Project will result in significant environmental benefits to habitat and wildlife and marine species.

6. Arrest seawater intrusion for the Salinas Valley Groundwater Basin.

Based on the groundwater modeling, the Project would be expected to retard future inland migration of the seawater intrusion front, by intercepting and capturing some of the seawater that currently migrates inland across the coastline. The Project would therefore, facilitate the reduction of seawater intrusion in the Salinas Valley Groundwater Basin in the long term, and may actually improve the Basin's seawater intrusion issue.

7. Return component of the Project will supply reliable and clean municipal water for Castroville.

The Castroville Community Services District ("CCSD") provides municipal and domestic water service to the Town of Castroville and currently relies on about 780 afy of groundwater from the SVGB to meet Castroville's water demands, and increasingly has experienced water supply challenges because the water is getting saltier. In order to fulfill its SVGB return water obligation, CalAm would make return water available for other water suppliers, including CCSD, rather than pumping groundwater from the SVGB. Castroville can rely on this clean municipal water to service its residents.

MITIGATION MONITORING AND REPORTING PROGRAM

CalAm Monterey Peninsula Water Supply Project

As the CEQA and NEPA Lead Agencies, the CPUC and MBNMS, respectively, are responsible for ensuring the required mitigation measures are implemented appropriately and effectively. This Mitigation Monitoring and Reporting Program (MMRP) for the Project establishes the approach to successful implementation of the mitigation measures that were identified in the EIR/EIS and that have been required as conditions of Project approval. CalAm, as the Applicant and project proponent, will be responsible for implementing all mitigation measures, as well as any additional conditions imposed by any permits or regulations administered by other responsible or trustee agencies and for reporting the implementation to the Lead Agencies. Following project approval, a detailed Mitigation Monitoring, Compliance, and Reporting Program (MMCRP) will be developed, as described in Section 5: MMCRP, to set forth additional details concerning how the CPUC will ensure appropriate implementation of the MMRP by CalAm.

Table 1 of this MMRP is organized first by environmental topic/impact statements in the order they are presented in the EIR/EIS, with the mitigation measures identified for such impacts. Table 1 includes:

- Mitigation measures that CalAm must implement as part of the approved project;
- Monitoring and reporting requirements;
- Effectiveness criteria in order to judge whether the mitigation measure achieves its intended results. If the mitigation measure does not achieve the intended results, then the CPUC and MBNMS may adjust the mitigation measure in consultation with the applicable responsible or trustee agency, as described in more detail in Section 3, Roles and Responsibilities; and
- Timing and location of implementation for each measure so as to clearly specify which element(s) of the Project trigger each mitigation measure.

1. Authority for the Mitigation Monitoring and Reporting Program

The California Public Utilities Code confers authority upon the CPUC to regulate the terms of service and the safety, practices, and equipment of utilities subject to its jurisdiction. It is CPUC practice, pursuant to its statutory responsibility, to protect the environment and to require that mitigation measures imposed as conditions of approval be properly implemented, monitored, and reported. This requirement is codified statewide in Public Resources Code (PRC) §21081.6, which requires a public agency to adopt a mitigation monitoring or reporting program when it approves a project that is subject to preparation of an EIR and where the EIR for the project identifies significant adverse environmental effects. CEQA Guidelines Section 15097 describes agency requirements for mitigation monitoring or reporting. This MMRP implements the CPUC's responsibilities under PRC §21081.6. This MMRP will also be used by MBNMS to track implementation of required mitigation measures within the sanctuary, in compliance with 32 CFR 651.15, which addresses mitigation and monitoring.

The purpose of the MMRP is to ensure the measures adopted to mitigate or avoid significant impacts of a project are implemented, and to report on their implementation. The MMRP can be a working guide to facilitate not only the implementation of mitigation measures by the project proponent, but also the monitoring, compliance, and reporting activities of the CPUC and MBNMS and any monitors they may designate.

2. Roles and Responsibilities

Responsibility for implementing the adopted mitigation measures rests with CalAm, unless otherwise specified in the mitigation measure.

As the Lead Agency under CEQA, the CPUC is responsible for monitoring an approved project to ensure that required mitigation measures are implemented. CPUC will be tracking the implementation of the mitigation measures and associated monitoring on behalf of MBNMS and the two Lead Agencies will coordinate on any issues relating to the monitoring reports. MBNMS will also plan to conduct random inspections for compliance of mitigation measures required of activities that may affect sanctuary resources. The purpose of the MMRP is to document that the mitigation measures required by the CPUC are implemented and that mitigated environmental impacts are reduced to the level identified in the EIR/EIS and the CEQA findings adopted by the CPUC. The CPUC may delegate duties and responsibilities for monitoring implementation to environmental monitors or consultants working on behalf of the CPUC (referred to as Third-Party Monitors).

While the implementation by CalAm of some of the mitigation measures will also require reporting to responsible or trustee agencies where areas or resources under their jurisdiction are potentially affected or involved, CalAm must ultimately demonstrate to the Lead Agencies that the mitigation measures have been appropriately implemented.

CalAm will deploy its monitors to ensure implementation of its commitments and execution of its responsibilities as detailed in the MMRP. The number of CalAm construction monitors assigned to the Project to meet the requirements of the MMRP will be determined by CalAm and will depend on the number of concurrent construction activities underway, their locations, and the types of resources potentially affected. Per this MMRP, CalAm is required to demonstrate to the Lead Agencies that all persons assigned monitoring duties and responsibilities are qualified to undertake those duties.

When a mitigation measure requires that a study or plan be developed during the design or pre-construction phase of the Project, CalAm must submit the final study or plan to CPUC and MBNMS for review and approval. Any study or plan that requires approval of the CPUC and MBNMS must allow at least 60 days for adequate review unless noted otherwise in the mitigation measure or the MMRP. Other agencies and jurisdictions with authority over aspects of the Project or particular resources may require additional review time. CalAm will be responsible for confirming to the Lead Agencies that appropriate agency reviews have occurred and required approvals were obtained.

2.1 Project Changes

This section describes the CPUC's process for staff approval of Project changes that may be necessary due to changes needed after the Applicant's final engineering of elements of the Project or if circumstances arise during the course of construction that require deviations from the Project as approved, including changes to mitigation measures listed herein. The CPUC's designated Project Manager, along with MBNMS and the Third-Party Monitors, will evaluate any proposed deviations from the approved Project to ensure they are consistent with CEQA and NEPA requirements. Depending on its nature, a requested deviation would be processed as a Minor Project Change (MPC) or a Petition for Modification (PFM). MPCs would be strictly limited to minor project changes that do not trigger additional permit requirements, do not increase the severity of an impact or create a new impact, and are within the geographic scope of the EIR/EIS. If a project change would create or have the potential to create a new significant impact, increase the severity of an impact, or occur outside the geographic area evaluated in the EIR/EIS, CalAm would be required to submit to the CPUC a PFM. The CPUC would evaluate the PFM under CEQA, as appropriate, to determine what form of supplemental environmental review, if any, would be required.

- Requests for CPUC Project Manager approval of a change must be made in writing and should include the following:

- A detailed description of the proposed change(s), including an explanation of why the deviation is necessary;

- Identification of the mitigation measure, project parameter, or other project attribute for which the change is being requested, and citations for associated approved documents;

- Photographs, maps, and other supporting documentation illustrating the difference between the existing conditions in the project area, the approved project, and the proposed change;
- The potential impacts of the proposed change, including a discussion of each environmental issue area that could be affected by the deviation with accompanying verification, and whether there would be an increase in significant impacts on resources affected by the Project and/or any new significant impacts, after application of previously adopted mitigation measure(s);
- Whether the change conflicts with any mitigation measures;
- Whether the change conflicts with any applicable guideline, ordinance, code, rule, regulation, order, decision, statute, or policy; and
- The date of expected construction at the location of the change.

The CPUC Project Manager may request additional information, agency consultations, or a site visit in order to determine the appropriate vehicle for approval and to process the request.

2.2 Enforcement Responsibility

The CPUC will be responsible for monitoring implementation of the MMRP and for enforcing the procedures adopted herein. Generally, this would be accomplished through the CPUC Energy Division CEQA Unit. The CPUC will also employ Third-Party Monitors to assist in certain efforts.

CalAm monitors will be required in some instances to coordinate the implementation of mitigation with the responsible or trustee agencies for situations falling within the purview of those agencies. In such instances, CalAm is required to demonstrate coordination with those agencies to the CPUC. The Third-Party Monitors will also coordinate with the appropriate responsible and trustee agencies or individuals to confirm compliance and effectiveness, or to coordinate on the need for further corrective actions.

As the State's regulator of investor-owned utilities, the CPUC has the authority to halt any construction, operation, or maintenance activity associated with the Project if the activity is determined to be a deviation from the approved project or from the adopted mitigation measures. As such, any member of the CPUC environmental monitoring team has the authority to issue a Stop Work Order that requires the contractors to temporarily halt or redirect Project activities if a sensitive resource is put in undue risk beyond previously authorized or permitted levels, and if mitigation measure(s) are not meeting the effectiveness criteria identified in the MMRP. In addition, a Stop Work Order may be issued if unauthorized Project activities are observed, such as the use of a work area that was not approved or if significant compliance risks remain unresolved. The CPUC will make any final determinations regarding Stop Work Orders for the Project.

2.3 Compliance Responsibility

CalAm will be responsible for successfully implementing all of the adopted mitigation measures, based on the criteria that define whether mitigation is successful, as provided in the table of mitigation measures below. Standards for successful mitigation also are implicit in many mitigation measures that include such requirements as obtaining permits or avoiding a specific impact entirely.

Additional mitigation success thresholds may be established through the review and approval of specific plans required under mitigation measures. Other requirements may be stipulated by another agency with applicable jurisdiction during that agency's permitting process.

CalAm will inform the CPUC and the Third-Party Monitors in writing of any mitigation measures that are not being, or cannot be, successfully implemented and provide alternative approaches for successful mitigation implementation. The CPUC, in coordination with its Third-Party Monitors, will review the alternative approach to determine if it is adequate and whether an MPC or PFM would apply (see Section 2.1).

In cases where CalAm is found to be in non-compliance, the CPUC may exercise the CEQA Citation Program, adopted by the Commission in Resolution E-4550, which authorizes Commission staff to efficiently issue citations and levy fines when needed to quickly address non-compliance incidents occurring on the Project site.

3. Dispute Resolution

Even with the best preparation, disputes may occur. In such an event, the following procedure will be observed for dispute resolution between CPUC staff and the applicant:

- Disputes and complaints should be directed to the CPUC Project Manager for resolution
- Should this informal process fail, the CPUC Project Manager may initiate enforcement or compliance actions as described in Section 2.3 to address deviations from the approved project.

Parties may also seek review by the CPUC through existing procedures specified in the CPUC′s Rules of Practice and Procedure for formal and expedited dispute resolution, although a good faith effort should be made to use the foregoing procedure first.

4. General Monitoring Procedures

4.1 Environmental Monitors

Many of the monitoring procedures will be conducted during the construction phase of the project. CalAm is responsible for appointing appropriately qualified on-site monitors as defined in the mitigation measures and MMRP, and for integrating mitigation monitoring activities into

the construction process. Qualified monitors are to be on-site during all fencing and ground disturbance activities, or as defined in the specific mitigation measures. The CPUC Project Manager and Third-Party Monitors will coordinate with MBNMS and with CalAm's on-site monitors to verify compliance with the MMRP, and the effectiveness of the mitigation.

The number of on-site construction monitors assigned to the Project will depend on the number of concurrent construction activities and their locations. The CPUC, MBNMS, or their designee(s), however, will ensure that each person delegated any duties or responsibilities is qualified to monitor compliance.

4.2 Construction Personnel

A key element in the success of mitigation implementation and mitigation monitoring is the full cooperation of construction personnel and supervisors. Successful implementation of many of the mitigation measures requires specific actions and behaviors on the part of the construction supervisors or crews. To ensure success, the following actions, detailed in specific mitigation measures, will be taken:

- Procedures to be followed by construction companies engaged to do the work will be written into their contracts with CalAm. Procedures to be followed by construction crews will be written into a separate agreement that all construction personnel will be asked to sign, denoting consent to the procedures.
- As specified by the MMRP, a Worker Environmental Awareness Training and Education Program will be conducted to inform and train construction personnel about the requirements of the monitoring program. The CPUC Third-Party Monitors will verify that each crew member receives the required training.
- A written summary of mitigation monitoring procedures will be provided to construction supervisors for all mitigation measures requiring their attention.

4.3 Reporting Procedures

CalAm is required to prepare and maintain daily monitoring reports that are entered into a field record environmental database (FRED) or similar system, and made available to the CPUC and MBNMS. CalAm will also provide the CPUC and MBNMS (or their Third-Party Monitors) with written weekly, monthly and quarterly summary reports of the Project construction activities, which shall include a chronological log including the progress of construction, and all monitoring activities conducted during the reporting period including the identification of any impacts on resources, mitigation measures implemented, and all other noteworthy elements of the Project.

Construction is not allowed to start in a particular area until the required pre-construction surveys and flagging/staking are completed, and the CPUC Third-Party Monitor has validated compliance and the CPUC has issued a Notice to Proceed to CalAm to start that construction.

4.4 Public Access to Records

The public is allowed access to records and reports used to track the monitoring program. Monitoring records and reports will be made available for public inspection by the CPUC upon request. The CPUC and CalAm will develop a filing and tracking system. For additional information on mitigation monitoring and reporting for the project, the CPUC Energy Division CEQA Unit will maintain an Internet website. To facilitate the public's awareness of and access to this information, the CPUC will make monthly reports available on the website.

5. Mitigation Monitoring, Compliance, and Reporting Program

The CPUC will prepare the Mitigation Monitoring, Compliance, and Reporting Program (MMCRP) in cooperation with MBNMS in order to meet both agencies' mitigation monitoring and reporting needs. The MMRCP will incorporate and will be based on this MMRP. The MMCRP will serve as a self-contained guide for implementing the MMRP throughout Project construction. The MMCRP will include more detailed content than is required for compliance with PRC §21081.6, it will incorporate the mitigation monitoring and reporting needs of other agencies that have yet to take action on the Project, and it will include agency, applicant, and third-party contact information that cannot be known with specificity at this time. The CPUC Project Manager, in coordination with MBNMS, will approve the completed MMCRP prior to the start of Project construction.

The MMCRP will contain a concise overview and description of the approved Project, outline its physical locations and geographic limits, and, to the extent known, provide the Project construction schedule. It will include all adopted mitigation measures and will specify the master reference document(s) that the monitors and CalAm will use in carrying out the MMRP (e.g., the Final EIR/EIS, detailed working maps and plans, issued permits, etc.).

The MMCRP will include a list of the agencies having jurisdiction over various aspects of the Project, and a description of where these respective jurisdictions occur. For example, the MMCRP will state which CDFW regional office has jurisdiction and will provide contact information, including the designated representative's name, address, email, and telephone numbers.

The MMCRP will also define the manner in which CalAm's monitoring team will interact with the CPUC staff and consultants. In addition, the MMCRP will define CalAm's required submittals to the agencies, and protocol for interactions among agency and CalAm team members.

The MMCRP must address the following topics, and others as deemed appropriate:

1. Introduction
    a. Authority and Purpose of the MMCRP
    b. Jurisdictional Agencies

c. Project Description

d. Organization of the MMCRP

2. Roles and Responsibilities

a. Monitoring Responsibility

b. Enforcement Responsibility

c. Mitigation Compliance Responsibility

d. Communications

e. Dispute Resolution

f. CalAm Roles

i. Identification of the qualified CalAm team members who would verify that all adopted measures and conditions have been successfully implemented.

ii. Organization of the CalAm team, including specifying duties, roles, and responsibilities.

iii. Identification of primary CalAm contacts for CPUC environmental monitoring staff liaison.

3. General Monitoring and Compliance Procedures

a. Environmental Monitors

b. Construction Personnel

c. General Reporting Requirements

i. CalAm Daily Incident Summary format and protocol

ii. CalAm Weekly Monitoring Report format and content

iii. CalAm Annual Monitoring Report format and content

d. Records Management and Public Access to Records

4. Mitigation Measure Tables

TABLE 1
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.2: Geology, Soils, and Seismicity									
Impact 4.2-1: Substantial soil erosion or loss of topsoil during construction. **Mitigation Measures 4.6-2b and 4.16-1**	X		X	X	X	X	See below under Mitigation Measures 4.6-2b and 4.16-1		
Impact 4.2-10: Accelerate and/or exacerbate natural rates of coastal erosion, scour, or dune retreat, resulting in damage to adjoining properties or a substantial change in the natural coastal environment. **Mitigation Measure 4.2-10: Slant Well Abandonment Plan.** CalAm shall monitor and report the rate of coastal retreat and implement the following corrective measure: 1. CalAm shall conduct annual monitoring of the rate of coastal retreat relative to the slant wells at the CEMEX site by measuring the distance from the wellhead to the western dune face. The data shall be reported no later than June 30 each year to the agencies issuing and authorizing the Coastal Development Permit and shall establish an annual erosion rate to be used to estimate the year at which the wells and associated pipelines have 5 years before exposure, assuming that at least one 100-year storm event will have occurred within that exposure timeframe. 2. Beginning at least 5 years prior to the anticipated exposure of the slant wells, CalAm shall implement the planning and permitting necessary to decommission the slant wells in accordance with state well destruction standards. An application to destroy the slant well would be submitted to the Monterey County Environmental Health Bureau, Drinking Water Protection Services Unit, for approval. The decommissioning plans shall be prepared in coordination with the property owner and permit authorizing agencies. 3. Once an estimated exposure window is established through annual monitoring and a removal date is identified, CalAm shall remove the slant wells from service prior to their exposure. Slant well decommissioning activities would be restricted to the snowy plover non-nesting season (October 1 through February 28) to avoid impacts on nesting plovers and other sensitive species. The wellhead vault, electrical panel, buried electrical conduit, and discharge piping would all be excavated and removed, followed by backfilling and compaction of the excavated vault location and trenches. The well decommissioning shall be conducted in coordination with the property owner. 4. The slant well casing shall be pressure grouted such that the screened section is sealed, pursuant to the requirements of State of California Well Standards Bulletin 74-81 and 74-90, Part III Section 23. The section of well casing and pipelines at risk of exposure shall be cut and removed to a depth of five feet below the 2060, 100-year lower profile envelope as determined by the 2014 Coastal Erosion Study (ESA, 2014) or as directed by any permit condition.	X						CalAm shall conduct annual monitoring of coastal erosion and provide monitoring data to the CPUC and the agencies issuing and authorizing the Coastal Development Permit no later than June 30 each year of the rate of coastal retreat relative to the slant wells at the CEMEX site and establish an annual erosion rate (to be recalculated each year) to estimate the year at which the wells have 5 years before exposure. At least five years prior to the estimated exposure of the slant wells, CalAm shall notify CPUC of planned slant well decommissioning and shall obtain all required permit(s) for decommissioning of slant well(s) from Monterey County and other applicable responsible and trustee agencies. CalAm shall provide the CPUC and agencies issuing and authorizing the CDP with all approved permit(s) for recordation and coordination for monitoring during slant well decommissioning.	During operation	Monitor and report annual erosion rate and to provide adequate time of at least five years for CalAm to plan for, apply for/receive all permits required to decommission the slant wells before coastal erosion exposes the wells and/or their associated pipelines.
Impact 4.2-C: Cumulative impacts related to geology, soils, and seismicity. **Mitigation Measure 4.2-10**	X						See above under Mitigation Measure 4.2-10		
Section 4.3: Surface Water Hydrology and Water Quality									
Impact 4.3-2: Degradation of water quality from construction-related discharges of dewatering effluent from open excavations and water produced during well drilling and development. **Mitigation Measure 4.7-2b**	X			X			See below under Mitigation Measure 4.7-2b		

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.3: Surface Water Hydrology and Water Quality (cont.)									
Impact 4.3-4: Violate water quality standards or waste discharge requirements or degrade water quality from increased salinity as a result of brine discharge from the operation of the MPWSP Desalination Plant. **Mitigation Measure 4.3-4: Operational Discharge Monitoring, Analysis, Reporting, and Compliance.** To ensure that the operational discharges from the MPWSP are in compliance with the 2 ppt receiving water salinity limitation at the Brine Mixing Zone (BMZ) compliance point required by the California Ocean Plan, the discharger(s) shall implement a Monitoring and Reporting Plan (Plan). The Plan shall, at a minimum, include protocols for monitoring of effluent and receiving water salinity characteristics as well as protocols for determining statistically significant changes in benthic community composition within the maximum extent of the Zone of Initial Dilution (ZID) as compared to baseline conditions (established a minimum of one year prior to operations) that is directly associated with changes in salinity resulting from operational discharges (with consideration given to natural and seasonal variations and long-term regional trends). Such protocols shall include, but not be limited to, monitoring for benthic community health, aquatic life toxicity, and hypoxia, within the ZID. The Plan shall be consistent with the standard monitoring procedures detailed in Appendix III of the Ocean Plan. Such monitoring protocols specify monitoring plan framework, scope, and methodological design for determining compliance with the Ocean Plan defined receiving water limitations relating to salinity. Prior to implementation, the Plan shall be approved by the RWQCB and MBNMS. Following implementation, the Plan shall be reviewed by the RWQCB, and revised if necessary, as part of the NPDES permit renewal process. As part of the Plan, receiving water monitoring for salinity shall be conducted at times when the monitoring locations are most likely to be potentially adversely affected by the discharge. The Plan shall establish protocols to establish baseline biological conditions at the discharge location as well as at a reference location outside the influence of the discharge for at least one year prior to commencement of project construction. To determine impacts on marine biological resources against baseline biological conditions, the discharger(s) shall conduct biological surveys (e.g., Before-After Control-Impact studies), that evaluate and quantify the differences between biological communities at a reference site and at the discharge location before and after the discharge(s) commence. All monitoring data, results, and analyses shall be compiled and submitted to the RWQCB and MBNMS for review. Such monitoring shall continue until the RWQCB and MBNMS determines that a regional monitoring program is adequate to ensure compliance with the receiving water limitation. ***Water Quality Monitoring.*** At a minimum, the Plan shall include the following water quality monitoring protocols and monitoring frequencies to assess baseline conditions and to track the compliance of the Project with the performance standard of ensuring operational discharges do not exceed ambient salinity by more than 2 ppt at the edge of the BMZ, as well as to assess the efficacy of any operational or design features implemented: A. At least one year prior to implementing operational discharges, the discharger(s) shall install continuously recording automated water quality monitoring equipment, such as automatically recording water quality data sondes (water quality monitoring instrument), to monitor salinity and dissolved oxygen levels at one hour intervals in the receiving waters of Monterey Bay. The discharger(s) shall install water quality monitoring equipment at a minimum of four locations within 3 meters of the ocean floor as follows: a. 1 monitoring station at the edge of the Zone of Initial Dilution, but not more than 10 meters from the outfall diffuser. b. 1 monitoring station at the edge of the Brine Mixing Zone, representing the point of compliance with the Ocean Plan salinity standard (not more than 100 meters from the outfall diffuser). c. A representative reference location at least 1000 meters from the outfall diffuser, situated on the same elevation contour as that of the outfall diffuser, in an area outside the influence of operational discharges or other inputs to Monterey Bay, such as operational discharges from other facilities or fresh water inputs in the form of major surface water inputs. B. Monitoring will be conducted for one year prior to the commencement of operational discharges to confirm baseline conditions.		X					CalAm shall prepare and submit the required water quality monitoring and reporting plan to RWQCB and MBNMS for approval, and provide a copy of the approved plan to the CPUC. Upon receiving the approvals and providing the CPUC with copies of the same, CalAm shall install monitoring equipment and begin water quality monitoring pursuant to the approved plan at least 1 year before the commencement of project operations. CalAm shall only use qualified professionals approved by RWQCB, CPUC and MBNMS for all required monitoring and analysis and shall promptly submit the required monitoring data and analysis to the RWQCB, CPUC, and MBNMS simultaneously. Review of the monitoring data and reports will identify the need for and details concerning any corrective measures, unless and until it is determined that it is no longer required, per the mitigation measure. For the required biological surveys, survey protocols and qualifications for professionals conducting the surveys shall be submitted to MBNMS for approval. Survey reports shall be submitted to MBNMS in a format approved by MBNMS.	Prior to and during operation at intervals specified in the mitigation measure.	Establish and incorporate comprehensive biological resources baseline data into the approved water quality monitoring and reporting plan and implement the plan, and revise it as deemed necessary by RWQCB and MBNMS, to ensure compliance with the 2 ppt receiving water quality limitation at the BMZ.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** *CalAm Reports On, and the CPUC Monitors all Mitigation Measures*	**Implementation Schedule**	
Section 4.3: Surface Water Hydrology and Water Quality (cont.)									
C. Once operational discharges commence, the discharger(s) shall continue monitoring (for a minimum of five years, as described below) to confirm compliance of operational discharges with the Ocean Plan receiving water salinity limitation, which specifies discharges shall not exceed a daily maximum of 2 parts per thousand (ppt) above natural background salinity, as measured no further than 100 meters (328 ft) horizontally from the discharge point. The discharger(s) shall retrieve all data from deployed water quality monitoring instrumentation at least four times a year at quarterly annual intervals during both the one-year period of baseline monitoring and during the salinity standard compliance monitoring associated with operations. Following data collection, data shall be analyzed for compliance with the receiving water salinity standard defined in the Ocean Plan. Additionally, the salinity and dissolved oxygen data retrieved shall be used, in conjunction with biological survey data, to assess changes to benthic community composition within the ZID. The analyses and monitoring data shall be summarized and submitted to the RWQCB and MBNMS as annual reports as well as made publicly available via the project website. Reports shall include summary graphs of all quality assured/quality controlled data as well as statistical analyses of the data relative to historic baselines. Reports shall assess water quality data within the context of relevant water quality standards. The reports shall describe any measured adverse water quality related changes, such as high salinity or low dissolved oxygen levels that potentially impact marine habitat quality or benthic communities. The reports shall include assessment of the extent to which any measured changes were attributable to controllable factors, such as the variation of combined flows as part of operational discharges. The analysis and reporting conducted as part of the Plan shall determine the need for corrective actions to be implemented in the form of the design features and operational measures prescribed in **Mitigation Measure 4.3-5** to reduce identified impacts to less-than-significant levels. As part of such a determination for implementation of corrective actions, a schedule for implementation shall be provided, as well as rationale for how such design features and/or operational measures were selected and the expected results following implementation. All analysis and reporting, including determinations for the need for corrective actions to be implemented, the schedule for implementation, and the rationale for selected corrective actions shall be approved by the RWQCB and MBNMS. If at the end of five complete years of monitoring operational discharges, the 24-hour average salinity measured at the edge of the BMZ is less than 75% of the salinity performance standard for 45 days without interruption under all discharge scenarios representative of typical operations (i.e. irrigation season and non-irrigation season operations), and with approval by the RWQCB and MBNMS, the discharger(s) may terminate the monitoring and reporting specified as part of this mitigation measure (but not terminate monitoring and reporting required as part of compliance with NPDES permit conditions or Ocean Plan monitoring and reporting requirements for discharges into California ocean waters).									
Impact 4.3-5: Violate water quality standards or waste discharge requirements or degrade water quality as a result of brine discharge from the operation of the MPWSP Desalination Plant. **Mitigation Measure 4.3-5: Implement Protocols to Avoid Exceeding Water Quality Objectives.** ***Compliance with Water Quality Objectives.*** Prior to MPWSP operations, and as part of the Monterey One Water (M1W, formerly MRWPCA) NPDES Permit amendment process (Order No. R3-2014-0013, NPDES Permit No. CA0048551), the permittee shall complete a water quality assessment. As part of the water quality assessment, the permittee shall: • Quantify the projected final design discharge volume(s) by month based on project design and historic and projected monthly wastewater discharge volumes. • Collect samples of the source waters and operational discharges and analyze them in a certified laboratory for the constituents listed in Table 1 of the California Ocean Plan (Ocean Plan Water Quality Objectives). Sampling must be completed in accordance with protocols approved by the US EPA and RWQCB.		X	X				RWQCB to review and enforce NPDES permit for brine discharge. CalAm's water quality assessment shall be reported to and reviewed by RWQCB, CPUC, and MBNMS to demonstrate compliance with the NPDES permit conditions and related Ocean Plan requirements.	Prior to and during operation	Compliance with NPDES permit and related Ocean Plan requirements.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	Implementation Schedule	
Section 4.3: Surface Water Hydrology and Water Quality (cont.)									
• Demonstrate compliance for the full range of regulated water quality constituents specified in the Ocean Plan and NPDES water quality requirements in the context of minimum initial dilution values at the edge of the Zone of Initial Dilution (ZID) for the point of discharge. If the results of the water quality assessment and waste disposal study find that operational discharges will not meet the NPDES water quality requirements, including the Ocean Plan receiving water limitation for salinity, at the edge of the zone of initial dilution (ZID) and the Brine Mixing Zone (BMZ), respectively (incorporated here as performance standards), then the MPWSP operational discharges shall not be released as proposed. Such operational discharges shall be subject to additional design features, engineering solutions, and/or operational measures to reduce the concentration of water quality constituents to be in conformance with the Ocean Plan water quality objectives and NPDES permit requirements at the edge of the ZID or BMZ, as applicable. Such necessary design features and operational measures shall either be implemented individually or in combination to achieve compliance (unless the RWQCB determines that different but equally effective measures be employed). Such possible additional design features and operational measures include: (1) *Retrofitting the existing outfall to increase dilution:* If this operational measure is implemented, the dischargers shall retrofit the outfall diffuser to include inclined diffuser jets positioned at the optimum angle to achieve maximum dilution. (2) *Additional pre-treatment of source water to the Desalination Plant:* Feasible methods to remove polychlorinated biphenyls (PCBs) and other organic compounds from the source water include additional filtration or use of granular activated carbon (GAC) - a U.S. Environmental Protection Agency-approved method. (3) *Treatment of discharge:* The dischargers must consider one or more of the alternative feasible methods that remove residual compounds from the discharge to meet water quality objectives at the edge of the ZID. These methods include the following: (a) Use of GAC (similar to that under the additional pre-treatment of source water described above, but here such treatment would be applied to the effluent following processing at the desalination facility instead of to the source water from the slant wells); or (b) Advanced oxidation with ultraviolet light with concurrent addition of hydrogen peroxide. (4) *Flow Augmentation:* If this operational measure is implemented, the dischargers shall decrease the density difference of the discharge and the receiving water through the addition of up to 5 mgd of flows with densities close to freshwater to increase the minimum dilution of dense discharges. (5) *End gate modification:* If this operational measure is implemented, the dischargers shall retrofit the outfall diffuser end gate to replace the existing opening with a minimum of one 6-inch Tideflex (or similar) check valve (Hydraulic Code 355) installed at an inclined (upward) angle greater than 20°, with an optimum angle of 60° to maximize dilution.									
Impact 4.3-C: Cumulative impacts related to surface water hydrology and water quality. **Mitigation Measures 4.3-4, 4.3-5, and 4.7-2b**		X					See above under Mitigation Measures 4.3-4 and 4.3-5, and below under Mitigation Measure 4.7-2b		

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.4: Groundwater Resources									
Impact 4.4-3: Deplete groundwater supplies or interfere substantially with groundwater recharge such that there would be a net deficit in aquifer volume or a lowering of the local groundwater table level during operations.	X						CalAm shall prepare the Program to be reviewed and approved by MCWRA. The MCWRA-approved Program will be sent to CPUC for confirmation prior to operation of the slant wells. CPUC will monitor and review procedures to prevent harm to local groundwater supply well owners and ensure their receipt of replacement water, as directed in the mitigation measure.	Prior to and during operation	No harm or injury to existing active groundwater supply wells.
Applicant Proposed Measure 4.4-3: Groundwater Monitoring and Avoidance of Well Damage. Prior to the start of MPWSP slant well construction, CalAm, working with MCWRA, shall develop a groundwater monitoring and reporting program (the "Program") to the satisfaction of MCWRA. All costs of Program development and implementation shall be borne by CalAm either directly or through funding of MCWRA's staff, consultants and Program activities. The Program shall augment the MCWRA's existing regional groundwater monitoring network to focus on the area that could be affected by the proposed slant wells. The geographic area of the Program shall be within the model domain of the North Marina Groundwater Model, also referred to as NMGWM^{2016} and include the Dune Sand Aquifer, the 180-Foot Aquifer, the 400-Foot Aquifer and the Deeper Aquifer (i.e., the 900-Foot Aquifer) of the Salinas Valley Groundwater Basin (the "Monitoring Area"). The purpose of the Program is to ensure that owners of existing public or private groundwater supply wells within the Monitoring Area on the date the MPWSP commences slant well pumping ("Active Supply Wells") suffer no harm as a result of MPWSP slant well pumping. The elements of the Program proposed under this measure are described below. 1. A network of monitoring wells has been completed on and near the CEMEX property as part of the CalAm test slant well project. These well clusters monitor water elevation and quality at various depth intervals within the Dune Sand Aquifer, the 180-Foot Aquifer, and the 400-Foot Aquifer and shall be included in the Program's monitoring network. These existing monitoring wells are subject to relocation, replacement, or substitution by new or other monitoring wells developed as part of the Program as determined by MCWRA. 2. In addition, using information from the Groundwater Extraction Management System (GEMS) maintained by MCWRA and from the State Water Resources Control Board's Division of Drinking Water, CalAm, in coordination with MCWRA, shall identify Active Supply Wells in the Monitoring Area and offer to owners of identified Active Supply Wells the opportunity to participate in the Program for groundwater elevation and water quality monitoring. The owners of Active Supply Wells in the Monitoring Area will receive at least 60 days' notice (via email, if available, and via certified mail) of the opportunity to participate in the Program, and may elect in writing to participate in the Program as to their Active Supply Wells ("Participating Active Supply Wells"). This opt-in process must occur sufficiently in advance of MPWSP slant well pumping so that information on pre-MPWSP conditions can be obtained for each Participating Active Supply Well. Prior to the start of MPWSP slant well pumping, an independent California-certified hydrogeologist retained and directed by MCWRA (the "Hydrogeologist") shall evaluate the conditions and characteristics (e.g., well depth, well screen interval, pump depth and condition, flow rates, and drawdown) of each Participating Active Supply Well to develop pre-pumping data for each well. Water elevation and quality monitoring pursuant to the Program shall begin following initial groundwater well assessment, and shall continue at intervals specified in the Program (e.g., more frequently at the beginning of MPWSP slant well pumping and less often after stabilization of groundwater levels) until the well owner ceases pumping from the monitored well, or until the well owner agrees that monitoring is no longer required. 3. Prior to the start of MPWSP slant well pumping, CalAm and MCWRA shall review the current (as updated if needed) inventory of monitoring wells within the Monitoring Area, and identify locations within the Monitoring Area lacking monitoring coverage and that warrant monitoring in order to evaluate potential effects on Participating Active Supply Wells from MPWSP slant well pumping. Based upon that review, MCWRA may require that CalAm fund the installation of new monitoring wells in the Monitoring Area to be installed before MPWSP slant well pumping begins. The number of new monitoring well sites in the Monitoring Area and the location of those new monitoring well sites shall be determined by MCWRA. The area of groundwater monitoring under the Program may be extended outside of the Monitoring Area if warranted to evaluate potential MPWSP slant well pumping effects on Participating Active Supply Wells and recommended by the Hydrogeologist.									

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	Implementation Schedule	
Section 4.4: Groundwater Resources (cont.)									
4. The groundwater data developed through the Program shall be collected by or provided to MCWRA at intervals identified in the Program, but in no event longer than 45 days from such data being obtained, to evaluate whether MPWSP slant well pumping is causing consistent and measurable drawdown of local groundwater levels that is distinguishable from seasonal or multi-year groundwater level fluctuations. In the event that MCWRA identifies a consistent and measurable drawdown in groundwater levels and determines that such drawdown is potentially attributable to MPWSP slant well pumping and independent of seasonal or multi-year groundwater level fluctuations or any regional trends, the Hydrogeologist shall then determine if the observed degree of drawdown would damage or otherwise adversely affect any existing Participating Active Supply Wells. Adverse effects from lowered groundwater levels in Participating Active Supply Wells may include water elevation acute and long-term declines that draw water below pump intakes, causing cavitation due to exposure of the well screen, reduced well yields and pumping rates, increased energy costs to power the well, or changes in groundwater quality indicating that MPWSP slant well pumping is drawing lower quality water toward the well. Active Supply Wells that are not Participating Active Supply Wells will be considered for a determination by the Hydrogeologist of potential damage or adverse effects reasonably attributable to MPWSP slant well pumping (as described above) if substantial, credible evidence is submitted by the owners of such Active Supply Wells concerning damage or adverse effects at such wells, and such effects are verified by CalAm and the Hydrogeologist. If the Hydrogeologist determines that a Participating Active Supply Well or an Active Supply Well that CalAm and the Hydrogeologist have verified for damage or adverse effects pursuant to Section 4 above, has been damaged or otherwise negatively affected by MPWSP slant well pumping, CalAm and the Hydrogeologist shall coordinate with the well owner to develop and implement a mutually agreed upon course of action. Such course of action may include but not be limited to repairing or deepening the existing well, restoring groundwater yield by improving well efficiency, facilitating an interim or long-term replacement of water supply, constructing a new well, or compensating the owner for increased pumping costs. Any interim or long-term replacement water supply shall be of the same or better quality (i.e., potable or non-potable) and predicted quantity as the existing supply of the Active Supply Well and shall be suitable for the purposes served by the existing Active Supply Well. Before CalAm undertakes any course of action to remedy the MPWSP slant well pumping effects on an Active Supply Well, the Hydrogeologist shall authorize such action and provide notice of such action to MCWRA. **Applicant Proposed Measure 4.4-3** would monitor changes in the groundwater surface elevations caused by the proposed pumping at the slant wells through a voluntary program and use of new groundwater monitoring wells. If it is determined that the project is causing groundwater levels to damage local active wells within the Dune Sand, 180-Foot/FTE, 400-Foot Aquifer or Deeper Aquifer, this measure would ensure that active wells are repaired or replaced. Implementation of **Applicant Proposed Measure 4.4-3** is not necessary to address any significant project effect.									
Impact 4.4-4: Violate any groundwater quality standards or otherwise degrade groundwater quality during operations. **Mitigation Measure 4.4-4: Groundwater Monitoring and Avoidance of Impacts on Groundwater Remediation Plumes.** Prior to the start of MPWSP construction, CalAm shall incorporate the future quarterly groundwater elevation monitoring results for the OUCTP A-Aquifer and 180-Foot Aquifer (upper and lower) plumes into the well monitoring program described above in **Applicant Proposed Measure 4.4-3** until the two OUCTP plumes have been appropriately remediated and the RWQCB no longer requires remediation activities. Groundwater elevation data shall be obtained from the periodic monitoring reports developed by the U.S. Army and its contractors. The elements of the additions to the groundwater monitoring program proposed under this mitigation measure are described below. • CalAm shall incorporate into its well monitoring program (described above for **Applicant Proposed Measure 4.4-3**), the most recent monitoring reports available through the U.S. Army and its contractors for the monitoring wells that are necessary to characterize the flow direction and water quality of the three OUCTP plumes located in the A-Aquifer, the Upper 180-Foot Aquifer and the Lower 180-Foot Aquifer.	X						CalAm will conduct quarterly groundwater monitoring program to monitor the potential effect of drawdown on the OUCTP plumes prior to their remediation. Results of the monitoring program will be incorporated in the MCWRA-approved Program and sent to CPUC for review. CalAm will coordinate with the U.S. Army on the monitoring program results. CalAm will inform U.S. Army, RWQCB, DTSC, and U.S. EPA, and CPUC simultaneously if the monitoring program results show the 1-foot contour approaching the OUCTP plumes. CalAm, in coordination with the U.S. Army, RWQCB, DTSC, and U.S. EPA are responsible for developing a plan if drawdown affects remediation of the plumes.	Prior to and during operation	No intersection with or impact on the OUCTP plumes by slant well pumping.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** *CalAm Reports On, and the CPUC Monitors all Mitigation Measures*	**Implementation Schedule**	
Section 4.4: Groundwater Resources (cont.)									
• The groundwater elevation results shall be evaluated by CalAm and its consultants on a quarterly basis to assess whether the -1-foot drawdown contour from the proposed subsurface intake system is approaching the edge of the OUCTP plumes. CalAm shall continuously coordinate with and include the U.S. Army in all pertinent correspondence during the groundwater data evaluation stages. If the analysis concludes that the slant well pumping could intersect or could influence the flow direction of the OUCTP plumes, then CalAm shall contact the U.S. Army, the Regional Water Quality Control Board – Central Coast Region, the California Department of Toxic Substance Control, and the U.S. EPA to initiate communications and develop and implement a plan to either stop or decrease the pumping to prevent any impact on the OUCTP plumes. In the unlikely event that an impact does occur, CalAm shall bear the necessary additional costs to address changes in the plume flow direction, arrest migration of the plumes, and/or to remediate areas of new contamination created by slant well pumping. CalAm shall consider using existing groundwater remediation and monitoring wells that remain on the site to expand the existing treatment systems. • When the ongoing remediation of the OUCTP plumes has been completed and the RWQCB authorizes closure of the two OUCTP plumes remediation activities, this mitigation measure shall no longer apply.									
Section 4.5: Marine Biological Resources									
Impact 4.5-C1: Cumulative impacts on marine biological resources. **Mitigation Measure 4.3-4**		X					See above under Mitigation Measure 4.3-4		
Section 4.6: Terrestrial Biological Resources									
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction. **Mitigation Measure 4.6-1a: Retain a Lead Biologist to Oversee Implementation of Protective Measures.** Prior to initiation of construction, CalAm and/or representatives of CalAm shall retain a qualified Lead Biologist to oversee compliance with avoidance and minimization measures for all special-status species and sensitive habitats. The Lead Biologist shall be onsite, or shall appoint qualified biologists and/or qualified biological monitors to be onsite, during all fencing and ground disturbance activities. The Lead Biologist, qualified biologists, and qualified biological monitors shall be subject to approval by resource agencies with jurisdiction over the special-status species with potential to occur at the project site (and local agencies, if required). Only the Lead Biologist and/or qualified biologists may lead protocol surveys and relocate special-status species, as authorized by the resource agencies with jurisdiction over these species. In the event that construction-related activities have the potential to violate the prescribed special-status species and habitat protection measures, the project Lead Biologist, or other appointed qualified biological monitors shall report to construction or operational site supervisors with authority to stop work to prevent any violations. Work shall proceed only after the construction-related hazards to special-status species and habitats are removed. If a special-status wildlife species is present, work shall proceed only if the species is no longer at risk of injury or death. Violations shall be thoroughly documented as part of compliance monitoring activities. The Lead Biologist shall ensure that all compliance monitoring activities are documented on a daily basis, and shall prepare a summary monitoring report on a monthly basis to be submitted to regulatory agencies upon their request. The monthly summary monitoring report shall provide information regarding the worker awareness training (see Mitigation Measure 4.6-1b below), surveys, and any observed special-status species, including any accidental injuries or fatalities. The monthly report shall also document the effectiveness and practicality of the prescribed avoidance and minimization measures and recommend modifications to the measures if needed. The Lead Biologist shall supply agency staff with copies of compliance records, including any reports of non-compliance, upon request.	X		X	X	X	X	CalAm will secure approvals from all resource agencies, with jurisdiction of special-status species with potential to occur on the Project site, of the qualifications and the retention of a Lead Biologist. In addition, CalAm will secure approvals for any qualified biologists and qualified monitors from the same resource agencies. CalAm will provide CPUC with copies of the approvals for the Lead Biologist, qualified biologists, and qualified monitors to CPUC prior to project construction. CalAm will provide daily and monthly compliance summary monitoring reports containing all information required by the mitigation measure to the resources agencies and CPUC.	Prior to and during construction activities and during maintenance activities at the slant well sites.	No violation of prescribed special-status species and habitat protection measures, and if work is stopped to prevent any such violation, work shall proceed only after the construction-related hazards to special-status species and habitats are removed (i.e., the species is no longer at risk of injury or death).

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	Implementation Schedule	
Section 4.6: Terrestrial Biological Resources (cont.)									
The Lead Biologist shall have in her/his possession a copy of all compliance measures while work is being conducted onsite, and shall ensure that CalAm's onsite representatives and contractors also maintain copies of the compliance measures on the site. To facilitate the Lead Biologist's role, CalAm shall ensure that the Lead Biologist is fully apprised of all decisions that change or materially affect the schedule, methods, and location of work that is subject to the protective measures for biological resources. This measure also applies to periodic maintenance of the subsurface slant wells.									
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction. **Mitigation Measure 4.6-1b: Construction Worker Environmental Awareness Training and Education Program.** Prior to starting work, all construction workers at the project areas shall attend a Construction Worker Environmental Awareness Training and Education Program developed and presented by the Lead Biologist, appointed qualified biologist, and/or qualified biological monitor. The program shall include information on each federal and state-listed species, as well as other special-status wildlife and plant species and sensitive natural communities that may be encountered during construction activities. The training shall include: information on special-status species' life history and legal protections; the definition of "take" under the Federal Endangered Species Act (FESA) and California Endangered Species Act (CESA); the measures CalAm and/or its contractors have committed to implementing to protect special-status species and sensitive natural communities; reporting requirements and communication protocols; specific measures that each worker shall employ to avoid "take" of special-status species; and penalties for violation of FESA and/or CESA. Training shall be documented as follows: 1. An acknowledgement form shall be signed by each worker indicating that environmental training has been completed. 2. A sticker shall be placed on hard hats indicating that the workers have completed the environmental training. Construction workers shall not be permitted to operate equipment within the construction area unless they have attended the training and are wearing hard hats with the required sticker. 3. A copy of the training transcript/training video and/or DVD, as well as a list of the names of all personnel who attended the training and copies of the signed acknowledgement forms, shall be submitted to the CPUC. This measure also applies to periodic maintenance of the subsurface slant wells.	X		X	X	X	X	CalAm will incorporate contract conditions requiring their contractors' employees to attend the required Construction Worker Environmental Training and Education Program and provide CalAm with signed copies of the contracts prior to construction. CalAm will provide a copy of the transcript and/or DVD developed and presented by CalAm's Lead Biologist containing all components of the required Construction Worker Environmental Training and Education Program and the names and signed acknowledgement forms of all construction workers that completed the Program to CPUC prior to construction.	Prior to construction activities and subsequent maintenance activities at the slant well sites.	All construction workers complete Construction Worker Environmental Training and Education Program and only those workers with a sticker on their hard hat so indicating are permitted to operate equipment within the construction area.
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction. **Mitigation Measure 4.6-1c: General Avoidance and Minimization Measures.** CalAm's construction contractor(s) shall implement the following general avoidance and minimization measures to protect special-status species and sensitive natural communities at the facility sites during construction: 1. The construction footprint, staging areas, equipment access routes, and disposal or temporary placement of spoils, shall be delineated with stakes and flagging prior to construction to avoid natural resources outside of the project area. Any construction-related disturbance outside of these boundaries, including driving, parking, temporary access, sampling or testing, or storage of materials, shall be prohibited without explicit approval of the Lead Biologist. 2. New access driveways shall not extend beyond the delineated construction work area boundary. Construction vehicles shall pass and turn around only within the delineated construction work area boundary or local road network. Where new access is required outside of existing roads or the construction work area, the route shall be clearly marked (i.e., flagged and/or staked) prior to being used, subject to review and approval of the Lead Biologist. 3. Vehicle speeds within the project area shall not exceed 15 miles per hour on roads within the sites.	X		X	X	X	X	A Lead Biologist hired by CalAm will oversee compliance with avoidance and minimization measures for special-status species and sensitive natural communities and as directed in permit conditions approved and monitored by USFWS and CDFW. CalAm will include contract specifications that include the general avoidance and minimization measures from the mitigation measure and provide CPUC with copies of the signed contracts prior to construction. Documentation of these measures, including species found on-site and additional avoidance, minimization, or mitigation measures necessary, will be sent to CPUC, USFWS, and CDFW for monitoring of effectiveness.	Prior to and during construction activities and during maintenance activities at the slant well sites.	Implementation of avoidance and minimization measures prior to the start of construction, during construction, and during maintenance of the slant wells. Halting construction work if special-status species are found present during construction activities or maintenance of the slant wells. Consultation by the Lead Biologist, along with CPUC and MBNMS, with resource agencies to apply additional measures necessary to move or mitigate for on-site special status species.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** *CalAm Reports On, and the CPUC Monitors all Mitigation Measures*	**Implementation Schedule**	
Section 4.6: Terrestrial Biological Resources (cont.)									
4. Excavated soils shall be stockpiled in disturbed areas lacking native vegetation. Stockpile areas shall be marked by the Lead Biologist to define the limits where stockpiling can occur.									
5. Standard best management practices (such as setbacks and use of silt fences and fiber rolls) shall be employed to prevent loss of habitat due to erosion caused by project related impacts (i.e., grading or clearing for new roads). All detected erosion shall be remedied immediately upon discovery.									
6. Fueling of construction equipment shall take place within existing paved areas, and at least 50 feet from drainages (including streams, creeks, ditches, culverts, or storm drain inlets) and native habitats. Contractor equipment shall be checked for leaks prior to operation and repaired when leaks are detected. Fuel containers shall be stored within appropriately-sized secondary containment barriers.									
7. The introduction of exotic plant species shall be avoided through physical or chemical removal and prevention. Measures to prevent the introduction of exotic plants into the construction site via vehicular sources shall include implementing Track clean or other method of vehicle cleaning for vehicles coming to the site and leaving the site. Earthmoving equipment shall be cleaned prior to transport to the project area. Weed-free rice straw or other certified weed-free straw shall be used for erosion control. Weed populations introduced into the site during construction shall be eliminated by chemical and/or mechanical means approved by California Department of Fish and Wildlife (CDFW) and the United States Fish and Wildlife Service (USFWS).									
8. Use of herbicides as vegetation control measures shall be used only when mechanical means have been deemed ineffective. All uses of such herbicidal compounds shall observe label and other restrictions mandated by the U.S. Environmental Protection Agency, California Department of Food and Agriculture, and state and federal legislation as well as additional project-related restrictions deemed necessary by the CDFW and/or USFWS. No rodenticides shall be used.									
9. Prior to the start of construction at any proposed facility site where special-status amphibians, reptiles and mammals have a moderate or high potential to occur, the construction work area boundary shall be fenced with a temporary exclusion fence to prevent special-status wildlife from entering the site during construction (see **Table 4.6-6** for the list of special-status species that could be significantly impacted at each project facility site). The exclusion fencing shall be constructed of metal flashing, plastic sheeting, or other materials that will prohibit California horned lizards, Monterey shrews, and other special-status reptiles, amphibians, and rodents from climbing the fence. If meshing is used it shall be of a size that would not catch wildlife. The fencing shall be buried a minimum of 6 inches below grade to secure the fence and extend a minimum of 30 inches above grade. The fencing shall be inspected by the Lead Biologist or qualified biological monitor on a daily basis during construction activities to ensure fence integrity. Any needed repairs to the fence shall be performed on the day of their discovery. Fencing shall be installed and maintained during all phases of construction. Final fence design and location shall be determined in consultation with USFWS and CDFW. Exclusion fencing shall be removed once construction activities are complete.									
10. If special-status wildlife species are found on the site immediately prior to construction or during project construction, construction activities shall cease in the vicinity of the animal until the animal moves on its own (if possible, as determined by the Lead Biologist or biological monitor) outside of the project area. Additional mitigation measures specific to special-status plants; Smith's blue butterfly; black legless lizard, silvery legless lizard, and coast horned lizard; western burrowing; American badger; Monterey dusky-footed woodrat, California red-legged frog and California tiger salamander are described in Mitigation Measure 4.6-1f, 4.6-1g, 4.6-1h, 4.6-1j 4.6-1k, and 4.6-1o. The Lead Biologist and Lead Agencies shall consult with wildlife resource agency(ies) with jurisdiction over the species regarding any additional avoidance, minimization, or mitigation measures that may be necessary if the animal does not move on its own. A report shall be prepared by the Lead Biologist to document the activities of the animal within the site; all fence construction, modification, and repair efforts; and movements of the animal once again outside the exclusion fence. This report shall be submitted to the CPUC and pertinent wildlife agencies with jurisdiction over the wildlife species.									

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	Implementation Schedule	
Section 4.6: Terrestrial Biological Resources (cont.)									
11. Vegetation removal and grading activities shall be conducted during daylight hours. Immediately prior to conducting vegetation removal or grading activities inside fenced exclusion areas, the Lead Biologist or a qualified biologist shall survey within the exclusion area to ensure that no special-status species are present. The Lead Biologist or a qualified biologist shall also monitor vegetation removal or grading activities inside fenced exclusion areas for the presence of special-status species. If special-status species are present, then measure 10 above shall be implemented.									
12. To prevent the inadvertent entrapment of special-status wildlife during construction, all excavated, steep-walled holes or trenches more than 2 feet deep shall be covered with plywood or similar materials at the close of each working day, or escape ramps constructed of earth fill or wooden planks shall be positioned within the excavations to allow special-status wildlife to escape on their own. Before such holes or trenches are filled, they shall be thoroughly inspected for trapped animals. If trapped animals are observed, escape ramps or structures shall be installed immediately to allow escape. If listed species are trapped, they shall only be relocated with authorization from USFWS and/or CDFW, as appropriate.									
13. All construction pipes, culverts, or similar structures that are stored at a construction site for one or more overnight periods and with a diameter of 4 inches or more shall be inspected for special-status wildlife before the pipe is subsequently buried, capped, or otherwise used or moved in any way. If a special-status animal is discovered inside a pipe, that section of pipe shall not be moved until the appropriate resource agency, with jurisdiction over that species, has been consulted to determine the appropriate method for relocation. If necessary, under the direct supervision of the qualified biologist, the pipe may be moved once to remove it from the path of construction activity until the animal has escaped.									
14. All vertical tubes used in project construction, such as chain link fencing poles or signage mounts, shall be temporarily or permanently capped at the time they are installed to avoid the entrapment and death of special-status birds.									
15. Water used for dust abatement shall be minimized in an effort to avoid the formation of puddles that could attract common ravens and other predators to the construction work areas.									
16. No vehicle or equipment parked in the project area shall be moved prior to inspecting the ground beneath the vehicle or equipment for the presence of wildlife. If present, the animal shall be left to move on its own.									
17. All vehicles and equipment shall be in proper working condition to ensure that there is no potential for fugitive emissions of motor oil, antifreeze, hydraulic fluid, grease, or other hazardous materials. The Lead Biologist shall be informed of any hazardous spills within 24 hours of the incident. Hazardous spills shall be immediately cleaned up and the contaminated soil shall be properly disposed of at a licensed facility.									
18. A trash abatement program shall be implemented during construction. Trash and food items shall be contained in closed containers and removed from the construction site daily to reduce the attractiveness to opportunistic predators such as common ravens, coyotes, and feral dogs.									
19. Workers shall be prohibited from feeding wildlife and bringing pets and firearms to the construction work areas.									
20. Intentional killing or collection of wildlife species, including special-status species in the project area and surrounding areas shall be strictly prohibited.									
21. All temporarily disturbed areas shall be returned to pre-project conditions or better. Existing access roads within the CEMEX site shall be returned to their existing use.									
This measure also applies to periodic maintenance of the subsurface slant wells.									

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.6: Terrestrial Biological Resources (cont.)									
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction. **Mitigation Measure 4.6-1d: Protective Measures for Western Snowy Plover.** Construction contractors shall be required to implement the following measures to protect western snowy plover: 1. CalAm shall require that its construction contractor(s) implement all avoidance and minimization measures required by USFWS as part of the FESA Section 7 consultation between the ONMS and USFWS. 2. Construction work at the slant well heads and along the segment of the Source Water Pipeline located west of the CEMEX processing plant shall occur during the western snowy plover non-breeding season (defined as October 1 through February 28) unless otherwise approved by the USFWS. 3. For work that cannot be completed during the non-nesting season, the following steps to obtaining USFWS approval shall be implemented: a. CalAm shall include in final design submittals to the Lead Agencies and USFWS proposed feasible methods of avoidance and minimization of impacts on nesting western snowy plovers. Such measures may include, but are not limited to, installation of visual or noise barriers, limiting the type of construction, installation of noise controls on equipment, and other measures that achieve visual separation and/or noise reduction. CalAm shall obtain concurrence from Lead Agencies and USFWS on this proposed suite of avoidance and minimization measures prior to start of construction of the subsurface slant wells and Source Water Pipeline. Measures shall be implemented as necessary as described in item d, below. b. CalAm shall engage the services of Point Blue or other qualified western snowy plover biologist (subject to approval by USFWS) to perform one year of surveys during the nesting season preceding construction to determine whether nesting is occurring within sight or audible range of the slant well head locations or Source Water Pipeline. c. If findings from the nesting season survey are negative, then the qualified western snowy plover biologist shall conduct additional pre-construction nesting surveys within 24 hours of initiation of construction activities within 300 feet of all construction work areas to determine if any snowy plover nests are present. If there is a break of 3 days or more in construction activities, a survey shall be conducted before construction begins again. d. If nests are observed within 300 feet of construction activities, the qualified biologist shall notify and consult with USFWS to determine whether construction may proceed, based on detailed information on location of nest(s), proximity to construction, topography, and noise environment. Additional avoidance or minimization measures shall be implemented prior to initiating construction activities. Construction may proceed if, with the incorporation of such avoidance or minimization measures, the work would not cause an adult to abandon an active nest or young, change an adult's behavior so it could not care for an active nest or young, or directly impact an adult or young, or as allowed within the take provisions authorized by USFWS. e. The biologist shall conduct periodic monitoring during construction to determine if there are any nest starts. Nest starts shall be reported to USFWS to determine whether construction on all or portions of the slant wells or Source Water Pipeline need to be suspended for the duration of nesting and fledging. The biologist will inform the decision with detailed information on location of nest(s), proximity to construction, topography, and noise environment. Construction may continue, subject to USFWS approval, if, with the incorporation of avoidance or minimization measures identified under item a, above, and deemed necessary by USFWS, the work would not cause an adult to abandon an active nest or young, change an adult's behavior so it could not care for an active nest or young, or directly impact an adult or young, or as allowed within the take provisions authorized by USFWS.	X						CalAm shall provide and obtain approval from CPUC and USFWS of final design submittals and provide a copy of all permits and approvals issued by USFWS as well as any subsequent modifications approved and related avoidance and minimization measures required by USFWS. The Lead Biologist hired by CalAm will oversee compliance with avoidance and minimization measures for Western Snowy Plover and their habitat and as directed in permit conditions approved and monitored by USFWS. Documentation of these measures, including species found on-site, will be sent to ONMS, CPUC, and USFWS for monitoring of effectiveness.	Prior to and during construction activities and during maintenance activities at the slant well sites.	Implementation of all avoidance and minimization measures required by USFWS for Western Snowy Plover, including those in this mitigation measure, prior to the start of construction, during construction, and during maintenance of the slant wells to ensure that impacts on Western Snowy Plovers and their nests are avoided or that all conditions of any take permits/authorizations are successfully implemented.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.6: Terrestrial Biological Resources (cont.)									
4. For construction during the breeding season that is approved by USFWS, visual barriers shall be installed around any work area located within line of sight of potential nesting habitat. Visual barriers shall be constructed at an adequate height and width to visually block construction equipment and construction crews from snowy plover nesting habitat. Final designs of the visual barriers shall be coordinated with USFWS. Existing sand dunes may serve as visual barriers.									
5. For work conducted during the non-nesting season, a qualified biologist will evaluate the nature and extent of wintering plover activity in the project area no more than 3 days prior to construction and inform CalAm so they can implement avoidance and minimization measures, such as those listed in subsection 3a, that avoid or minimize disturbance to plovers. The biologist shall conduct periodic monitoring during construction to ensure that minimization measures are implemented to avoid or minimize disturbance to plovers. The measures shall ensure that wintering plovers are not directly impacted by construction activities.									
6. CalAm shall restore all temporarily impacted potential snowy plover habitat following construction. At a minimum the restored site shall meet the following performance standards by the fifth year following restoration: a. Temporarily impacted areas are returned to pre-project conditions or greater b. Native vegetation cover shall be at least 70 percent of baseline native vegetation cover c. The restoration area shall have no more cover by invasives than the baseline Restoration and performance standards shall be described in a Habitat Mitigation and Monitoring Plan consistent with **Mitigation Measure 4.6-1n (Habitat Mitigation and Monitoring Plan)**.									
7. Anti-perching devices, such as bird spikes or wire strips, shall be installed and maintained on the top of the proposed electrical control cabinets to discourage potential plover predators.									
8. Permanent loss of western snowy plover habitat, to be determined based on final design and construction specifications, will be compensated at a minimum ratio of 3:1. Compensation may be in the form of permanent on-site or off-site creation, restoration, enhancement, or preservation of habitat for western snowy plover. Prior to project implementation, CalAm shall prepare a Habitat Mitigation and Monitoring Plan, as described in Mitigation Measure 4.6-1n (Habitat Mitigation and Monitoring Plan), which will describe either onsite or offsite creation, restoration, enhancement, or preservation. The plan will include actions to benefit western snowy plover, in conjunction with providing mitigation for special-status plants, as described in Mitigation Measure 4.6-1e, below. The plan will be subject to USFWS input and approval. It will describe creation, restoration, and/or enhancement methods that may include, but not be limited to removal of ice plant, stabilization of dune sand, planting, seeding or other means of re-establishing native plant species. It will describe measures to manage recreational activities to benefit western snowy plover. Measures may include requiring that dogs are on leash, fencing is installed around breeding areas, and kite flying is restricted in the breeding season. CalAm will identify and secure access rights and other approvals to implement the plan, and will execute the plan. CalAm will conduct, or will support a qualified third party monitor to conduct annual monitoring of performance measures for a minimum of five years, such as cover, density and diversity of native plant species, thresholds of non-native plant abundance, and stability of dune sands. At a minimum, the compensation areas shall meet the following performance standards by the fifth monitoring year: a. Native vegetation cover shall be at least 70 percent of the native vegetation cover in the impact area. b. The compensation areas shall not be heavily vegetated. c. Invasive species cover shall be less than or equal to the invasive species cover in the impact area. d. No barrier between the compensation site and the water. e. No significant erosion.									

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.6: Terrestrial Biological Resources (cont.)									
This measure also applies to periodic maintenance of the subsurface slant wells, which would result in a permanent loss of western snowy plover habitat. Compensatory mitigation for permanent loss from periodic maintenance of the subsurface slant wells would only be applied once and would not be applied for each five-year maintenance event.									
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction.	X		X	X	X	X	CalAm shall provide and obtain approval from CPUC and USFWS/CDFW of final design submittals which incorporate the required botanical surveys and habitat maps and demonstrate either that facilities are sited to avoid impacts on special-status plants/habitat elements or that required restoration will be achieved by way of a Habitat Mitigation and Monitoring Plan or compensatory credits approved by all required resource and local agencies consistent with the requirements of this MM. A Lead Biologist hired by CalAm will oversee compliance with avoidance and minimization measures for special-status plant species and sensitive natural communities and as directed in permit conditions approved and monitored by USFWS and CDFW.	Prior to construction activities and subsequent maintenance activities at the slant well sites.	Use of maps prepared with location of special-status plants in final design drawings and documented evidence that permanent and temporary impacts on special-status plants and their required constituent habitat elements are avoided. Compensation, by restoration or credits, shall be provided as approved by all required resource and local agencies when avoidance is not possible.
Mitigation Measure 4.6-1e: Avoidance and Minimization Measures for Special-status Plants. Prior to construction, CalAm or its contractor shall conduct focused botanical survey(s) for special-status plants in all potentially suitable habitat during the appropriate blooming period for each species and in accordance with the guidelines established by California Department of Fish and Game in *Protocols for Surveying and Evaluating Impacts to Special Status Native Plant Populations and Natural Communities* (CDFG, 2009). Maps depicting the results of these surveys shall be prepared for use in final design. If more than two years elapse between the focused botanical surveys and commencement of ground disturbance activities, a final set of appropriately-timed focused botanical surveys shall be conducted and populations mapped. The results of these final surveys shall be combined with previous survey results to produce habitat maps showing habitat where the special-status plants have been observed during either of the focused botanical surveys conducted for each facility site. Special-status plant species are widespread throughout the project area, and could occur at the following facility locations: subsurface slant well site, MPWSP Desalination Plant site, ASR-5 and ASR-6 Wells sites, and along the Source Water Pipeline, new Desalinated Water Pipeline and new Desalinated Water Pipeline Optional Alignment, the Castroville Pipeline and Castroville Pipeline Optional Alignments, new Transmission Main and new Transmission Main Optional Alignment, ASR Conveyance Pipeline, ASR Pump-to-Waste Pipeline, and ASR Recirculation Pipeline, Ryan Ranch-Bishop Interconnection Improvements, and Main System-Hidden Hills Interconnection Improvements, and at proposed staging areas. 1. To the extent feasible, project facilities shall be sited to avoid permanent and temporary impacts on special-status plants and their required constituent habitat elements. 2. Special-status plants located within temporary construction areas shall be fenced or flagged for avoidance (if feasible) prior to construction. The Lead Biologist or the appointed biological monitor shall ensure compliance with off-limits areas. If avoidance is not feasible, seasonal avoidance measures (i.e., limited operating periods based on timing of annual plant dormancy), or temporarily placing heavy fabric or wooden mats over the affected habitat shall be applied as appropriate. Topsoil salvage and site restoration may also be implemented, to be determined by the Lead Biologist and USFWS and CDFW, as appropriate, to ensure the site is returned to pre-construction conditions. 3. For potential impacts on listed plant species, such as Menzies' wallflower, sand gilia, Monterey spineflower, and Yadon's rein orchid, CalAm shall comply with the FESA CESA by implementing any requirements from USFWS and CDFW consultation. For state listed rare plants, a state Incidental Take Permit (ITP) may be required which would provide conditions for allowable take and measures to compensate impacts on rare plants. 4. For HMP plant species on former Fort Ord lands, plants shall be salvaged, under the direction of a qualified biologist, as necessary, per the requirements of the HMP, and in accordance with any requirements from USFWS and CDFW. 5. If avoidance is not feasible, compensation for temporary or permanent loss of special-status plant occurrences, in the form of land purchase or restoration, shall be provided at a minimum 1:1 ratio for temporary impacts and 2:1 ratio for permanent impacts. Compensation for loss of special-status plant populations may include the restoration or enhancement of temporarily impacted areas, purchase and permanent stewardship of known occupied habitat or the restoration and reintroduction of populations in degraded, unoccupied habitat. Restoration or reintroduction may									

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	Implementation Schedule	
Section 4.6: Terrestrial Biological Resources (cont.)									
be located on- or offsite. At a minimum, the compensation areas shall meet the following performance standards by the fifth year following initiation of compensation efforts: a. The compensation area shall be at least the same size as the impact area. b. Native vegetation cover shall be at least 70 percent of the native vegetation cover in the impact area c. Population of the impacted special-status species shall have either: i. at least 60 percent cover of the impact area, or ii. at least 70 percent survival of installed plants d. Invasive species cover shall be less than or equal to the invasive species cover in the impact area Additionally, restored populations shall have greater than the number of individuals of the impacted population, in an area greater than or equal to the size of the impacted population, for at least 3 consecutive years without irrigation, weeding, or other manipulation of the restoration site. 6. CalAm shall prepare a **Habitat Mitigation and Monitoring Plan, as described in Mitigation Measure 4.6-1n** (Habitat Mitigation and Monitoring Plan), which will describe either onsite or offsite restoration. Alternatively, compensatory credits may be purchased through a USFWS- and/or CDFW-approved mitigation bank, or USFWS-approved Habitat Conservation Plan. This measure also applies to periodic maintenance of the subsurface slant wells, which would result in a permanent loss of special-status plants occurring at that site. Compensatory mitigation for permanent loss from periodic maintenance of the subsurface slant wells would only be applied once and would not be applied for each five-year maintenance event.									
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction. **Mitigation Measure 4.6-1f: Avoidance and Minimization Measures for Smith's Blue Butterfly.** CalAm or its construction contractor(s) shall implement the following measures to reduce impacts on Smith's blue butterfly during construction: 1. CalAm shall require that its construction contractor(s) implement all avoidance and minimization measures required by USFWS as part of the FESA Section 7 consultation between ONMS and USFWS. 2. Floristic botanical surveys of all suitable habitat for coast buckwheat and seacliff buckwheat, both of which are host plants to Smith's blue butterfly, shall be conducted by a qualified biologist during project design and prior to project implementation. Maps depicting the results of these surveys shall be prepared to document the location of the host plants within or adjacent to the project area. 3. Construction of project elements shall be planned to avoid mapped host plants for Smith's blue butterfly whenever feasible. 4. If it is not feasible to avoid disturbance to host plants during project construction, the following shall be implemented: a. Prior to the start of construction activities and before conducting preconstruction surveys for Smith's blue butterfly, the Lead Biologist or an appointed qualified biologist shall prepare a protect-in-place and relocation plan for Smith's blue butterfly and its host plants. If either is found in areas subject to permanent habitat or plant loss, then plants would be salvaged and relocated in accordance with the plan. The relocation plan shall be submitted to USFWS for approval. The relocation plan shall define the study area, describe appropriate handling and relocation methods (such as digging up and removing individual plants, duff, and/or soil and	X		X	X	X	X	CalAm shall obtain approval from USFWS/ONMS, and shall provide copies thereof to CPUC, along with final design submittals and a protect in place and relocation plan which incorporates the required botanical surveys and habitat maps and demonstrate either that facilities are sited to avoid impacts on Smith's blue butterfly and its host plants or that required restoration will be achieved by way of a Habitat Mitigation and Monitoring Plan or compensatory credits approved by all required resource and local agencies consistent with the requirements of this MM. A Lead Biologist hired by CalAm will oversee compliance with avoidance and minimization measures for Smith's blue butterfly and sensitive natural communities and as directed in permit conditions approved and monitored by USFWS and CDFW. Documentation of these measures, including species found on-site, will be sent to CPUC, USFWS, and CDFW for monitoring of effectiveness and for compensatory mitigation.	Prior to and during construction activities and during maintenance activities at the slant well sites.	Use of maps prepared with location of Smith's blue butterfly and its habitat in final design drawings and documented evidence that permanent and temporary impacts on special-status plants and their required constituent habitat elements are avoided. Compensation, by restoration or credits, shall be provided as approved by all required resource and local agencies when avoidance is not possible.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.6: Terrestrial Biological Resources (cont.)									
moving them to a new location), and identify appropriate relocation sites. Surveys shall be conducted at relocation sites to determine the existing Smith's blue butterfly population size and ensure that the relocation sites will not become overpopulated. Only relocation sites that are not overpopulated and have suitable habitat conditions (e.g. soils, vegetation, etc.) shall be used. b. If preconstruction surveys identify butterflies or host plants in areas subject only to temporary disturbance that do not require plant removal, then the plants, and leaf litter and soil which may hold dormant butterfly pupae, would be protected in place with heavy fabric, plywood or other mats (depending on the stability of the underlying soil) to allow construction vehicles to pass over. Following construction, the fabric or mats would be carefully removed and the area allowed to recover. Short-term damage to buckwheat populations is expected to be low. c. A qualified biologist shall survey the work area no more than 30 days before the onset of ground disturbance. If any life stage of the Smith's blue butterfly or its host plants is found within the project area boundary, the Lead Biologist or qualified biologist shall relocate plants, duff, and/or soil, from the site before construction begins per the relocation plan described above. 5. Upon completion of construction activities, CalAm shall restore Smith's blue butterfly habitat temporarily impacted during construction. Compensatory mitigation for permanent impacts shall be provided either onsite or offsite at a minimum ratio of 2:1. Compensation for loss of host plant populations may be in the form of permanent on-site or off-site creation, restoration, enhancement, or preservation of habitat. At a minimum the restoration or compensation sites shall meet the following performance standards by the fifth year following restoration: a. Temporarily impacted areas are returned to pre-project conditions or greater b. Native vegetation cover shall be at least 70 percent of baseline/impact area native vegetation cover c. The population of coast buckwheat and/or seacliff buckwheat shall have either: i. at least 60 percent cover of the baseline/impact area, or ii. at least 70 percent survival of installed plants d. No more cover by invasives than the baseline/impact area Restoration and mitigation activities shall be described in the Habitat Mitigation and Monitoring Plan prescribed by **Mitigation Measure 4.6-1n (Habitat Mitigation and Monitoring Plan)**. Alternatively, compensatory credits may be purchased through an approved mitigation bank, or approved Habitat Conservation Plan. This measure also applies to periodic maintenance of the subsurface slant wells, which would result in a permanent loss of Smith's blue butterfly habitat. Compensatory mitigation for permanent loss from periodic maintenance of the subsurface slant wells would only be applied once and would not be applied for each five-year maintenance event.									

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	Implementation Schedule	
Section 4.6: Terrestrial Biological Resources (cont.)									
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction. **Mitigation Measure 4.6-1g: Avoidance and Minimization Measures for Black Legless Lizard, Silvery Legless Lizard, and Coast Horned Lizard.** The Lead Biologist shall appoint a qualified biologist possessing a Scientific Collecting Permit issued by CDFW for black legless lizard, silvery legless lizard, and coast horned lizard to conduct preconstruction surveys for legless lizards and coast horned lizards within 24 hours prior to the initiation of ground disturbing activities or vegetation clearing in suitable habitats such as central dune scrub, coast sage scrub, and central maritime chaparral. 1. Prior to conducting the surveys, the qualified biologist shall prepare a relocation plan that describes the appropriate survey and handling methods for the lizards, and identifies nearby relocation sites where the lizards would be relocated if found during the preconstruction surveys. Surveys shall be conducted at relocation sites to determine the existing lizard population size and ensure that the relocation sites will not become overpopulated. Only relocation sites that are not overpopulated and have suitable habitat conditions (e.g., soils, moisture content, vegetation, aspect) shall be used. The relocation plan shall be submitted to CDFW for approval prior to the start of construction activities. 2. Legless lizard surveys shall be conducted by hand raking soil and leaf litter beneath brush. If Legless lizards are encountered, they shall be salvaged and relocated per the relocation plan. 3. Coast horned lizard surveys shall be conducted by walking transects spaced appropriately to allow for 100 percent visual coverage in search of lizards under shrubs, along gravelly-sandy areas, or any other suitable habitat. Any lizard encountered shall be relocated per the relocation plan. This measure also applies to periodic maintenance of the subsurface slant wells.	X		X	X	X	X	CalAm shall provide the CPUC with the name of the biologist to conduct preconstruction lizard surveys, a copy of his/her valid Scientific Collecting Permit and the CDFW-approved relocation plan. A Lead Biologist hired by CalAm will oversee compliance with avoidance and minimization measures for black legless lizard, silvery legless lizard, and coast horned lizard and as directed in conditions approved and monitored by CDFW. Documentation of these measures, including species found on-site and collected, will be sent to CPUC and CDFW for monitoring of effectiveness and for compensatory mitigation.	Prior to construction activities and subsequent maintenance activities at the slant well sites.	Preconstruction surveys demonstrate absence of lizards or if present lizards are relocated to CDFW-approved relocation site.
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction. **Mitigation Measure 4.6-1h: Avoidance and Minimization Measures for Western Burrowing Owl.** The following measures shall be implemented to avoid and minimize impact on western burrowing owl: 1. Prior to the start of construction activities in or around suitable burrowing owl habitat, the Lead Biologist shall appoint a qualified biologist to conduct protocol surveys for burrowing owl. The survey methodology shall be consistent with the methods outlined in the *Staff Report on Burrowing Owl Mitigation* (CDFG, 2012). The surveys shall consist of walking parallel transects spaced 7 to 20 meters (23 to 65 feet) apart, adjusting for vegetation height and density as needed, and noting any potential burrows with fresh burrowing owl sign or presence of burrowing owls. A copy of the protocol survey results shall be submitted to the CPUC and CDFW upon request. Protocol surveys shall be conducted within both the breeding and non-breeding seasons to determine the presence/absence of burrowing owls. 2. A qualified biologist shall conduct preconstruction surveys of the permanent and temporary impact areas in or around suitable burrowing owl habitat to locate active breeding or wintering burrowing owl burrows less than 14 days prior to construction and/or prior to exclusion fencing installation. The methodology for the preconstruction surveys shall be consistent with the methods outlined in the *Staff Report on Burrowing Owl Mitigation*. 3. If no burrowing owls are detected, no additional action is necessary. 4. In areas positive for burrowing owl presence, the Lead Biologist or qualified biological monitor shall be onsite during all construction activities in areas where burrowing owls are determined to be present.	X		X	X	X	X	CalAm shall provide the CPUC with the name of the biologist(s) to conduct protocol and preconstruction owl surveys, copies of all survey results and copies of all CDFW-approved owl buffers and related plans (e.g., Burrowing Owl Exclusion Plan, Burrowing Owl Habitat Mitigation Plan, and any other related buffer coordination/authorizations).	Prior to and during construction activities and during subsequent maintenance activities at the slant well sites.	Protocol and preconstruction surveys demonstrate absence of burrowing owls or if present that all applicable CDFW-approved buffers, Exclusion and Mitigation Plans are fully implemented and/or compensatory mitigation provided.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s): Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	Monitoring and Reporting Program: Monitoring and Reporting Actions: *CalAm Reports On, and the CPUC Monitors all Mitigation Measures*	Monitoring and Reporting Program: Implementation Schedule	Effectiveness Criteria
Section 4.6: Terrestrial Biological Resources (cont.)									
5. If burrowing owls are detected during the nesting and fledging seasons (April 1 to August 15 and August 16 to October 15, respectively), no ground-disturbing activities shall be permitted within the distances specified in **Table 4.6-8** from an active burrow, unless otherwise authorized by CDFW. The specified buffer distance ranges from 656 feet to 1,640 feet, according to the time of year and the level of disturbance. Buffers shall be established in accordance with **Table 4.6-8** and occupied burrows shall not be disturbed during the nesting season unless a qualified biologist approved by CDFW verifies through noninvasive methods that either: (1) the birds have not begun egg-laying and incubation; or (2) juveniles from the occupied burrows are foraging independently and are capable of independent survival. Burrowing owls shall not be moved or excluded from burrows during the breeding season (April 1 to October 15). The buffer distance can be reduced with authorization from CDFW if construction activities would not cause an adult to abandon an active nest or young or change an adult's behavior so it could not care for an active nest or young. 6. During the non-breeding (winter) season (October 16 to March 31), consistent with **Table 4.6-8**, ground-disturbing work shall maintain a distance ranging from 164 to 1,640 feet from any active burrows, depending on the level of disturbance, to be determined through coordination with CDFW. The buffer distance can be reduced with authorization from CDFW if construction activities would not cause the owl to abandon its winter burrow. If active winter burrows are found that would be directly affected by ground-disturbing activities, owls can be displaced from winter burrows according to recommendations made in the *Staff Report on Burrowing Owl Mitigation*.									

TABLE 4.6-8
BURROWING OWL BURROW BUFFERS

Location	Time of Year	Level of Disturbance: Low	Medium	High
Nesting sites	April 1–August 15	656 feet	1,640 feet	1,640 feet
Nesting sites	August 16–October 15	656 feet	656 feet	1,640 feet
Any occupied burrow	October 16–March 31	164 feet	328 feet	1,640 feet

SOURCE: CDFG, 2012.

7. Burrowing owls shall not be excluded from burrows unless or until a Burrowing Owl Exclusion Plan is developed by the Lead Biologist, approved by CDFW, and submitted to the CPUC. At a minimum, the plan shall include the following:
   a. Confirmation by site surveillance that the burrow(s) is empty of burrowing owls and other species preceding the use of a scope to visually inspect the burrow;
   b. Specifications regarding the type of scope to be used and the appropriate timing of using a scope to visually inspect burrows to avoid disturbance of individual owls;
   c. Occupancy factors to look for and what shall guide determination of vacancy and excavation timing;
   d. Methods for burrow excavation. Excavation using hand tools with refilling to prevent reoccupation is preferable;
   e. Removal of other potential owl burrow surrogates or refugia onsite;
   f. Photographing the excavation and closure of the burrow to demonstrate success and sufficiency;

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	Implementation Schedule	
Section 4.6: Terrestrial Biological Resources (cont.)									
g. Monitoring of the site to evaluate success and, if needed, to implement remedial measures to prevent subsequent owl use and to avoid take; h. Methods to ensure the impacted site shall continually be made inhospitable to burrowing owls and fossorial mammals (e.g., by allowing vegetation to grow tall, heavy disking, or immediate and continuous grading) until development is complete. 8. Site monitoring shall be conducted prior to, during, and after exclusion of burrowing owls from their burrows sufficient to ensure take is avoided. Prior to exclusion activities, daily monitoring shall be conducted for one week to confirm young owls have fledged if the exclusion occurs immediately after the end of the breeding season. 9. If burrowing owls are found on-site, compensatory mitigation for loss of breeding and/or wintering habitat shall be implemented onsite or offsite in accordance with burrowing owl *Staff Report on Burrowing Owl Mitigation* guidance and in consultation with CDFW. If compensatory mitigation is necessary, CalAm shall detail the compensatory mitigation in a Burrowing Owl Habitat Mitigation Plan (which shall be incorporated into the Habitat Mitigation and Monitoring Plan described in **Mitigation Measure 4.6-1n**). At a minimum, the following measures shall be implemented: a. Temporarily disturbed habitat shall be restored to pre-construction conditions, including soil decompaction and revegetation. b. Permanent impacts on nesting, occupied and satellite burrows, and any other burrowing owl habitat shall be mitigated such that the habitat acreage, number of burrows, and number of burrowing owls impacted are replaced. Compensatory mitigation may include the permanent conservation of lands with similar vegetation communities (grassland, scrublands, desert, urban, and agriculture) as those lands where the permanent loss of habitat would occur. Conservation lands shall provide habitat for burrowing owl nesting, foraging, wintering, and/or dispersal (i.e., during breeding and nonbreeding seasons) comparable to or better than that of the impact area, and with sufficiently large acreage, and presence of fossorial mammals. Alternatively, compensatory credits may be purchased through an approved mitigation bank, or approved Habitat Conservation Plan.									
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction. **Mitigation Measure 4.6-1i: Avoidance and Minimization Measures for Nesting Birds.** This measure applies to all nesting birds protected by the federal Migratory Bird Treaty Act and Section 3503 of the California Fish and Game Code, except for western snowy plover and western burrowing owl, which are addressed in Mitigation Measure 4.6-1d and 4.6-1h, respectively. Nesting birds may be present at all of the proposed facility sites. A qualified biologist shall conduct preconstruction avian nesting surveys prior to initiation of construction activities at all facility sites, unless otherwise indicated below. 1. No preconstruction surveys or avoidance measures are required for construction activities that would be completed entirely during the non-nesting season (September 16 to January 31). 2. For all construction activities scheduled to occur during the nesting season (February 1 to September 15), the qualified biologist shall conduct a preconstruction avian nesting survey no more than 10 days prior to the start of staging, site clearing, and/or ground disturbance. Copies of the survey results shall be submitted to the CPUC. 3. If construction activities at any given facility site begins in the non-breeding season and proceeds continuously into the breeding season, no surveys are required as long as a similar type of construction continues. 4. If there is a break of 10 days or more in construction activities during the breeding season, a new nesting bird survey shall be conducted before reinitiating construction.	X		X	X	X	X	CalAm shall provide to the CPUC the name of the biologist(s) to conduct required preconstruction nesting surveys and construction monitoring, copies of all surveys and monitoring reports prepared by the biologist(s) and copies of all related CDFW buffer and mitigation consultations, approvals and/or authorizations.	Prior to and during construction activities and during subsequent maintenance activities at the slant well sites.	Preconstruction surveys demonstrate absence of active nests or if present that all applicable CDFW-approved buffers and avoidance/ minimization measures are fully implemented.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.6: Terrestrial Biological Resources (cont.)									
5. The surveying biologist shall be capable of determining the species and nesting stage without causing intrusive disturbance. The surveys shall cover all potential nesting sites within 500 feet of the project area for raptors and within 300 feet for other birds. If active nests are found in the project area or vicinity (500 feet for raptors and 300 feet for other birds), the nests shall be continuously surveyed for the first 24 hours prior to any construction related activities to establish a behavioral baseline and, once work commences, all nests shall be continuously monitored to detect any behavioral changes as a result of the project, if feasible. If behavioral changes are observed, work causing the change shall cease and CDFW shall be consulted for additional avoidance and minimization measures. The avoidance and minimization measures shall ensure that the construction activities do not cause the adult to abandon an active nest or young or change an adult's behavior so it could not care for an active nest or young. If continuous monitoring is not feasible, a no-disturbance buffer (at least 500 feet for raptors and 250 feet for other birds [or as otherwise determined in consultation with CDFW and USFWS] shall be created around the active nests). The buffer distance can be reduced with authorization from CDFW if construction activities would not cause an adult to abandon an active nest or young or change an adult's behavior so it could not care for an active nest or young. If the nest(s) are found in an area where ground disturbance is scheduled to occur, the project operator shall require that ground disturbance be delayed until after the birds have fledged. This measure also applies to periodic maintenance of the subsurface slant wells.									
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction. **Mitigation Measure 4.6-1j: Avoidance and Minimization Measures for American Badger.** The following measures shall be implemented to avoid and minimize impacts on American badger: 1. A qualified biologist shall conduct preconstruction surveys for American badger dens prior to the start of construction at potentially affected sites. The survey results shall be submitted to the CPUC. 2. Areas of suitable habitat for American badger in the project area include fallow agricultural and grazing land and non-native grasslands. Surveys shall be conducted wherever these vegetation communities exist within 100 feet of the project area boundary. Along pipeline alignments surveys shall be phased to occur within 14 days prior to disturbance along that portion of the alignment. Game cameras shall be used to record any movements at potentially active dens for no less than three (3) nights. 3. Areas of suitable habitat for American badger in the project area include fallow agricultural and grazing land and non-native grasslands. Surveys shall be conducted wherever these vegetation communities exist within 100 feet of the project area boundary. Along pipeline alignments surveys shall be phased to occur within 14 days prior to disturbance along that portion of the alignment. 4. If no potential American badger dens are found during the preconstruction surveys, no further action is required. 5. If the biologist determines that any potential dens identified during the preconstruction surveys are inactive, the biologist shall excavate the dens by hand with a shovel to prevent use by badgers during construction. 6. If active badger dens are found during the course of preconstruction surveys, the following measures shall be taken to avoid and minimize adverse effects on American badger: a. Relocation shall be prohibited during the badger pupping season (typically February 15 to June 1). b. Construction activities shall not occur within 50 feet of active badger dens observed outside of the project area. c. The Lead Biologist shall contact CDFW immediately if natal badger dens are detected. Construction activities shall not occur within 200 feet of an active natal badger den. This buffer may be reduced, if approved by CDFW, and if construction would not alter the behavior of the adult or young in a way that would cause injury or death to those individuals.	X		X	X	X	X	CalAm shall provide the name and qualifications of the biologist(s) to conduct required preconstruction badger surveys to the CPUC for approval. CalAm shall also provide to the CPUC construction monitoring reports, copies of all surveys prepared by the biologist(s), copies of all related CDFW-approved buffers, den excavations and/or badger relocations and documentary evidence of compliance therewith.	Prior to and during construction activities.	Preconstruction surveys demonstrate absence of badgers and active dens or if present that all applicable CDFW-approved buffers, den excavations and/or badger relocations are fully implemented.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	Implementation Schedule	
Section 4.6: Terrestrial Biological Resources (cont.)									
If the biologist determines that potential dens within the project area, and outside the breeding season, may be active, the biologist shall notify the CDFW. Badgers shall be passively relocated from active dens during the nonbreeding season. Passive relocation may include incrementally blocking the den entrance with soil, sticks, and debris for three to five days to discourage use of these dens prior to project disturbance. After the qualified biologist determines that badgers have abandoned any active dens found within the project area, the dens shall be hand-excavated with a shovel to prevent re-use during construction.									
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction. **Mitigation Measure 4.6-1k: Avoidance and Minimization Measures for Monterey Dusky-Footed Woodrat.** The following measures shall be implemented to avoid and minimize impacts on Monterey dusky-footed woodrat: 1. A qualified wildlife biologist shall conduct preconstruction surveys for Monterey dusky-footed woodrat. The surveys shall be conducted within 14 days prior to the start of construction in suitable habitat and shall identify any woodrat nests located within 50 feet of anticipated construction disturbance areas. 2. If woodrat nests are found during the preconstruction surveys, the wildlife biologist shall conduct additional surveys throughout the duration of construction activities at the potentially affected facility site to identify any newly constructed woodrat nests. 3. If nests are observed outside of the construction area, the qualified biologist shall demarcate a minimum 50-foot buffer area with orange construction fencing and require that all construction activities and disturbance remain outside of the fencing. 4. Active woodrat nests located within the anticipated construction disturbance areas shall be relocated. Nests shall be relocated outside of the peak breeding season, (peak breeding season is typically February through November) to minimize disturbance to young woodrats. Relocation of woodrats and/or their nests shall be conducted by the Lead Biologist or qualified wildlife biologist as follows: a. Clear understory vegetation from around the nest using hand tools. b. After all vegetative cover has been cleared around the nest, the biologist shall gently disturb the nest to encourage the woodrat(s) to abandon the nest and seek cover in adjacent habitat. c. Once the woodrats have left the nest, the biologist shall carefully relocate the nest sticks to suitable habitat outside of the construction disturbance area, piling the sticks at the base of trees or large shrubs if available. If multiple nests are relocated, the stick piles shall be placed at least 25 feet from one another. d. The Lead Biologist shall ensure potential health hazards to the biologists moving nests are addressed to minimize the risk of contracting diseases associated with woodrats and woodrat nests. These include hantavirus, Lyme disease, and plague. The biologists that relocate nests shall take the following precautionary safety measures: i. Wear a Cal/OSHA-certified facial respirator to reduce inhalation of potential disease causing organisms. ii. Wear a white Tyvec protective suit to provide a barrier for ticks and fleas and facilitate their detection and removal and use gloves. e. If young are encountered during dismantling of the nest, nest material shall be replaced and a 50-foot no-disturbance buffer shall be established around the active nest. The buffer shall remain in place until young have matured enough to disperse on their own accord and the nest is no longer active. Nesting substrate shall then be collected and relocated to suitable oak woodland habitat outside of the project area.	X		X	X	X	X	CalAm shall provide the name and qualifications of the biologist(s) to conduct required preconstruction dusky-footed woodrat surveys to the CPUC for approval. CalAm shall also provide to the CPUC construction monitoring reports, copies of all surveys prepared by the biologist(s) and copies of all related CDFW-approved buffers, active nest relocations and documentary evidence of compliance therewith.	Prior to and during construction.	Surveys demonstrate absence of dusky-footed woodrats and active nests or if present that all applicable CDFW-approved buffers, nest relocations and related biologist safety measures are fully implemented.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.6: Terrestrial Biological Resources (cont.)									
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction.	X		X	X	X	X	CalAm shall provide the name and qualifications of the biologist(s) to conduct required preconstruction bat habitat assessment and surveys to the CPUC for approval. CalAm shall also provide to the CPUC copies of all assessments/surveys and construction monitoring prepared by the biologist(s) and copies of all related CDFW-approved buffers, avoidance and protection measures and documentary evidence of compliance therewith.	Prior to and during construction activities and during maintenance activities at the slant well sites.	Surveys demonstrate absence of bat habitat and active roost sites or if present that all applicable CDFW-approved buffers and avoidance and protection measures are fully implemented.
Mitigation Measure 4.6-1l: Avoidance and Minimization Measures for Special-status Bats. A qualified biologist who is experienced with bat surveying techniques (including auditory sampling methods), behavior, roosting habitat, and identification of local bat species shall be consulted prior to initiation of construction activities to conduct a preconstruction habitat assessment to characterize potential bat habitat and identify active roost sites. The preconstruction habitat assessment shall be conducted within 100 feet of construction activities. Should potential roosting habitat or potentially active bat roosts be identified during the habitat assessment in trees and/or structures to be disturbed under the project, the following measures shall be implemented: 1. Removal or disturbance of trees or structures identified as potential bat roosting habitat or active roosts shall occur when bats are active, approximately between the periods of March 1 to April 15 and August 15 to October 15, to the extent feasible. These dates avoid bat maternity roosting season (approximately April 15 – August 31) and periods of winter torpor (approximately October 15 – February 28). 2. If removal or disturbance of trees and structures identified as potential bat roosting habitat or active roosts during the periods when bats are active is not feasible, a qualified biologist will conduct pre-construction surveys within 14 days prior to disturbance to further evaluate bat activity within the potential habitat or roost site. a. If active bat roosts are not identified in potential habitat during preconstruction surveys, no further action is required prior to removal of- or disturbance to trees and structures within the preconstruction survey area. b. If active bat roosts or evidence of roosting is identified during pre-construction surveys, the qualified biologist shall determine, if possible, the type of roost and species. i. If special-status bat species or maternity or hibernation roosts are detected during these surveys, appropriate species- and roost-specific avoidance and protection measures shall be developed by the qualified biologist in coordination with CDFW. Such measures may include postponing the removal of structures or trees, or establishing exclusionary work buffers while the roost is active. A minimum 100-foot no disturbance buffer shall be established around special-status species, maternity, or hibernation roosts until the qualified biologist determines they are no longer active. The size of the no-disturbance buffer may be adjusted by the qualified biologist, in coordination with CDFW, depending on the species present, roost type, existing screening around the roost site (such as dense vegetation or a building), as well as the type of construction activity that would occur around the roost site, and if construction would not alter the behavior of the adult or young in a way that would cause injury or death to those individuals. Under no circumstances shall active maternity roosts be disturbed until the roost disbands at the completion of the maternity roosting season or otherwise becomes inactive, as determined by the qualified biologist. ii. If a non-maternity or hibernation roost (e.g., bachelor daytime roost) is identified, disturbance to- or removal of trees or structures may occur under the supervision of a qualified biologist as described under 3). 3. The qualified biologist shall be present during tree and structure disturbance or removal if active non-maternity or hibernation bat roosts or potential roosting habitat are present. Trees and structures with active non-maternity or hibernation roosts or potential habitat shall be disturbed or removed only under clear weather conditions when precipitation is not forecast for three days and when nighttime temperatures are at least 50°F, and when wind speeds are less than 15 mph. a. Trimming or removal of trees with active (non-maternity or hibernation) or potentially active roost sites shall follow a two-step removal process:									

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	Implementation Schedule	
Section 4.6: Terrestrial Biological Resources (cont.)									
i. On the first day of tree removal and under supervision of the qualified biologist, branches and limbs not containing cavities or fissures in which bats could roost, shall be cut only using hand tools (e.g., chainsaws). ii. On the following day and under the supervision of the qualified biologist, the remainder of the tree may be removed, either using hand tools or other equipment (e.g. excavator or backhoe). iii. All felled trees shall remain on the ground for at least 24 hours prior to chipping, off-site removal, or other processing to allow any bats to escape, or be inspected once felled by the qualified biologist to ensure no bats remain within the tree and/or branches. b. Disturbance to or removal of structures containing or suspected to contain active bat (non-maternity or hibernation) or potentially active bat roosts shall be done in the evening and after bats have emerged from the roost to forage. Structures shall be partially dismantled to significantly change the roost conditions, causing bats to abandon and not return to the roost. Removal will be completed the subsequent day. 4. Bat roosts that begin during construction are presumed to be unaffected as long as a similar type of construction continues, and no buffer would be necessary. Direct impacts on bat roosts or take of individual bats will be avoided.									
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction. **Mitigation Measure 4.6-1m: Avoidance and Minimization Measures for Native Stands of Monterey Pine.** A qualified botanist or arborist shall conduct surveys for native stands of Monterey pine prior to completion of final project design documents. Individual Monterey pine trees existing within the construction work area shall be evaluated to determine if they are native occurrences, relics, or otherwise naturally-occurring remnants of the past historic range. Maps depicting the results of these surveys shall be prepared for consideration during final facility design. Native stands of Monterey pine could occur at the identified facility sites and pipeline alignments based on the historical extent of native Monterey pines and biological reconnaissance surveys. To the extent feasible, project facilities shall be sited and construction activities planned to avoid impacts on native stands of Monterey pine. Any native stands of Monterey pines located within the anticipated construction disturbance area shall be fenced or flagged for avoidance prior to construction, and a biological monitor shall be present to ensure compliance with off-limits areas. If removal of native stands of Monterey pine cannot be avoided, trees shall be replaced at a 2:1 ratio for trees removed or directly impacted by construction activities. Only local Monterey pine genetic stock shall be used for replanting at the project site. Replacement plantings shall be planted contiguous with other individuals of the same species in areas that are determined to have suitable site conditions. Protective fencing shall be installed around the seedlings to protect against disturbance. Replacement trees shall be maintained and monitored for a period of five years and have a minimum of 70 percent survival in the fifth monitoring year to ensure success. The Habitat Mitigation and Monitoring Plan to be prepared in accordance with **Mitigation Measure 4.6-1n (Habitat Mitigation and Monitoring Plan)** shall detail the monitoring requirements and success criteria. This mitigation measures applies to native stands of Monterey pines. Independent of whether Monterey pines in the project area are considered native stands, individual trees may be subject to local tree ordinances; see **Mitigation Measure 4.6-5 (Compliance with Local Tree Policies and Ordinances)**.	X		X	X	X	X	CalAm shall provide the name and qualifications of the botanist(s) to conduct required preconstruction surveys to the CPUC for approval. CalAm shall also provide to the CPUC copies of all assessments/surveys and construction monitoring prepared by the botanist(s) and copies, and avoidance and protection measures and documentary evidence of compliance therewith. CalAm shall also provide and obtain approval from CPUC and all other required regulatory and local agencies of final design submittals which incorporate the required surveys and demonstrate either that facilities are sited to avoid impacts on native stands of Monterey pine or that required replacement will be achieved by way of a Habitat Mitigation and Monitoring Plan approved by all required resource and local agencies consistent with the requirements of this mitigation measure.	Prior to construction activities and subsequent maintenance activities at the slant well sites.	Surveys and final design plans demonstrate avoidance of all native stands of Monterey pine or compensatory mitigation by replanting at a 2:1 replacement ratio and monitoring of success to ensure a minimum of 70 percent survival in the fifth monitoring year if avoidance is not possible.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** *CalAm Reports On, and the CPUC Monitors all Mitigation Measures*	**Implementation Schedule**	
Section 4.6: Terrestrial Biological Resources (cont.)									
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction.	X		X	X	X	X	CalAm shall provide the CPUC with the required HMMP and all approvals thereof issued by the resource and local agencies.	Prior to construction.	Approved HMMP fully implemented and all compensatory mitigation achieved.
Mitigation Measure 4.6-1n: Habitat Mitigation and Monitoring Plan. CalAm shall develop and submit a Habitat Mitigation and Monitoring Plan (HMMP) to the appropriate resource agencies (CCC, CDFW, CCRWQCB, USACE, USFWS, and local agencies that require a habitat mitigation and monitoring plan) for approval prior to project construction. The HMMP will be a comprehensive document that will describe all of restoration and compensatory mitigation requirements, including the required performance standards, identified in **Mitigation Measure 4.6-1d: Protective Measures for Western Snowy Plover, Mitigation Measure 4.6-1e: Avoidance and Minimization Measures for Special-status Plants, Mitigation Measure 4.6-1f: Avoidance and Minimization Measures for Smith's Blue Butterfly, Mitigation Measure 4.6-1h: Avoidance and Minimization Measures for Western Burrowing Owl, Mitigation Measure 4.6-1m: Avoidance and Minimization Measures for Native Stands of Monterey Pine, Mitigation Measure 4.6-1o: Avoidance and Minimization Measures for California Red-legged Frog and California Tiger Salamander and Mitigation Measure 4.6-2b: Avoid, Minimize, and Compensate for Construction Impacts to Sensitive Communities and Environmentally Sensitive Habitat Areas**. The HMMP shall be implemented at all areas where special-status species habitat or sensitive natural communities will be restored, created, or enhanced to mitigate for project impacts either prior to, concurrently with, or following project construction, as specified in the HMMP. The HMMP shall outline measures to be implemented to, depending on the mitigation requirements, restore, improve, or re-establish special-status species habitat, sensitive natural communities, and critical habitat on the site, and shall include the following elements: 1. Name and contact information for the property owner of the land on which the mitigation will take place 2. Identification of the water source for supplemental irrigation 3. Identification of depth to groundwater 4. Site preparation guidelines to prepare for planting, including coarse and fine grading 5. Plant material procurement, including assessment of risk of introduction of plant pathogens through use of nursery-grown container stock vs. collection and propagation of site-specific plant materials, or use of seeds 6. Planting plan outlining species selection, planting locations and spacing, for each vegetation type to be restored 7. Planting methods, including containers, hydroseed or hydromulch, weed barriers and cages, as needed 8. Soil amendment recommendations 9. Irrigation plan, with proposed rates (in gallons per minute), schedule (i.e. recurrence interval), and seasonal guidelines for watering 10. Site protection plan to prevent unauthorized access, accidental damage and vandalism 11. Weeding and other vegetation maintenance tasks and schedule, with specific thresholds for acceptance of invasive species 12. Performance standards by which successful completion of mitigation can be assessed in comparison to a relevant baseline or reference site, and by which remedial actions will be triggered; success criteria shall include the minimum performance standards described in **Mitigation Measure 4.6-1d: Protective Measures for Western Snowy Plover, Mitigation Measure 4.6-1e: Avoidance and Minimization Measures for Special-status Plants, Mitigation Measure 4.6-1f: Avoidance and Minimization Measures for Smith's Blue Butterfly, Mitigation Measure 4.6-1h: Avoidance and Minimization Measures for Western Burrowing Owl, Mitigation Measure 4.6-1m: Avoidance and Minimization Measures for Native Stands of Monterey Pine, Mitigation Measure 4.6-1o: Avoidance and Minimization Measures for California Red-legged Frog and California Tiger Salamander and Mitigation Measure 4.6-2b: Avoid, Minimize, and Compensate for Construction Impacts to Sensitive Communities and Environmentally Sensitive Habitat Areas**.								

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	Implementation Schedule	
Section 4.6: Terrestrial Biological Resources (cont.)									
13. Monitoring methods and schedule 14. Reporting requirements and schedule 15. Adaptive management and corrective actions to achieve the established success criteria 16. Educational outreach program to inform operations and maintenance departments of local land management and utility agencies of the mitigation purpose of restored areas to prevent accidental damages 17. Description of any other compensatory mitigation in the form of land purchase, establishment of conservation easements or deed restrictions, contribution of funds in lieu of active restoration, or purchase of mitigation bank credits, or other means by which the mitigation site will be preserved in perpetuity.									
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction. **Mitigation Measure 4.6-1o: Avoidance and Minimization Measures for California Red-legged Frog and California Tiger Salamander.** A preconstruction survey for California red-legged frog and California tiger salamander shall be conducted by a qualified biologist in suitable habitat where there is a moderate to high potential for these species to occur prior to vegetation removal or grading, as specified below: 1. Prior to conducting the surveys, the qualified biologist shall prepare a relocation plan that describes the appropriate survey and handling methods for California red-legged frog and California tiger salamander, and identifies nearby relocation sites where individuals would be relocated if found during the preconstruction surveys. The relocation plan shall be submitted to USFWS and CDFW for approval prior to the start of construction activities. The animal shall be relocated to a similar type of habitat or better from where it was relocated and shall only be relocated with authorization from USFWS and CDFW, as appropriate. 2. Preconstruction surveys shall be conducted within 5 days prior to, and immediately prior to, vegetation removal, grading, or installation of exclusion fence to identify any California red-legged frog, California tiger salamander, and any small mammal burrows. 3. Small mammal burrows identified during preconstruction surveys shall be surveyed (through hand-excavation, scoping, or other suitable methods to be determined in consultation with USFWS and CDFW) to identify any California red-legged frog or California tiger salamander. Once the burrow is confirmed to be vacant, the burrow shall be collapsed. 4. If California red-legged frog or California tiger salamander are observed within the construction area, a qualified biologist shall relocate the individual according to the relocation plan above and only with authorization from USFWS and CDFW, as appropriate. 5. Exclusion fencing shall be installed around construction areas where there is a moderate to high potential for these species to occur as specified in **Mitigation Measure 4.6-1c (General Avoidance and Minimization Measures)** and only with authorization from USFWS and CDFW. 6. The qualified biologist shall monitor vegetation removal and grading inside the exclusion fence as specified in **Mitigation Measure 4.6-1c (General Avoidance and Minimization Measures)**. 7. If take authorization is not obtained from CDFW and USFWS for California tiger salamander, then all small mammal burrows within dispersal distance of a known or potential breeding pond shall be avoided by a minimum buffer of 50 feet.	X		X	X	X	X	CalAm shall provide the name and qualifications of the biologist(s) to conduct required preconstruction to the CPUC for approval. CalAm shall also provide to the CPUC copies of all frog/salamander surveys and relocation plans, copies of all such surveys and plans, and copies of all related USFWS/CDFW-approved plans and related consultations with and authorizations provided by USFWS/CDFW, and avoidance and protection measures and documentary evidence of compliance therewith.	Prior to, during, and after construction activities.	Surveys demonstrate absence of frogs/salamanders/habitat or if present that all applicable USFWS/CDFW-approved permits, avoidance and minimization measures, mitigation plans and compensatory mitigation are fully implemented/achieved.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.6: Terrestrial Biological Resources (cont.)									
Upon completion of construction activities, CalAm shall restore California tiger salamander and California red-legged frog habitat temporarily impacted during construction. Compensatory mitigation for permanent impacts shall be provided either onsite or offsite at a minimum ratio of 2:1. Compensation for permanent impacts may be in the form of permanent on-site or off-site creation, restoration, enhancement, or preservation of habitat. At a minimum, the restoration or compensation sites shall meet the following performance standards by the fifth year following restoration: a. Temporarily impacted areas are returned to pre-project or improved conditions; b. Vegetation cover shall be at least 80 percent of baseline vegetation cover in the impact area; and c. No more cover by invasive plants than in the baseline conditions of the impact area. ***Restoration and mitigation activities shall be described in the Habitat Mitigation and Monitoring Plan prescribed by*** *Mitigation Measure 4.6-1n (Habitat Mitigation and Monitoring Plan)****. Alternatively, compensatory credits may be purchased through an approved mitigation bank, or approved Habitat Conservation Plan.***									
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction. **Mitigation Measure 4.6-1p: Control Measures for Spread of Invasive Plants.** Construction best management practices shall be implemented in construction areas within or adjacent to lands with native plant communities that may be susceptible to non-native plant species invasion to prevent the spread of invasive plants, seed, propagules, and pathogens through the following actions: 1) Avoid driving in or operating equipment in weed-infested areas outside of fenced work areas and restrict travel to established roads. 2) Avoid leaving exposed soil or construction materials in areas with the potential for invasive plants (e.g., in staging areas). Non-active stockpiles shall be covered with plastic or a comparable material. 3) Clean tools, equipment, and vehicles before transporting materials and before entering and leaving worksites (e.g., wheel washing stations at Project site access points). Inspect vehicles and equipment for weed seeds and/or propagules stuck in tire treads or mud on the vehicle to minimize the risk of carrying them to unaffected areas. Designate areas within active construction sites for cleaning and inspections. 4) An environmental inspector, under direction of the Lead Biologist or appointed qualified biologist (see **Mitigation Measure 4.6-1a**) shall inspect vehicles and equipment prior to project initiation at applicable work areas (listed above) for weed seeds and plant fragments that could colonize within the site or be transported to other sites. At project initiation, all construction vehicles must be cleaned to remove soil and plant fragments at designated locations, and vehicles or equipment that are not clean shall be rejected until clear of weed seed and plant fragments. Wheel washing stations or other methods to remove and contain seeds or other plant fragments from vehicles, equipment, boots, and tools shall be established in designated areas. 5) All equipment and tools involved in soil disturbance at applicable work areas shall be disinfected using a 10% bleach or 70% isopropyl alcohol solution prior to initial use or prior to returning to applicable work areas if used on another project site. 6) Only certified, weed-free, plastic-free imported erosion control materials (or rice straw in upland areas) shall be used for the project. 7) Within U.S. Army-owned land, control measures for invasive species also shall conform to guidelines in the Integrated Natural Resource Management Plan (INRMP) Presidio of Monterey and Ord Military Community (e.g., Section 9.2.4, Undesirable Plant Pests). This measure also applies to periodic maintenance of the subsurface slant wells.	X		X	X	X	X	CalAm's environmental monitor shall provide monthly documentation demonstrating oversight and implementation of best management practices for the prevention of spreading of invasive plants.	During construction activities and subsequent maintenance activities at the slant well sites.	Compliance with and implementation of all applicable construction best management practices and documentation that doing so prevented spreading of invasive plants during construction and maintenance activities.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	Implementation Schedule	
Section 4.6: Terrestrial Biological Resources (cont.)									
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction. **Mitigation Measure 4.6-1q: Frac-out Contingency Plan.** CalAm shall retain a licensed geotechnical engineer to develop a Frac-out Contingency Plan (Plan). CalAm will submit the plan to the appropriate resource agencies (CDFW, CCRWQCB, USACE, USFWS, NMFS, and local agencies with land use jurisdiction) for approval prior to the start of construction of any pipeline that will use HDD installation. The Plan shall be implemented at all areas where HDD installation under a waterway would occur to avoid, minimize, or mitigate for project impacts either prior to, concurrently with, or following HDD installation, as specified in the Plan. The plan shall include, at a minimum: 1) Measures describing training of construction personnel about monitoring procedures, equipment, materials and procedures in place for the prevention, containment, clean-up (such as creating a containment area and using a pump, using a vacuum truck, etc.), and disposal of released bentonite slurry, and agency notification protocols; 2) Methods for preventing frac-out including maintaining pressure in the borehole to avoid exceeding the strength of the overlying soil. 3) Methods for detecting an accidental release of bentonite slurry that include: (a) monitoring by a minimum of one biological monitor throughout drilling operations to ensure swift response if a frac-out occurs; (b) continuous monitoring of drilling pressures to ensure they do not exceed those needed to penetrate the formation; (c) continuous monitoring of slurry returns at the exit and entry pits to determine if slurry circulation has been lost; and (d) continuous monitoring by spotters to follow the progress of the drill bit during the pilot hole operation, and reaming and pull back operations. 4) Protocols CalAm and/or its contractors will follow if there is a loss of circulation or other indicator of a release of slurry. 5) Cleanup and disposal procedures and equipment CalAm and/or its contractors will use if a frac-out occurs. 6) If a frac-out occurs, CalAm and/or its contractors shall immediately halt work, implement the measures outlined in Item 5 of the Plan to contain, clean-up, and dispose of the bentonite slurry, and notify and consult with the staffs of the agencies listed above before HDD activities can begin again. CalAm shall implement this plan to ensure that measures are implemented to prevent frac-out and if a frac-out occurs, then CalAm and/or its contractor shall implement measures to contain, clean-up, and dispose of the bentonite slurry.						X	CalAm shall provide to CPUC prior to construction a copy of the required Frac-out Contingency Plan and all approvals thereof issued by the appropriate resource and local agencies. A licensed geotechnical engineer hired by CalAm will prepare the Plan for submission and approval by the resources agencies. CalAm will implement the plan through contract specifications with the HDD contractors. Reporting of implementation and any frac-out incidents will be reported to the resources agencies.	Prior to and during construction.	Compliance with all components of the approved Frac-out Contingency Plan and documentation that doing so avoided injury to or loss of special status plants.
Impact 4.6-1: Result in substantial adverse effects on species identified as candidate, sensitive, or special-status, either directly, indirectly or through habitat modification, during construction. **Mitigation Measures 4.12-1b and 4.14-2**	X		X	X	X	X	See below in Mitigation Measures 4.12-1b and 4.14-2		
Impact 4.6-2: Result in substantial adverse effects on riparian habitat, critical habitat, or other sensitive natural communities during construction. **Mitigation Measures 4.6-1a, 4.6-1b, 4.6-1c, 4.6-1d, 4.6-1n, 4.6-1o, 4.6-1p, and 4.6-1q**	X		X	X	X	X	See above in Mitigation Measures 4.6-1a, 4.6-1b, 4.6-1c, 4.6-1d, 4.6-1n, 4.6-1o, 4.6-1p, and 4.6-1q		
Impact 4.6-2: Result in substantial adverse effects on riparian habitat, critical habitat, or other sensitive natural communities during construction. **Mitigation Measure 4.6-2a: Consultation with Local Agencies and the California Coastal Commission regarding Environmentally Sensitive Habitat Areas.** Some parts of the project area occur within the Coastal Zone and development within the Coastal Zone would require a Coastal Development Permit.	X		X	X		X	CalAm shall provide the CPUC with copies of all approved Coastal Development Permits issued by the CCC and applicable local agencies prior to initiation of ground disturbing activities.	Prior to construction.	Compliance with all components of all Coastal Development Permits approved for the MPWSP for protection of ESHA.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.6: Terrestrial Biological Resources (cont.)									
Prior to the initiation of ground-disturbing activities CalAm shall consult with the CCC or local jurisdiction and obtain the necessary permit(s) in order to proceed with the MPWSP. The CCC or local agency would authorize the project if it conforms to ESHA policies or other policies of the Coastal Act.									
Impact 4.6-2: Result in substantial adverse effects on riparian habitat, critical habitat, or other sensitive natural communities during construction. **Mitigation Measure 4.6-2b: Avoid, Minimize, and Compensate for Construction Impacts to Sensitive Communities and Environmentally Sensitive Habitat Areas.** CalAm and/or its construction contractor(s) shall implement the following avoidance, minimization, and compensation measures for sensitive natural communities, the special-status species that utilize these sensitive communities, environmentally sensitive habitat areas (ESHA) as defined by the California Coastal Commission (CCC) or in a local coastal plan (LCP), and primary habitat as defined in the City of Marina's Local Coastal Land Use Plan (LCLUP). Compensatory mitigation for permanent loss from periodic maintenance of the subsurface slant wells shall only be applied once and would not be applied for each five-year maintenance event. a) Project facilities shall be sited and designed to avoid disturbance of central maritime chaparral, central dune scrub, coast live oak woodland, and riparian woodland and scrub, any areas defined as ESHA by the CCC or in a LCP, primary habitat as defined in the LCLUP, any sensitive communities defined by local jurisdictions, and any other sensitive natural communities, including critical habitat, identified within the project area. b) Where direct impacts on sensitive natural communities, ESHA, primary habitat, or critical habitat cannot feasibly be avoided, CalAm shall implement the following measures: i. Any temporarily impacted sensitive natural communities, ESHA, primary habitat, and critical habitat, shall be restored to previous conditions or better at the end of construction. Compensatory mitigation for permanent impacts on sensitive natural communities shall occur at a ratio of 2:1 or greater. Compensation for loss of sensitive natural communities may be in the form of permanent on-site or off-site creation, restoration, enhancement, or preservation of habitat. At a minimum the restoration or compensation sites shall meet the following performance standards by the fifth year following restoration: a. Temporarily impacted areas are returned to pre-project conditions or greater b. Native vegetation cover shall be at least 70 percent of baseline/impact area native vegetation cover c. No more cover by invasives than the baseline/impact area Restoration and mitigation activities shall be described in the Habitat Mitigation and Monitoring Plan prescribed by Mitigation Measure 4.6-1n (Habitat Mitigation and Monitoring Plan). Alternatively, credits purchased through an approved mitigation bank, or approved Habitat Conservation Plan. ii. Topsoil shall be salvaged during grading and earthmoving activities, stockpiled separately from subsoil, and protected from erosion (e.g., covered or watered). Composting additives shall be used to amend the soil, if needed, and compacted topsoil shall be properly prepared prior to reuse for post-construction restoration of temporarily disturbed areas. A minimum of 12 inches of topsoil shall be salvaged (or if there is less than 12 inches of topsoil initially, as much as is available practicable). iii. For HMP sensitive natural communities on former Fort Ord lands, plants shall be salvaged, under the direction of a qualified biologist, as necessary per the requirements of the HMP, and in accordance with any requirements from USFWS and CDFW.	X		X	X	X	X	CalAm shall provide and obtain approval from CPUC of final design submittals demonstrating avoidance of sensitive natural communities and species that utilize them, ESHA and primary/secondary habitat or provide the CPUC with copies of all approved Coastal Development Permits issued by the CCC and applicable local agencies prior to initiation of ground disturbing activities. CalAm's environmental monitor shall provide CPUC with monthly reports demonstrating oversight and successful implementation of the required avoidance, minimization and compensation measures to ensure construction is limited to the design footprint and avoids sensitive communities/species/ habitat or that compensatory mitigation was provided.	Prior to and during construction.	Compliance with all components of all Coastal Development Permits approved for the MPWSP and their conditions for the protection for sensitive natural communities, the special-status species that utilize these sensitive communities, ESHA as defined by the CCC or in a LCP, and primary habitat.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.6: Terrestrial Biological Resources (cont.)									
c) Any areas used for staging, laydown, material storage, equipment storage, job trailers, employee parking, or other project-related support activities that do not need to be located adjacent to the active construction area shall be located away from jurisdictional areas, sensitive communities, and shall be protected from stormwater runoff using temporary perimeter sediment barriers such as berms, silt fences, fiber rolls, covers, sand/gravel bags, and straw bale barriers. d) All potential contaminants shall be stored on impervious surfaces, plastic ground covers, or in secondary containment to prevent any spills or leakage from contaminating the ground, and shall be located at least 100 feet from adjacent habitat, unless required for construction activities to be located adjacent to the active construction area. e) Any spillage of pollutants or construction material shall be contained immediately in accordance with the project SWPPP. The contaminated area shall be cleaned and any contaminated materials properly disposed of. The Lead Biologist shall be notified of all spills. Further, CalAm and/or its construction contractor(s) shall implement the following avoidance, minimization, and compensation measures for any areas that are identified as secondary habitat as defined in the City of Marina's LCLUP (and not within ESHA as defined by the CCC) through the coastal permitting process: a) Development shall be designed to prevent significant adverse impacts on primary habitat areas. Adverse impacts that shall be avoided may include indirect impacts such as operational noise impacts on wildlife, introduction of the spread of invasive plant and wildlife species, increased erosion, introduction of trash that would invite predators, increased human disturbance, and decreased water quality. b) All temporarily impacted areas shall be restored to pre-construction conditions or better at the end of construction. Compensatory mitigation for permanent impacts on sensitive natural communities shall occur at a ratio of 1:1 or greater. Compensation for loss of sensitive natural communities may be in the form of permanent on-site or off-site creation, restoration, enhancement, or preservation of habitat. At a minimum the restoration or compensation sites shall meet the following performance standards by the fifth year following restoration: i. Temporarily impacted areas are returned to pre-project conditions or greater ii. Native vegetation cover shall be at least 70 percent of baseline/impact area native vegetation cover iii. No more cover by invasives than the baseline/impact area Restoration and mitigation activities shall be described in the Habitat Mitigation and Monitoring Plan prescribed by Mitigation Measure 4.6-1n (Habitat Mitigation and Monitoring Plan). Alternatively, credits purchased through an approved mitigation bank, or approved Habitat Conservation Plan.									
Impact 4.6-3: Result in substantial adverse effects on federal wetlands, federal other waters, and/or waters of the state during construction. **Mitigation Measures 4.6-1a, 4.6-1b, 4.6-1c, and 4.6-1q**	X		X	X	X	X	See above in Mitigation Measures 4.6-1a, 4.6-1b, 4.6-1c, and 4.6-1q		
Impact 4.6-3: Result in substantial adverse effects on federal wetlands, federal other waters, and/or waters of the state during construction. **Mitigation Measure 4.6-3: Avoid, Minimize, and or Mitigate Impacts to Wetlands.** 1. A jurisdictional wetland delineation shall be conducted to determine the extent of waters of the U.S. and waters of the state within the project component footprints and anticipated construction disturbance area. 2. The proposed project shall be designed to avoid and/or minimize direct impacts on wetlands and/or waters under the jurisdiction of the U.S. Army Corps of Engineers, Regional Water Quality Control Board, California Department of Fish and Wildlife, and/or the California Coastal Commission to the extent feasible. Horizontal Directional Drilling or other trenchless or above water methods will be used at all pipeline crossings of wetlands and other waters of the U.S. and of the state except some small order seasonal or ephemeral drainages which do not support riparian	X		X	X	X	X	CalAm shall provide a copy of the required jurisdictional wetland delineation and all concurrences, approvals and/or related permits issued by the U.S. Army Corps of Engineers, RWQCB, CDFW, and/or the California Coastal Commission. CalAm's environmental monitor shall provide CPUC with monthly reports demonstrating avoidance and/or minimization of impacts on wetlands and/or waters of the U.S. or that compensatory mitigation was provided.	Prior to, during, and after construction.	Documented avoidance, minimization, and/or mitigation of impacts on wetlands consistent with the required jurisdictional wetland delineation and all concurrences ,approvals and/or related permits issued by the U.S. Army Corps of Engineers, RWQCB, CDFW, and/or the California Coastal Commission

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** *CalAm Reports On, and the CPUC Monitors all Mitigation Measures*	**Implementation Schedule**	
Section 4.6: Terrestrial Biological Resources (cont.)									
woodland, riparian scrub, marsh or other wetland vegetation, and which would be crossed during the dry season in the absence of flow or standing water. 3. Where disturbance to jurisdictional waters cannot be avoided, any temporarily impacted jurisdictional water shall be restored to pre-construction conditions or better at the end of construction. Compensation for permanent impacts shall be provided at a 2:1 or greater ratio. Compensation for loss of jurisdictional waters may be in the form of permanent on-site or off-site creation, restoration, enhancement, or preservation of habitat. At a minimum the restoration or compensation sites shall meet the following performance standards by the fifth year following restoration: a. Temporarily impacted areas are returned to pre-project conditions or greater b. Wetlands restored or constructed as federal wetlands meet the federal criteria for jurisdictional wetlands and wetlands restored or constructed as state wetlands meet the state criteria for jurisdictional wetlands c. No more cover by invasives than the baseline/impact area Compensation shall be detailed on a project-specific basis and shall include development of a Wetland Mitigation and Monitoring Plan (WMMP), which shall be developed prior to the start of construction and in coordination with permit applications and/or conditions. At a minimum, the WMMP shall include: a. Name and contact information for the property owner of the land on which the mitigation will take place; b. Identification of the source for supplemental irrigation; c. Identification of depth to groundwater; d. Baseline information, including a summary of the findings in any other recent wetland delineations applicable to the project disturbance area; e. Anticipated habitat enhancements to be achieved through compensatory actions; f. Monitoring methods and schedule; g. Performance and success criteria for wetland creation and/or enhancement, with success criteria in tabular form. h. Roles and responsibilities for mitigation funding, implementation, maintenance, monitoring, and reporting. i. Identification of the mechanism that will preserve the mitigation site in perpetuity, if necessary. Alternatively, offsite mitigation credits may be purchased at an approved mitigation bank; if no banks are available, then alternative mitigation may be achieved through payment of in-lieu fees.									
Impact 4.6-4: Be inconsistent with any local policies or ordinances protecting biological resources, such as a tree preservation policy or ordinance. **Mitigation Measure 4.6-1d, 4.6-1e, 4.6-1f, 4.6-1n, and 4.6-2b**	X		X	X	X	X	See above in Mitigation Measures 4.6-1d, 4.6-1e, 4.6-1f, 4.6-1n, and 4.6-2b		

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.6: Terrestrial Biological Resources (cont.)									
Impact 4.6-4: Be inconsistent with any local policies or ordinances protecting biological resources, such as a tree preservation policy or ordinance. **Mitigation Measure 4.6-4: Compliance with Local Tree Ordinances.** 1. The project applicant shall perform a comprehensive survey within the project footprint to identify, measure, and map trees subject to local tree removal ordinances (as specified in Table 4.6-10) at least 30 days prior to start of planned ground disturbance or tree removal. 2. Any trees that are subject to local tree removal ordinances shall be avoided to the extent practicable. 3. If tree removal cannot be avoided by project construction, then the applicant shall comply with the applicable local tree policies or ordinances, obtain appropriate tree removal permits from applicable local agencies, and comply with those permits. 4. Tree removal, preservation, or mitigation on Army property would be done in accordance with the Integrated Natural Resource Management Plan Presidio of Monterey and Ord Military Community (November, 2008).	X		X	X	X	X	CalAm shall provide the name and qualifications of the biologist(s) to conduct the comprehensive tree survey to the CPUC for approval. CalAm shall also provide to the CPUC a copy of the survey and related maps and copies of all required tree removal permits issued by applicable local agencies prior to construction.	Prior to and during construction.	Final design plans demonstrate that all trees subject to local tree removal ordinances will be avoided and if not compliance with all tree removal permits and related conditions issued by applicable local agencies shall be implemented.
Impact 4.6-5: Introduce or spread an invasive non-native species during construction. **Mitigation Measures 4.6-1a and 4.6-1p**	X		X	X	X	X	See above in Mitigation Measures 4.6-1a and 4.6-1p		
Impact 4.6-6: Result in substantial adverse effects on candidate, sensitive, or special-status species during project operations. **Mitigation Measures 4.6-1a, 4.6-1b, 4.6-1c, 4.6-1d, 4.6-1e, 4.6-1f, 4.6-1g, 4.6-1i, 4.6-1n, 4.6-1p, 4.12-1b, 4.12-5, and 4.14-2**	X		X	X	X	X	See above in Mitigation Measures 4.6-1a, 4.6-1b, 4.6-1c, 4.6-1d, 4.6-1e, 4.6-1f, 4.6-1g, 4.6-1i, 4.6-1n, 4.6-1p, 4.12-1b, 4.12-5, and 4.14-2		
Impact 4.6-6: Result in substantial adverse effects on candidate, sensitive, or special-status species during project operations. **Mitigation Measure 4.6-6: Installation and Monitoring of Bird Deterrents at the Brine Storage Basin.** Bird deterrents (such as reflective flagging, whistles, or a falconer) shall be utilized at the Brine Storage Basin. The type of bird deterrent shall be determined by the lead biologist and shall be modified if, through monitoring (as described below), the bird deterrents are either not sufficient at deterring birds from the Brine Storage Basin or pose a risk to wildlife. Monitoring of the Brine Storage Basin shall include the following: • ***Daily Monitoring:*** CalAm operational staff will monitor the brine pond on a daily basis as part of their regular routine. If staff see regular use of the pond by birds, any dead animals, or any unusual siting, USFWS will be notified within one working day. • ***Monthly Monitoring***: A qualified biologist and/or qualified biological monitor shall regularly survey the Brine Storage Basin at least once per month starting with the first month of operation of the Brine Storage Basin. The purpose of the surveys shall be to determine if the bird deterrents are effective in excluding birds and to assess whether the deterrents serve as a hazard to birds or wildlife. The monthly surveys shall be conducted in one day for a minimum of two hours following sunrise (i.e., dawn), a minimum of one hour mid-day (i.e., 1100 to 1300), and a minimum of two hours preceding sunset (i.e., dusk) in order to provide an accurate assessment of bird and wildlife use of the ponds during all seasons. Operations staff at the MPWSP Desalination Plant shall also report finding any dead birds or other wildlife at the Brine Storage Basin to the Lead Biologist within one day of the detection of the carcass. The Lead Biologists shall report any bird or other wildlife deaths or entanglements within two days of the discovery to CalAm, CDFW, and USFWS.			X				CalAm shall provide to the CPUC information regarding all bird deterrents utilized, copies of all staff monitoring reports, biologist/biological monitor survey reports and any related correspondence to or additional bird deterrent conditions required or authorizations provided by USFWS/CDFW. A Lead Biologist hired by CalAm will oversee the installation and monitoring of bird deterrents at the Brine Storage Basin. The Lead Biologist will report deaths or entanglements of any birds or wildlife to CPUC, CalAm, CDFW, and USFWS. The Lead Biologist will review deterrent monitoring reports and modify the bird deterrent program through adaptive management measures.	During the operation of the Brine Storage Basin.	Successful deterrent of birds documented in monitoring reports.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** *CalAm Reports On, and the CPUC Monitors all Mitigation Measures*	**Implementation Schedule**	
Section 4.6: Terrestrial Biological Resources (cont.)									
• ***Quarterly Monitoring***: If after 12 consecutive monthly site visits (described above) no bird or wildlife deaths are detected at the Brine Storage Basin by or reported to the Lead Biologist, monitoring can be reduced to quarterly visits. • ***Biannual Monitoring***: If after 12 consecutive quarterly site visits (described above) no bird or wildlife deaths are detected by or reported to the Lead Biologist, future surveys may be reduced to two surveys per year, during the spring nesting season and during fall migration. • ***Modification of Monitoring Program***: The Lead Biologist shall modify the monitoring program based on information acquired during monitoring if any changes are needed, and determine adaptive management measures to remedy any problems that are detected during monitoring or modifications if bird impacts are observed.									
Impact 4.6-7: Result in substantial adverse effects on riparian habitat, critical habitat, or other sensitive natural communities during project operations. **Mitigation Measures 4.6-1a, 4.6-1b, 4.6-1c, 4.6-1d, 4.6-1n, 4.6-1p, 4.6-2a, and 4.6-2b**	X		X	X	X	X	See above in Mitigation Measures 4.6-1a, 4.6-1b, 4.6-1c, 4.6-1d, 4.6-1n, 4.6-1p, 4.6-2a, and 4.6-2b		
Impact 4.6-8: Result in substantial adverse effects on federal wetlands, federal other waters, and waters of the state during project operations. **Mitigation Measures 4.6-1a, 4.6-1b, and 4.6-1c**	X		X	X	X	X	See above in Mitigation Measures 4.6-1a, 4.6-1b, and 4.6-1c		
Impact 4.6-9: Introduce or spread an invasive non-native species during project operations. **Mitigation Measures 4.6-1a and 4.6-1p**	X		X	X	X	X	See above in Mitigation Measures 4.6-1a and 4.6-1p		
Impact 4.6-10: Be inconsistent with the provisions of an adopted Habitat Conservation Plan, natural community conservation plan or other approved local, regional, or state habitat conservation plan. **Mitigation Measures 4.6-1a, 4.6-1n, and 4.6-2b**	X		X	X	X	X	See above in Mitigation Measures 4.6-1a, 4.6-1n, and 4.6-2b		
Impact 4.6-C: Cumulative impacts related to terrestrial biological resources. **Mitigation Measures 4.6-1a, 4.6-1b, 4.6-1c, 4.6-1d, 4.6-1e, 4.6-1f, 4.6-1g, 4.6-1h, 4.6-1i, 4.6-1j, 4.6-1k, 4.6-1l, 4.6-1m, 4.6-1n, 4.6-1o, 4.6-1p, 4.6-2a, 4.6-2b, 4.6-3, 4.6-4, 4.6-6, 4.12-1b, 4.12-5, and 4.14-2**	X		X	X	X	X	See above in Mitigation Measures 4.6-1a, 4.6-1b, 4.6-1c, 4.6-1d, 4.6-1e, 4.6-1f, 4.6-1g, 4.6-1h, 4.6-1i, 4.6-1j, 4.6-1k, 4.6-1l, 4.6-1m, 4.6-1n, 4.6-1o, 4.6-1p, 4.6-2a, 4.6-2b, 4.6-3, 4.6-4, and 4.6-6, and below in Mitigation Measures 4.12-1b, 4.12-5, and 4.14-2		
Section 4.7: Hazards and Hazardous Materials									
Impact 4.7-2: Encountering hazardous materials from other hazardous materials release sites during construction. **Mitigation Measure 4.7-2a: Health and Safety Plan.** The construction contractor(s) shall prepare and implement a site-specific Health and Safety Plan as required by and in accordance with 29 CFR 1910.120 to protect construction workers and the public during all excavation and grading activities. This plan shall be submitted to the California Public Utilities Commission for review prior to commencement of construction. The Health and Safety Plan shall include, but is not limited to, the following elements: • Designation of a trained, experienced site safety and health supervisor who has the responsibility and authority to develop and implement the site health and safety plan; • A summary of all potential risks to construction workers and maximum exposure limits for all known and reasonably foreseeable site chemicals;	X		X	X	X	X	Through contract specifications, CalAm's contractors will prepare Health and Safety Plans, as reviewed and approved by CPUC prior to construction.	Prior to and during construction.	Compliance with all components of the approved Health and Safety Plan.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.7: Hazards and Hazardous Materials (cont.)									
• Specified personal protective equipment and decontamination procedures, if needed; • Emergency procedures, including route to the nearest hospital; and • 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.									
Impact 4.7-2: Encountering hazardous materials from other hazardous materials release sites during construction. **Mitigation Measure 4.7-2b: Soil and Groundwater Management Plan.** In support of the Health and Safety Plan described above, CalAm or its contractor shall develop and implement a Soil and Groundwater Management Plan that includes a materials disposal plan specifying how the construction contractor will remove, handle, transport, and dispose of all excavated material in a safe, appropriate, and lawful manner. The plan must identify protocols for soil testing and disposal, identify the approved disposal site, and include written documentation that the disposal site will accept the waste. Contract specifications shall mandate full compliance with all applicable local, state, and federal regulations related to the identification, transportation, and disposal of hazardous materials, including those encountered in excavated soil or dewatering effluent. As part of the Soil and Groundwater Management Plan, CalAm or its contractor shall develop a groundwater dewatering control and disposal plan specifying how contaminated groundwater (dewatering effluent), if encountered, will be handled and disposed of in a safe, appropriate and lawful manner. The plan must identify the locations at which groundwater dewatering is likely to be required, 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 (see Section 4.5.3 in Section 4.3, Surface Water Hydrology and Water Quality, for more information regarding this NPDES permit). The contractor can either dispose of the contaminated effluent at a permitted waste management facility or discharge the effluent, under permit, to a publicly owned treatment works such as the M1W Regional Wastewater Treatment Plant. This plan shall be submitted to the California Public Utilities Commission and Monterey Bay National Marine Sanctuary for review and approval prior to commencement of construction.	X		X	X	X	X	CalAm, or its contractor through contract specifications, shall prepare and provide a Soil and Groundwater Management Plan for review and approval by CPUC and MBNMS prior to commencement of construction.	Prior to and during construction.	Compliance with all components of the approved Soil and Groundwater Management Plan.
Impact 4.7-C: Cumulative impacts related to hazards and hazardous materials. **Mitigation Measures 4.7-2a and 4.7-2b**	X		X	X	X	X	See above in Mitigation Measures 4.7-1a and 4.7-1b		
Section 4.8: Land Use, Land Use Planning, and Recreation									
Impact 4.8-2: Disrupt or preclude public access to or along the coast during construction. **Mitigation Measure 4.9-1**	X		X			X	See below in Mitigation Measure 4.9-1		
Impact 4.8-C: Cumulative impacts related to land use and recreation. **Mitigation Measure 4.9-1**							See below in Mitigation Measure 4.9-1		

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.9: Traffic and Transportation									
Impact 4.9-1: Temporary traffic increases on regional and local roadways due to construction-related vehicle trips.	X		X	X	X	X	CalAm, or its contractor through contract specifications, shall prepare the required Traffic Control and Safety Assurance Plan based on final detailed project design plans and provide it to the CPUC for review and approval, together with copies of all road encroachment permits approved/issued by Caltrans, the U.S. Army and/or local agencies, prior to construction.	Prior to and during construction.	Compliance with all components of the CPUC-approved Traffic Control and Safety Assurance Plan and all road encroachment permits (and conditions thereto) required and approved/issued for the MPWSP.
Mitigation Measure 4.9-1: Traffic Control and Safety Assurance Plan. CalAm and/or the construction contractor(s) shall obtain any necessary road encroachment permits (e.g., from Caltrans and/or the U.S. Army) prior to constructing each project component and shall comply with the conditions of approval attached to all project permits and approvals. As part of the road encroachment permit process, a qualified traffic engineer shall prepare a traffic control and safety assurance plan in accordance with professional engineering standards and submit the plan to the agencies with jurisdiction over the affected roads and recreational trails, as well as to the California Public Utilities Commission, for review and approval. 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 traffic; 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, including recreation and coastal, would 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: • Develop circulation and detour plans to minimize impacts on local streets. Haul routes that minimize truck traffic on local roadways and residential streets shall be used. As necessary, signage and/or flaggers shall be used to guide vehicles through the construction work areas. • Control and monitor construction vehicle movements by enforcing standard construction specifications through periodic onsite inspections. • Install traffic control devices where traffic conditions warrant, as specified in the applicable jurisdiction's standards (e.g., the *California Manual of Uniform Traffic Controls for Construction and Maintenance Work Zones*). • Schedule truck trips outside of peak morning and evening commute hours to minimize adverse impacts on traffic flow (i.e., if agencies with jurisdiction over the affected roads identify highly congested roadway segments during their review of the encroachment permit applications). • Post detour signs along affected roadways to notify motorists of alternative routes. • 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. • At least two weeks prior to construction, post signage along all potentially affected recreational trails and coastal access point; 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 or its contractors shall retrieve all notice materials. • CalAm and its contractors shall schedule construction activities to minimize impacts during heavy recreational use periods (e.g., weekends and holidays).									

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	Monitoring and Reporting Actions: *CalAm Reports On, and the CPUC Monitors all Mitigation Measures*	Implementation Schedule	
Section 4.9: Traffic and Transportation (cont.)									
• 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 road closures shall be published in local newspapers and on available websites to allow motorists to select alternative routes. This provision shall be implemented in conjunction with **Mitigation Measure 4.12-1a (Neighborhood Notice)**. • Consult with non-jurisdictional parties (e.g., CEMEX), as appropriate, regarding strategies for reducing increased traffic on roads that would provide access to construction work areas. • Store all equipment and materials in designated contractor staging areas. • Maintain alternate one-way traffic flow past the construction zone where possible. • Install detour signs to direct traffic to alternative routes around the closed road segment if alternate one-way traffic flow cannot be maintained past the construction zone. • Limit lane closures during peak hours. • 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. • 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 traffic control and safety assurance plan. • 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. 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. • • Develop a school traffic and pedestrian safety plan to minimize adverse impacts associated with truck trips and lane closures (e.g., in the vicinity of the Marshall Elementary School east of the General Jim Moore Boulevard / Normandy Road intersection). • Avoid truck trips through designated school zones during the school drop-off and pickup hours to the extent feasible. • 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. • Coordinate with Monterey-Salinas Transit so the transit provider can temporarily relocate bus routes or bus stops in work zones as deemed necessary.									
Impact 4.9-2: Temporary reduction in roadway capacities and increased traffic delays during construction. **Mitigation Measure 4.9-1**	X		X	X	X	X	See above in Mitigation Measure 4.9-1		
Impact 4.9-3: Increased traffic safety hazards for vehicles, bicyclists, and pedestrians on public roadways during construction. **Mitigation Measure 4.9-1**	X		X	X	X	X	See above in Mitigation Measure 4.9-1		
Impact 4.9-4: Impaired emergency access during construction. **Mitigation Measure 4.9-1**	X		X	X	X	X	See above in Mitigation Measure 4.9-1		

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.9: Traffic and Transportation (cont.)									
Impact 4.9-5: Temporary disruptions to public transportation, bicycle, and pedestrian facilities during construction. **Mitigation Measure 4.9-1**	X		X	X	X	X	See above in Mitigation Measure 4.9-1		
Impact 4.9-6: Increased wear-and-tear on the designated haul routes used by construction vehicles. **Mitigation Measure 4.9-6: Roadway Rehabilitation Program.** Prior to commencing project construction, CalAm and the affected jurisdiction(s) shall enter into an agreement detailing the preconstruction condition of all major project-related construction access and haul routes, in addition to any appropriate post-construction roadway rehabilitation requirements (e.g., who would make the roadway repair, and by when). Temporary detour routes may also be included in the inventory of preconstruction road conditions, if appropriate. The construction routes identified in the rehabilitation program must be consistent with those identified in the construction traffic control and safety assurance plan developed under Mitigation Measure 4.9-1. Roads damaged by project-related construction vehicles shall be repaired to a structural condition equal to that which existed prior to construction activities. CalAm shall be responsible for paying for all repairs needed to fix the damage caused by project-related construction vehicles.	X		X	X	X	X	CalAm shall provide a fully-executed copy of the agreement it enters into with affected jurisdictions to the CPUC, to document pre- and post-construction road conditions and identify road segments for post-construction rehabilitation measures. CPUC and affected jurisdictions will monitor the documentation procedures and rehabilitation measures.	Prior to and after construction.	Rehabilitation of roads and road segments affected by project construction to pre-construction or better conditions, as identified by required agreement between CalAm and affected jurisdictions.
Impact 4.9-7: Parking interference during construction. **Mitigation Measure 4.9-7: Construction Parking Requirements.** Prior to commencing project construction, the construction contractor(s) shall coordinate with the affected jurisdictions (i.e., Monterey County, Cal State Monterey, and the cities of Marina and Seaside), and affected parties (i.e., the Walmart Superstore at 150 Beach Road), to design the staging areas to avoid or minimize parking impacts in the publicly used parking lots.	X		X	X	X	X	CalAm shall provide the CPUC with copies of its construction contracts and related documentation demonstrating that CalAm's contractor(s) satisfactorily coordinated with affected jurisdictions and parties to avoid or minimize construction staging area parking impacts in public parking lots. CPUC and local jurisdictions will monitor the parking coordination.	Prior to and during construction.	Coordination of contractors with affected jurisdictions and parties that avoids or minimizes parking impacts in public parking lots.
Impact 4.9-C: Cumulative impacts related to traffic and transportation. **Mitigation Measures 4.9-1, 4.9-6, and 4.9-7**	X		X	X	X	X	See above in Mitigation Measures 4.9-1, 4.9-6, and 4.9-7		
Impact 4.9-C: Cumulative impacts related to traffic and transportation. **Mitigation Measure 4.9-C: Construction Traffic Coordination Plan.** CalAm shall coordinate with the appropriate planning agency within each affected jurisdiction to develop and implement a Construction Traffic Coordination Plan. The purpose of the plan shall be to lessen the cumulative effects of MPWSP and local development project construction-related traffic delays and congestion. The plan shall address construction-related traffic associated with all project sites in the vicinity of MPWSP project components (i.e., within 1 mile or would use the same roads) and whose construction schedules overlap that of the MPWSP. The construction traffic coordination plan shall, at a minimum, include the following components: • Identification of all projects located in the vicinity of MPWSP project components (within 1 mile or would use the same roads) and whose construction schedules overlap that of the MPWSP. • Consideration for the types of construction-related vehicles and corresponding numbers and timing of trips associated with each said project. • An evaluation of roadways affected by construction activities and measures to minimize roadway and traffic disturbances (e.g., lane closures and detours). Impact minimization measures shall include, but not necessarily be limited to, elements that are part of the MPWSP's Traffic Control and Safety Assurance Plan (Mitigation Measure 4.9-1). • Phasing of construction activities, as necessary to prevent degradation of levels of service on affected roadways.	X		X	X	X	X	CalAm will coordinate with affected jurisdictions to develop and implement the required Construction Traffic Coordination Plan and provide the CPUC with a copy of said Plan and related documentation demonstrating CalAm satisfactorily coordinated with the planning agencies of each affected jurisdiction. CPUC and affected local jurisdictions will monitor the implementation of the Plan.	Prior to and during construction.	Implementation of a Construction Traffic Coordination plan by CalAm that reduces cumulative effect of overlapping construction traffic in the affected jurisdictions. Continuous coordination between CalAm and affected jurisdictions that result in adjustments and refinements reducing traffic impacts.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	Implementation Schedule	
Section 4.9: Traffic and Transportation (cont.)									
• A program that provides for continual coordination with the affected agencies to allow for adjustments and refinements to the plan once construction is underway. The construction traffic plan may be modeled after or included within the plan described in **Mitigation Measure 4.9-1 (Traffic Control and Safety Assurance Plan)**. If necessary, separate construction traffic coordination plans (i.e., one for each affected jurisdiction) may be prepared, provided each is compatible.									
Section 4.10: Air Quality									
Impact 4.10-1: Generate emissions of criteria air pollutants and contribute to a violation of an ambient air quality standard during construction. **Mitigation Measure 4.10-1a: Equipment with High-Tiered Engine Standards.** For diesel-fueled off-road construction equipment of more than 50 horsepower, CalAm and/or its construction contractor shall make a good faith effort to use available construction equipment that meets the highest USEPA-certified tiered emission standards or is alternatively powered (e.g., with electricity, natural gas, propane, methanol and ethanol blends, or gasoline) construction equipment. For all pieces of equipment that would neither meet Tier 4 emission standards nor be alternatively powered, CalAm or its construction contractor shall provide to the CPUC documentation from two local heavy construction equipment rental companies that indicate that the companies do not have access to higher-tiered equipment or alternatively powered equipment for the given class of equipment. Such documentation shall be provided to the CPUC at least two weeks prior to the anticipated use of those pieces of equipment.	X	X	X	X	X	X	CalAm shall provide the CPUC with documentation demonstrating that its construction contractor(s) successfully procured non-diesel-fueled construction equipment or diesel-fueled equipment that meets U.S. EPA Tier 4 emission standards or, in the alternative, documentation from two local heavy construction equipment rental companies indicating that the companies do not have access to such Tier 4 compliant or nondiesel-fueled equipment prior to commencement of construction. CPUC will monitor the efforts of CalAm and its contractors use of high-tiered construction equipment.	Prior to and during construction.	Documented use of available Tier 4 compliant or non-diesel-fueled construction equipment.
Impact 4.10-1: Generate emissions of criteria air pollutants and contribute to a violation of an ambient air quality standard during construction. **Mitigation Measure 4.10-1b: Idling Restrictions.** In order to ensure that idling time for on road vehicles with a gross vehicular weight rating of 10,000 pounds or greater does not exceed the 5-minute limit established in Section 2485 of Title 13 CCR Section 2485, and that idling time for off-road engines does not exceed the 5 minute limit established in Title 13 CCR Section 2449(d)(3), CalAm and/or its construction contractor(s) shall prepare and implement a written idling policy and distribute it to all equipment operators. The idling policy shall extend the 5-minute idling limit to cover all on road vehicles (regardless of gross vehicular weight rating) and shall further require that for all diesel-powered off-road engines, the idling limit is reduced to 2 minutes, while maintaining the exceptions specified in Title 13 CCR Section 2449(d)(3). Clear signage of these requirements shall be provided for construction workers at all access points to construction areas.	X	X	X	X	X	X	CalAm shall provide the CPUC and all of its construction equipment operators with a copy of the required written idling policy and evidence of signs containing the requirements of the policy provided/placed at all access points to construction areas prior to the use of any such area. or its contractors through contract specifications, will prepare and implement a written idling policy and distribute to all equipment operators with idling time restrictions for all vehicles. Signage of the idling requirements will be posted at all construction sites. CPUC will review and monitor idling policy implementation.	Prior to and during construction.	Compliance with all components of the required idling policy.
Impact 4.10-1: Generate emissions of criteria air pollutants and contribute to a violation of an ambient air quality standard during construction. **Mitigation Measure 4.10-1c: Construction Fugitive Dust Control Plan.** CalAm shall require its construction contractor(s) to implement a dust control plan that includes, at minimum, the following dust control measures: • Water all active construction areas at least three times daily; • Cover all trucks hauling soil, sand, and other loose materials and require trucks to maintain at least 2 feet of freeboard; • Apply water three times daily, or apply (non-toxic) soil stabilizers, on unpaved access roads, parking areas, and staging areas at construction sites; • Sweep daily (with water sweepers) all paved access roads, parking areas, and staging areas at construction sites;	X	X	X	X	X	X	CalAm shall provide the CPUC with evidence, via copies of its construction contracts, signage or otherwise, demonstrating the measures included in and methods of implementing the required Fugitive Dust Control Plan (including its dust complaint requirements) prior to the commencement of construction. CPUC will monitor the efforts of CalAm and its contractors implementation of the dust plan.	Prior to and during construction.	Compliance with all components of the required Fugitive Dust Control Plan.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.10: Air Quality (cont.)									
• Sweep streets daily (with water sweepers) if visible soil material is carried onto adjacent public streets; • Hydroseed or apply (non-toxic) soil stabilizers to inactive construction areas (previously graded areas inactive for 10 days or more); • Enclose, cover, or water twice daily exposed stockpiles (dirt, sand, etc.); • Limit traffic speeds on unpaved roads to 15 miles per hour; • Install sandbags or other erosion control measures to prevent silt runoff to public roadways; • Replant native, drought-tolerant 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 MPWSP Desalination Plant, the slant wells, and the ASR well facilities; and • 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 Monterey Bay Unified Air Pollution Control District (MBUAPCD) shall also be visible to ensure compliance with MBUAPCD rules.									
Impact 4.10-1: Generate emissions of criteria air pollutants and contribute to a violation of an ambient air quality standard during construction. **Mitigation Measure 4.10-1e: Off-site Mitigation Program.** CalAm shall work with the Monterey Bay Air Resources District (MBARD) and put forth a good faith effort to fund an off-site mitigation program that would be contemporaneous with project construction to offset construction-related NOx. CalAm shall provide to the lead agencies documentation showing that it has reached an agreement with MBARD to fund an off-site emissions mitigation program that shall include offsets to be executed during construction of the project. If such a program is determined by CalAm and MBARD to be infeasible given the construction schedule of the project, CalAm shall provide documentation to the Lead Agencies that substantiates such a determination. All documentation shall be provided to the Lead Agencies at least two weeks prior to the commencement of construction.	X	X	X	X	X	X	CalAm shall provide the CPUC at least two weeks prior to commencement of construction with a fully-executed copy of the agreement entered into with MBARD to fund the required off-site mitigation program, or documentation demonstrating that CalAm and MBARD determined such a program was infeasible given the MPWSP construction schedule.	At least two weeks prior to and during construction.	Fund and implement off-site mitigation for NOx emissions at the same time as construction activities in compliance with CalAm's agreement, if any, with MBARD.
Impact 4.10-2: Construction activities could conflict with implementation of the applicable air quality plan. **Mitigation Measures 4.10-1a, 4.10-1b, and 4.10-1e**	X	X	X	X	X	X	See above under Mitigation Measures 4.10-1a, 4.10-1b, and 4.10-1e		
Impact 4.10-C: Cumulative impacts related to air quality. **Mitigation Measures 4.10-1a through 4.10-1e**	X	X	X	X	X	X	See above under Mitigation Measures 4.10-1a through 4.10-1e		
Section 4.11: Greenhouse Gas Emissions									
Impact 4.11-1: Incremental contribution to climate change from GHG emissions associated with the proposed project. **Mitigation Measure 4.11-1: GHG Emissions Reductions Plan.** (a) ***Energy Conservation Technologies.*** CalAm shall have a qualified professional (a licensed mechanical engineer or other appropriately certified professional approved by the CPUC) prepare and submit a GHG Emissions Reduction Plan (Plan) to the CPUC for approval prior to the start of project construction activities. Once approved by the CPUC, the Plan shall be implemented. The Plan shall include a detailed description of the carbon footprint for all operational components of the approved project (e.g., slant well pumping, the MPWSP Desalination Plant, transmission of source and product water, ASR system) based on manufacturer energy usage specification data for each piece of equipment and the most current power system emissions factor for GHG emissions based on the energy portfolio of PG&E, the applicable Electric Service Provider under Direct Access service, or Monterey Bay Community Power and its successors and assigns, as applicable.	X	X	X	X	X	X	CalAm shall submit to the CPUC for review and approval the name and credentials of the qualified professional proposed to prepare the required GHG Emissions Reductions Plan; The Plan shall be submitted to CPUC for approval prior to commencement of construction. CPUC will monitor the progress and effectiveness of the Plan.	Prior to project construction and during project operation.	Implementation of and compliance with the required GHG Emissions Reduction Plan to achieve the required net zero emissions standard.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	Monitoring and Reporting Actions: *CalAm Reports On, and the CPUC Monitors all Mitigation Measures*	Implementation Schedule	
Section 4.11: Greenhouse Gas Emissions (cont.)									
The Plan shall include a summary of state-of-the-art energy recovery and conservation technologies available for utility scale desalination facilities and shall include a commitment by CalAm to incorporate all available feasible energy recovery and conservation technologies; or, if CalAm finds that any of the technologies will not be feasible for the project, the Plan shall clearly explain why such technology is considered to be infeasible. The carbon footprint estimate for the project shall include consideration of all proposed energy recovery and conservation technologies that will be employed by the project, and shall describe the approximate GHG emissions reductions that will be associated with each technology. (b) ***Renewable Energy.*** CalAm shall ensure that the approved project's operational electricity use results in net zero GHG emissions. In meeting this net zero GHG emissions requirement, subject to the procedures below, CalAm shall adhere to the following loading order: (1) Obtain renewable energy from on-site solar photovoltaic (PV) panels and/or the adjacent Monterey Regional Waste Management District (MRWMD) landfill-gas-to-energy (LFGTE) facility. (2) Procure renewable energy from off-site sources within California via purchases from one or more of the following: (a) PG&E, (b) an Electric Service Provider under Direct Access service, or (c) Monterey Bay Community Power and its successors and assigns. (3) Procure and retire Renewable Energy Certificates (also known as RECs, green tags, Renewable Energy Credits, Renewable Electricity Certificates, or Tradable Renewable Certificates) for projects or activities in California. (4) Procure and retire Carbon Offsets, in a quantity equal to the GHG emissions attributable to the project's operational electricity use. "Carbon Offset" means an instrument issued by an Approved Registry and shall represent the past reduction or sequestration of one metric ton of CO_2e achieved by any GHG emission reduction project or activity within California. "Approved Registry" means: (i) the Climate Action Reserve, the American Carbon Registry, the Verified Carbon Standard, or the Clean Development Mechanism; or (ii) any other entity approved by the California Air Resources Board to act as an "offset project registry" under the state's Cap-and-Trade Program. CalAm may meet this net zero GHG emissions requirement via any of the options, or their future equivalents, or any combination of options, or their future equivalents, included in the aforementioned loading order. Further, CalAm shall progress through the loading order on the basis of the options' physical and economic feasibility, as reasonably determined by CalAm, with low-cost options preferred over high-cost options. In the event that options have equivalent costs, options enumerated earlier in the loading order shall be selected by CalAm over options enumerated later in the loading order. On or before June 1 of each year the approved project is in operation, CalAm shall submit documentation to the CPUC demonstrating that the project's operational electricity use in the immediately preceding calendar year resulted in net zero GHG emissions. Calculation of the GHG emissions attributable to the project's operational electricity use (if any) shall be calculated by CalAm on an annual basis using the most up-to-date emissions coefficient for purchased electricity (if any), as compiled or published by PG&E, the applicable Electric Service Provider under Direct Access service, or Monterey Bay Community Power and its successors and assigns, as applicable. If the CPUC determines that CalAm failed to achieve net zero GHG emissions for the approved project's operational electricity use for a particular year, then the CPUC shall notify CalAm in writing of the exceedance within 45 days of receipt of the documentation submitted by CalAm under this mitigation measure. The notice shall specify the metric tons of GHG emissions that exceeded the net zero obligation. Within 45 days of receipt of this notice, CalAm shall procure and retire Carbon Offsets in an amount at least equivalent to the exceedance, and will submit documentation to the CPUC demonstrating this procurement and retirement.									

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** *CalAm Reports On, and the CPUC Monitors all Mitigation Measures*	**Implementation Schedule**	
Section 4.11: Greenhouse Gas Emissions (cont.)									
Impact 4.11-1: Incremental contribution to climate change from GHG emissions associated with the proposed project. **Mitigation Measure 4.18-1**	X	X	X	X	X	X	See below under Mitigation Measure 4.18-1		
Impact 4.11-2: Conflict with the Executive Order B-30-15 Emissions Reduction Goal. **Mitigation Measures 4.11-1 and 4.18-1**	X	X	X	X	X	X	See above under Mitigation Measure 4.11-1 and below under Mitigation Measure 4.18-1		
Impact 4.11-3: Conflict with AB 32 Climate Change Scoping Plan. **Mitigation Measure 4.11-1**	X	X	X	X	X	X	See above under Mitigation Measure 4.11-1		
Impact 4.11-C: Cumulative impacts related to greenhouse gas emissions **Mitigation Measures 4.11-1 and 4.18-1**	X	X	X	X	X	X	See above under Mitigation Measure 4.11-1 and below under Mitigation Measure 4.18-1		
Section 4.12: Noise and Vibration									
Impact 4.12-1: Result in a substantial temporary or periodic increase in ambient noise levels in the project vicinity during construction. **Mitigation Measure 4.12-1a: Neighborhood Notice and Construction Disturbance Coordinator** The combination of public notice and the establishment of a construction disturbance coordinator can result in a lessening of the adversity of the impact at a given receptor by allowing them to prepare for pending construction activities and providing a contact to report any disturbances or violations to CalAm for appropriate response actions, including additional mitigation. Residents and other sensitive receptors within 300 feet of a daytime construction area and within 900 feet of a nighttime construction area shall be notified of the construction location, nature of activities, and schedule, in writing, at least 14 days 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. CalAm or the contractor(s) shall designate a construction disturbance coordinator who would be responsible for responding to construction complaints. The coordinator shall determine the cause of the complaint and ensure that reasonable measures are implemented to correct the problem. CalAm and/or its contractor shall return all calls within 24 hours to answer noise questions and handle complaints. Documentation of the complaint and resolution shall be submitted to the CPUC weekly. A contact number for the construction disturbance coordinator shall be conspicuously placed on construction site fences and included in the notice. Prior to distributing the notice to nearby residences, CalAm or the contractor(s) shall first submit the notice to the respective city planning and services manager for review and approval. This measure shall be implemented in conjunction with the noticing provisions in Mitigation Measure 4.9-1 (Traffic Control and Safety Assurance Plan).	X	X	X	X	X	X	CalAm shall provide the CPUC with the name of CalAm's Construction Disturbance Coordinator and copies of the required notice(s) and evidence of all approvals thereof by city planning managers before commencement of construction; CalAm shall also provide documentation and evidence demonstrating the timely provision and posting of required notices as well as weekly documentation of all complaints and resolution efforts during project construction.	Prior to and during construction.	Implementation of neighborhood notices prior to construction activities and timely response to inquiries and resolution of complaints by residents.
Impact 4.12-1: Result in a substantial temporary or periodic increase in ambient noise levels in the project vicinity during construction. **Mitigation Measure 4.12-1b: General Noise Controls for Construction Equipment and Activities.** The construction contractor(s) shall assure that construction equipment with internal combustion engines have sound control devices at least as effective as those provided by the original equipment manufacturer. No equipment shall be permitted to have an unmuffled exhaust.	X	X	X	X	X	X	CalAm shall provide the CPUC and all of its construction equipment operators with a copy of the required noise controls directed by CalAm's Construction Disturbance Coordinator. CalAm shall also provide documentation and evidence demonstrating the required noise controls on construction equipment as documented in weekly reports prepared the environmental monitor(s). CPUC will monitor the efforts of CalAm and its contractors implementation of noise controls.	Prior to and during construction.	Implementation of noise controls on construction equipment.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** *CalAm Reports On, and the CPUC Monitors all Mitigation Measures*	**Implementation Schedule**	
Section 4.12: Noise and Vibration (cont.)									
Impact tools (i.e., jack hammers, pavement breakers, and rock drills) used for project construction shall be hydraulically or electrically powered wherever possible to avoid noise associated with compressed air exhaust from pneumatically powered tools. Where use of pneumatic tools is unavoidable, an exhaust muffler shall be placed on the compressed air exhaust to lower noise levels by up to approximately 10 dBA. External jackets shall be used on impact tools, where feasible, in order to achieve a further reduction of 5 dBA. Quieter procedures shall be used, such as drills rather than impact equipment, whenever feasible. The construction contractor(s) shall locate staging areas and stationary noise sources as far from nearby receptors as possible, and shall muffle and enclose them in temporary sheds, incorporate noise barriers, or implement other noise control measures to the extent feasible. The noise controls shall be sufficient to reduce noise levels during drilling and development of ASR-5 and ASR-6 Wells, and pump station construction activities below the threshold of 70 dBA L_{eq}.									
Impact 4.12-1: Result in a substantial temporary or periodic increase in ambient noise levels in the project vicinity during construction. **Mitigation Measure 4.12-1c: Noise Control Plan for Nighttime Pipeline Construction.** CalAm or a representative of 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 below 60 dBA L_{eq}.	X	X	X	X	X	X	CalAm shall prepare and provide the required Noise Control Plan for nighttime pipeline construction to the CPUC for approval prior to the commencement of any such nighttime pipeline construction. CPUC will monitor the efforts of CalAm and its contractors' implementation of the noise control plan.	Prior to and during nighttime pipeline construction.	Compliance with the approved Noise Control Plan and achievement of its less than 60 dBA L_{eq} performance standard.
Impact 4.12-1: Result in a substantial temporary or periodic increase in ambient noise levels in the project vicinity during construction. **Mitigation Measure 4.12-1d: Additional Noise Controls for ASR-5 and ASR-6 Wells.** In addition to the general noise controls that will be implemented as part of Mitigation Measure 4.12-1b (General Noise Controls for Construction Equipment), CalAm or its construction contractor(s) for the ASR-5 and ASR-6 Wells shall identify feasible noise controls for implementation during well drilling development activities at the Fitch Park military housing community. The construction contractor(s) shall locate all stationary noise-generating equipment as far as possible from nearby noise-sensitive receptors. Drill rigs within 500 feet of noise-sensitive receptors shall be equipped with noise-reducing engine housings or other noise-reducing technology. Additionally, acoustic barriers and/or enclosures shall be used with a goal of reducing noise from well drilling activities to 60 dBA, L_{eq} or less at a distance of 50 feet from the construction work area. There are a number of options available to achieve this performance standard. Barrier blankets are available with a sound transmission class rating of 32, which can provide 16 to 40 dBA of sound transmission loss, depending on the frequency of the noise source (ENC, 2014). The realized sound transmission reduction of barrier blankets needs to be sufficient to achieve the performance standard of 60 dBA, L_{eq} or less at a distance of 50 feet from the construction work area.				X			CalAm shall provide the CPUC with the required additional noise controls proposed to be implemented for the ASR-5 and ASR-6 Wells for approval before commencement of any such well drilling activities, through contract specifications, will ensure contractors use noise controls on construction equipment at the ASR-5 and -6 wells. CPUC will monitor the efforts of CalAm and its contractors' implementation of noise controls.	Prior to and during ASR-5 and ASR-6 Well construction.	Compliance with the approved additional noise controls on construction equipment at the ASR-5 and -6 wells and achievement of the required less than 60 dBA L_{eq} performance standard.
Impact 4.12-1: Result in a substantial temporary or periodic increase in ambient noise levels in the project vicinity during construction. **Mitigation Measure 4.12-1e: Offsite Accommodations for Substantially Affected Nighttime Receptors.** CalAm shall provide temporary hotel accommodations for all residences and any other nighttime sensitive: 1. That would be exposed to 24-hour project construction activities and 2. Where nighttime construction noise would exceed 60 dBA with windows closed or 35 dBA with windows open, even with implementation of acoustic barriers and/or shielding measures.		X	X	X	X	X	CalAm shall provide the CPUC with documentation demonstrating that it provided the required temporary hotel accommodations and per diem allowances prior to the commencement of any such 24-hour project construction activities capable of exceeding the mitigation measure's windows closed/open thresholds. CPUC will monitor CalAm's nighttime construction noise monitoring and provision of accommodations.	Prior to and during construction.	Provision of temporary accommodations and per diem allowances to affected receptors.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.12: Noise and Vibration (cont.)									
The accommodations shall be provided for the duration of 24-hour construction activities. CalAm shall provide accommodations reasonably similar to those of the impacted residents in terms of number of beds and amenities. If identified accommodations do not include typical residential kitchen facilities (e.g., cooktop, oven, full size refrigerator), then CalAm shall provide displaced individuals with a per diem allowance to offset costs of meals for the period of relocation.									
Impact 4.12-2: Expose people to or generate noise levels in excess of standards established in the local general plan, noise ordinance, or applicable standards of other agencies during construction. **Mitigation Measures 4.12-1b and 4.12-1c**	X	X	X	X	X	X	See above under Mitigation Measures 4.12-1b and 4.12-1c		
Impact 4.12-3: Expose people to or generate excessive groundborne vibration during construction. **Mitigation Measure 4.12-3: Vibration Reduction Measures.** Construction practices shall be utilized that do not generate vibration levels at the closest sensitive land uses above 0.1 in/sec PPV. The following measures, at a minimum, shall be employed to ensure this threshold is met: a. Vibration monitoring shall be conducted for the first 500 feet of pipeline construction for each segment to confirm vibration levels do not exceed the above vibration threshold. If vibration levels exceed the limits of this mitigation measure, construction practices shall be modified to use smaller types of construction equipment or excavator-mounted compaction wheels, operate the equipment in a manner to reduce vibration, or use alternate construction methods, (such as use of manual shoring jacks), and monitoring shall continue for an additional 200 feet or until construction practices meet the required vibration levels. The monitoring in this mitigation measure shall be repeated if the construction methods change in a manner that would increase vibration levels, or when structures are closer to the limits of construction than previous vibration monitoring have confirmed is below the vibration thresholds. b. Smaller vibratory rollers shall be used to minimize vibration levels during repaving activities where needed to meet vibration limits. c. Sheet pile driving for trenchless pipeline installation shall be conducted during daytime hours and access pits shall be located greater than 45 feet from standard structures and 80 feet from historic resources.	X	X	X	X	X	X	CalAm shall provide the CPUC with vibration monitoring reports/documentation demonstrating the construction practices used to achieve compliance with the 0.1 in/sec PPV standard. CPUC will monitor the effectiveness of construction vibration suppression measures.	During construction.	Vibration at the closest sensitive land use not exceeding the 0.1 in/sec PPV threshold.
Impact 4.12-4: Conflict with the construction time limits established by the local jurisdictions. **Mitigation Measure 4.12-1c**	X	X	X	X	X	X	See above under Mitigation Measure 4.12-1c		
Impact 4.12-4: Conflict with the construction time limits established by the local jurisdictions. **Mitigation Measure 4.12-4: Nighttime Construction Restrictions in Marina** Open trench pipeline construction work within 500 feet to residential uses or transient lodging shall be restricted to the hours of 7:00 a.m. to 7:00 p.m. (standard time) Monday through Saturday, and 10:00 a.m. to 7:00 p.m. (standard time) on Sundays and holidays. During daylight savings time, construction hours may be extended to 8:00 p.m.						X	CalAm shall provide the CPUC with documentation demonstrating compliance with the required open trench pipeline construction restrictions. CPUC will monitor construction activities in Marina.	Prior to and during construction.	Compliance with the nighttime open trench pipeline construction restrictions in Marina.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.12: Noise and Vibration (cont.)									
Impact 4.12-5: Result in a substantial permanent increase in ambient noise levels in the project vicinity during project operations. **Mitigation Measure 4.12-5: Stationary-Source Noise Controls.** CalAm shall retain an acoustical engineer to design stationary-source noise controls and ensure the applicable noise standards are met. At a minimum, all stationary noise sources (e.g., pump station, emergency generators, variable-frequency-drive motors, well heads with motors) shall be located within enclosed structures and with adequate noise screening, as needed, to maintain noise levels to no greater than 5 dBA above the existing monitored ambient values and 60 CNEL, at the property lines of nearby residences and other noise-sensitive receptors. Once the stationary noise sources have been installed, the contractor(s) shall conduct a single long-term (24-hour) monitoring of noise levels to ensure compliance with local noise standards. CalAm shall submit a compliance monitoring report to the CPUC.	X		X	X	X		CalAm shall provide the CPUC with the name and credentials of the acoustical engineer for approval and documentation showing the stationary-source noise controls the engineer designed as well as demonstrating that implementation of those controls achieved the required noise standards. CPUC will monitor the effectiveness of noise controls.	Prior to project operations.	Compliance with stationary-source noise standard (e.g., no greater than 5 dBA above the existing monitored ambient values and 60 CNEL, at the property lines of nearby residences and other noise-sensitive receptors).
Impact 4.12-C: Cumulative impacts related to noise and vibration. **Mitigation Measures 4.12-1a, 4.12-1b, 4.12-1c, 4.12-1d, 4.12-1e, and 4.12-3**	X	X	X	X	X	X	See above under Mitigation Measures 4.12-1a, 4.12-1b, 4.12-1c, 4.12-1d, 4.12-1e, and 4.12-3		
Section 4.13: Public Services and Utilities									
Impact 4.13-1: Disrupt or relocate regional or local utilities during construction. **Mitigation Measure 4.13-1a: Locate and Confirm Utility Lines.** Before excavation begins, CalAm or its contractor(s) shall locate all overhead and underground utility lines (such as natural gas, electricity, sewage, telephone, fuel, and water lines) that are reasonably expected to be encountered during excavation. When a project excavation is within the approximate location of a subsurface utility, CalAm or its contractor shall determine the exact location of the underground utility by safe and acceptable means, including the use of hand tools and modern techniques. Information regarding the size, color, and location of existing utilities shall be confirmed before construction activities begin. These utilities shall be highlighted on all construction drawings.	X	X	X	X	X	X	CalAm shall provide to the CPUC final design drawings which highlight all utilities expected to be encountered during excavation for approval before commencement of any excavation and provide documentation demonstrating that the exact location, size and color of all such utilities were confirmed when excavation is within the approximate location of such utilities shown on the design drawings. CPUC and local utilities will review locations identified by the contractors.	Prior to and during construction.	Map utilities on design drawings prior to and confirm and report on exact location, size and color of utilities during excavation.
Impact 4.13-1: Disrupt or relocate regional or local utilities during construction. **Mitigation Measure 4.13-1b: Coordinate Final Construction Plans with Affected Utilities.** CalAm or its contractor(s) shall coordinate final construction plans, schedule, and specifications with affected utilities. Arrangements shall be made with these entities regarding the appropriate protection, relocation, or temporary disconnection of services. If any interruption of service is required, CalAm or its contractor(s) shall notify residents and businesses in the project corridor of any planned utility service disruption at least 2 working days and up to 14 calendar days in advance, in conformance with county and state standards.	X	X	X	X	X	X	CalAm shall provide to the CPUC documentation demonstrating that it coordinated final construction plans, schedule and specifications with all affected utilities and reporting on all arrangements required by the utilities and timely notices provided to residents/business concerning any related utility service disruptions. CPUC and local utilities will monitor the arrangements and notifications.	Prior to and during construction.	Compliance with arrangements made in advance with local utilities for the protection, relocation, or temporary disruption in service and timely provision of utility service disruptions to affected customers (i.e., at least 2 working but not more than 14 calendar days in advance of disruption in service).

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** *CalAm Reports On, and the CPUC Monitors all Mitigation Measures*	**Implementation Schedule**	
Section 4.13: Public Services and Utilities (cont.)									
Impact 4.13-1: Disrupt or relocate regional or local utilities during construction. **Mitigation Measure 4.13-1c: Safeguard Employees from Potential Accidents Related to Underground Utilities.** When any excavation is open, the construction contractor(s) shall protect, support, or remove underground utilities as necessary to safeguard employees. The contractor(s) shall be required to provide weekly updates to CalAm and construction workers regarding the planned excavations for the upcoming week, and to specify when construction will occur near a high-priority utility (i.e., pipelines carrying petroleum products, oxygen, chlorine, or toxic or flammable gases; natural gas pipelines greater than 6 inches in diameter or with normal operating pressures greater than 60 pounds per square inch gauge; and underground electric supply lines, conductors, or cables that have a potential to ground more than 300 volts that do not have effectively grounded sheaths). Construction managers shall hold regular tailgate meetings with construction staff on days when work near high-priority utilities will occur to review all safety measures regarding such excavations, including measures identified in the Mitigation Monitoring and Reporting Program and in construction specifications. The contractor shall designate a qualified Health and Safety Officer who shall specify a safe distance to work near high-priority utilities. Excavation near such utility lines shall not be authorized until the designated Health and Safety Officer confirms and documents in the construction records that: (1) the line was appropriately located in the field by the utility owner using as-built drawings and a pipeline-locating device; and (2) the location was verified by hand by the construction contractor.	X	X	X	X	X	X	CalAm shall provide the CPUC with copies of construction contracts containing the requirements of this mitigation, the required weekly updates in advance of construction near high-priority utilities, and evidence that construction managers held safety meetings before work near these utilities occurs. CPUC and local utilities will monitor the safety practices of contractors for work near high-priority utilities.	Prior to and during construction.	Compliance with required safety procedures for work near high-priority utilities.
Impact 4.13-1: Disrupt or relocate regional or local utilities during construction. **Mitigation Measure 4.13-1d: Emergency Response Plan.** Before commencement of construction, CalAm or its contractor(s) shall develop an emergency response plan that outlines procedures to follow in the event of a leak or explosion and submit a copy to the CPUC and MBNMS. The emergency response plan shall identify the names and phone numbers of staff at the potentially affected utilities that would be available 24 hours per day in the event that construction activities cause damage to or rupture of a high-risk utility. The plan shall also detail emergency response protocols, including notification, inspection, and evacuation procedures; any equipment and vendors necessary to respond to an emergency (such as an alarm system); and routine inspection guidelines.	X	X	X	X	X	X	CalAm shall prepare and provide the required Emergency Response Plan to the CPUC for approval prior to commencement of construction and provide documentation demonstrating that the approved Plan is posted at all job sites. CPUC and MBNMS will review the plan and monitor its implementation by contractors.	Prior to and during construction.	Compliance with all components of the approved Emergency Response Plan and post a copy of the Plan at all job sites.
Impact 4.13-1: Disrupt or relocate regional or local utilities during construction. **Mitigation Measure 4.13-1e: Notify Local Fire Departments.** CalAm or its contractor(s) shall notify local fire departments in advance of any work that is to be performed within or adjacent to a right-of-way that contains a gas utility line, or any time damage to a gas utility line results in a leak or suspected leak, or whenever damage to any utility results in a threat to public safety.	X	X	X	X	X	X	CalAm shall provide copies of all construction contracts demonstrating contractors are required to notify local fire departments in advance of any work in or adjacent to gas utility lines or any time a gas leak occurs/is suspected or damage to a utility results in a public safety threat as well as copies of all such notifications provided to local fire departments. CPUC and MBNMS will monitor notifications.	Prior to and during construction.	Notification of local fire departments in advance of any work in or adjacent to gas utility lines.
Impact 4.13-1: Disrupt or relocate regional or local utilities during construction. **Mitigation Measure 4.13-1f: Ensure Prompt Reconnection of Utilities.** CalAm or its contractor(s) shall promptly contact utility providers to reconnect any disconnected utility lines as soon as it is safe to do so.	X	X	X	X	X	X	CalAm shall provide the CPUC with documentation demonstrating that prompt contact with utility providers requesting the reconnection of any disconnected utility lines was made. CPUC and MBNMS will monitor notifications.	During construction.	Notification of local utilities to reconnect service lines when it is safe to do so.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.13: Public Services and Utilities (cont.)									
Impact 4.13-2: Exceed landfill capacity or be out of compliance with federal, state, and local statutes and regulations related to solid waste during construction. **Mitigation Measure 4.13-2: 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 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 percent 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, CalAm shall collect the receipts from the contractor(s) and submit them to the CPUC as documentation that the waste reduction, recycling, and diversion goals have been met.	X	X	X	X	X	X	CalAm shall coordinate with the Monterey Regional Waste Management District in preparing and provide the CPUC with the required Construction Waste Reduction and Recycling Plan for approval prior to the commencement of construction. CalAm shall also collect and provide the CPUC with all receipts and other documentation demonstrating that the Plan's waste reduction, recycling and diversion goals were achieved. CPUC and MBNMS will review the plan and monitor its implementation.	Prior to and during construction.	Compliance with all components of the Construction Waste Reduction and Recycling Plan and document achievement of the Plan's waste reduction, recycling and diversion goals.
Impact 4.13-4: Exceed wastewater treatment requirements of the Central Coast RWQCB, or result in a determination by the wastewater treatment provider that it has inadequate treatment or outfall capacity to serve the project. **Mitigation Measures 4.3-4 and 4.3-5**	X	X	X	X	X	X	See above in Mitigation Measures 4.3-4 and 4.3-5		
Impact 4.13-5: Increased corrosion of the M1W outfall as a result of brine discharges associated with project operations. **Mitigation Measure 4.13-5a: Replacement of WEKO seal clamps, Periodic Inspections, and As-Needed Repairs for Offshore Segment of M1W Ocean Outfall.** Prior to operation of the MPWSP Desalination Plant, and as part of an agreement with M1W to use the outfall for brine discharge, CalAm shall protect the offshore segment of the M1W ocean outfall from corrosion, by replacing the existing WEKO seal clamps in the nearshore portion of the ocean outfall with new corrosion-resistant clamps. Installation of the WEKO seal clamps shall occur prior to relocation of the existing beach junction box to allow for optimal access to the outfall. Construction shall occur in late summer/early fall, during the irrigation season, when flows in the outfall would typically be de minimis; this timing would also be late in the snowy plover nesting season when eggs would have hatched. Access to the offshore portion of the outfall shall be through the existing beach junction box and de minimus flows will continue to be released through the outfall during the installation process. Any emergency high effluent flows resulting from process upsets at the treatment plant or rainfall events, shall be stored and then released through the outfall after the divers have safely exited the outfall. Construction access shall follow along the existing outfall access road. The staging and work area shall be created on already disturbed ground at the western end of the access road and consist of no larger than a 50 square foot area for divers and diving equipment, a 20-foot container for equipment storage and a 5kw generator (in a sound enclosure) to be used if power is not available onsite. If the beach junction box and discharge pipeline are covered by sand, or if sand needs to be removed for staging, excavation would be accomplished using a backhoe or excavator. Up to one-half acre around the junction structure may be disturbed. Three working shifts per day may be required, and the installation would take approximately 6-8 weeks. During construction, beach access shall remain open, with the potential exception of extreme high tide events. The contractor shall install temporary fencing around the construction site and construction shall be prohibited outside of the defined construction, staging, and storage areas. Construction work shall not be conducted seaward of the mean high water line unless tidal waters have receded from the authorized work areas. Construction vehicles operating on		X					Prior to the operation of the MPWSP Desalination Plant, CalAm shall enter into the required agreement with the M1W and provide a copy of that agreement and documentation to the CPUC demonstrating that the existing WEKO seal clamps were replaced in compliance with the MM's timing requirements. CalAm shall also enter into an agreement with M1W to perform the required periodic inspections of the offshore portion of the M1W outfall and diffuser and provide a copy of that agreement to the CPUC as well as documentation and photographs demonstrating compliance with the required inspections and condition of the outfall and diffuser. CPUC, MBNMS, and M1W will monitor the protection of the outfall.	Prior to and during operation of the MPWSP Desalination Plant.	Installation of new corrosion-resistant clamps prior to operations. Periodic inspections of the offshore portion of the M1W outfall and diffuser and any necessary replacement or maintenance required.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.13: Public Services and Utilities (cont.)									
the beach shall be rubber-tired, and while in operation shall remain as high on the upper beach as possible to avoid contact with ocean waters and intertidal areas. Any construction materials and equipment placed on the beach shall be stored beyond the reach of tidal waters. Materials intended to be left on the beach overnight must be approved by the Coastal Development Permit issuing and authorizing agencies and shall be subject to a contingency plan for moving materials in the event of a tidal wave/surge. All accessways impacted by construction activities shall be restored to their pre-construction condition or better within 3 days of completion of construction. Any beach sand in the area that is impacted by construction shall be filtered as necessary to remove construction debris. Construction areas shall maintain good construction site housekeeping controls and procedures (leak/spill clean-up; cover equipment in rain; cover exposed piles of soil/waste; dispose of waste properly; remove construction debris from beach). All construction activities that result in discharge of materials, polluted runoff, or wastes to the beach or the adjacent marine environment are prohibited. All exposed slopes and soil surface in and/or adjacent to the construction area shall be stabilized with erosion control best management practices. CalAm shall enter into an agreement with M1W to perform periodic inspections of the offshore portion of the M1W outfall and diffuser. Annual inspections shall occur for the first three years after the MPWSP Desalination Plant is brought online. Thereafter, the offshore portion of the outfall shall be inspected every five years. During each inspection, photo documentation shall be provided for all areas of inspections, regardless of findings, to provide for photographic comparison over time. All inspections shall include documentation of the thickness of scaling, any exposure or corrosion of reinforcing steel, significant cracking or spalling of concrete, and any pitting of metals. Any necessary repairs to the outfall and/or diffuser shall be identified and performed.									
Impact 4.13-5: Increased corrosion of the M1W outfall and diffuser as a result of brine discharges associated with project operations. **Mitigation Measure 4.13-5b: Install Protective Lining in Land Segment of M1W Ocean Outfall.** Prior to operation of the MPWSP Desalination Plant, and as part of an agreement with M1W to use the outfall for brine discharge, CalAm shall line the land segment of the outfall with a protective liner system. Installation of the liner shall occur only during the irrigation season (April through September), when flows in the outfall would be minimal. Installation of the liner in any given portion of the land segment is not expected to exceed 7 to 10 days. M1W has identified 10 locations within the M1W right-of-way (see Figure 4.13-1) from which CalAm or its contractor can access the land segment for installation of the liner; only these locations shall be used. Contractors shall install temporary fencing to denote the access limits for construction crews. The excavation pit at each access point shall be located directly above the outfall pipe and shall not exceed a size of 12 feet by 25 feet. Soils shall be stockpiled within the existing outfall right-of-way, and topsoil shall be stored in a separate pile for use in restoration following installation. Erosion and dust control measures shall comply with the applicable Stormwater Pollution Prevention Plan (SWPPP). After liner installation, the contractor shall restore soil in the pits to nearly pre-construction compaction levels and shall replace stockpiled topsoil to match pre-construction elevations. To address the small amount of effluent flowing through the portion of the land segment to be lined between April and September, the contractor shall plug and dewater the outfall segment being lined, if needed, and use a 24-inch diameter bypass pipe to divert flows around the affected portion of the outfall.		X					Prior to operation of the MPWSP Desalination Plan CalAm shall provide the CPUC with documentation demonstrating that it lined the land segment of the outfall with a protective liner system during the irrigation season and information on the type and specifications of the protective lining system used.	Prior to operation of the MPWSP Desalination Plant.	Installation of liner system during irrigation season prior to operation of the MPWSP Desalination Plant.
Impact 4.13-C: Cumulative impacts related to public services and utilities. **Mitigation Measures 4.3-4, 4.3-5, 4.13-1a, 4.13-1b, 4.13-1c, 4.13-1d, 4.13-1e, 4.13-1f, 4.13-2, 4.13-5a, and 4.13-5b**	X	X	X	X	X	X	See above in Mitigation Measures 4.3-4, 4.3-5, 4.13-1a, 4.13-1b, 4.13-1c, 4.13-1d, 4.13-1e, 4.13-1f, 4.13-2, 4.13-5a, and 4.13-5b		

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.14: Aesthetic Resources									
Impact 4.14-1: Construction-related impacts on scenic resources (vistas, roadways, and designated scenic areas) or the visual character of the project area and its surroundings. **Mitigation Measure 4.14-1: Maintain Clean and Orderly Construction Sites.** As part of contract specifications, CalAm shall include a requirement that the construction contractor(s) keep staging and construction areas as clean and inconspicuous as practicable by storing construction materials and equipment at the proposed construction staging areas or in areas that are generally away from public view when not in use, and by removing construction debris promptly at regular intervals. If necessary, additional appropriate screening (e.g., temporary opaque fencing) shall be used at construction sites to buffer views of construction equipment and material, where the use of such screening materials would not further degrade the visual character or further obstruct views of scenic resources or vistas in the area. Screening is not required for pipeline construction areas.	X		X	X	X	X	CalAm shall provide the CPUC with copies of all construction contracts demonstrating inclusion of the required clean and orderly construction site provisions prior to the commencement of construction, CPUC will monitor the maintenance of construction sites.	Prior to and during construction.	Maintain clean and orderly construction site.
Impact 4.14-2: Temporary sources of substantial light or glare during construction. **Mitigation Measure 4.14-2: Site-Specific Nighttime Lighting Measures.** To prevent exterior lighting from affecting nighttime views, the design, construction, and operation of lighting at MPWSP facilities, shall adhere to the following requirements: • Use of low-intensity street lighting and low-intensity exterior lighting shall be required. • Lighting fixtures shall be cast downward and shielded to prevent light from spilling onto adjacent offsite uses. • Lighting fixtures shall be designed and placed to minimize glare that could affect users of adjacent properties, buildings, and roadways. • Fixtures and standards shall conform to state and local safety and illumination requirements. CalAm shall ensure these measures are implemented at all times during nighttime construction and for the duration of all required nighttime construction activity.	X	X	X	X	X	X	CalAm shall provide the CPUC with documentation demonstrating that all planned construction lighting complies with this measure's requirements prior to the commencement of construction. CPUC will monitor the nighttime lighting measures.	Prior to and during construction.	Prevention of nighttime lighting from affecting nighttime views.
Impact 4.14-3: Permanent impacts on scenic resources (vistas, roadways, and designated scenic areas) or the visual character of the project area and its surroundings. **Mitigation Measure 4.14-3a: Facility Design.** CalAm shall avoid reflective exterior finishes and treat visible structures with earth-tone finishes to reduce contrast with the ground surface and increase compatibility with the visual setting. Primary structures shall be treated with complementary colors in the brown, tan, gray, or green color spectrum, or with other natural colors. Choose paint and exterior finishes to ensure that structures blend into the surrounding landscape.	X		X	X	X	X	CalAm shall provide the CPUC with documentation and photos/colors of the proposed finishes/colors for all exterior finishes and visible structures for approval to ensure all such finishes/structures will be treated with non-reflective, earth-tone finishes as required by this MM. CPUC will review and approve the choice of finishes prior to application.	After construction and during operations.	Application of approved finishes/colors that are compatible with surrounding visual settings.
Impact 4.14-3: Permanent impacts on scenic resources (vistas, roadways, and designated scenic areas) or the visual character of the project area and its surroundings. **Mitigation Measure 4.14-3b: Facility Screening.** CalAm shall ensure that fencing is designed to be minimally intrusive and to complement the architectural character of the proposed facility and the community. Fencing design shall be coordinated with nearby landscaping and MPWSP facility design to ensure all project components blend with the surrounding community and/or natural setting. Native plants, trees, or shrubs shall be used whenever practicable to screen views of the proposed aboveground facilities. Facility screening shall be in keeping with the character of the site and setting, and walled perimeters shall be avoided in natural settings to minimize the dominance of structures.	X		X	X	X	X	CalAm shall provide the CPUC with documentation demonstrating proposed fencing, landscaping and other proposed facility screening methods for approval prior to operation of the facilities.	After construction and during operations.	Installation of approved fencing, landscaping and other facility screening methods to ensure project facilities blend in with surrounding community and/or natural settings.
Impact 4.14-4: Permanent new sources of light or glare. **Mitigation Measure 4.14-2**	X	X	X	X	X	X	See above under Mitigation Measure 4.14-2		

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.14: Aesthetic Resources (cont.)									
Impact 4.14-C: Cumulative impacts related to aesthetic resources. **Mitigation Measure 4.14-2**	X	X	X	X	X	X	See above under Mitigation Measure 4.14-2		
Section 4.15: Cultural and Paleontological Resources									
Impact 4.15-2: Cause a substantial adverse change during construction in the significance of an archaeological resource pursuant to Section 15064.5 of the CEQA Guidelines or historic properties pursuant to 36 CFR 800.5. **Mitigation Measure 4.15-2a: Establish Archaeologically Sensitive Areas.** CalAm shall contract with 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 project construction. Archaeological monitoring shall be conducted for all subsurface excavation work within 100 feet of the Castroville Pipeline at Tembladero Slough and the Salinas River; and the Source Water Pipeline in the Lapis Sand Mining Plant Historic District. 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 plan to avoid or mitigate significant resource impacts, Native American participation and consultation, collection and curation plan, and 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 CPUC and MBNMS 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 Agencies. 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.	X	X	X	X	X	X	CalAm shall provide the CPUC with the name and qualifications of its archaeologist and a copy of the required Archaeological Monitoring Plan (including a proposed Archaeological Research Design and Treatment Plan) for approval prior to commencement of construction. CPUC and MBNMS will monitor the implementation of the plan.	Prior to and during construction.	Compliance with all components of the approved Plan and protecting archaeologically sensitive areas. Implementation of the ARDTP.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	Applicable Site(s)						Monitoring and Reporting Program		Effectiveness Criteria
	Intake Site	Offshore Brine Discharge Site	Desalination Plant Site	ASR	Carmel Valley Pump Station	Conveyance Pipelines	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	Implementation Schedule	
Section 4.15: Cultural and Paleontological Resources (cont.)									
If preservation in place is not feasible, the applicant shall implement an Archaeological Research Design and Treatment Plan (ARDTP). The Lead Archaeologist, Native American representatives, MBNMS and the CPUC 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 (APE); 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.									
Impact 4.15-2: Cause a substantial adverse change during construction in the significance of an archaeological resource pursuant to Section 15064.5 of the CEQA Guidelines or historic properties pursuant to 36 CFR 800.5. **Mitigation Measure 4.15-2b: Inadvertent Discovery of Cultural Resources.** Following implementation of Mitigation Measure 4.15-2a, if prehistoric or historic-era cultural materials are encountered, all construction activities within 100 feet shall halt and the Lead Agencies shall be notified. Prehistoric archaeological materials might include obsidian and chert flaked-stone tools (e.g., projectile points, knives, scrapers) or toolmaking debris; culturally darkened soil ("midden") containing heat-affected rocks, artifacts, or shellfish remains; and stone milling equipment (e.g., mortars, pestles, handstones, or milling slabs); and battered stone tools, such as hammerstones and pitted stones. Historic-period materials might include stone, concrete, or adobe footings and walls; filled wells or privies; and deposits of metal, glass, and/or ceramic refuse. For discoveries on lands other than Army-owned lands, a Secretary of the Interior-qualified archaeologist shall inspect the find within 24 hours of discovery. If the find is determined to be potentially significant, the archaeologist, in consultation with MBNMS, the CPUC and the appropriate Native American representative shall determine whether preservation in place is feasible. Consistent with CEQA Guidelines Section 15126.4(b)(3), this may be accomplished through planning construction to avoid the resource; incorporating the resource within open space; capping and covering the resource; or deeding the site into a permanent conservation easement. If avoidance is not feasible, a qualified archaeologist, in consultation with the Lead Agency and the appropriate Native American representative, shall prepare and implement a detailed Archaeological Research Design and Treatment Plan (ARDTP). Treatment of unique archaeological resources shall follow the applicable requirements of Public Resources Code Section 21083.2. Treatment for most resources would consist of (but would not be not limited to) sample excavation, artifact collection, site documentation, and historical research, with the aim to target the recovery of important scientific data contained in the portion(s) of the significant resource to be impacted by the project. The ARDTP shall include provisions for analysis of data in a regional context, reporting of results within a timely manner and subject to review and comments by the appropriate Native American representative before being finalized, curation of artifacts and data at a local facility acceptable to the appropriate Native American representative, and dissemination of final confidential reports to the appropriate Native American representative, the Northwest Information Center of the California Historical Resources Information System, the CPUC, MBNMS and interested professionals. If cultural resources are inadvertently discovered during construction on Army-owned property, work shall immediately cease within a 100-foot radius of the find and the Army, Presidio of Monterey, Cultural Resources Manager (CRM) will be contacted to assess the discovery. For discoveries on Army lands, the CRM will implement procedures set forth in the Presidio's Integrated Cultural Resources Management Plant (ICRMP) and Army Regulation (AR 200-1), which may include completion of consultation under Section 106 of the National Historic Preservation Act (NHPA) prior to resuming construction in the vicinity of the find. CalAm shall be responsible for completing any additional archaeological work required to comply with federal regulations.	X	X	X	X	X	X	The archaeologist hired by CalAm will notify MBNMS and CPUC if prehistoric or historic-era cultural materials are encountered and will halt construction activities within 100 feet of the found materials. If the find is determined to be potentially significant, the archaeologist, in consultation with MBNMS, the CPUC and the appropriate Native American representative shall determine whether preservation in place is feasible. If avoidance is not feasible, the archaeologist will prepare implement an ARDTP. CPUC, MBNMS, the U.S. Army, and Native American representatives will monitor the implementation of protocols and the ARDTP in the event of a find.	Prior to and during construction.	Implementation of construction protocols to protect cultural resources found during construction. Halting construction and implementation of the ARDTP.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.15: Cultural and Paleontological Resources (cont.)									
Impact 4.15-4: Disturbance of any human remains, including those interred outside of formal cemeteries, during construction. **Mitigation Measure 4.15-4: Inadvertent Discovery of Human Remains.** In the event of discovery or recognition of any human remains during construction activities, such activities within 100 feet of the find shall cease. For discoveries on lands other than Army-owned lands, the Monterey County Coroner shall be contacted immediately. The Coroner then has two working days to determine if the remains are Native American. If the remains are determined to be Native American, and no investigation of the cause of death is required, the Native American Heritage Commission (NAHC) shall be contacted within 24 hours. The NAHC shall then identify and contact the person or persons it believes to be the Most Likely Descendant (MLD)" of the deceased Native American(s), who in turn would make recommendations to the project applicant, MBNMS and the CPUC for the appropriate means of treating the human remains and any grave goods. If human remains are encountered during construction on Army-owned property, work shall cease within a 100-foot radius of the discovery and the CRM shall be notified immediately. The CRM shall initially evaluate the site to determine if the remains are either Native American in origin or associated with a recent crime scene (i.e. 50 years old or less). If the remains appear recent, the CRM shall notify the Army's Criminal Investigation Command who shall assume control of the crime scene and custody of the remains. If the remains appear to be Native American in origin, the CRM shall notify the Presidio Garrison Commander and implement procedures set forth in Section 3 of the Native American Graves Protection and Repatriation Act.	X	X	X	X	X	X	In the event human remains are found during construction, all work shall stop and the archaeologist will contact either the Monterey County Coroner or the Army CRM for their assessment. If the remains are determined to be Native American, the archaeologist will contact the NAHC for further identification and notification of Native American representatives. CPUC, MBNMS, the U.S. Army, and Native American representatives will monitor the implementation of protocols.	During construction.	Implementing protocols of identification and notification in the event human remains are encountered.
Section 4.16: Agricultural Resources									
Impact 4.16-1: Result in changes in the existing environment that, due to their location or nature, could temporarily disrupt agricultural activities or result in the permanent conversion of farmland to non-agricultural use. **Mitigation Measure 4.16-1: Minimize Disturbance to Farmland.** CalAm and its construction contractor(s) shall incorporate the following measures into construction plans and specifications for all construction activities located in farmland areas to minimize adverse impacts on farmland: • CalAm shall notify affected property owners at least 90 days prior to initiating construction activities that have the potential to interfere with agricultural operations. • Construction contractor(s) shall minimize the extent of the construction disturbance, including construction access, in agricultural areas to the maximum extent feasible. Minimization efforts shall include, but not be limited to, consulting with affected property owners to schedule construction activities to minimize impacts during planting, growing, and/or harvest seasons. • During excavation and other earthmoving activities in designated farmland areas, the surface and subsurface soil layers shall be stockpiled separately when trenches are excavated. Segregated topsoil and subsoil shall be maintained and kept separated throughout all construction activities, and these soils shall subsequently be used to backfill excavations and shall be returned to its appropriate location in the soil profile. • To avoid over-compaction of the top layers of soil, soil densities shall be measured prior to the start of construction activities, and surface soil (roughly the upper 3 feet of soil) shall be backfilled to within 5 percent of the original density. • If necessary, following construction activities, the uppermost 3 feet of soil shall be ripped to achieve the appropriate soil density (within 5 percent of the original). Ripping may also be used in areas where vehicle and equipment traffic has compacted the topsoil layers.			X			X	CalAm shall provide the CPUC with documentation that the required farmland disturbance minimization measures are incorporated into all construction plans and specifications for construction activities located in farmland areas prior to the commencement of construction and provide the CPUC copies of all required notices provided to affected property owners. CPUC and MBNMS will monitor implementation of measures to minimize disturbance to farmlands.	Prior to and during construction.	Implementation of measures to minimize disturbance to farmland.

TABLE 1 (Continued)
CALAM MONTEREY PENINSULA WATER SUPPLY PROJECT
MITIGATION MONITORING AND REPORTING PROGRAM

Impact **Mitigation Measure**	**Applicable Site(s)**						**Monitoring and Reporting Program**		**Effectiveness Criteria**
	Intake Site	**Offshore Brine Discharge Site**	**Desalination Plant Site**	**ASR**	**Carmel Valley Pump Station**	**Conveyance Pipelines**	**Monitoring and Reporting Actions:** ***CalAm Reports On, and the CPUC Monitors all Mitigation Measures***	**Implementation Schedule**	
Section 4.16: Agricultural Resources (cont.)									
• Existing agricultural drainage systems shall be inspected before and after construction to ensure they function as needed. • Disturbed areas shall be restored to pre-construction conditions following construction.									
Impact 4.16-C: Cumulative impacts related to agricultural resources. **Mitigation Measure 4.16-1**			X			X	See above under Mitigation Measure 4.16-1		
Section 4.18: Energy Conservation									
Impact 4.18-1: Use large amounts of fuel and energy in an unnecessary, wasteful, or inefficient manner during construction and decommissioning. **Mitigation Measure 4.10-1b**	X	X	X	X	X	X	See above under Mitigation Measure 4.10-1b		
Impact 4.18-1: Use large amounts of fuel and energy in an unnecessary, wasteful, or inefficient manner during construction and decommissioning. **Mitigation Measure 4.18-1: Construction Equipment and Vehicle Efficiency Plan.** CalAm shall contract a qualified professional (i.e., construction planner/energy efficiency expert) to prepare a Construction Equipment Efficiency Plan that identifies the specific measures and performance standards that CalAm (and its construction contractors) will implement as part of project construction and decommissioning to increase the efficient use of construction equipment and vehicles to the maximum extent feasible. 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; requirement to provide options for worker carpooling; a commitment to utilize existing electricity sources where feasible rather than portable diesel-powered generators; and identification of procedures (including the routing of haul trips) that will be followed to ensure that all materials and debris hauling is conducted in a fuel-efficient manner. The plan shall be submitted to CPUC and the Sanctuary for review and approval at least 30 days prior to the beginning of construction activities and at least 30 days prior to the beginning of decommissioning activities.	X	X	X	X	X	X	CalAm shall provide the CPUC with the name and qualifications of the professional who prepared as well as a copy of the required Construction Equipment Efficiency Plan for approval at least 30 days prior to commencement of construction and at least 30 days prior to subsequent decommissioning activities. CPUC and MBNMS will review and approve the plan and monitor its implementation.	Prior to and during construction.	Compliance with all components of the approved Construction Equipment Efficiency Plan to ensure increased energy efficiency during construction and decommissioning.
Impact 4.18-3: Constrain local or regional energy supplies, require additional capacity, or affect peak and base periods of electrical demand during operations. **Mitigation Measure 4.11-1**	X	X	X	X	X	X	See above under Mitigation Measure 4.11-1		
Impact 4.18-C: Cumulative impacts related to energy conservation. **Mitigation Measures 4.10-1b and 4.18-1**	X	X	X	X	X	X	See above under Mitigation Measures 4.10-1b and 4.18-1		
Section 4.20: Socioeconomics and Environmental Justice									
Impact 4.20-1: Reductions in the rate of employment, total income, or business activity in Monterey County. **Mitigation Measure 4.9-1**	X	X	X	X	X	X	See above under Mitigation Measure 4.9-1		
Impact 4.20-2: Disproportionately high and adverse effects on low-income or minority populations. **Mitigation Measures 4.10-1a through 4.10-1e**	X	X	X	X	X	X	See above under Mitigation Measures 4.10-1a through 4.10-1e		
Impact 4.20-C: Cumulative impacts related to socioeconomics and environmental justice.	X	X	X	X	X	X	See above under Mitigation Measures 4.9-1 and 4.10-1a through 4.10-1e		

ERRATA TO MARCH 2018 FINAL EIR/EIS

CalAm Monterey Peninsula Water Supply Project

Review of the CalAm Monterey Peninsula Water Supply Project Final EIR/EIS by the CEQA/NEPA Lead Agencies and others has resulted in the need for minor corrections and clarifying statements.

This Errata document includes minor edits to the March 2018 Final EIR/EIS, none of which constitutes significant new information that deprives the public of a meaningful opportunity to comment upon a substantial adverse environmental effect of the proposed project or a feasible way to mitigate or avoid such an effect. Additionally, information clarified in this Errata to the Final EIR/EIS does not present any feasible project alternative or mitigation measure considerably different from others previously analyzed in the EIR/EIS, and it does not present a substantial change in the proposed project or alternatives relevant to environmental concerns. All of the revised information merely clarifies, amplifies, or makes insignificant modifications that do not affect the adequacy of the Final EIR/EIS. New information added to the Final EIR/EIS does not present significant new circumstances or information relevant to environmental concerns and bearing on the proposed action, alternatives, or impact determinations. Therefore, recirculation of the EIR/EIS is not required. The Lead Agencies have reviewed the information in this Errata and have determined that it does not change any of the findings or conclusions of the underlying CEQA/NEPA analysis in the Final EIR/EIS. As such, supplementation under CEQA/NEPA is not required.

Revisions to language as it appears in the Final EIR/EIS are indicated as follows: Quoted language is *italicized*, new language is shown in *underscore*, deleted language is shown in ~~*strikethrough*~~.

ES. Executive Summary

- Page ES-34. The mitigation measure shown in Table ES-2 that is associated with Impact 4.2-10, is revised to reflect the correct numbering of the measure, and to replace the word ~~*Abandonment*~~ with Decommissioning, as follows:

  4.2-9~~1~~0: Slant Well ~~Abandonment~~ Decommissioning Plan

  The same revision is made on pages 5.5-9, 5.5-12, 5.5-26, 5.5-27, 6-48 (in Table 6.4-1), 8.5-706 and 707 (3 instances in response to comment MCWD-149), 8.6-588 (2 instances in

response to comment PTA-6), 8.7-264 (in response to comment Parrish-4), 8.7-265 (in response to comment Parrish-7) and 8.7-282 (in response to comment Shriner-4).

Chapter 3, Project Description

Section 3.4.2, Operation of the ASR System

- Page 3-61. The following bullet is added after the bullet at the top of the page, to clarify how the Seaside Groundwater Basin would be operated after achieving protective groundwater levels, which is currently anticipated to take several decades:

  The operating rules for the production of water described above are designed to avoid adverse impacts to the Seaside Groundwater Basin from extracting water in a manner that might exacerbate overdraft or seawater intrusion. If the Physical Solution imposed by the adjudication, or other actions to improve the conditions in the Seaside Groundwater Basin are successful in eliminating the depression(s) and/or achieving protective groundwater levels, the restrictions on which wells may extract ASR water, may no longer be required. Furthermore, if the protective levels are able to be maintained, the Watermaster may be dissolved and oversight of the Seaside Groundwater Basin may be assumed by a successor.

Chapter 4, Environmental Setting (Affected Environment), Impacts, and Mitigation Measures

Section 4.2, Geology, Soils and Seismicity

- Page 4.2-1. The word "Abandonment" in the bullet at the bottom of the page is replaced with "Decommissioning" as follows:

  - *Revisions to Mitigation Measure 4.2-10 (formerly 4.2-9), Slant Well ~~Abandonment~~ Decommissioning Plan, to include reporting requirements, coordination with the property owner, and consideration of the snowy plover nesting season.*

- Page 4.2-71: The word "abandonment" is replaced with "decommissioning" in three instances, starting with the next to last sentence in the sub-section titled "Consistency with Plans and Policies" as follows:

  As discussed in the subsequent paragraphs, ***Mitigation Measure 4.2-10 (Slant Well ~~Abandonment~~ Decommissioning Plan)*** *would require ~~abandonment~~ decommissioning of the subsurface slant wells before coastal retreat migrates the beach inland to the location of the subsurface slant wells. With these measures implemented, the MPWSP would be brought into conformance with the above-noted policies.*

  Impact Conclusion

  The anticipated future presence of the test slant well on the beach due to coastal retreat would result in a significant impact if it were to become exposed. However, ***Mitigation Measure 4.2-10 (Slant Well ~~Abandonment~~ Decommissioning Plan)*** *would reduce the*

impact to a less-than-significant level by requiring CalAm to monitor coastal retreat rates and initiate well decommissioning before the beach migrates inland to the location of the subsurface slant wells.

- Pages 4.2-72 through 4.2-74, and Page 4.2-77: the words "~~*abandon*~~" and "~~*abandonment*~~" are replaced with "*decommission*" and "*decommissioning*" respectively, in multiple instances.

- Page 4.2-72: Mitigation Measure 4.2-10 is revised to include the agency authorizing the Coastal Development Permit (MBNMS) as a recipient of the coastal monitoring data, and as an agency to be coordinated with in the developnment of a well decommissioning plan. The second sentence in Item 1 is revised as follows:

  The data shall be reported no later than June 30 each year to the agenc~~y~~ies issuing and authorizing the Coastal Development Permit . . .

  The last sentence of Item 2 is revised as follows:

  The ~~abandonment~~ decommissioning plans shall be prepared in coordination with the property owner and the agencies issuing and authorizing the Coastal Development Permit.

Section 4.3, Surface Water Hydrology and Water Quality

- Page 4.3-93. The first and second sentences of Mitigation Measure 4.3-4 are revised to clarify the acronyms BMZ and ZID at their first mention, as follows:

  To ensure that the operational discharges from the MPWSP are in compliance with the 2 ppt receiving water salinity limitation at the Brine Mixing Zone (BMZ) compliance point required by the California Ocean Plan, the discharger(s) shall implement a Monitoring and Reporting Plan (Plan). The Plan shall, at a minimum, include protocols for monitoring of effluent and receiving water salinity characteristics as well as protocols for determining statistically significant changes in benthic community composition within the maximum extent of the Zone of Initial Dilution (ZID) as compared . . .

  The last parenthetical phrase in the second sentence is revised as follows:

  . . . (with consideration given to natural and seasonal variations and long-term regional trends).

- Page 4.3-105: Mitigation Measure 4.3-5 is revised to acknowledge the name change from MRWPCA (Monterey Regional Water Pollution Control Agency) to Monterey One Water, or M1W, as follows[1]:

[1] Multiple additional changes from MRWPCA to M1W have been made throughout the document. The name change does not have any bearing on any of the impact conclusions.

Compliance with Water Quality Objectives. *Prior to MPWSP operations, and as part of the ~~MRWPCA~~ Monterey One Water (M1W, formerly MRWPCA) NPDES Permit amendment process (Order No. R3-2014-0013, NPDES Permit No. CA0048551) . . .*

Section 4.4, Groundwater Resources

- Page 4.4-38. Footnote 23 in Section 4.4.2.2 is revised as follows:

  The RWQCB regulates ASR operations throughout California under SWRCB Order 2012-0010 General Waste Discharge Requirements for Aquifer Storage and Recovery Projects that Inject Water into Groundwater. However, the MPWMD operates the Seaside Basin ASR wells under an agreed Sampling and Analysis Plan, ~~Permit 20808C,~~ which predates the statewide order.

- Page 4.4-41. The text on line 5 is revised to clarify that *This agreement does ~~not~~ include water recovered under Permit 20808C.*

Section 4.6, Terrestrial Biological Resources

- Page 4.6-182. Mitigation Measure 4,6-1h is revised to clarify the time period for conducting pre-construction surveys for Western Burrowing Owl:

  2. *A qualified biologist shall conduct preconstruction surveys of the permanent and temporary impact areas in or around suitable burrowing owl habitat to locate active breeding or wintering burrowing owl burrows ~~not more than~~ less than 14 days prior to construction and/or prior to exclusion fencing installation. The methodology for the preconstruction surveys shall be consistent with the methods outlined in the Staff Report on Burrowing Owl Mitigation.*

- Page 4.6-185. Introductory text in Mitigation Measure 4.6-1i is revised to clarify that this measure does not apply to western burrowing *owl*:

  This measure applies to all nesting birds protected by the federal Migratory Bird Treaty Act and Section 3503 of the California Fish and Game Code, except for western snowy plover and western burrowing owl, which are addressed in Mitigation Measure 4.6-1d and 4.6-1h, respectively.

- Page 4.6-186. Mitigation Measure 4.6-1j (Avoidance and Minimization Measures for American Badger) is revised to include the use of nighttime game cameras to determine if a den is active or not:

  2. *Areas of suitable habitat for American badger in the project area include fallow agricultural and grazing land and non-native grasslands. Surveys shall be conducted wherever these vegetation communities exist within 100 feet of the project area boundary. Along pipeline alignments surveys shall be phased to occur within 14 days prior to disturbance along that portion of the alignment. Game cameras shall be used to record any movements at potentially active dens for no less than three (3) nights.*

Section 4.8, Land Use, Land Use Planning, and Recreation

- Page 4.8-3. Table 4.8-1 is revised to acknowledge that the new Desalinated Water Pipeline (the product water pipeline between the treatment plant on Charles Benson Road and Reservation Road) is not within the coastal zone in the City of Marina. The third column of Table 4.8-1 (Jurisdiction), is revised as follows for the new Desalinated Water Pipeline & Optional Alignment:

Proposed Facility	*Location*	*Jurisdiction*	*Adjacent Land Uses*	*Public Recreational Areas Within 0.25 miles*
New Desalinated Water Pipeline & Optional Alignment	*From the proposed MPWSP Desalination Plant site, west along Charles Benson Road, and south along Lapis Road and Del Monte Boulevard to the boundary between the city of Marina and unincorporated Monterey County.*	*Monterey County (inland ~~and coastal zone~~)*	*Agricultural, Light Industrial, Public / Quasi-Public, Railroad*	*Monterey Peninsula Recreational Trail*

- Page 4.8-23 and 4.8-24. Table 4.8-2 is revised to acknowledge that the new Desalinated Water Pipeline is not within the coastal zone in the City of Marina. The fourth column of Table 4.8-2 (Project Component(s)) is revised as follows for the first six entries in the table:

  Subsurface Slant Wells, new Transmission Main, and Source Water Pipeline~~, and new Desalinated Water Pipeline~~

Section 4.10, Air Quality

- Page 4.10-24. Mitigation Measure 4.10-1c (Construction Fugitive Dust Control Plan) was revised in the Final EIR/EIS as a result of a comment received on the Draft EIR/EIS from the Monterey Bay Air Resources District (Comment MBARD-8); all active construction areas will be watered three times a day instead of twice a day. However, the air quality modeling presented in Appendix G1 did not reflect the additional watering for dust control and therefore, the mitigated impact in the Final EIR/EIS understates the reduction in construction fugitive dust emissions that is provided by the mitigation. The following revision is made to the first paragraph on page 4.10-24, and does not change the significance conclusion of less than significant with mitigation that was presented in the Final EIR/EIS:

  With regard to reducing PM_{10} emissions of fugitive dust, ***Mitigation Measure 4.10-1c (Construction Fugitive Dust Control Plan)****, would require CalAm to implement a comprehensive construction dust control plan. It is estimated that implementation of the Construction Fugitive Dust Control Plan would decrease fugitive dust emissions during earth disturbance activities by at least 65 percent, and would decrease unpaved road travel fugitive dust emissions in the vicinity of the subsurface slant wells at the CEMEX active mining area and the access road to the Castroville Pipeline by ~~as much as~~ more than 75 percent based on mitigation control efficiency factors published by SCAQMD (SCAQMD, 2007; see* ***Appendix G1*** *for all mitigation reduction assumptions).*

Section 4.13, Public Services and Utilities

- Page 4.13-26. The Draft EIR/EIS addressed the potential impact for corrosion of the first 100 feet of the offshore portion of the outfall resulting from turbulence caused by the MPWSP

brine discharges, and the Draft EIR/EIS prescribed Mitigation Measure 4.13-5a to address the impact. In response to comments on the Draft EIR/EIS received from the Monterey Regional Water Pollution Control Agency (MRWPCA, now M1W), M1W agreed that as part of their required inland relocation of the beach junction structure, the lining of the offshore portion of the outfall was no longer required as part of the MPWSP and Mitigation Measure 4.13-5a was revised in the Final EIR/EIS to address the replacement of the WEKO seal clamps. To clarify that the mitigation does not apply to the lining of the offshore portion of the outfall, the last paragraph on page 4.13-26 is revised to eliminate reference to Mitigation Measure 4.13-5a as follows:

> *However, the E2 assessment found that some turbulence might be expected to occur in the existing beach junction box at the shoreline and the approximately first 100 feet of the offshore segment of the outfall pipeline when brine is introduced. This turbulence could introduce oxygen into the outfall and increase the potential for corrosion, which would be a significant impact of the project. The assessment recommended that the 100-foot-long segment of outfall pipe immediately downstream of the beach junction box be lined to ensure any oxygen introduced by turbulence does not cause corrosion of the concrete pipe (E2 Consulting Engineering, 2015~~; see Mitigation Measure 4.13-5a, below~~).*

- Page 4.13-28. The second paragraph in Mitigation Measure 4.13-5a is revised to ensure all effluent flows continue to be discharged through the outfall and not onto the beach or into the tidal zone; the last sentence in the third paragraph, and the fourth paragraph, are revised to clarify that installation activities may require three working shifts per day. The revisions also eliminate the need to relocate equipment each day, by requiring all equipment to be placed above the reach of tidal waters at the outset.

> ***Mitigation Measure 4.13-5a: Replacement of WEKO seal clamps, Periodic Inspections, and As-Needed Repairs for Offshore Segment of ~~MRWPCA~~ M1W Ocean Outfall.***
>
> *Prior to operation of the MPWSP Desalination Plant, and as part of an agreement with ~~MRWPCA~~ M1W to use the outfall for brine discharge, CalAm shall protect the offshore segment of the ~~MRWPCA~~ M1W ocean outfall from corrosion, by replacing the existing WEKO seal clamps in the nearshore portion of the ocean outfall with new corrosion-resistant clamps.*
>
> *Installation of the WEKO seal clamps shall occur prior to relocation of the existing beach junction box to allow for optimal access to the outfall. Construction shall occur in late summer/early fall, during the irrigation season, when flows in the outfall would typically be de minimis; this timing would also be late in the snowy plover nesting season when eggs would have hatched. ~~To allow a~~ Access to the offshore portion of the outfall shall be through the existing beach junction box and de minimis flows will continue to be released through the outfall during the installation process. ~~and to isolate any flow from the ocean outfall, a fabricated accessway shall be constructed within the existing beach junction box. Bypass pumping shall be set up with a surface pump and temporary discharge piping buried in sand, and any effluent shall be discharged into the tidal zone.~~*

~~To protect against a~~ Any emergency high effluent flows resulting from process upsets ~~of~~ at the treatment plant or rainfall events ~~an opening~~ shall be stored and then released through the outfall after the divers have safely exited the outfall ~~provided in the fabricated accessway to allow for controlled releases~~.

Construction access shall follow along the existing outfall access road. The staging and work area shall be created on already disturbed ground at the western end of the access road and consist of no larger than a 50 square foot area for divers and diving equipment, a 20-foot container for equipment storage and a 5kw generator (in a sound enclosure) to be used if power is not available onsite. If the beach junction box and discharge pipeline are covered by sand, or if sand needs to be removed for staging, excavation would be accomplished using a backhoe or excavator. Up to one-half acre around the junction structure may be disturbed. ~~Two~~ Three working shifts per day may be required, and the installation would take approximately 6-8 weeks.

During construction, beach access shall remain open, with the potential exception of extreme high tide events. The contractor shall install temporary fencing around the construction site and construction shall be prohibited outside of the defined construction, staging, and storage areas. Construction work shall not be conducted seaward of the mean high water line unless tidal waters have receded from the authorized work areas. Construction vehicles operating on the beach shall be rubber-tired, and while in operation shall remain as high on the upper beach as possible to avoid contact with ocean waters and intertidal areas. Any construction materials and equipment placed on the beach ~~during daylight hours~~ shall be stored beyond the reach of tidal waters. ~~All construction materials and equipment shall be removed in their entirety from the beach area by sunset each day that work occurs, with the exception of the storage of larger materials beyond the reach of tidal waters for which moving each day would be extremely difficult. Any larger m~~ Materials intended to be left on the beach overnight must be approved by the Coastal Development Permit issuing and authorizing agency~~y~~ies and shall be subject to a contingency plan for moving materials in the event of a tidal wave/surge. All accessways impacted by construction activities shall be restored to their pre-construction condition or better within 3 days of completion of construction. Any beach sand in the area that is impacted by construction shall be filtered as necessary to remove construction debris. Construction areas shall maintain good construction site housekeeping controls and procedures (leak/spill clean-up; cover equipment in rain; cover exposed piles of soil/waste; dispose of waste properly; remove construction debris from beach). All construction activities that result in discharge of materials, polluted runoff, or wastes to the beach or the adjacent marine environment are prohibited. All exposed slopes and soil surface in and/or adjacent to the construction area shall be stabilized with erosion control best management practices.

CalAm shall enter into an agreement with ~~MRWPCA~~ M1W to perform periodic inspections of the offshore portion of the ~~MRWPCA~~ M1W outfall and diffuser. Annual inspections shall occur for the first three years after the MPWSP Desalination Plant is brought online. Thereafter, the offshore portion of the outfall shall be inspected every five

years. During each inspection, photo documentation shall be provided for all areas of inspections, regardless of findings, to provide for photographic comparison over time. All inspections shall include documentation of the thickness of scaling, any exposure or corrosion of reinforcing steel, significant cracking or spalling of concrete, and any pitting of metals. Any necessary repairs to the outfall and/or diffuser shall be identified and performed.

- Page 4.13-32; Air Quality and Greenhouse Gas Emissions. The last sentence of the paragraph is revised as follows:

  Mitigation Measures 4.18-1, Construction Equipment and Vehicle Efficiency Plan, and 4.11-1, GHG Emissions Reduction Plan, would reduce impacts to a less-than-significant level.

- Page 4.13-34. The following discussion of secondary impacts on Land Use and Land Use Planning resulting from the implementation of Mitigation Measure 4.13.5b is inserted just before Farmland:

  Land Use and Land Use Planning

  The land segment of the existing outfall crosses portions of inland and coastal Marina (see Figures 4.13-1). Inland land uses include primarily open space, grazing, row crop farming, and public/quasi-public uses. The portion of the outfall in the Coastal Zone is in an area identified in the City of Marina General Plan as Habitat Reserve and Other Open Spaces and zoned for Coastal Conservation and Development (CD) uses. The City of Marina Local Coastal Program and zoning regulations provide for conditional approval of coastal-dependent industrial land uses with a Use Permit and/or Coastal Development Permit (CDP). According to Marina Local Coastal Program Section 17.43.070.D, repair or maintenance of an outfall is subject to the requirements in a Coastal Development Permit. Since lining the land segment of the outfall would maintain the resiliency of the outfall, CalAm will need to include the land segment outfall lining and associated activities in a CDP application. Based upon the permitted uses of the area, the City of Marina should be able to make findings in support of CDP issuance to include the lining of the outfall, and with the requisite CDP, the outfall lining activities would not conflict with land use plan and zoning designations.

- Page 4.13-36; Air Quality and Greenhouse Gas Emissions. The last sentence of the paragraph is revised as follows:

  Mitigation Measures 4.18-1, Construction Equipment and Vehicle Efficiency Plan, and 4.11-1, GHG Emissions Reduction Plan, would reduce impacts to a less-than-significant level.

Chapter 5, Alternatives Screening and Analysis

Section 5.5.6, Terrestrial Biological Resources

During the preparation of the Biological Assessment for consideration by the USFWS, the actual area of disturbance associated with the slant wells at CEMEX has been determined to be minimally increased for Alternative 5a from what was presented in the Final EIR/EIS. However, the characterization of the impacts in the Final EIR/EIS remains unchanged and this would not be a substantial increase in severity of the impact identified in the Final EIR/EIS. The only change being made here is that the effects of Alternative 5a would be similar to, and not less than the proposed project.

- Page 5.5-167; the first paragraph of Construction Impacts is revised as follows:

  Construction of the subsurface slant wells under Alternative 5a would ~~reduce impacts on~~ disturb a total of 8 to 9 acres of sensitive central dune scrub habitat, similar to the proposed project, and would have similar types of impacts on associated special-status species. The temporary disturbance from slant well construction would be 6 to 7 acres (see Operational Impacts for permanent impacts). ~~compared to the proposed project by reducing the area of construction impact at the CEMEX site by approximately 15 percent.~~

- Page 5.5-167; the last sentence in the first paragraph of Construction Impacts is revised as follows:

  *Thus, although impacts ~~would~~ may be slightly reduced compared to the proposed project ~~because of the smaller area of disturbance~~, construction would result in the **same impact conclusion** with respect to adverse effects on special-status species as the proposed project, less than significant with mitigation.*

- Page 5.5-167; the first sentence in the second paragraph of Construction Impacts is revised as follows:

  With respect to effects on riparian habitat, critical habitat, and other sensitive natural communities, Alternative 5a would ~~reduce~~ result in approximately the same overall area of sensitive central dune scrub habitat disturbance, ~~but~~ and potential significant impacts on central dune scrub sensitive natural community, primary habitat/ESHA under the Marina LCLUP, and western snowy plover critical habitat would be the same.

- Page 5.5-168; the first and second paragraphs under Operational and Facility Siting Impacts are revised as follows:

  With respect to operational impacts on special-status species and their habitat, operation of the pumping wells (from both Alternative 5a and 5b) would not produce groundborne vibration and therefore, there would be no impacts on special-status species from vibration. This is the same as described for the proposed project and for Alternative 1. Alternative 5a would result in approximately 2 to 3 acres of permanent loss of sensitive

central dune scrub habitat; a reduction from the proposed project's net permanent loss of 7 acres. Disturbance from maintenance of the slant wells and the resulting impact on western snowy plover habitat would ~~be similar~~ decrease compared to the proposed project under Alternative 5a (CEMEX site) and ~~decreased compared to the proposed project under~~ Alternative 5b (Potrero Road site); under either alternative, significant indirect impacts could still occur and would be reduced to less than significant with ***Mitigation Measure 4.6-1d****. All other components would result in the same potentially significant impacts described for the proposed project, and thus would result in the* ***same impact conclusion*** *as the proposed project, less than significant with mitigation.*

With respect to operational impacts on riparian habitat, critical habitat, or other sensitive natural communities, under Alternative 5a, similar impacts on central dune scrub sensitive natural community, primary habitat/ESHA under the City of Marina LCLUP, and western snowy plover critical habitat would occur at the CEMEX facility subsurface slant wells and source water pipeline during operations and maintenance activities as the proposed project. The area of disturbance would be reduced under Alternative 5a (as described above, permanent impacts would be limited to 2 to 3 acres) but potential significant impacts on central dune scrub sensitive natural community, primary habitat/ESHA under the City of Marina LCLUP, and western snowy plover critical habitat would be the same. Under Alternative 5b, impacts on sensitive natural communities during operations would be the same as described under Alternative 1, and would be potentially significant. Impacts of both Alternatives 5a and 5b would be mitigated to a less-than-significant level with implementation of ***Mitigation Measures 4.6-1a*** *through* ***4.6-1d****,* ***4.6-1n****,* ***4.6-1p****,* ***4.6-2a****, and* ***4.6-2b****.*

- Page 5.5-170; the following summary paragraph is inserted just before Cumulative Analysis:

Overall Construction and Operational Impacts

Alternative 5a would result in a total of 8 to 9 acres of disturbance within western snowy plover habitat, central dune scrub natural community, and primary habitat/ESHA under the City of Marina LCLUP, comprising 2 to 3 acres of permanent impact with the remainder (6 to 7 acres) considered temporary impact. By comparison, including both construction and operational impacts, the proposed project would result in a total of 9 acres of disturbance, comprising approximately 7 acres of permanent impact and 2 acres of temporary impact. While this is the same total disturbance area as the proposed project, overall, Alternative 5a would result in a decrease in permanent impact area.

Section 5.5.7, Hazards and Hazardous Materials

- Page 5.5-185. The last full paragraph on the page is corrected and made consistent with Table 5.6-1 as follows:

Other than portions of the new Transmission Main and ASR Pipelines, no other components of Alternative 5a or 5b would be located on or near the known hazardous material sites at Moss Landing. Therefore, the potential to create a hazard to the public

would be ~~increased~~ similar compared to the proposed project and compliance with regulations would ensure Alternative 5a or 5b would have the ***same impact conclusion*** *as the proposed project, less than significant.*

Chapter 8, Draft EIR/EIS Comments and Responses

Section 8.2, Master Responses

- Page 8.2-89. The reference in the last paragraph to "*Ward et al. (1987)*" is revised to correctly cite Draper and Smith, as follows:

  Bias in groundwater flow models results when model errors (the difference between model-calculated and measured water levels) do not conform to the assumptions of regression analysis (the assumptions that the model errors are independent, have zero mean, have a constant variance and follow a normal distribution) (~~Ward, et al., 1987~~ Draper and Smith, 1998).

- Page 8.2-90. The second sentence of the last paragraph is revised as shown to reflect the correct value for correlation coefficient. The corresponding figure (4.3d in Appendix E2) already shows the correct value.

  The bias is consistent with the positive correlations shown for Model Layer 4 in Appendix E2 Figure 4.3b and Figure 4.3d (calculated correlation of 0.4~~2~~).

- Page 8.2-97: The references in Section 8.2.12.5 have been revised to include Draper and Smith:

  Draper, Norman R., and Smith, Harry, 1998. Applied Regression Analysis, Third Edition, A Wiley Interscience Publication.

Section 8.3, Federal Agency Comments and Responses

- Page 8.3-59. Text in response to comment USEPA-4 is revised to accurately reflect the revisions to Mitigation Measure 4.11-1, GHG Emissions Reduction Plan, in Final EIR/EIS Section 4.11:

  The Plan shall include a summary of state-of-the-art energy recovery and conservation technologies available for utility scale desalination facilities and shall include a commitment by CalAm to incorporate ~~all~~ available feasible energy recovery and conservation technologies; or, if CalAm finds that any of the technologies will not be feasible for the project, the Plan shall clearly explain why such technology is considered to be infeasible. The carbon footprint estimate for the project shall include consideration of all proposed energy recovery and conservation technologies that will be employed by the project, and shall describe the approximate GHG emissions reductions that will be associated with each technology.

  and

(1) Obtain renewable energy from on-site solar photovoltaic (PV) panels and/or the adjacent Monterey Regional Waste Management District (MRWMD) landfill-gas-to-energy (LFGTE) facility. ~~If renewable energy from the LFGTE facility is secured, CalAm must demonstrate that the associated criteria pollutant emissions, when combined with the other operational criteria pollutant emissions disclosed in EIR/EIS Table 4.10-7, would not exceed the Monterey Bay Air Resources District significance thresholds.~~

Section 8.5, Local Agency Comments and Responses

- Page 8.5-617. Text in response to comment Marina-129 is revised to accurately reflect the revisions to Mitigation Measure 4.11-1, GHG Emissions Reduction Plan, in Final EIR/EIS Section 4.11:

  Although not required to reduce an energy conservation impact, implementation of Mitigation Measure 4.11-1, GHG Emissions Reductions Plan, would require CalAm to have a qualified professional prepare a GHG Emissions Reduction Plan that must include a summary of state-of-the-art energy recovery and conservation technologies available for utility-scale desalination facilities and must include a commitment by CalAm to incorporate ~~all~~ available feasible energy recovery and conservation technologies; or, if CalAm finds that any of the technologies will not be feasible for the project, the Plan shall clearly explain why such technology is considered to be infeasible.

- Page 8.5-619. Text in response to comment Marina-129 is revised to accurately reflect the revisions to Mitigation Measure 4.11-1, GHG Emissions Reduction Plan, in Final EIR/EIS Section 4.11:

  See Mitigation Measure 4.11-1 for a discussion of the GHG Emissions Reduction Plan that must include a summary of state-of-the-art energy recovery and conservation technologies available for utility-scale desalination facilities and must include a commitment by CalAm to incorporate ~~all~~ available feasible energy recovery and conservation technologies.

- Page 8.5-715. Text in response to comment MCWD-163 is revised to accurately reflect the revisions to Mitigation Measure 4.11-1, GHG Emissions Reduction Plan, in Final EIR/EIS Section 4.11:

  Although not required to reduce an energy conservation impact, implementation of Mitigation Measure 4.11-1, GHG Emissions Reductions Plan, would require CalAm to have a qualified professional prepare a GHG Emissions Reduction Plan that shall include a summary of state-of-the-art energy recovery and conservation technologies available for utility scale desalination facilities and shall include a commitment by CalAm to incorporate ~~all~~ available feasible energy recovery and conservation technologies; or, if CalAm finds that any of the technologies will not be feasible for the project, the Plan shall clearly explain why such technology is considered to be infeasible.

- Page 8.5-769. Text in response to comment MCWD-IW-9 is revised to reference Carollo, 2017, as the source for the inserted material, although this report was appropriately referenced in the list of references in Final EIR/EIS Section 8.5.2. Text in the response to comment MCWD-IW-9, as well as page I1-5 in Appendix I1 is, therefore, revised to accurately reflect the source of information added:

  As noted by Carollo in the February 2017 "Subsurface Desalination Intake Feasibility Study" prepared for the City of Santa Barbara, the Neodren™ HDD intake technology is patented by the Spanish company Catalana de Perforacions. This technology has been used…

Section 8.6, Organizations Comments and Responses

- Page 8.6-590. Text in response to comment PTA-13 is revised to accurately reflect the revisions to Mitigation Measure 4.11-1, GHG Emissions Reduction Plan, in Final EIR/EIS Section 4.11:

  The GHG Emissions Reductions Plan that would be implemented pursuant to Mitigation Measure 4.11-1 would include a commitment by CalAm to incorporate ~~all~~ available feasible energy recovery and conservation technologies; or, if CalAm finds that any of the technologies will not be feasible for the project, the Plan shall clearly explain why such technology is considered to be infeasible.

Appendix I1, Open-Water and Subsurface Intakes

- Page I1-5. Text is revised to add a reference to Carollo, 2017, although this report was appropriately referenced in the list of references in Final EIR/EIS Section 8.5.2, where response to comment MCWD-IW-9 resulted in the addition of clarifying information to this appendix. Text is revised to accurately reflect the source of information added:

  As noted by Carollo in the February 2017 "Subsurface Desalination Intake Feasibility Study" prepared for the City of Santa Barbara, the Neodren™ HDD intake technology is patented by the Spanish company Catalana de Perforacions. This technology has been used…[etc.]

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

FILED
08/13/18
01:58 PM

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.	A.12-04-019 (Filed April 23, 2012)

SETTLEMENT AGREEMENT OF CALIFORNIA-AMERICAN WATER COMPANY, CITIZENS FOR PUBLIC WATER, CITY OF PACIFIC GROVE, COALITION OF PENINSULA BUSINESSES, COUNTY OF MONTEREY, DIVISION OF RATEPAYER ADVOCATES, LANDWATCH MONTEREY COUNTY, MONTEREY COUNTY FARM BUREAU, MONTEREY COUNTY WATER RESOURCES AGENCY, MONTEREY PENINSULA REGIONAL WATER AUTHORITY, MONTEREY PENINSULA WATER MANAGEMENT DISTRICT, MONTEREY REGIONAL WATER POLLUTION CONTROL AGENCY, PLANNING AND CONSERVATION LEAGUE FOUNDATION, SALINAS VALLEY WATER COALITION, SIERRA CLUB, AND SURFRIDER FOUNDATION

Robert MacLean
President
California-American Water Company
1033 B Avenue, Suite 200
Coronado, CA 92118
(619) 522-6360
robert.maclean@amwater.com

George T. Riley
Citizens For Public Water
1198 Castro Road
Monterey, CA 93940
(831) 645-9914
georgetriley@gmail.com

Thomas Frutchey
City Manager
City of Pacific Grove
300 Forest Avenue
Pacific Grove, CA 93950
(831) 648-3106
tfrutchey@ci.pg.ca.us

Bob McKenzie
Coalition of Peninsula Businesses
P.O. Box 223542
Carmel, CA 93922
(831) 595-420
jrbobmck@gmail.com

July 31, 2013

Fernando Armenta
Chair of the Board of Supervisors
County of Monterey
168 West Alisal Street, Second Floor
Salinas, CA 93901
831-755-5011
district1@co.monterey.ca.us

Joe Como
Acting Director
Division of Ratepayer Advocates
505 Van Ness Avenue
San Francisco, CA 94102
(415) 703-2771
des@cpuc.ca.gov

Chris Fitz
LandWatch Monterey County
P.O. Box 1876
Salinas, CA 93902-1876
831.759.2824 [75-WATCH]
landwatch@mclw.org

Norman C. Groot
Executive Director
Monterey County Farm Bureau
PO Box 1449
Salinas, CA 93902-1449
(831)751-3100
norm@montereycfb.com

Fernando Armenta
Chair of the Board of Supervisors
Monterey County Water Resources Agency
168 West Alisal Street, Second Floor
Salinas, CA 93901
831-755-5011
district1@co.monterey.ca.us

Chuck Della Sala
President
Monterey Peninsula Regional Water Authority
580 Pacific St
Monterey, CA 93940
(831) 373-8451

David J. Stoldt
General Manager
Monterey Peninsula Water
Management District
PO Box 85
Monterey, CA 93942
(831) 658-5600
dstoldt@mpwmd.net

Keith Israel
General Manager
Monterey Regional Water Pollution Control
Agency
5 Harris Court, Bldg. D
Monterey, CA 93940
(831) 645-4601
keith@mrwpca.com

Jonas Minton
Water Policy Advisor
Planning and Conservations League
1107 9th Street, Suite 901
Sacramento, CA 95814
(916) 719-4049
jminton@pcl.org

Nancy Isakson
President
Salinas Valley Water Coalition
3203 Playa Court
Marina, CA 93933
(831) 224-2879
nisakson@mbay.net

Laurens H. Silver
Attorney For: Sierra Club
California Environment Law Project
P.O. Box 667
Mill Valley, CA 94942
(415) 515-5688
larrysilver@earthlink.net

Gabriel M.B Ross
Counsel
Surfrider Foundation
396 Hayes Street
San Francisco, CA 94102
(415) 552-7272
ross@smwlaw.com

TABLE OF CONTENTS

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.	A.12-04-019 (Filed April 23, 2012)

SETTLEMENT AGREEMENT OF CALIFORNIA-AMERICAN WATER COMPANY, CITIZENS FOR PUBLIC WATER, CITY OF PACIFIC GROVE, COALITION OF PENINSULA BUSINESSES, COUNTY OF MONTEREY, DIVISION OF RATEPAYER ADVOCATES, LANDWATCH MONTEREY COUNTY, MONTEREY COUNTY FARM BUREAU, MONTEREY COUNTY WATER RESOURCES AGENCY, MONTEREY PENINSULA REGIONAL WATER AUTHORITY, MONTEREY PENINSULA WATER MANAGEMENT DISTRICT, MONTEREY REGIONAL WATER POLLUTION CONTROL AGENCY, PLANNING AND CONSERVATION LEAGUE FOUNDATION, SALINAS VALLEY WATER COALITION, SIERRA CLUB, AND SURFRIDER FOUNDATION

1. GENERAL

1.1 Pursuant to Article 12 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), California-American Water Company ("California American Water"), Citizens for Public Water ("CPW"), City of Pacific Grove, Coalition of Peninsula Businesses, County of Monterey (the "County"), Division of Ratepayer Advocates ("DRA"), LandWatch Monterey County ("LandWatch"), Monterey County Farm Bureau ("MCFB"), Monterey County Water Resources Agency ("MCWRA"), Monterey Peninsula Regional Water Authority ("MPRWA"), Monterey Peninsula Water Management District ("MPWMD"), Monterey Regional Water Pollution Control Agency ("MRWPCA"), Planning and Conservation League Foundation, Salinas Valley Water Coalition ("SVWC"), Sierra Club, and Surfrider Foundation ("Surfrider") (collectively, "the Parties"), to avoid the expense and uncertainty of litigation of the matters in dispute between them before the Commission, agree on the terms of this Settlement Agreement, which they now submit for review, consideration, and approval by the Commission.

1.2 On April 23, 2012, California American Water filed an application for a Certificate of Public Convenience and Necessity ("CPCN") for the Monterey Peninsula Water Supply Project ("MPWSP") and Authorization to Recover All Present and Future Costs in Rates ("Application"). The purpose of the MPWSP is to replace a significant portion of the existing water supply from the Carmel River, as directed by the State Water Resources Control Board

("SWRCB"). (SWRCB Order Nos. WR 95-10 (July 6, 1995) and; WR 2009-0060 (Oct. 20, 2009).) The MPWSP requires two elements: (1) a desalination plant and related facilities, and (2) what are commonly referred to as the "CAW-Only Facilities."

(a) The desalination plant and related facilities will consist of slant intake wells, brackish water pipelines, the desalination plant, product water pipelines, brine disposal facilities, and related appurtenant facilities. The slant wells will be approximately 700 to 800 feet in length and will feature several hundred feet of screen below the ocean floor. The final layout and configuration will be based on the results of the groundwater modeling and technical analysis.

(b) The CAW-Only Facilities are the same undertaking the Commission previously approved in D.10-12-016 and will consist of the Transfer Pipeline, the Seaside Pipeline, the Monterey Pipeline, the Terminal Reservoir, the Aquifer Storage and Recovery ("ASR") Pipeline, the ASR Recirculation and Backflush Pipelines, the ASR Pump Station and the Valley Greens Pump Station. The current configuration of the Monterey County District's distribution system does not allow water to be conveyed from the north to customers on the southern portion of the Peninsula. All reasonably foreseeable replacement water supply solutions to satisfy the requirements of SWRB WR 2009-0060 will require water to be conveyed from the north to southern portions of the Peninsula. The CAW-Only Facilities will convey water between the northern and southern portions of the Monterey County District. The Facilities will supply water from the desalination plant portion of the MPWSP (or other reasonably foreseeable alternative) and/or the extraction of flows from the ASR system located in Seaside Basin, which will enter California American Water's distribution system at the metering station from the north.

1.3 In its application, California American Water sought authorization to initially size the desalination plant portion of the MPWSP at 9.0 million gallons per day ("mgd"). California American Water also requested authorization to reduce the size of the desalination plant component of the MPWSP to 5.4 mgd and supplement water supplies through a water purchase agreement ("WPA") to purchase water from the separate Groundwater Replenishment Project ("GWR Project"), if the GWR Project reaches certain milestones by the time California American Water is ready to construct the MPWSP's desalination plant, and the cost of GWR Project water is reasonable. (Application, pp. 1, 5-6.) California American Water subsequently updated its proposed sizes for the desalination plant to 9.6 mgd without the GWR Project and 6.4 mgd with the GWR Project. (CA-12, *Supplemental Testimony of Richard C. Svindland*, dated January 11, 2013 ("Exhibit CA-12"), p. 5.) The Settlement Agreement does not resolve the issue of the appropriate sizing of the desalination plant. California American Water has entered into a separate settlement agreement regarding the proposed size of the desalination plant.

1.4 The GWR Project is a separate project from the MPWSP. It is a joint project between MRWPCA and MPWMD. The GWR Project will create a source of supply by filtering source water through a new advanced water treatment facility, and injecting the highly treated product replenishment water into the Seaside Basin Aquifer, where it would be diluted and stored. California American Water has entered into a Memorandum of Understanding with MRWPCA and MPWMD to collaborate on developing the GWR Project. The Parties have agreed upon a process for determining whether the GWR Project has met the milestones

necessary to reduce the size of the desalination plant component of the MPWSP. That process is discussed below in Section 4.

1.5 In a separate process from this proceeding, the local agencies affected by the MPWSP are addressing certain issues related to the allocation of water obtained from the MPWSP.

(a) MPWMD has begun the process of updating its existing Environmental Impact Report ("EIR") to address the environmental impacts pertaining to the allocation of water from the MPWSP.

(b) MPWMD will initiate a process and collaborate with MPRWA, the County, and California American Water to develop proposed amendments to MPWMD's water allocation ordinances to address the allocation of water obtained from the MPWSP, and thereafter agendize the proposed amendments for consideration by MPWMD.

(c) MPWMD will initiate a process and collaborate with MPRWA, the County, and California American Water to develop a process to determine an accurate estimate of the added capacity necessary to meet the General Plan build out projections for the communities served by California American Water. The findings from this process shall be reported to the Commission either within a subsequent rate design phase of A.12-04-019 or as part of the general rate case process.

1.6 In an effort to work together to avoid future water supply shortages, California American Water will initiate a process and collaborate with MPWMD, County, and MPRWA to develop a process to determine a reasonable "trigger" for further review of the adequacy of the California American Water supply to avoid future water supply shortage conditions arising from either increased demand or decreased supply. The findings from this process shall be reported to the Commission either within a subsequent rate design phase of A.12-04-019 or as part of the general rate case process.

1.7 California American Water proposed a connection fee for its Monterey main system in its 2013 general rate case. That fee is intended to equitably spread some of the MPWSP costs to future connections and reduce costs to existing customers. California American Water's proposed connection fee shall be used to reduce MPWSP costs and not as revenue for any public agency, including MPWMD, MPRWA, and/or the County.

2. PROCEDURAL HISTORY

2.1 California American Water filed its application for a CPCN for the MPWSP on April 23, 2012.

2.2 Workshops on MPWSP costs, contingencies, and financial modeling were held on December 11-13, 2012.

2.3 California American Water served supplemental testimony on January 11, 2013. DRA and intervenors served testimony on February 22, 2013. California American Water served rebuttal testimony on March 8, 2013.

2.4 Evidentiary hearings were held on April 2-11, 2013 and April 30-May 2, 2013.

2.5 Notice of an all-party settlement meeting was served by MPRWA on April 18, 2013. The all-party settlement meeting was held on April 30, 2013 at the Commission. Settlement discussions continued through May, June, and July 2013.

3. SUPPORT FOR A WATER SUPPLY PORTFOLIO

3.1 The Parties believe that the development, construction, and operation of the MPWSP, combined with the GWR Project if certain findings are made pursuant to Section 4 below, and the use of ASR, serve the public convenience and necessity consistent with the criteria set forth in Public Utilities Code Section 1002(a). The Parties support the granting of a CPCN for the MPWSP, subject to the Commission's review of the project under the California Environmental Quality Act ("CEQA") and the findings required under Public Resources Code Section 21081, and subject to the Commission's resolution of the desalination plant sizing.

(a) Surfrider supports the granting of a CPCN contingent upon a reasonable resolution of brine discharge for the MPWSP, which, in Surfrider's opinion, must include the use of dedicated, pressurized brine diffusers.

(b) SVWC, MCFB, LandWatch, and CPW support the granting of a CPCN contingent upon a resolution of the source water issues relating to the Salinas River Groundwater Basin ("SRGB"), which will be informed by the Hydrogeologic Study and the Technical Report described in Section 5 of this Settlement Agreement. SVWC, MCFB, LandWatch, and CPW are concerned about potential harm to the SRGB and the users of groundwater thereof resulting from California American Water's production of source water for the MPWSP. The SVWC, MCFB, MCWRA, and CPW believe that pumping of California American Water's source wells within a shallow portion of the aquifer system, sometimes referred to as the Sand Dunes Aquifer, will avoid potential harm to the SRGB and users thereof, but knowledge of whether pumping from the Sand Dunes Aquifer will avoid potential harm will be addressed in the Hydrogeologic Study, the Technical Report, and the Commission's EIR. SVWC, MCFB, LandWatch, and CPW are concerned that California American Water's pumping of source water wells from an aquifer system beneath an aquitard that may be present at the location of the proposed source water wells, sometimes referred to as the 180 foot aquifer, could result in potential harm to the SRGB and users thereof. The Parties agree that the Hydrogeologic Study and the Technical Report described in Section 5 of this Settlement Agreement do not constitute and shall not be taken as any agreement that affects MCWRA's authority with respect to the SRGB. In light of all the foregoing, SVWC, MCFB, MCWRA, LandWatch, and CPW reserve all rights to challenge production of water from the SRGB and/or the Sand Dunes Aquifer by California American Water in any appropriate forum.

3.2 The Parties to this Settlement Agreement agree that time is of the essence in implementing the MPWSP.

4. GROUNDWATER REPLENISHMENT PROJECT

4.1 Separate Phasing of Groundwater Replenishment Project

(a) The Parties agree that the Commission shall decide whether to authorize California American Water to build, as part of the MPWSP, a smaller desalination plant to accommodate the WPA for the product water of the separate GWR Project or, alternatively, build a larger desalination plant without a WPA for the GWR product water (the "GWR Decision"), based on findings related to schedule, cost, benefits, and feasibility. The parties agree that the decision whether these findings are or will be made requires additional information that is currently not available, including more detailed information regarding the schedules and designs of the GWR Project and MPWSP desalination plant, as well as agreements for source and product water for the GWR Project. Accordingly, the parties agree that the GWR Decision should be made in a separate phase of this proceeding after the parties have developed necessary information.

(b) The Parties have developed and set forth in this section certain criteria for consideration by the Commission to facilitate its adopting findings necessary to making the GWR Decision after evidentiary hearings in this separate phase.

(c) The Parties agree to file and support a Motion for Bifurcation of the GWR Decision into a separate phase. Such motion will:

(i) Identify GWR Decision criteria to be addressed in the separate phase as outlined in Section 4.2 below;

(ii) Seek such additional amendments in the scope of this proceeding as may be necessary; and

(iii) Present an agreed-upon procedural schedule and scope as identified in Section 4.3 below, including the possibility that an advice letter process may be used to demonstrate fulfillment of some criteria after the Commission decision in the bifurcated phase.

4.2 Findings for GWR Decision

(a) After careful consideration and negotiations, the Parties agree the Commission should make the GWR Decision based upon the findings set forth below and/or information supplied pursuant to the advice letter process in Section 4.3(f). If all of the findings are made or addressed through the advice letter process, then California American Water shall be ordered to enter into a WPA and build the smaller desalination plant. If they are not made or addressed through the advice letter process, then California American Water shall proceed with the larger desalination plant. On that basis, the Parties recommend that the Commission's primary focus be on the findings set forth below in the separate phase where it makes the GWR Decision. The findings are as follows:

(i) MRWPCA has approved the GWR Project pursuant to a certified Final EIR; and no CEQA suit has been filed within 30 days of a Notice of Determination ("NOD"), or if a CEQA suit is filed, no stay of the GWR Project has been granted;

(ii) The status of required permits is consistent with the published project schedule, and for any required permits not yet obtained, the weight of the evidence in the record does not show that any of the required permits for the GWR Project are unlikely to be obtained in a timeframe consistent the published project schedule;

(iii) There is sufficient legal certainty as to agreements or other determinations in place to secure delivery of source water(s) necessary to produce between 3,000 to 3,500 acre feet per year of GWR product water for the recommended project.[1]

(1) The parties acknowledge that MCWRA and MRWPCA are the parties to that certain Agreement Between The Monterey County Water Resources Agency and the Monterey Regional Water Pollution Control Agency For Construction and Operation of a Tertiary Treatment System dated June 16, 1992, as amended by Amendment No. 1 on May 30, 1995, Amendment No. 2 on February 16, 1998, and Amendment No. 3 executed by MRWPCA on May 10, 2002 and MCWRA on May 29, 2002 (all collectively hereinafter referred to as "Tertiary Treatment Agreement") and that MCWRA and MRWPCA disagree as to the amounts of "tertiary treated water," as that term is defined in Section 2 of aforementioned Amendment No. 3 to the Tertiary Treatment Agreement, to which each is entitled under the Tertiary Treatment Agreement. With respect to the availability of such tertiary treated water from the Tertiary Treatment Agreement for the GWR Project in an amount that would support a Commission finding of sufficient legal certainty, such availability shall be determined pursuant to the dispute resolution provisions in the Tertiary Treatment Agreement and shall not be determined through action by this Commission. Therefore, the parties agree that with respect to any product water(s) to be conveyed by MRWPCA to implement the GWR Project that are provided pursuant to rights to such tertiary treated water under the Tertiary Treatment Agreement, for the purposes of this Settlement Agreement, no Party shall request either the Commission or the Governance Committee to interpret, rule on, or provide any opinion as to contract rights under the Tertiary Treatment Agreement, and further agree that neither the Commission nor the Governance Committee should so interpret, rule on, or provide any opinion as to any such contract rights;

(iv) The weight of the evidence in the record does not show that the California Department of Health or the Regional Water Quality Control Board will decline to accept or approve the GWR extraction or GWR treatment and injection processes, respectively;

[1]The Parties recognize that based upon the expected number of trains needed for the desalination plant, the desalination plant could be optimally sized to accommodate certain discrete capacities of 3,000 or 3,500 acre feet per year of GWR product water in order to produce a certain combined capacity from the desalination plant and the GWR Project. California American Water and MRWPCA recognize that cost optimization may not occur at certain discrete capacities for the GWR Project and desalination plant based on the configuration, size and number of the trains. Certain parties have entered into a settlement agreement regarding the sizing of the desalination facilities for purposes of planning and engineering, which provides for the possible combined capacity of the desalination plant and the GWR Project.

(v) The GWR Project is on schedule, as verified by a report issued by an engineer licensed in California, to be operable,[2] on or before the later of (a) the then-effective date of the Cease and Desist Order of the SWRCB 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 Parties acknowledge that the actual date of operation for the GWR Project and the desalination project could vary from the operation date projected in the schedules, and therefore agree to a range of up to an additional four months from the projected date of operation, before the GWR Project schedule would no longer be considered on an acceptable schedule;

(vi) Preliminary design for the GWR Project is at least at the 10% level, represented by a basis of design report (so that an accurate project cost estimate can be generated) or is at a level similar to or more advanced than the level of design for the desalination project portion of the MPWSP;

(vii) A GWR Project funding plan, sufficient in detail to be accepted as an application for a State Revolving Fund loan, is in place;

(viii) California American Water, MPWMD, and MRWPCA have agreed on a WPA whose terms are just and reasonable; and

(ix) The revenue requirement for the combination of the GWR Project and the smaller desalination project, including the projected debt equivalence for the GWR Project, if any, determined pursuant to Section 4.4, is just and reasonable when compared to the revenue requirement for a larger desalination project alone.

(b) The parties agree that a revenue requirement premium for the combination of the GWR Project and a smaller MPWSP desalination project may be determined just and reasonable, for some, but not necessarily all of the following reasons, if the combined GWR/smaller desalination project affords significant net benefits in comparison to a larger desalination project alone upon a consideration of all positive and negative externalities associated with the GWR Project. Significant positive benefits that could support the Commission's approval of such a premium, include, but are not limited to, the following: (i) a material schedule advantage in that the GWR Project is anticipated to be operable sooner than the desalination plant; (ii) water supply resilience and reliability (benefit of the portfolio approach); and (iii) other positive externalities of the GWR Project, including, but not limited to reduced atmospheric carbon emissions, reduced brine discharge, and the implementation and encouragement of State policies regarding water recycling through early adoption of a water reuse project. The Parties anticipate that the evidentiary hearings in the separate phase will support findings by the Commission of an upper range of reasonableness for the price of GWR Project water for inclusion in the WPA based upon consideration of all positive and negative externalities associated with the GWR Project.

[2]The operable date of the GWR Project is the date when extractions may first be made by California American Water from the Seaside Groundwater Basin as the result of the injection and storage of GWR Project recycled water.

4.3 Procedural Schedule and Scope

(a) The Parties agree to file a Motion to Bifurcate or Otherwise Resolve GWR Decision consistent with this Settlement Agreement promptly after the filing of this Settlement Agreement. The bifurcated schedule is intended to allow determination of the GWR Decision by the Commission prior to the time when California American Water is at the necessary decision point relative to the sizing of the desalination facilities.

(b) The Parties agree to request, as part of the aforementioned motion, that the Commission establish the following procedural schedule, designed to achieve a timely determination of the GWR Decision:

(i) Testimony of Interested Parties – December 2014

(ii) Settlement – commencing in January 2015

(iii) Concurrent Rebuttal Testimony – January 2015

(iv) Evidentiary Hearings – February 2015

(v) Briefing – March 2015

(vi) Proposed Decision – June 2015

(vii) Final Decision – July 2015

(c) The Parties acknowledge that this schedule is intended to provide time for the following:

(i) finalization of source water agreements and determinations;

(ii) refinement of the design of the GWR and MPWSP desalination projects to support accurate cost comparisons;

(iii) agreement on the form and terms of a WPA, as evidenced by an executed agreement between the parties to the WPA;

(iv) assessment of the benefits of the GWR Project that may reflect a revenue requirement premium that is just and reasonable;

(v) estimation of the revenue requirement adjustment, if any, the Commission determines necessary for the WPA pursuant to Section 4.4; and

(vi) completion of other GWR Project milestones prior to testimony and hearings.

(d) The Parties agree that: (i) the Governance Committee, as described in Appendix 1 to this Agreement, is comprised of representatives of local public agencies that are directly accountable to the public that will be served with water from the MPWSP; (ii) that

the Governance Committee provides an appropriate means for expression of community preferences concerning the MPWSP; (iii) the GWR Decision will impact the size of the MPWSP desalination plant; and (iv) for this reason, the Governance Committee's opinion on any one or more of the findings for the GWR Decision set forth above should be provided to the Commission for the Commission's consideration. Therefore, should the Governance Committee issue a written statement concerning any one or more of the findings set forth above on or before the date set forth above in Paragraph 4.3(b) for submission of testimony or evidentiary hearings, California American Water shall file said written statement with the Commission within ten days of receipt for the Commission's consideration.

(e) The Parties agree that the Commission should be able to adopt findings supporting its GWR Decision at the end of the GWR Decision Phase outlined above, but acknowledge that certain necessary actions may not have occurred by that time. With respect to those actions, the Parties agree that the Commission may direct California American Water to file an advice letter with the Commission demonstrating that the remaining actions have occurred. Issues which may be resolved by advice letter could include, but are not limited to, MRWPCA's approval of the GWR Project.

4.4 Debt Equivalence for the GWR Project

(a) The Parties acknowledge that a WPA is a contractual obligation of a significant amount of California American Water's future cash flows. If the obligation must be capitalized by, and is an obligation of, California American Water under Generally Accepted Accounting Principles (GAAP) standards then in effect, it would have a significant impact on the amount of debt and capital assets California American Water records on its financials and could potentially adversely impact California American Water's debt ratios. If it is not required to be capitalized, the rating agencies could nonetheless impute debt for the WPA, which could have a negative impact on the credit rating of California American Water as a stand-alone entity. The Parties therefore agree that the Commission shall determine whether adjustments to the California American Water revenue requirement for the Monterey County District are required to address the debt equivalence impact resulting from the WPA for the GWR Project or for the capitalized obligation of the WPA in a separate phase of this proceeding before the Commission (as described in Section 4.3). California American Water shall consider in good faith any reasonable terms and conditions of a WPA advanced by the public agencies intended to address the debt equivalence issue for the GWR Project.

5. HYDROGEOLOGIC STUDY

5.1 California American Water's hydrologist and technical team will work with SVWC's hydrologist and technical team, and other technical experts designated by California American Water and the SVWC (collectively, the "Technical Group"), to develop a written work plan for the proposed source water intake sites consistent with the study recommendations presented in SWRCB's May 22, 2013 Draft Review of the MPWSP. The primary purpose of the work plan is to reach agreement among the Technical Group about the studies, well tests, field work, modeling, monitoring, and other data analyses most appropriate to assess and characterize whether and to what extent the proposed operation of the MPWSP may adversely affect the SRGB and the water supply available to legal water users thereof ("Hydrogeologic Study"). The

Parties agree that the purpose of this Section 5 is intended to avoid litigation regarding the scope of and methodology used to develop the Hydrogeologic Study and the Technical Report. California American Water will implement and carry out the Hydrogeologic Study as soon as feasible, taking into account, without limitation, the time involved in obtaining or acting on required permits and the complexity of the analyses involved. Changes to the work plan, in response to logistical constraints, shall be presented to the Technical Group for review and comment. California American Water understands that time is of the essence.

5.2 Upon completion of the Hydrogeologic Study, and as necessary and appropriate while the Hydrogeologic Study is conducted, the Technical Group will review and evaluate the data and results of the Hydrogeologic Study, and will prepare a Technical Report presenting the findings and conclusions of the Technical Group. The Technical Group shall work to resolve any disagreements amongst its members as to the findings and conclusions from the Hydrogeologic Study, but consensus shall not be required to produce the Technical Report. Where consensus cannot be achieved concerning a particular finding or conclusion, the Technical Report shall reflect all of the opinions of the Technical Group, including minority opinion(s) on those topics where consensus could not be achieved. At the option of California American Water and/or SVWC, dissent opinions on conclusions may be further evaluated by an impartial third-party expert.

5.3 After careful consideration of the findings and conclusions set forth in the Technical Report, California American Water, in consultation with the Technical Group and other necessary or appropriate agencies, shall focus its production from a shallow portion of the aquifer system, sometimes referred to as the Sand Dunes Aquifer, and pursue a source water project and program for the MPWSP, to the extent feasible, that is most consistent with the Technical Report and the recommendations of the Technical Group. Consistent with the foregoing sentence and to the extent feasible, California American Water will pursue source water development, for the MPWSP in the shallow portion of the aquifer system. As used in this paragraph, whether a source water project or program is feasible shall be determined by California American Water.

5.4 California American Water will make an information compliance filing, which will be provided to the service list for A.12-04-019, that presents the results from the Hydrogeologic Study and Technical Report.

6. DESALINATION PLANT

6.1 Slant Wells

(a) The Parties agree that it is reasonable for California American Water to use subsurface intake via slant wells for the desalination plant, subject to confirmation of the feasibility of this option by the test well results and hydrogeologic studies.

6.2 Partial Second Pass Reverse Osmosis

(a) The Parties agree that it is reasonable to plan for a partial second pass on the reverse osmosis system because a single pass reverse osmosis system can likely barely achieve the current California Department of Public Health goal in terms of boron rejection.

Over time, as membrane performance wanes, it will not be possible to meet the state's boron goal. (CA-21, Svindland Rebuttal, p. 10; CA-19, *Rebuttal Testimony of Eric J. Sabolsice*, dated March 8, 2013, pp. 6-7.)

6.3 Intake Pipeline

(a) The Parties agree that it is reasonable to plan to use a high-density polyethylene (HDPE) pipe with an inner diameter of 36 inches for the intake pipeline. (CA-21, Svindland Rebuttal, pp. 12-13.)

6.4 Land Purchase

(a) The Parties agree that California American Water's purchase of the 46-acre parcel on Charles Benson Road for the desalination plant is reasonable. (CA-21, Svindland Rebuttal, p. 9; PW-1, *Direct Testimony of George T. Riley for Citizens For Public Water*, dated February 21, 2013, pp. 7-8.)

6.5 Location

(a) The Parties agree that the proposed location of the desalination plant north of Marina is reasonable because (1) the geology for the slant wells at the proposed site is promising, (2) it is close to MRWPCA's existing outfall, which provides for an efficient way to dispose of brine discharge, and (3) it is next to a landfill, which provides additional power options. (CA-21, Svindland Rebuttal, p. 9.) Based on input from several state and federal agencies, California American Water has moved the proposed location of the slant test well and potentially the full production well field to within the active mining area of Cemex's Lapis Road facility. The proposed well field will be located to reduce environmental impacts and is proposed to be located south of the dredge pond within the active mining area.

6.6 Cost Estimates

(a) The Parties considered updated cost estimates with a range for both the 6.4 and 9.6 mgd plant options. (*See* p. 5 of Attachment 3 to R. Svindland's Jan. 11, 2013 Supplemental Testimony.) Those ranges are from a low of $152 million to a high of $223.5 million for the 6.4 mgd option and from a low of $188.9 million to a high of $277.8 million for the 9.6 mgd option. Through this Settlement, the Parties agree to cost estimates of $210.6 million for the 6.4 mgd option and $253.4 million for the 9.6 mgd option. The agreed-upon cost estimates address issues raised by various parties and include compromises made in order to reach agreement for the purpose of this Settlement. The cost estimates are intended to include variations in the project costs resulting from certain items, including intake contingencies, discharge contingencies, and site contingencies, set forth in Section 10. When taken as a whole, and based on the currently available information, these estimates provide a reasonable basis for the Commission to reach a decision. The cost estimates are for budgeting purposes, and California American Water will only place its actual costs in rates.

6.7 Cost Cap

(a) The Parties agree that for purposes of setting a cost cap for the desalination facilities, $210.62 million for the 6.4 mgd option and $253.36 million for the 9.6 mgd option, shall be used. These cost caps include a budget of $31.83 million for potential implementation of a brine diffuser, an additional pipeline to Potrero Road[3] in the event that source water outside of California American Water's proposed site for slant intake wells is proven to be necessary, and other contingencies set forth in Section 10.[4]

(b) The cost caps are not absolute. If California American Water's costs exceed the estimated cost caps set forth above, (but are less than $223.5 million for the 6.4 mgd option and $277.8 million for the 9.6 mgd option),[5] it may seek recovery for reasonable and prudent costs above the caps by filing a Tier 2 advice letter. If California American Water's costs exceed $223.5 million for the 6.4 mgd option and $277.8 million for the 9.6 mgd option, it will file a petition for modification with the Commission for recovery. (CA-21, Svindland Rebuttal, pp. 19-20; CA-20, *Rebuttal Testimony of David P. Stephenson*, dated March 8, 2013 ("Stephenson Rebuttal"), pp. 8-10.)

(c) Cost overruns which cause California American Water to exceed the cost cap for the desalination facilities shall be counted against the cost cap for the CAW-Only Facilities set forth in Section 7.2, so long as California American Water has not exceeded the aggregate of the cost cap amounts for the desalination facilities and the CAW-Only Facilities. Conversely, cost savings which California American Water achieves relative to the cost cap for the desalination facilities shall be counted towards the cost cap for the CAW-Only Facilities, so long as California American Water has not exceeded the aggregate of the cost cap amounts for the desalination facilities and the CAW-Only Facilities.

6.8 Ratemaking Process

(a) California American Water will establish a memorandum account to track the costs for the desalination facilities and CAW-Only Facilities, as well as to accumulate Surcharge 2 funds in excess of the $35.1 million that will first be credited against spending on the CAW-Only Facilities as noted later in Section 7.3. The cost of the desalination facilities and the Surcharge 2 collections will be tracked separately in the memorandum account.

(b) The net of the desalination facility costs and Surcharge 2 collections will accrue Allowance for Funds Used During Construction ("AFUDC") at a rate of the actual cost of funds used to fund the desalination project costs. The rate shall be adjusted quarterly

[3] The contingency contemplates a series of slant wells launched ocean ward from the State Park parking lot, located at the western end of Potrero Road, and a pipeline which would run from Charles Benson Road to Potrero Road.
[4] If the desalination plant is sized at 6.9 mgd to accommodate 3,000 AFY of GWR product water, the Parties agree that a cost cap for the desalination facilities of $214.08 million (for a combined cost cap of $299.12 million for the desalination facilities and the CAW-Only Facilities) shall be used.
[5] If the desalination plant is sized at 6.9 mgd to accommodate 3,000 AFY of GWR product water, the Parties agree that if California American Water's costs exceed the estimated cost cap for the desalination facilities of $214.08 million but less than $227.81 million (or $334.69 million for the combined desalination facilities and the CAW-Only Facilities), it may seek recovery for reasonable and prudent costs above the cap by filing a Tier 2 advice letter.

to reflect the latest funding costs and will be added into the desalination facility portion of the memorandum account if the total accumulations in the expenditure portion of the memorandum account exceeds the Surcharge 2 collection portion of the memorandum account, or the AFUDC will be added to the Surcharge 2 collection part of the memorandum account if the Surcharge 2 collection portion of the memorandum account exceeds the accumulation in the expenditure portion of the memorandum account.

(c) Once the desalination facilities go into service, California American Water will file a Tier 2 advice letter to put the actual costs, along with the net AFUDC accumulated in the expenditure portion of the memorandum account, into rates.

7. CAW-ONLY FACILITIES

7.1 Cost Estimate

(a) The Parties agree to an $85.04 million cost estimate for the CAW-Only Facilities. This estimate addresses issues raised by various parties, and includes compromises made in order to reach agreement for the purpose of this Settlement. Thus, there is a reasonable basis for the Commission to reach a decision. The cost estimate is for budgeting purposes, and California American Water will only place its actual costs in rates.

7.2 Cost Cap

(a) Based on the cost estimate above, the Parties agree to a cost cap for the CAW-Only Facilities of $85.04 million.

(b) The cost cap is not absolute. If the costs for the CAW-Only Facilities exceed $85.04 million (but are less than $106.875 million), California American Water may seek recovery for reasonable and prudent costs above the cap by filing a Tier 2 advice letter. If California American Water's costs exceed $106.875 million, it will file a petition for modification with the Commission for recovery of any portion exceeding $106.875 million.

(c) Cost overruns which cause California American Water to exceed the cost cap for the CAW-Only Facilities shall be counted against the cost cap for the desalination facilities set forth in Section 6.7, so long as California American Water has not exceeded the aggregate of the cost cap amounts for the desalination facilities and the CAW-Only Facilities. Conversely, cost savings which California American Water achieves relative to the cost cap for the CAW-Only Facilities shall be counted towards the cost cap for the desalination facilities, so long as California American Water has not exceeded the aggregate of the cost cap amounts for the desalination facilities and the CAW-Only Facilities.

7.3 Ratemaking Process for the CAW-Only Facilities Once Approved by a Commission Decision in This Proceeding

(a) California American Water will track the costs for the CAW-Only Facilities and the $35.1 million of Surcharge 2 collections in the memorandum account established pursuant to Section 6.8(a). The memorandum account will accrue AFUDC at a rate of the actual cost of funds used to fund the entire project.

(b) The memorandum account will track the CAW-Only Facilities and Surcharge 2 collections separately in the account and will accrue AFUDC at a rate of the actual cost of funds used to fund the project costs. The rate shall be adjusted quarterly to reflect the latest funding costs and will be added into the facility portion of the memorandum account if the total accumulations in the expenditure portion of the memorandum account exceeds the Surcharge 2 collection portion of the memorandum account, or the AFUDC will be added to the Surcharge 2 collection part of the memorandum account if the Surcharge 2 collection portion of the memorandum account exceeds the accumulation in the expenditure portion of the memorandum account.

(c) Once the CAW-Only Facilities are used and useful, California American Water will file a Tier 2 advice letter to put the balance of the memorandum account into rates by increasing the plant in service by the balance of the CAW-Only Facilities portion of the memorandum account and increase Contributions-In-Aid of Construction by the balance of the Surcharge 2 portion of the memorandum account.

8. OPERATIONS & MAINTENANCE COSTS

8.1 Estimates

(a) The Parties agree that estimated net operations and maintenance costs[6] of $11.13 million for the 9.6 mgd plant and $9.12 million for the 6.4 mgd plant are reasonable for developing an estimate of total costs of the MPWSP for purposes of a settlement in this proceeding. These costs include power costs, labor costs, chemical costs, membrane and media replacement costs, and repair and replacement costs.

(b) These revised estimates address issues raised by various parties and include compromises made in order to reach agreement for the purpose of this Settlement. When taken as a whole, and based on the currently available information, these estimates provide a reasonable basis for the Commission to reach a decision.

(c) The Parties agree that estimates for use in setting the actual estimated operations and maintenance costs for development of the revenue requirement to be paid by the customers for the period up until the first test year from the first case filed after at least one full year of operation of the plant will be determined as described below in Section 8.3 (a) below. Estimates of costs beyond this initial period will be determined as described in Section 8.3 (d) below.

8.2 Power Costs

(a) In an effort to achieve lower electricity rates for the desalination plant, alternative means of obtaining energy shall be considered as a means to identify the most optimum combination of power from multiple sources. Such consideration involves the potential use of power from landfill gas in combination with power from the Pacific Gas &

[6] Net operations and maintenance costs includes all costs to operate the plant less the costs that are anticipated to be saved as a result of reducing the same such costs of operating facilities that prior to the plant have been necessary to provide water service to customers.

Electric Company ("PG&E") grid. California American Water agrees to retain an outside consultant to study the various PG&E tariffs for possible transmission main installation(s) and how these tariffs would change with the introduction of power from the land fill gas, all in an effort to seek the lowest cost power to the Plant. Additionally, the outside consultant will review the power quality to insure a safe and reliable power supply to the Plant. California American Water shall provide a copy of the study to the Governance Committee and DRA.

8.3 Ratemaking Process

(a) California American Water will provide updated operations and maintenance costs to the Commission at least 60 days prior to the time the plant becomes operational and delivers water into the distribution system for provision to customers. The notification will be made by a Tier 2 advice letter. This filing will determine the level of costs to be used in setting the initial revenue requirement for the MPWSP.

(b) The Parties agree that California American Water shall be authorized by the Commission to establish a MPWSP Operations and Maintenance memorandum account to track the differences between estimated costs adopted through the Tier 2 advice letter process and the actual incurred costs during the period of time from the beginning operation of the plant until the time an estimate of such future costs is filed as part of a future general rate case application, as described in Section 8.3 (d) below.

(c) In the first general rate case application after at least one full year of operation of the facilities, California American Water will "true up" the difference between the estimated and actual operations and maintenance costs tracked in a memorandum account and seek recovery of all reasonable and prudent differences.

(d) Estimates of operations and maintenance costs, after at least one full year of operation of the plant, will be included in the next to be filed general rate case application, and thereon forward, as part of each succeeding general rate case process.[7]

9. ENVIRONMENTAL FACTORS

9.1 Beach Erosion

(a) As part of the design process for any part of the MPWSP desalination plant (including but not limited to slant wells and associated wellhead facilities ("Beach Infrastructure") to be located on or beneath the beach, submerged lands, tidelands, or dunes, California American Water shall do all of the following:

(i) Engage at least one geologist, geomorphologist and/or coastal engineer, as appropriate, familiar with the conditions at the specific site proposed for the Beach Infrastructure, to serve as a consultant with regard to the tasks described in this section and any

[7] The next general rate case application is scheduled to be filed on July 1, 2019 ("2019 GRC"). For an estimate of operations and maintenance costs to be included in the 2019 GRC, the plant would have to be operational in the first quarter of 2018. If the plant is not operational in the first quarter of 2018, then the first estimate of the future costs to be provided in a rate case would be at the earliest in the case to be filed on July 1, 2022.

other beach erosion issues. The consultant(s) shall be jointly selected by Surfrider and California American Water.

(ii) Develop adequate factors of safety, including setback requirements, for Beach Infrastructure and other design criteria that must be met to protect Beach Infrastructure throughout its proposed economic life, through analysis of the relevant factors affecting beach erosion at the specific site proposed for the Beach Infrastructure, including without limitation the following: megacusps, extreme storm events, predicted sea level rise scenarios, sand mining, and seasonal variability.

(iii) As part of the permitting process, develop an adaptive management plan that outlines how all Beach Infrastructure will be relocated or otherwise adapted during the course of the project's lifespan in response to impacts from erosion. To comply with Coastal Act policies, the adaptive management plan should avoid management strategies which require the use of shoreline armoring or beach nourishment.

(iv) Consider the use, for all relevant analyses and design decisions, the erosion rates contained in the currently pending Monterey Bay Sanctuary Foundation Erosion Study (completion expected in late 2013); and further consider any other relevant information.

(v) Review and consider at least the following studies:

Philip Williams & Associates (PWA), E. Thornton, J. Dugan, Halcrow Group, (2008). "Coastal Regional Sediment Management Plan for Southern Monterey Bay." Prepared for Association of Monterey Bay Area Governments (AMBAG).

Mark D. Orzech, Ad J.H.M. Reniers, Edward B. Thornton, Jamie H. MacMahan, (2008). "Megacusps on rip channel bathymetry: Observations and modeling." Coastal Engineering 58, 890-907.

ESA PWA (2012). "Evaluation of Erosion Mitigation Alternatives for Southern Monterey Bay."

Thornton, E.B., A.H. Sallenger, J. Conforto Sesto, L. A. Egley, T. McGee, and A.R. Parsons, (2006). "Sand mining impacts on long-term dune erosion in southern Monterey Bay." Marine Geology 229: 45-58.

Quan, S., R. G. Kvitek, D. P. Smith, and G.B. Griggs, 2013, "Using Vessel-Based LIDAR to Quantify Coastal Erosion during El Niño and Inter-El Niño Periods in Monterey Bay, California," Journal of Coastal Research, 29 (3), 555-565; DOI:12.2112/JCOASTRES-D-12-00005.1.

(b) California American Water shall promptly and upon completion provide to all Parties and the Governance Committee written descriptions of the safety factors developed pursuant to Section 9.1(a)(ii), the adaptive management plan developed pursuant to Section 9.1(a)(iii), and a copy of the first set of design drawings or criteria incorporating the

erosion rates discussed in Section 9.1(a)(iv) above, indicating the features that reflect those rates.

(c) The measures in this section are not intended to preclude or preempt any mitigation measures that may be identified in the Final EIR for the MPWSP and adopted by the Commission. If any such mitigation measure in the Final EIR is inconsistent with any measure herein, California American Water shall comply with the adopted mitigation measure in the Final EIR.

9.2 Energy Minimization and Greenhouse Gas Reduction Plan

(a) California American Water will develop and implement an Energy Conservation Plan for the desalination plant for the purpose of reducing energy consumption, ensuring cost effectiveness, and reducing greenhouse gas emissions. The Plan will evaluate the energy demands for both electrical and natural gas for selected project options against the energy demands involved with the direct use of electricity from the PG&E grid. Upon completion, California American Water shall provide a copy of the Plan to the Commission and the parties to this proceeding.

(b) The measures in this section are in addition to, and do not preclude or preempt, any mitigation measures that may be identified in the Final EIR for the MPWSP and adopted by the Commission. If any such mitigation measure in the Final EIR is mutually exclusive with any measure herein, California American Water shall comply with the adopted mitigation measure in the Final EIR.

10. CONTINGENCIES

10.1 Order of Contingencies

(a) The Parties have agreed to re-order the contingency options as presented in Exhibit CA-12, Attachment 9, and to supplement the options to be considered in the event that the MPWSP cannot be implemented as currently proposed. The Parties agree that California American Water should consider contingencies in the order described below. If a given contingency presents potential for excessive costs, significant and unavoidable environmental impacts, comparative delay, and/or substantial permitting risk, California American Water may consider the next highest-ranked contingency. There are three categories of contingencies: intake contingencies, discharge contingencies, and site contingencies.

(b) This Agreement does not reflect any Party's support or endorsement of a particular contingency option. The Parties reserve the right to support or oppose any contingency before the Commission or in any other court or agency proceeding. The Parties recognize that any change to the MPWSP, including the implementation of any of the contingencies listed in this Agreement, will be subject to CEQA, and will be addressed either in the EIR anticipated to be released by the Commission or through a subsequent CEQA compliance process.

(c) In the event that all of the contingencies listed in this Settlement Agreement prove technically or legally infeasible, California American Water may pursue other options proposed in its application in this proceeding. If California American Water chooses to pursue any open-ocean intake contingency, it shall file a petition to modify the decision or appropriate filing to the Commission.

10.2 Intake Contingencies

If California American Water determines that the proposed intake wells for the MPWSP are legally or technically infeasible, the Parties agree that intake contingencies, each of which would provide source water to the desalination plant to the proposed site on Charles Benson Road, should be considered in the order below. The Parties agree that based on input from state and federal regulatory agencies the preferred location for the test well and production wells is within the active mining location at the CEMEX property south of the dredge pond.

Intake Option 1: Ranney collectors at CEMEX property that extract seawater from the Sand Dunes formation.

Intake Option 2: Slant well intake system at Potrero Road with seawater pumped to the desalination plant at the Charles Benson Road site.

Intake Option 2a: Slant well or Ranney collector intake system at Moss Landing with seawater pumped to the desalination plant at the Charles Benson Road site.

Intake Option 2b: Slant well or Ranney collector intake system at both Moss Landing and Potrero Road with seawater pumped to the desalination plant at the Charles Benson Road site.

10.3 Discharge Contingencies

The Parties agree that the following discharge contingencies should be considered in the following order:

Discharge Option 1 (Brine Diffusers): Modify outfall by inserting separate pipe for brine discharge, and adding dedicated pressurized brine diffusers at the end of the outfall.

Discharge Option 2: Install new outfall off-shore of CEMEX property, and adding dedicated pressurized brine diffusers at the end of the outfall.

Discharge Option 3 (Modified Marine Refractory Outfall): Construct brine pipeline to Moss Landing and discharge to the existing Marine Refractory Outfall, with addition of pressurized brine diffusers.

10.4 Siting Contingencies

If any of intake contingency Option 2, 2a, or 2b are chosen and discharge contingency Option 3 is chosen, the parties agree the site at the Charles Benson Road would no longer be

advisable due to the increased cost of pipelines and the Parties agree that siting contingencies should be considered in the following order::

Siting Option 1: Slant wells or Ranney Collector at Potrero Road, desalination plant at the site proposed for Dolan Road in the Final EIR for Commission proceeding number A.04-09-019, discharge to Marine Refractory outfall, with the addition of pressurized brine diffusers

Siting Option 2: Slant wells or Ranney Collector at Potrero Road, desalination plant at the site proposed for Dolan Road in the Final EIR for Commission proceeding number A.04-09-019, discharge to new outfall with pressurized brine diffusers.

11. SECURITIZATION

11.1 Amount

California American Water agrees to finance a portion of the MPWSP with a tax exempt securitization, set at an amount that will allow California American Water to maintain a fixed equity investment equal to approximately 27.0% of the value of the total project costs for the desalination plant and the CAW-Only Facilities and which allows for collections from Surcharge 2 as defined below. Examples of calculations using this financing for both the 9.6 mgd and 6.4 mgd plant size are provided in Appendix 2.

11.2 California American Water shall have the opportunity to invest equity in the MPWSP such that it has the opportunity to earn its authorized rate of return. The Parties agree that California American Water will be taking on significant risk with the MPWSP and some equity investment serves the public interest. The securitization must allow California American Water to maintain a fixed equity investment equal to approximately 27% of the total cost of the MPWSP facilities upon completion of the financing. The proceeds from the securitization need to be received by California American Water in a manner such that State Revolving Funds (SRF) (or other long-term debt in the event SRF is not available and equity) can be used to balance the fixed equity investment to approximate as close as possible to the equity amount of 27% of the total costs for the desalination plant and CAW-Only Facilities. Further, SRF (or other long-term debt in the event SRF is not available and equity) used to pay off any short-term debt provided by California American Water during construction would also be available to balance the fixed equity investment target. Examples of the sources and uses of each component of financing is referenced in Section 15 and included as Appendix 3.

11.3 Criteria

The Parties agree that using securitization as a component of financing for the MPWSP costs is only reasonable if the following conditions are met:

(a) The securitization lowers the cost to customers. The Parties agree that as a reasonable benchmark to ensure that sufficient benefits accrue to customers, the estimated annual customer benefits must, at a minimum, exceed 1.0% of the total annual revenue requirement for the MPWSP facilities.

(b) The securitization does not adversely affect other California American Water customers within California American Water's other service areas outside of the Monterey County District. Securitization shall only be used to finance the costs of the desalination plant and CAW-Only Facilities so long as it will not negatively impact the credit ratings of American Water or its affiliate American Water Capital Corporation, or in the event that California American Water is a stand-alone entity, then so long as the securitization will not negatively impact the credit ratings of California American Water, computed as a stand-alone entity. This will be determined by the letters from the ratings agencies provided for below.

(c) The securitization does not require a separate California American Water-specific credit rating.

(d) The securitization does not change California American Water's debt-to-equity ratio for the portion of the MPWSP costs not financed with securitized funds. Excluding the securitization amount and any equity related to California American Water's investment in the Special Purpose Entity ("SPE"), California American Water will balance the remaining MPWSP costs with debt and equity at its authorized ratio. California American Water's currently authorized debt-to-equity ratio is 47% to 53%.

(e) The securitization does not change California American Water's authorized rate of return on equity. California American Water's currently authorized rate of return on equity is 9.99%.

(f) The securitization does not materially delay the MPWSP. The securitization amount must be available in a manner to allow for SRF (or other long-term debt in the event SRF is not available and equity) to be used to balance the equity target as discussed in Section 11.2.

(g) The securitization does not create a taxable event for California American Water. The tax impacts of securitization must be considered as part of the customer benefit analysis determination and must be recoverable in rates. The Parties agree that there shall be no adverse tax implications that might accrue to the Monterey County District or other California American Water customers.

11.4 Implementation

(a) To implement the securitization, California American Water will establish a SPE, which will issue debt that will be purchased by the public agency, which in turn will issue financing. The public agency will issue the financing through "Water Rate Relief Bonds" and lend the proceeds to the SPE. California American Water will sell to the SPE a property right consisting of the right to impose, collect, and adjust from time to time a non-bypassable charge to California American Water customers. The sale of the property right by California American Water will be a true sale for bankruptcy purposes. The payment of principal and interest on the Water Rate Relief Bonds are provided for through the non-bypassable charge received by the SPE and remitted to the public agency for payment of principal and interest on the Water Rate Relief Bonds.

(b) The securitization will be non-recourse to California American Water and a default of the bonds will not be a default of California American Water.

(c) The securitization will be of a long-term nature (20-30 years), with a preference for 30 years.

(d) Under Rev. Proc. 2005-62, California American Water will be required to capitalize the SPE. California American Water will capitalize the SPE at the minimum amount that is required to have it accounted for as a legally distinct entity and to provide reserves as needed. The amount of capitalization is expected to be approximately 1% of the Water Rate Relief Bonds. California American Water will place this amount in rate base and will earn interest on the amount at California American Water's then-authorized rate of return.

(e) Securitization will require authorization from the California legislature and a financing order from the Commission. The legislation will authorize the creation of the property right to impose, collect, and adjust from time to time the non-bypassable charge to California American Water customers sufficient to pay off the securitization. The legislation will authorize the Commission to issue a financing order to enable the financing.

(f) There shall be automatic true-up adjustments of the securitization surcharge, as necessary, to ensure sufficient funds for the timely payment of securitization principal, interest, and related costs. The Parties agree that such adjustments shall be done through a Tier 1 advice letter.

(g) The public agency will secure the legislation from the California legislature for the securitization. The public agency will structure the financing and obtain the necessary documentation. The public agency will obtain the rating for the financing and arrange for sale of the debt.

(h) The public agency will endeavor to structure the securitization in a manner that will permit California American Water to avoid significant cash management costs. The Parties shall pursue a system of cost management approach that satisfies the requirement of securitization without resulting in excessive costs.

(i) California American Water will file an application with the Commission for a financing order pursuant to the legislation. To the extent necessary, California American Water will establish any internal financial separation systems required for the securitization. Any costs that are necessary will be added to working cash and recovered as set forth below.

(j) In the course of having the bonds rated by Standard & Poors and Moody's ratings agencies, the public agency will request a letter from each of the rating agencies that will affirm that the securitization will not negatively impact the credit of California American Water, as a stand-alone entity, or American Water.

(k) The public agency agrees to provide a legal opinion that the proposed securitization does not create a taxable event for California American Water.

11.5 Use of Proceeds and Recovery of Costs

(a) The proceeds of the securitization will be used for the following:

(i) Financing the MPWSP at the agreed-upon level.

(ii) Reimbursement of public agency fees and expenses associated with securitization.

(iii) California American Water will be reimbursed for all fees and expenses it incurs as a result of the securitization effort, including carrying cost on such fees and expenses at the actual cost incurred to fund such efforts (as referenced in Section 14.3). The reimbursement will occur at the time the securitization is funded.

(b) If the securitization is not successful, California American Water may recover all of its reasonably and prudently incurred costs related to the securitization from customers in the Monterey County District. California American Water will track its securitization costs as debit entries in a new subset of the Surcharge 1 memorandum account until such time as the Commission approves the Surcharge 2 project collection memorandum account, at which time the expenditures will be offset against the Surcharge 2 collection portion of the project construction cost memorandum account.

(c) If California American Water is shown to have been negatively impacted by the securitization at any time over the amortization period of the bonds, California American Water may seek a determination of the impact in the Cost of Capital or other applicable Commission proceeding and may recover the cost of the negative impact from the customers in the Monterey County District. If California American Water is shown to have been negatively impacted by the securitization at any time after the issuance of the bonds but over the life of the bonds, California American Water may seek a determination of the impact in the Cost of Capital or other applicable Commission proceeding and may recover the cost of the negative impact from the customers in the Monterey County District.

11.6 Contingency

(a) If the public agency is unsuccessful in obtaining a tax-exempt securitization, the public agency may pursue an alternative form of public agency contribution (Proposition 218 process) if such contribution is feasible, will result in lower costs to customers, and will be accomplished to meet all of the requirements of Section 11.1 through 11.5.

(b) However, understanding the urgency to finance, construct and bring the desalination project on line, California American Water stands ready to provide long-term debt financing (either through American Water Capital Corporation or the California Pollution Control Financing Authority, whichever is lowest cost to customers) and equity financing.

12. SURCHARGE 2

12.1 Collection

(a) The total to be collected under Surcharge 2 will be reduced to an estimated $71.5 million in order to provide for a smooth transition in rates from the final period under Surcharge 2 to the year 1 revenue requirement of the desalination plant. Surcharge 2 will be determined as a percentage of base revenues and adjusted semi-annually to target $71.5 million in revenue. If Surcharge 2 collections fall short of the $71.5 million target, any remaining undercollection will be funded with SRF debt (or company debt if SRF is not available) and equity.

(b) California American Water agrees to treat Surcharge 2 collections as contributions, and that in the case of condemnation or sale of the assets to which it applies, that California American Water would subtract the amount contributed to the MPWSP via Surcharge 2 from any valuation used in the sale or condemnation of these assets.

(c) California American Water agrees that Surcharge 1 will cease before Surcharge 2 collections begin to allow for a more gradual ramping up of rates that are directly attributed to the MPWSP. To ensure smooth transition from the Surcharge 1 collections to the implementation of Surcharge 2, the Parties agree that the rate of collection for Surcharge 1 shall increase to 20% at a time of a decision in this proceeding and that it again shall increase to 30% six months later so that it equals the implementation surcharge percentage for Surcharge 2.

(d) California American Water will track in a memorandum account the difference between the estimated total of $71.5 million of total collections and actual revenues collected under Surcharge 2. California American Water will file a Tier 1 advice letter quarterly to "true up" these total amounts and propose a new surcharge rate for collection that is estimated to allow for collection of the entire $71.5 million. As stated above any excess funds collected as a difference between total spend on either the CAW-Only Facilities memorandum account and the MPWSP costs memorandum account will accrue interest at the same rate established for AFUDC in Paragraph 7.3(b) above.

(e) California American Water will track in the Surcharge 2 memorandum account the difference between the estimated revenue needed to accumulate $71.5 million in total collections and actual revenues collected under Surcharge 2. California American Water will file a Tier 1 advice letter quarterly to "true up" these amounts. Any surplus Surcharge 2 funds (Surcharge 2 funds in excess of desalination project costs) would earn AFUDC as stated in Paragraph 7.3(b) above.

12.2 Use of Surcharge 2

(a) California American Water agrees to apply the initial $35 million of funds collected under Surcharge 2 to the CAW-Only Facilities. The remaining $36.5 million collected under Surcharge 2 would be applied to the desalination plant costs after permits required to commence construction have been obtained, and provided that if litigation has

been filed concerning the MPWSP, no court has issued a temporary injunction or stay of the MPWSP pending the outcome of the litigation.

(b) California American Water agrees that if the MPWSP is stalled (e.g., judicial injunction or declaration by California American that development of the MPWSP has been suspended) for an estimated 3-month period or longer, it will cease collecting Surcharge 2 and collection will not again be initiated until California American Water has filed a Tier 1 advice letter showing that the MPWSP can again move forward. If the MPWSP terminates, California American Water will file an application with the Commission within 120 days proposing a method to return to customers any Surcharge 2 collections that are over and above the prudently incurred costs.

13. SRF FINANCING

13.1 SRF financing remains the preferred option for debt financing for both the desalination plant and the CAW-Only Facilities. SRF will be utilized in proportion to the amount of equity financing necessary to maintain a balanced capital structure. The capital structure will exclude the amount of securitization bonds, assuming the securitized bonds meet the criteria discussed above.

13.2 If California American Water is not successful in its attempt to obtain SRF funds on its own accord, it agrees to work with a public agency to secure these funds. California American Water will, at its sole discretion, select as a partner for pursuing SRF financing from among capable and willing public entities. If for some reason, SRF funds are not available under any circumstance, then California American Water, through American Water Capital Corporation, stands ready to provide long-term debt financing.

13.3 SRF loans shall be treated for ratemaking purposes just as the Commission has previously determined in D.05-01-048. SRF loans will be treated as debt on California American Water's financial statements for financial reporting purposes.

13.4 California American Water will file a separate application for a financing order from the Commission approving SRF funding. It will file an advice letter to put the changes approved in that order into rates.

13.5 The Parties recognize the value in California American Water providing to the Parties documentation as soon as possible from the SWRCB demonstrating California American Water 's ability to secure SRF financing. California American Water shall actively pursue such documentation and shall provide it to the Parties when available. The Parties also recognize that documentation will not likely be forthcoming until the Commission has certified its EIR. California American Water shall alert the Parties should it obtain any information suggesting SRF financing may not be available or may require a public agency partner.

14. RATEMAKING

14.1 The revenue requirement for the rate base portion of the desalination plant and the CAW-Only Facilities will be based on the current and effective cost of capital decision approved by the Commission, and subject to future adjustment as the cost of capital changes. However,

the interest rate on the securitization and SRF or long-term debt will be set at the time of funding and will be recovered in accordance with procedures set forth in Section 11 and Section 12.

14.2 Property taxes shall be included in the revenue requirement of the MPWSP in compliance with the findings of the tax assessor.

14.3 Depreciation rates on all facilities will be determined based on the latest rates filed with the Commission in either a general rate case or via the annual depreciation adjustment filing made in conjunction with Section 11.21 of the settlement agreement approved by the Commission in D.12-06-016.

14.4 AFUDC shall be allowed on all construction work in progress related to the desalination plant facilities at the actual rate of the instruments used to finance the construction.

14.5 Income Taxes will be calculated as part of the revenue requirements based on the same procedures and at the same rates as established in the latest authorized general rate case decision.

14.6 First Year Revenue Requirement Determination for the Desalination Facilities including the CAW-Only Facilities

(a) Upon completion of the desalination facilities, California American Water shall determine the first year revenue requirement for the desalination facilities including the CAW-Only Facilities. At the time California American Water implements the first year revenue requirement for both such facilities, the authorization will supersede any previously established revenue requirement for the CAW-Only Facilities as authorized by Section 7.3 (c).

(b) The first year revenue requirement will be determined based on the above assumptions and those established in Section 8.3.

(c) The revenue requirement will be placed into base rates via the tier 2 advice letter process, and will increase the authorized revenue requirement for the Monterey County District, the same as any other authorized plant offset advice letter request, except that the increase will only be applicable to customers as determined by the Commission in a later phase of this proceeding.

14.7 Revenue Requirements Beyond Year One

(a) The new revenue requirement as determined in Section 14.6 will remain in place until such time as the revenue requirement of the plant and CAW-Only Facilities are considered in a subsequent GRC.

(b) Operation and maintenance estimates will be determined based on the procedures as set in Section 8.3.

15. PROJECT CASH FLOW

15.1 California American Water agrees to provide $20 million in short term debt to be used during construction as a means of reducing AFUDC.

15.2 A proposed cash flow statement is provided as Appendix 3 that takes into account all sources of financing agreed to by the parties.

16. GOVERNANCE

16.1 The Parties agree that the Governance Committee Agreement, as adopted March 8, 2013 (attached as Appendix 1) provides for consideration of community values and will ensure public agency representation in important aspects of the MPWSP. The parties to the Governance Committee Agreement agree to consider revisions to the Governance Committee Agreement to address the bifurcated GWR procedure set forth in Section 4.3 above and potential submission of written statements concerning GWR findings from the Governance Committee to the Commission as specified in Section 4.3(d). The Parties encourage the Commission to expressly condone, within its decision in this proceeding, California American Water's participation in the Governance Committee consistent with the terms of the Governance Committee Agreement, as potentially modified to address the change in the GWR proceeding as discussed above.

17. CONDITIONS

17.1 This Settlement Agreement is without prejudice to any Party's right to take part to the full extent provided by law in any state, local, or federal permitting or other entitlement process related to the MPWSP. Notwithstanding such right, the Parties agree, subject to any reservations and/or exceptions contained in this Settlement Agreement, to support or not oppose all provisions included in this Settlement Agreement in any such process, and shall not advocate in any such process a position inconsistent with any provision in this Settlement Agreement. Any Party with the legal authority or obligation to issue any permit or entitlement for the MPWSP shall maintain its full legal authority and discretion to determine whether or not to issue such permit or entitlement.

(a) In the event any Party believes another Party has breached its obligations under this provision, the Party alleging breach shall provide the allegedly breaching party written notice and a 30-day opportunity to cure the alleged breach. The Parties agree that injunctive relief, and injunctive relief alone, is the appropriate means to enforce this provision. No Party shall be subject to any claim for money damages as a result of a breach of this provision.

17.2 Because this Settlement Agreement represents a compromise by them, the Parties have entered into each stipulation contained in the Settlement Agreement on the basis that its approval by the Commission not be construed as an admission or concession by any Party regarding any fact or matter of law in dispute in this proceeding.

17.3 The Parties agree that no signatory to the Settlement Agreement assumes any personal liability as a result of this Settlement Agreement. The Parties agree that the

Commission has primary jurisdiction over any interpretation, enforcement, or remedy pertaining to this Settlement Agreement.

17.4 The Parties agree that the Settlement Agreement is an integrated agreement such that if the Commission rejects or modifies any portion of this Settlement Agreement, each Party must consent to the Settlement Agreement as modified, or any Party may withdraw from the Settlement Agreement. Such consent may not be unreasonably withheld. As between the Parties, this Settlement Agreement may be amended or changed only by a written agreement signed by all of the Parties.

17.5 The Parties agree to use their best efforts to obtain Commission approval of the Settlement Agreement. The Parties shall request that the Commission approve the Settlement Agreement without change and find the Settlement Agreement to be reasonable, consistent with the law, and in the public interest.

17.6 This Settlement Agreement may be executed in counterparts, each of which shall be deemed an original, and the counterparts together shall constitute one and the same instrument. Each of the Parties hereto and their respective counsel and advocates have contributed to the preparation of this Settlement Agreement. Accordingly, the Parties agree that no provision of this Settlement Agreement shall be construed against any Party because that Party or its counsel drafted the provision.

17.7 This Settlement Agreement supersedes any prior representations by the Parties regarding each stipulation contained herein.

18. COMMISSION MODIFICATION OF SETTLEMENT AGREEMENT

18.1 If the Commission approves the Settlement Agreement with modifications, the Parties request the Commission to provide a reasonable period for the Parties to consider and respond to such modification.

18.2 If the Commission approves the Settlement Agreement with modifications, each Party shall determine no later than two business days before the deadline imposed by the Commission for acceptance of the modification whether it will accept the modification and shall notify the other Parties of its determination.

18.3 If any Party declines to accept the Commission's modification, the other Parties may still accept the modification and request the Commission to approve the revised Settlement Agreement in the absence of the agreement of the Party or Parties who decline to accept the Commission's modification; provided, however, that Parties who accept the modification and request approval of a revised Settlement Agreement may not accept the modification and request the Commission to approve the revised Settlement Agreement if the applicant California American Water is among the Parties who decline to accept the Commission's modification. If the Commission's proposed modification of this Settlement Agreement is not consented to by California American Water, the Settlement Agreement shall be void and the Commission will establish a procedural schedule to address the disputed issues.

July 31, 2013

CALIFORNIA-AMERICAN WATER COMPANY

By: _____
Robert MacLean, President

July 31, 2013

CITIZENS FOR PUBLIC WATER

By: _____
George T. Riley

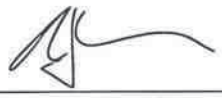
July 30, 2013

CITY OF PACIFIC GROVE

By: Heidi Quinn for
Thomas Frutchey, City Manager

July 31, 2013

COALITION OF PENINSULA BUSINESSES

By: 

Bob McKenzie

July 30, 2013

COUNTY OF MONTEREY

By: Fernando Armenta
Fernando Armenta

July 31, 2013

DIVISION OF RATEPAYER ADVOCATES

By: _____

Joe Como, Acting Director

July 30, 2013

LANDWATCH MONTEREY COUNTY

By: 

Chris Fitz

July 31, 2013

MONTEREY COUNTY FARM BUREAU

By: _____
Norman C. Groot, Executive Director

July 31, 2013

MONTEREY COUNTY WATER
RESOURCES AGENCY

By: David E. Chardavoyne
David E. Chardavoyne, General Manager

July 31, 2013

MONTEREY PENINSULA REGIONAL
WATER AUTHORITY

By: Chuck Della Sala
Chuck Della Sala

July 30, 2013

MONTEREY PENINSULA WATER
MANAGEMENT DISTRICT

By: _____
David J. Stoldt -General Manager

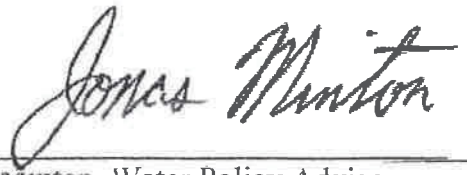
July 31, 2013

MONTEREY REGIONAL WATER
POLLUTION CONTROL AGENCY

By: _____
Keith Israel, General Manager

July___, 2013

PLANNING AND CONSERVATIONS LEAGUE

By: 

Jonas Minton, Water Policy Advisor

July 30, 2013

SALINAS VALLEY WATER COALITION

By: _____
Nancy Isakson

July 31, 2013

SIERRA CLUB

By: Laurens H. Silver
Laurens H. Silver

July 31, 2013

SURFRIDER FOUNDATION

By: _____

Gabriel M. Ross

Appendix 1

AGREEMENT TO FORM THE
MONTEREY PENINSULA WATER SUPPLY PROJECT GOVERNANCE COMMITTEE

This AGREEMENT TO FORM THE MONTEREY PENINSULA WATER SUPPLY PROJECT GOVERNANCE COMMITTEE ("**Agreement**") is made and entered into as of March 8, 2013, by and among the **MONTEREY PENINSULA REGIONAL WATER AUTHORITY** ("**MPRWA**"), the **MONTEREY PENINSULA WATER MANAGEMENT DISTRICT** ("**MPWMD**"), the **COUNTY OF MONTEREY** ("**County**"), and the **CALIFORNIA-AMERICAN WATER COMPANY** ("**Cal-Am**"). The MPRWA, the MPWMD, the County, and Cal-Am are sometimes referred to individually herein as a "**Party**," and collectively as the "**Parties**."

I. Formation of Governance Committee

Pursuant to the terms of this Agreement, the Parties hereby form the Monterey Peninsula Water Supply Project Governance Committee ("**Governance Committee**") comprised of representatives of the MPRWA, the MPWMD, the County, and Cal-Am to ensure efficient and effective public input into the development and operation of the Monterey Peninsula Water Supply Project ("**Project**"). Cal-Am's entry into this Agreement is expressly conditioned upon its legal obligations to abide by the orders and decisions of the California Public Utilities Commission ("**CPUC**"). Therefore, should the CPUC order Cal-Am not to participate in this Agreement, Cal-Am shall be relieved of all obligations set forth in this Agreement and this Agreement may be terminated by Cal-Am upon such CPUC order. Further, if the CPUC issues any order or decision that conflicts with any particular provision of this Agreement, Cal-Am shall be relieved of any and all obligations to abide by the conflicting provision of this Agreement.

II. Definitions

A. Application A.12-04-019. 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, filed with the CPUC on or about April 23, 2012.

B. ASR Infrastructure. The facilities used to inject into and extract potable water from the Seaside Groundwater Basin, as described in Application A.12-04-019. These facilities will include the Aquifer Storage and Recovery ("ASR") wells and related appurtenances, the backflush pipeline, the recirculation pipeline and the ASR pipeline.

C. Brine Discharge Infrastructure. Facilities located outside the desalination plant site that are used to dispose of brine into the ocean. These facilities will include the brine disposal pipeline, the brine receiving station, any modification to the MRWPCA existing outfall, or a new outfall, or potentially the use of other existing outfalls with or without modifications.

D. Cal-Am Notification. The written notification from Cal-Am to the Chair of the Governance Committee that a matter is ready for consideration, consultation, or action by the Governance Committee as provided herein, and as further defined within Section V.B.

E. CEQA. The California Environmental Quality Act.

F. Contracts. One or more of the contracts between Cal-Am and a selected contractor, valued in excess of $1 million, relating to the design and/or construction of the following facilities: (1) the Desalination Infrastructure, (2) the Source Water Infrastructure, (3) the Brine Discharge Infrastructure contracted for by Cal-Am, (4) the Product Water Pipeline, (5) the Raw Water Pipeline; (6) the ASR Infrastructure, and (7) the Terminal Reservoir Infrastructure. Contracts for one or more of the facilities identified above in this definition may be combined into a single contract. In addition, the design and construction of a single facility identified above in this definition may be combined into a single contract.

G. CPCN. The Certificate of Public Convenience and Necessity, if ordered by the CPUC, within Application A.12-04-019.

H. Desalination Infrastructure. Facilities located within the desalination plant site that are used to create potable water from either an ocean source water, brackish source water or a combination thereof, and appurtenant facilities needed to dispose of brine to the Brine Discharge Infrastructure, dispose of wastewater (i.e. process water and sanitary discharge), and any needed facilities that may be required to prevent export of native Salinas River Groundwater Basin water.

I. Desalination Project. The combination of the Desalination Infrastructure, the Brine Discharge Infrastructure, the Source Water Infrastructure, the Product Water Pipeline, the Raw Water Pipeline, and the Terminal Reservoir Infrastructure.

J. GWR Project. Groundwater replenishment project to be implemented by MRWPCA and/or MPWMD which involves advanced treatment of wastewater and the injection of product replenishment water into the Seaside Groundwater Basin. This project includes facilities for the treatment, conveyance, and injection of the product replenishment water.

K. MRWPCA. The Monterey Regional Water Pollution Control Agency.

L. Product Water Pipeline. Facilities used to convey potable water from the Desalination Infrastructure to the Terminal Reservoir Infrastructure and to Cal-Am's existing distribution system at the Eardley Pump Station.

M. Project. The Monterey Peninsula Water Supply Project as proposed in Application A.12-04-019, and as it may be modified by the CPCN issued in response to that Application.

N. Public Entity Members of the Governance Committee. The MPRWA, the MPWMD, and the County. Cal-Am is not a Public Entity Member of the Governance Committee.

O. Raw Water Pipeline. Facilities used to convey feedwater (i.e., raw water) from the Source Water Infrastructure to the Desalination Infrastructure.

P. Source Water Infrastructure. Wells and appurtenant facilities (or alternative contingent intake facilities) that are used to extract and convey feedwater (i.e., raw water) to the Raw Water Pipeline. These facilities will include the slant intake wells and related appurtenances (if permitted) as well as alternate contingent intakes such as a Ranney Well or open ocean intake as submitted by Cal-Am in its contingency plans.

Q. Terminal Reservoir Infrastructure. Facilities used to pump and store potable water in storage tanks east of the City of Seaside along General Jim Moore Boulevard. These facilities will include the terminal reservoir, terminal reservoir pump station, overflow facilities and related appurtenance needed to assist in the moving of water to and from the ASR Infrastructure, other ASR facilities, and Product Water Pipeline.

R. Value Engineer. The professional engineer(s) to be retained by, or to consult with, Cal-Am to perform a value engineering analysis for the Desalination Project to potentially lower the costs of, or maximize the value of, the Desalination Project to Cal-Am's ratepayers, including matters concerning the cost effectiveness, performance, reliability, quality, safety, durability, effectiveness, or other desirable characteristics of the Desalination Project.

The Parties acknowledge that the Project is still under development and several aspects of the Project may be modified as planning continues and as may be ordered by the CPUC. If necessary to address future modifications to the Project, the Parties agree to cooperate in good faith to reach agreement to amend the definitions set forth herein as necessary to fulfill the purpose of this Agreement.

III. Membership and Voting

Each of the Public Entity Members of the Governance Committee shall be represented on the Governance Committee by one elected official of such entity and one alternate who shall also be an elected official. No individual person may be appointed as the primary or alternate representative of more than one Party. If MPRWA ceases to exists, then the cities that are members of the MPRWA at the time of the MPRWA's termination shall collectively choose a "city representative" that will take the place of the MPRWA representative on the Governance Committee. Cal Am shall be represented by the President of Cal-Am or the President's alternate, whom the President may designate to act on his or her behalf at anytime. The Governance Committee shall appoint a "Chair" and "Vice-Chair" from the primary (non-alternate) elected officials appointed to the Governance Committee. Each of the Public Entity Members of the Governance Committee shall have a single equal vote in decision-making. Cal-Am shall not have a vote for purposes of the issuance of decisions or recommendations by the Governance Committee. However, Cal-Am shall, unless it abstains from doing so, state its preference with respect to any decision or recommendation made by the Governance Committee (the "**Cal-Am Preference**") at the time that any decision or recommendation is made by the Governance Committee and the Cal-Am Preference shall be recorded within the meeting minutes together with a summary of any explanation provided by Cal-Am for the Cal-Am Preference.

IV. Powers

A. Purpose. The purpose and function of the Governance Committee shall be to: (i) consult with, advise and, in some circumstances, provide direction to, Cal-Am concerning the design, permitting, construction, operations, maintenance, repairs, and replacements of the components of the Desalination Project; and (ii) serve as the entity which Cal-Am regularly updates as to Desalination Project status and issues. The members of the Governance Committee shall diligently consider all matters and cause the Governance Committee to timely and promptly issue decisions or recommendations brought before it as provided pursuant to the terms of this Agreement.

B. Waiver of Action. Upon motion and affirmative vote of the Governance Committee (pursuant to Section VII of this Agreement), the Governance Committee may choose to waive its right to issue a decision or recommendation with respect to any matter for which the Governance Committee is afforded such right herein. The purpose of the Governance Committee's right to waive its right to make any specified decision or recommendation herein is to empower the Governance Committee to avoid issuing any decision or recommendation, which, in its determination, would violate any law, unreasonably delay efforts to develop water supplies for the Monterey Peninsula, or otherwise compromise the public interest.

V. Governance Committee Action; Procedures

A. Matters Subject to Governance Committee Action. Matters for consideration, consultation, decision, or recommendation by the Governance Committee shall be divided among three categories, with varying processes for consultation, recommendations, and/or decision-making, as follows:

> Category A: The Governance Committee makes the decision or recommendation respecting the matter after receipt of a written recommendation from Cal-Am, and upon issuance of its decision or recommendation, the Governance Committee provides a written explanation of the reasons for its decision to Cal-Am within seven (7) calendar days following its decision or recommendation. Thereafter, Cal-Am will comply with the decision or recommendation issued by the Governance Committee so long as the decision or recommendation is consistent with the terms of this Agreement. However, notwithstanding any provision of this Agreement, for any matter covered by Category A that relates to an action which may cause either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, as defined by section 21065 of the California Public Resources Code, no decision or recommendation shall be made by the Governance Committee as to the subject matter unless

and until such time as the action has been subject to review by an appropriate agency in accordance with CEQA. The foregoing provision shall not be construed as an agreement or determination by or among any of the Parties that CEQA applies to any action of the Governance Committee. This Agreement is itself not a "project" as defined by section 15378 of the CEQA Guidelines (California Code of Regulations, Title 14, Chapter 3) because it is an organizational activity that will not result in direct or indirect physical changes in the environment and this Agreement makes no commitment to any project.

Category B: The Governance Committee makes a recommendation respecting the matter after receipt of a written recommendation from Cal-Am. However, Cal-Am may determine, at its sole discretion, whether or not to follow the Governance Committee's recommendation, provided that if Cal-Am chooses not to follow the recommendation, Cal-Am shall provide a written explanation of Cal-Am's reasons for its decision not to follow the recommendation within ten (10) calendar days following the issuance of the Governance Committee's recommendation. Further, should Cal-Am choose not to follow the recommendation of the Governance Committee, then any Party may raise the issue for review by the CPUC during Cal-Am's next general rate case.

Category C: Cal-Am makes the decision respecting the matter after receiving a recommendation from the Governance Committee. Cal-Am need not issue a written explanation for its decision, although should Cal-Am choose not to follow the recommendation of the Governance Committee, then any Party may raise the issue for review by the CPUC during Cal-Am's next general rate case.

B. Procedure for Cal-Am Notification. Whenever Cal-Am is presented with, or becomes aware of, a matter that falls within any of the subjects identified herein for consideration, consultation, decision or recommendation by the Governance Committee that is ripe for presentation to the Governance Committee, Cal-Am shall, in writing, promptly notify the Chair of the Governance Committee ("Cal-Am Notification"), who shall schedule the matter for consideration by the Governance Committee. For purposes of this Agreement, a matter shall be deemed ripe for presentation to the Governance Committee at such time as either specified within the matters set forth below, or for any matter for which no specification is provided, Cal-Am shall determine the time(s) at which the matter is appropriate for presentation for consultation, decision, or recommendation by the Governance Committee consistent with the purpose of this Agreement. Unless a different period is specified herein, for all matters for which a decision or recommendation is to be made by the Governance Committee, the Governance Committee shall issue its decision or recommendation within ten (10) calendar days following receipt of the Cal-Am Notification. If the Public Entity Members of the Governance Committee determine that the Governance Committee requires more than the prescribed time period provided for in this Agreement to act on any matter that is the subject of the Cal-Am Notification, the Chair of the Governance Committee may, within seven (7) calendar days following receipt of the Cal-Am Notification, request a reasonable extension of time by written request to Cal-Am, and Cal-Am and the Public Entity Members of the Governance Committee shall cooperate in good faith to agree upon and set a reasonable alternative deadline for action on the subject matter to the extent that such an extension would not unreasonably delay the Project, not unreasonably delay required CPUC filings by Cal-Am, or otherwise compromise the public interest. So as to avoid undue delay, if the Governance Committee fails to make any decision or provide any recommendation upon any matter brought before it (including all Category A decisions) on or before the expiration of the prescribed period for action by the Governance Committee (or the period of any extension agreed to by Cal-Am), or if the Governance Committee affirmatively waives its right to make a decision or recommendation respecting a matter before it, then Cal-Am may make the subject decision without a decision or recommendation, as applicable, by the Governance Committee.

C. Cal-Am Status Presentations and Governance Committee Recommendations Thereon. At each meeting of the Governance Committee, Cal-Am shall provide a report as to the status of the Project, which shall be presented by one or more individuals knowledgeable about the material aspects of the Project. Upon reasonable advance written notice, the Governance Committee may request that Cal-Am include within its status presentation to the Governance Committee the status of any matter that is set forth in any of the three categories for decision, recommendation, or consultation established

below, together with an explanation of any pending or soon-to-be-pending decisions or options concerning the subject matter. The Governance Committee may issue, in writing, any recommendation concerning a subject matter included within Cal-Am's presentation. Cal-Am may determine, at its sole discretion, whether or not to follow the recommendation, provided that if Cal-Am chooses not to follow the recommendation and the subject matter is a matter covered by either Category A or Category B, Cal-Am shall, within ten (10) calendar days following issuance of the Governance Committee's recommendation, provide a written explanation of the reason(s) for Cal-Am's decision not to follow the recommendation. If the subject matter is a matter covered by Category C or is not set forth within any of the three categories set forth below, Cal-Am need not issue a written explanation of Cal-Am's reasons for its decision not to follow the recommendation.

D. Categories for Matters Subject to Governance Committee Action. Matters for consideration, consultation, decision, or recommendation by the Governance Committee shall be divided among the following three categories as follows:

Category A

1. This matter concerns the "GWR Recommendation," which specifically is whether Cal-Am shall: (i) pursue a water purchase agreement, acceptable to Cal-Am, for the purchase of water from the GWR Project, and consequently Cal-Am shall develop smaller Desalination Infrastructure with a capacity of approximately 6.4 MGD (or as specified in the CPCN); or (ii) forgo the pursuit of a water purchase agreement for the GWR Project, and consequently Cal-Am shall develop larger Desalination Infrastructure with a capacity of approximately 9.6 MGD (or as specified in the CPCN). If the GWR Recommendation becomes ripe for recommendation, as specified in the paragraph below, before a CPCN is issued upon Application A.12-04-019, the Governance Committee shall not issue any binding recommendation concerning the GWR Recommendation. If the GWR Recommendation becomes ripe for recommendation, as specified in the paragraph below, after a CPCN is issued upon Application A.12-04-019, the Governance Committee shall decide whether to recommend that Cal-Am pursue the GWR Project or not (as set forth above), which recommendation shall then be subject to CPUC approval or rejection pursuant to the procedure specified herein. The Governance Committee shall make this recommendation based upon criteria to be mutually-agreed to by the Parties, negotiating in good-faith, after the execution of this Agreement.

The GWR Recommendation shall become ripe for a recommendation to be made by the Governance Committee (i) no earlier than the date Cal-Am accepts the 30% Design from the contractor retained for the design of the Desalination Infrastructure, (ii) no later than that date upon which Cal-Am is prepared to issue a notice to proceed to a contractor to commence construction of the Desalination Infrastructure, (iii) after the CEQA lead agency has certified the environmental impact report for the GWR Project and approved the GWR Project, and (iv) while there is sufficient time for the GWR Recommendation to be made and for the CPUC to review and approve that recommendation, without otherwise delaying the Project. The GWR Recommendation shall be made by the Governance Committee, in writing with an explanation of the reasons for its decision, within sixty (60) days following receipt of the Cal-Am Notification concerning this matter. The recommendation issued by the Governance Committee shall be submitted by Cal-Am to the CPUC for approval or rejection pursuant to a Tier 2 Advice Letter (or at the direction of the CPUC, an alternate form of submission) within ten (10) calendar days following issuance of the GWR Recommendation by the Governance Committee for the CPUC's review and approval. To avoid undue delay of the Project, and notwithstanding the ripeness of the GWR Recommendation as described above, if on the date that is ninety (90) days prior to the date upon which Cal-Am anticipates being prepared to issue a notice to proceed to a contractor to commence construction of the Desalination Infrastructure, no public agency has issued a resolution or order that declares that it is prepared to issue a notice to proceed to a contractor to commence construction of the GWR Project, then Cal-Am may make the decision with respect to the GWR Recommendation, in its sole discretion, without soliciting or obtaining the GWR Recommendation from the Governance Committee.

2. The Governance Committee shall select a Value Engineer(s) to facilitate and report on the proposed value engineering for the Desalination Project, with consideration given to any

recommended engineer submitted by any member of the Governance Committee. Cal-Am shall conduct the procurement for the Value Engineer and, consistent with the processes set forth in Categories B(1), B(2) and C(2) relating to Contracts, seek recommendations from the Governance Committee for the contract between Cal-Am and the Value Engineer. After reviewing the results of the procurement process, the Governance Committee shall decide which engineer is to be retained by Cal-Am as the Value Engineer for the Desalination Project. This matter shall be ripe for decision before Cal-Am accepts the 30% Design from the contractor retained for the design of the Desalination Infrastructure, or at any other time that Cal-Am intends to retain a Value Engineer for any other infrastructure constructed as a component of the Desalination Project.

3. Subsequent to the issuance of the CPCN and subsequent to the selection of any design-build contractor(s) for the Desalination Infrastructure, the Governance Committee may issue decisions concerning architectural renderings for the Desalination Project. The Governance Committee shall be presented with architectural renderings for decisions regarding the same when such architectural renderings are complete and upon any subsequent modifications thereto. The Governance Committee may also, in its discretion, appoint a representative to consult with Cal-Am regarding other external features or aesthetics of the Desalination Project. Upon a determination of the Governance Committee or its representative, the Governance Committee's representative and Cal-Am shall present to the Governance Committee options pertaining to the Desalination Project's external feature or aesthetics, upon which the Governance Committee may decide which option to pursue. Notwithstanding any provision of this paragraph, the Governance Committee may not issue a binding decision concerning the Desalination Infrastructure's architectural renderings, or the Desalination Project's external features or aesthetics, if the decision would in the opinion of the design-build contractor, increase the capital or operational cost of the Desalination Infrastructure.

4. Subsequent to the issuance of the CPCN, the Governance Committee may issue decisions concerning procurement of alternative (non-Pacific Gas & Electric) energy supplies for the Desalination Infrastructure, including but not limited to waste-to-energy, so long as such decisions result in lowering the Desalination Infrastructure's estimated unit price for power. This matter shall be ripe for decision at any time a formal written proposal concerning alternative power is presented by one or more of the Parties for consideration.

Category B

1. Prior to the issuance of a request for qualifications, request for proposals, or request for bids, as applicable, relating to the procurement of a Contract, the Governance Committee may recommend qualifications and selection criteria for such Contract.

2. Prior to the execution of any Contract not executed on or before the date that is thirty (30) calendar days after the effective date of this Agreement, and upon presentation and recommendation by Cal-Am to the Governance Committee after Cal-Am has reviewed and evaluated proposals or bids, as applicable, and negotiated with the contractor a Contract that, in the opinion of Cal-Am, is ready for execution by and between Cal-Am and the contractor, the Governance Committee may recommend which contractor should be retained under the Contract, and issue any recommendations concerning the terms of the final Contract. When presenting a Contract to the Governance Committee for its consideration and recommendation, Cal-Am shall provide to the Governance Committee a copy of all responsive proposals or bids received for the pertinent work, except for any proprietary information provided by contractors submitting responsive proposals or bids, together with a written description of the process Cal-Am undertook to select a recommended Contractor, a summary of the considerations that Cal-Am deems pertinent to support its recommendation, and any other information that Cal-Am believes will assist the Governance Committee in its review of the recommended Contract and contractor.

3. The Governance Committee may review and issue recommendations concerning major changes to the Desalination Project at key stages of the design process, including:

- Basis of Design

- 30% Design
- 60% Design
- 90% Design, and
- Final Design

As used in this paragraph, major changes to the Project shall include changes causing an increase or decrease in costs of the Desalination Project that exceed $1 million.

4. The Governance Committee may issue recommendations concerning the establishment of a community outreach program.

5. The Governance Committee may recommend the Desalination Project's aesthetic attributes and design consistent with community values if not covered by Category A(3) above;

6. The Governance Committee may coordinate with Cal-Am and recommend solutions to issues concerning the use of the Brine Discharge Infrastructure;

7. The Governance Committee may review and recommend whether to adopt any value engineering recommendations issued by the Value Engineer;

8. The Governance Committee may review and recommend whether to approve any change order pertaining to any component or components of the Desalination Project, if the change order exceeds $1 million.

Category C

1. Cal-Am shall monitor the design, engineering, and permitting of all elements of the Desalination Project, and report on such monitoring to the Governance Committee as described in Section VI. The Governance Committee shall discuss Cal-Am's report and may issue recommendations to Cal-Am pertaining to the Desalination Project;

2. Prior to Cal-Am's commencement of negotiations with a selected contractor relating to a Contract, the Governance Committee may review and issue recommendations concerning contract terms relating to such Contract;

3. The Governance Committee may review and issue recommendations concerning the preparation and quarterly update of an overall construction budget for the Desalination Project;

4. The Governance Committee may review and issue recommendations concerning a plan for acceptance testing, including follow-up reporting, for the Desalination Project;

5. The Governance Committee may annually review and issue recommendations concerning the Desalination Project operations and maintenance budget and rate impacts;

6. The Governance Committee may review and issue recommendations to Cal-Am with respect to local and regional permit requirements; and

7. The Governance Committee may review and issue recommendations concerning the preparation of quarterly progress reports during major design milestones (i.e., 30% design, 60% design, 90% design, and final design) and information on any material challenges to the Project design.

E. Additional Matters. If agreed unanimously by all members of the Governance Committee, including Cal-Am, additional matters not provided for herein may be added to Category A for decision or recommendation by the Governance Committee or to Category B for recommendation from the Governance Committee. Additional matters may also be added to Category C for recommendation

from the Governance Committee upon affirmative vote of the Governance Committee unless Cal-Am determines that the addition of the matter to Category C would unreasonably delay the Project or otherwise compromise the public interest. If Cal-Am determines that a matter affirmed by the Governance Committee for addition to Category C should not be so added, Cal-Am shall issue a written explanation to the Governance Committee within ten (10) calendar days following the Governance Committee's vote to add the matter to Category C that explains the reasons supporting Cal-Am's determination.

VI. Meetings and Action of the Governance Committee; Agendas and Minutes

A. Meetings. Governance Committee meetings shall be conducted in compliance with the Ralph M. Brown Act (Government Code sections 54950, et seq.). The first meeting of the Governance Committee shall be scheduled by the primary representative of the MPWMD, and that representative shall preside over the first meeting at which a Chair and Vice-Chair shall be selected. Thereafter, the Chair, or in his or her absence, the Vice-Chair, shall schedule and preside over all meetings of the Governance Committee. During the pre-construction and construction phases of the Desalination Project, regular meetings of the Governance Committee shall be scheduled by the Chair, or in his or her absence, the Vice-Chair, and held on a monthly basis. During the operational phase of the Desalination Project, regular meetings of the Governance Committee shall be scheduled by the Chair, or in his or her absence, the Vice-Chair, and held on a quarterly basis for the first two years of the Desalination Project's operation and semi-annually thereafter. Special meetings of the Governance Committee, including for purposes of responding to a Cal-Am Notification, may be called by the Chair, or in his or her absence, the Vice-Chair, or by any member of the Governance Committee upon request of the Chair, or in his or her absence, the Vice-Chair.

B. Action by the Governance Committee. All decisions and recommendations of the Governance Committee issued to Cal-Am shall be in writing, signed by the Chair or Vice-Chair. All other actions of the Governance Committee shall be by motion recorded in written minutes.

C. Agendas, Correspondence, and Minutes. Agendas, correspondence, and minutes of the meetings of the Governance Committee shall be taken, maintained, and distributed by a designated staff member of the MPWMD.

VII. Quorum and Affirmative Action of the Governance Committee

To constitute a quorum at all meetings of the Governance Committee for the transaction of business, the primary or alternate elected official representative of at least three of the Parties must be present, in person. Action by the Governance Committee shall require the affirmative vote of at least two of the three Public Entity Members of the Governance Committee.

VIII. Submission of Project Information to the Governance Committee; Project Inspections

Concurrent with Cal-Am's submission of any documents concerning the Project to the CPUC, Cal-Am shall provide a copy of the documents (in paper or electronic form) to the Chair of the Governance Committee. The Chair may notice a meeting on his or her own initiative, or upon the request of any member of the Governance Committee, to review any financial matter addressed by the documents. Cal-Am, upon request of the Chair of the Governance Committee, shall be afforded an opportunity to provide a presentation or any oral explanation relating to the noticed financial matter. Further, upon reasonable advanced, written notice and subject to safety and security concerns and precautions as determined in good faith by Cal-Am, any member(s) of the Governance Committee may inspect any physical facility or structure constructed or being constructed as an element of the Desalination Project, and Cal-Am shall provide an employee, consultant, or other representative, who is knowledgeable of the aspects and elements of the physical facility or structure, to accompany the member(s) of the Governance Committee during the inspection.

IX. Term and Termination of Agreement

This Agreement shall continue in effect until the earlier of (1) the date that is forty (40) years after the effective date of this Agreement (March 8, 2053), or (2) the date that Cal-Am ceases to operate the Desalination Project, the earlier such date to be known as the "Expiration Date." Further, this Agreement may be terminated, prior to the Expiration Date, as follows: (1) by Cal-Am, following the issuance of an order from the CPUC ordering Cal-Am not to participate in this Agreement, as provided for in Section I above; (2) by Cal-Am, if the CPUC denies or rescinds Application A.12-04-019 or denies Cal-Am's development of, or subsequently rescinds Cal-Am's authority to develop, the Desalination Project; or (3) by the written agreement of no less than three of the four members of the Governance Committee. If, on September 8, 2052, the Desalination Project is still being operated by Cal-Am, the Parties shall, within thirty days thereafter, meet and commence negotiations in good faith to seek a renewal of this Agreement, upon mutually acceptable terms, to provide continued public oversight and input concerning the operation, maintenance, repair, modification, and/or replacement of the Desalination Project after the Expiration Date. If this Agreement is terminated by Cal-Am as a result of a CPUC order denying or rescinding Application A.12-04-019 or Cal-Am's authority to develop the Desalination Project, but Cal-Am intends to seek CPUC approval to develop a substitute project to provide water supplies for its Monterey District, then the Parties shall meet and negotiate in good faith to seek agreement, upon mutually acceptable terms, for a substitute agreement to provide public oversight and input concerning the design, permitting, construction, operation, maintenance, repair, modification, and/or replacement of such substitute project.

X. Miscellaneous

A. Further Assurances. The Parties shall execute such further documents and do any and all such further things as may be necessary to implement and carry out the intent of this Agreement.

B. Construction. The provisions of this Agreement shall be liberally construed to effectuate its purposes. The language of this Agreement shall be construed simply according to its plain meaning and shall not be construed for or against any Party, as each Party has participated in the drafting of this Agreement and had the opportunity to have their counsel review it.

C. Choice of Law. This Agreement shall be governed and construed under the laws of the State of California, with venue proper only in Monterey County.

D. Severability. If any term or provision of this Agreement is determined to be illegal, unenforceable, or invalid in whole or in part for any reason, such illegal, unenforceable, or invalid provision or part thereof, shall be stricken from this Agreement, and such provision shall not affect the legality, enforceability, or validity of the remainder of this Agreement. If any provision or part of this Agreement is stricken in accordance with the provisions of this section, then the stricken provision shall be replaced, to the extent possible and as agreed to by the Parties, with a legal, enforceable and valid provision that is as similar in content to the stricken provision as is legally possible.

E. Dispute Resolution. If a dispute arises between two or more of the Parties relating to this Agreement, or the rights and obligations arising therefrom, and if the Parties in dispute are unable to resolve the controversy through informal means, the Parties in dispute may, upon mutual agreement, submit the dispute to mediation, upon terms mutually agreed to by the Parties in dispute. Any Party not in dispute as to the disputed matter shall be afforded an opportunity to participate in the mediation. In addition, if the Parties in dispute are unable to resolve the controversy through mediation, the Parties in dispute may, upon mutual agreement, submit the dispute to binding arbitration, upon terms mutually agreed to by the Parties in dispute. Any Party not in dispute as to the disputed matter may, upon the mutual agreement of the Parties in dispute, be invited to participate in any binding arbitration.

F. Members to Bear their Own Costs. Each Party shall bear its own costs relating to the rights and obligations of each Party arising from this Agreement and its participation in the Governance

Committee and, therefore, no Party shall be entitled to any reimbursement from another Party as a result of any provision of this Agreement.

G. Notices and Communication. Any notice or communication hereunder shall be deemed sufficient if given by one Party to another Party or Parties, as appropriate, in writing and either (1) delivered in person, (2) transmitted by electronic mail and acknowledgment of receipt is made by the receiving Party(ies), (3) deposited in the United States mail in a sealed envelope, certified and with postage and postal charges prepaid, or (4) delivered by a nationally-recognized overnight delivery courier service, and addressed as follows:

If to Cal-Am:

California-American Water Company
Attn: Robert MacLean
President
1033 B Avenue, Suite 200
Coronado, CA 92118
Email: robert.maclean@amwater.com

with a copy to:

California-American Water Company
Attn: Anthony Cerasuolo
Vice President - Legal
1033 B Avenue, Suite 200
Coronado, CA 92118
Email: acerasuolo@amwater.com

If to the MPRWA:

Monterey Peninsula Regional Water Authority
Attn: Lesley Milton
Clerk
City of Monterey
351 Madison St. Monterey, CA 93940
milton@monterey.org

with copies to:

Monterey Peninsula Regional Water Authority
Attn: Donald Freeman
General Counsel
West Side of San Carlos & 8th
P.O. Box 805
Carmel, CA 93921
cityatty@ix.netcom.com

Monterey Peninsula Regional Water Authority
Attn: Russell McGlothlin
Special Counsel
21 E. Carrillo St.,
Santa Barbara, CA 93101
rmcglothlin@bhfs.com

If to the MPWMD:

Monterey Peninsula Water Management District
Attn: David J. Stoldt
General Manager
5 Harris Court – Bldg G
Monterey, CA 93940
Email: dstoldt@mpwmd.net

with a copy to:

Monterey Peninsula Water Management District
Attn: David C. Laredo

General Counsel
5 Harris Court – Bldg G
Monterey, CA 93940
dave@laredolaw.net

If to the County:

County of Monterey Board of Supervisors
C/O Clerk of the Board of Supervisors
168 West Alisal Street
1st Floor
Salinas, CA, 93901
112-clerkoftheboardeveryone@co.monterey.ca.us

with a copy to:

Monterey County Counsel
Attn: Charles J. McKee
168 West Alisal Street
3rd Floor
Salinas, CA 93901
mckeecj@co.monterey.ca.us

or to such other address or to such other person as each Party shall have last designated for receipt of notices pursuant to this Agreement. Where this Agreement provides for written notices or communication from Cal-Am to the Governance Committee, such written notice, explanation, or communication shall be directed to the Chair of the Governance Committee at the address set forth above for notices to the public entity from which the Chair is appointed, and when provided shall be deemed provided to all Public Entity Members of the Governance Committee. The effective date of any written notice, explanation, or communication shall be the earlier of the date of actual receipt, acknowledgment of receipt, or three days following deposit in the United States mail.

H. Successors and Assigns. This Agreement shall be binding on and shall inure to the benefit of the Parties and their respective legal representatives, successors, and assigns.

I. No Third Party Rights. Nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the Parties to this Agreement and their respective successors and assigns, nor shall any provision in this Agreement give any third persons any right of subrogation or action over or against any Party to this Agreement.

J. Signatures - Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The Parties authorize each other to detach and combine original signature pages and consolidate them into a single identical original. Any of such completely executed counterparts shall be sufficient proof of this Agreement.

K. Effective Date. This Agreement shall take effect on date first stated above.

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

[signature page follows]

California-American Water Company

By: _____
Robert MacLean,
President

Monterey Peninsula Regional Water Authority

By: _____
Chuck Della Sala
President

Agreed as to form:

By: _____
Donald Freeman
General Counsel

Monterey Peninsula Water Management District

By: _____
David Pendergrass
Chair

Agreed as to form:

By: _____
David Laredo
General Counsel

County of Monterey

By: _____
Fernando Armenta
Chair of the Board of Supervisors

Agreed as to form:

By: _____
Charles McKee
County Counsel

California-American Water Company

By: _____
Robert MacLean,
President

Monterey Peninsula Regional Water Authority

By: _____
Chuck Della Sala
President

Agreed as to form:

By: _____
Donald Freeman
General Counsel

Monterey Peninsula Water Management District

By: _____
David Pendergrass
Chair

Agreed as to form:

By: _____
David Laredo
General Counsel

County of Monterey

By: _____
Fernando Armenta
Chair of the Board of Supervisors

Agreed as to form:

By: _____
Charles McKee
County Counsel

California-American Water Company

By: _____
Robert MacLean,
President

Monterey Peninsula Regional Water Authority

By: _____
Chuck Della Sala
President

Agreed as to form:

By: _____
Donald Freeman
General Counsel

Monterey Peninsula Water Management District

By: _____
David Pendergrass
Chair

Agreed as to form:

By: _____
David Laredo
General Counsel

County of Monterey

By: _____
Fernando Armenta
Chair of the Board of Supervisors

Agreed as to form:

By: _____
Charles McKee
County Counsel

Appendix 2

MPWSP - Confidential Settlement Discussions
Appendix 2

$Million	9.6 MGD			6.4 MGD		
	Low	**Probable**	**High**	**Low**	**Probable**	**High**
Plant Capital	265.2	312.0	378.2	229.0	269.4	324.9
AFUDC	7.2	8.8	11.0	6.4	7.8	9.8
Total Capital	**272.4**	**320.8**	**389.2**	**235.4**	**277.2**	**334.7**
Surcharge 2	71.5	71.5	71.5	71.5	71.5	71.5
Remaining Funding	**200.9**	**249.3**	**317.7**	**163.9**	**205.7**	**263.2**
CAW Equity	73.5	86.5	105.3	63.5	74.8	90.5
SRF Debt	65.2	76.8	93.4	56.4	66.4	80.2
Public Financing - 30Y	62.2	86.0	119.0	44.0	64.5	92.5
Yr 1 Cost to Customer	**29.0**	**33.3**	**39.9**	**32.5**	**36.2**	**41.5**
Yr 1 Rate Base	**68.3**	**79.7**	**96.3**	**59.0**	**69.0**	**82.7**
Debt % (pub fin not debt)	47%	47%	47%	47%	47%	47%
Debt % (pub fin is debt)	63%	65%	67%	61%	64%	66%
Equity % of Total Capital	27%	27%	27%	27%	27%	27%
1st Year RR + Base	86.7	91.0	97.6	90.2	93.9	99.2
Last Yr Base + Surcharge	92.1	92.1	92.1	92.1	92.1	92.1
% Change	**(5.9%)**	**(1.3%)**	**5.9%**	**(2.1%)**	**1.9%**	**7.6%**

Appendix 3

MPWSP - Confidential Settlement Discussions
Appendix 3

9.6 MGD Plant - Most Probable

USES OF CASH						
	2013	**2014**	**2015**	**2016**	**2017**	**Total**
Desal Plant	0.2	26.1	16.1	109.6	65.0	**217.0**
CAW-Only Facilties	0.0	0.0	16.1	54.2	24.7	**95.0**
Carrying Costs	0.0	0.2	1.0	3.7	3.9	**8.8**
Total Uses of Cash	**0.2**	**26.3**	**33.2**	**167.5**	**93.6**	**320.8**
SOURCES OF CASH						
	2013	**2014**	**2015**	**2016**	**2017**	**Total**
Net CAW Equity	0.0	7.1	9.0	45.2	25.3	86.6
Net SRF Debt	0.0	6.3	7.9	40.1	22.4	76.8
Surcharge 2	0.0	0.0	12.3	28.5	30.7	71.5
Public Agency Contrib	0.1	12.9	4.0	53.7	15.2	85.8
Total Sources of Cash	**0.2**	**26.3**	**33.2**	**167.5**	**93.6**	**320.8**

6.4 MGD Plant - Most Probable

USES OF CASH						
	2013	**2014**	**2015**	**2016**	**2017**	**Total**
Desal Plant	0.2	25.4	15.6	83.7	49.6	**174.4**
CAW-Only Facilties	0.0	0.0	16.1	54.2	24.7	**95.0**
Carrying Costs	0.0	0.1	1.0	3.2	3.5	**7.8**
Total Uses of Cash	**0.2**	**25.5**	**32.6**	**141.1**	**77.8**	**277.2**
SOURCES OF CASH						
	2013	**2014**	**2015**	**2016**	**2017**	**Total**
Net CAW Equity	0.0	6.9	8.8	38.1	21.0	74.8
Net SRF Debt	0.0	6.1	7.8	33.8	18.6	66.4
Surcharge 2	0.0	0.0	12.3	28.5	30.7	71.5
Public Agency Contrib	0.1	12.5	3.7	40.7	7.5	64.4
Total Sources of Cash	**0.2**	**25.5**	**32.6**	**141.1**	**77.8**	**277.2**

FILED
08/13/18
01:58 PM

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.	A.12-04-019 (Filed April 23, 2012)

SETTLEMENT AGREEMENT ON PLANT SIZE AND LEVEL OF OPERATION, ENTERED BY THE FOLLOWING PARTIES: CALIFORNIA-AMERICAN WATER COMPANY, CITIZENS FOR PUBLIC WATER, CITY OF PACIFIC GROVE, COALITION OF PENINSULA BUSINESSES, DIVISION OF RATEPAYER ADVOCATES, MONTEREY PENINSULA REGIONAL WATER AUTHORITY, MONTEREY PENINSULA WATER MANAGEMENT DISTRICT, MONTEREY REGIONAL WATER POLLUTION CONTROL AGENCY, AND PLANNING AND CONSERVATION LEAGUE FOUNDATION

Robert MacLean
President
California-American Water Company
1033 B Avenue, Suite 200
Coronado, CA 92118
(619) 522-6360
robert.maclean@amwater.com

Thomas Frutchey
City Manager
City of Pacific Grove
300 Forest Avenue
Pacific Grove, CA 93950
(831) 648-3106
tfrutchey@ci.pg.ca.us

George T. Riley
Citizens For Public Water
1198 Castro Road
Monterey, CA 93940
(831) 645-9914
georgetriley@gmail.com

Bob McKenzie
Coalition of Peninsula Businesses
P.O. Box 223542
Carmel, CA 93922
(831) 595-420
jrbobmck@gmail.com

July 31, 2013

Jonas Minton
Water Policy Advisor
Planning and Conservations League
1107 9th Street, Suite 901
Sacramento, CA 95814
(916-719-4049
jminton@pcl.org

Chuck Della Sala
President
Monterey Peninsula Regional
Water Authority
580 Pacific St.
Monterey, CA 93940
(831) 373-8451-0009

David J. Stoldt
General Manager
Monterey Peninsula Water
Management District
PO Box 85
Monterey, CA 93942
(831) 658-5600
dstoldt@mpwmd.net

Keith Israel
General Manager
Monterey Regional Water Pollution
Control Agency
5 Harris Court, Bldg. D
Monterey, CA 93940
(831) 645-4601
keith@mrwpca.com

Joe Como
Division of Ratepayer Advocates
505 Van Ness Avenue
San Francisco, CA 94102
(415) 703-2771
des@cpuc.ca.gov

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.	A.12-04-019 (Filed April 23, 2012)

SETTLEMENT AGREEMENT ON PLANT SIZE AND LEVEL OF OPERATION, ENTERED BY THE FOLLOWING PARTIES: CALIFORNIA-AMERICAN WATER COMPANY, CITIZENS FOR PUBLIC WATER, CITY OF PACIFIC GROVE, COALITION OF PENINSULA BUSINESSES, DIVISION OF RATEPAYER ADVOCATES, MONTEREY PENINSULA REGIONAL WATER AUTHORITY, MONTEREY PENINSULA WATER MANAGEMENT DISTRICT, MONTEREY REGIONAL WATER POLLUTION CONTROL AGENCY, AND PLANNING AND CONSERVATION LEAGUE FOUNDATION

1. GENERAL

1.1 Pursuant to Article 12 of the California Public Utilities Commission's ("Commission's") Rules of Practice and Procedure, to avoid the expense and uncertainty of litigating matters in dispute between them, the following parties agree on this Settlement Agreement, which will be submitted for review, consideration, and approval by the Commission: California-American Water Company ("California American Water"), Citizens for Public Water, City of Pacific Grove, Coalition of Peninsula Businesses, Division of Ratepayer Advocates ("DRA"), Monterey Peninsula Regional Water Authority ("MPRWA"), Monterey Peninsula Water Management District ("MPWMD"), Monterey Regional Water Pollution Control Agency ("MRWPCA"), and Planning and Conservation League Foundation (collectively, the "Settling Parties").

2. BACKGROUND

2.1 On April 23, 2012, California American Water filed its Application for Approval of the Monterey Peninsula Water Supply Project ("MPWSP") and Authorization to Recover All Present and Future Costs in Rates for the MPWSP ("Application"). State Water Resources Control Board ("SWRCB") Order Nos. WR 95-10 (July 6, 1995) and WR 2009-0060 (Oct. 20, 2009) limit California American Water's ability to use water from the Carmel River to supply its Monterey County District customers. Through the MPWSP, California American Water seeks to comply with the SWRCB's Orders by both reducing its Monterey District's reliance on water taken from the Carmel River and increasing its District's use of water taken from alternative

sources. The MPWSP is comprised of two elements: (1) a desalination plant with associated facilities, and (2) what are commonly referred to as the "CAW-Only Facilities."

2.2 As to the desalination plant component of the MPWSP, California American Water's application sought authorization initially for a 9.0 million gallons per day ("mgd") desalination plant. It also requested authorization to reduce the plant size to 5.4 mgd if a supplemental supply of water purchased from the separate Groundwater Replenishment Project ("GWR Project") could be secured with adequate assurances. Those assurances require (1) the GWR Project reaches certain milestones by the time California American Water is ready to construct the desalination plant, and (2) the cost of water from the GWR Project is reasonable. (Application, pp. 1, 5-6.)

2.3 In response to comments from interested parties, California American Water first modified the sizing of the desalination plant to 9.6 mgd without water from the separate GWR Project and to 6.4 mgd with 3,500 acre feet per year ("af/yr") from the GWR Project. (CA-12, *Supplemental Testimony of Richard C. Svindland*, dated January 11, 2013 ("Svindland Supplemental"), p. 5.) Through this Settlement Agreement, the parties agree to a third sizing option of a potential 6.9 mgd plant to be combined with 3,000 af/yr of GWR water.

2.4 The GWR Project is a joint undertaking between MRWPCA and MPWMD. The GWR Project will create a source of water by taking the treated water from MRWPCA's plant, filtering it through a new advanced water treatment plant, and injecting the highly-treated product water into the Seaside Basin Aquifer, where it would be stored. California American Water entered a Memorandum of Understanding with the MRWPCA and MPWMD to collaborate on developing the GWR Project. The criteria and process for determining whether the GWR Project meets the milestones and cost reasonableness necessary to reduce the size of the desalination plant are addressed in a separate settlement agreement, submitted in A.12-04-019.

2.5 The MPWSP also incorporates facilities that the Commission previously approved in D.10-12-016, which are commonly referred to as the "CAW-Only Facilities" and include the Transfer Pipeline, Seaside Pipeline, Monterey Pipeline, Terminal Reservoir, Aquifer Storage and Recovery ("ASR") Pipeline, ASR Recirculation and Backflush Pipelines, ASR Pump Station, and Valley Greens Pump Station. (Application, p. 5.)

2.6 In a separate process from this proceeding, the local agencies affected by the MPWSP are addressing certain issues related to the allocation of water obtained from the MPWSP.

(a) MPWMD has begun and commits to complete the process of updating its existing Environmental Impact Report to address the environmental impacts pertaining to the allocation of water from the MPWSP.

(b) MPWMD will initiate a process and collaborate with MPRWA, the County of Monterey ("County"), and California American Water to develop proposed amendments to MPWMD's rules and regulations to address the allocation of water obtained from the MPWSP, and thereafter agendize the proposed amendments for consideration by the

MPWMD. An amendment shall be included that specifically addresses intensification of water use from water obtained from the MPWSP.

(c) MPWMD will initiate a process and collaborate with MPRWA, County, and California American Water to develop a process for accurately estimating the added capacity needed to meet General Plan build out projections for communities served by California American Water's Monterey District. The findings from this process shall be reported to the Commission either in a subsequent rate design phase of A.12-04-019 or as part of the general rate case process.

2.7 Workshops on MPWSP costs, contingencies, and financial modeling were held on December 11-13, 2012. California American Water served supplemental testimony on January 11, 2013. DRA and intervenors served testimony on February 22, 2013. California American Water served rebuttal testimony on March 8, 2013. Evidentiary hearings were held on April 2-11, 2013 and April 30-May 2, 2013.

2.8 Notice of an all-party settlement meeting was served by MPRWA on April 18, 2013. The all-party settlement meeting was held on April 30, 2013 at the Commission. Settlement discussions continued through May, June, and July 2013. Such discussions led to this Settlement Agreement and one additional settlement agreement between parties, submitted in A.12-04-019.

3. DESALINATION PLANT SIZING

3.1 The Settling Parties agree, based on present assumptions of calculations for anticipated future demand, as set forth in Section 3.1 below, the desalination plant shall be sized at 9.6 mgd without the GWR Project, or either 6.4 mgd or 6.9 mgd to accommodate certain discrete capacities of 3,500 or 3,000 af/yr of GWR product water, respectively, subject to the conditions herein. The sizing of the desalination plant is agreed to solely for planning and engineering purposes. This Settlement Agreement does not implicate or affect the decision concerning whether California American Water shall enter into a water purchase agreement for GWR Project water, which is addressed in a separate settlement agreement. Calculations:

(a) California American Water's forecast for the total customer demand in its Monterey District is 15,296 acre-feet per year, as calculated below.

COMPONENT	ANNUAL DEMAND (AF)
5-Year Average System Demand	13,291
Pebble Beach	325
Tourism Bounce Back	500
Lots of Record	1,180
TOTAL	15,296

(CAW-12, Svindland Supplemental, Attachment 2, pp. 4-5.)

(b) Based on total forecasted demand of 15,296 acre-feet per year, without the addition of water from the GWR Project, 9,752 acre-feet per year will be required from the desalination plant, as calculated below:

COMPONENT	ANNUAL SUPPLY (AF)
Forecasted Demand	15,296
Supply from Carmel River Wells	- 3,376
Extraction from Seaside Groundwater Basin[1]	- 774
Long-Term Average ASR Capacity	- 1,300
Sand City Plant Firm Yield to CAW	- 94
Total Required from Desalination Plant	9,752

(CA-12, Svindland Supplemental, Attachment 1, p. 5.)

(c) The Settling Parties have agreed to the sizing of the desalination plant as either: (1) a 9.6 mgd plant without the GWR Project; (2) a 6.4 mgd plant to accommodate discrete capacities of 3,500 af/yr from the GWR Project; or (3) a 6.9 plant to accommodate discrete capacities of 3,000 af/yr from the GWR Project. These agreed upon sizes are intended for planning purposes only in order to allow the plant to be planned and engineered appropriately to meet the aforementioned anticipated demand.

(d) California American Water in its general rate case shall report on the annual demand in the Monterey County District and the annual operating level of the desalination plant.

4. CITY OF PACIFIC GROVE PROJECT

4.1 As part of this proceeding, the City of Pacific Grove proposed a local water project to be owned and operated by it, which will provide new non-potable water supplies for irrigation at its municipal golf links and cemetery, City parks, and school ball fields, as well as for commercial and residential uses. California American Water currently services these uses with potable water.

4.2 The Settling Parties agree the Pacific Grove Project, which consists of three interconnected components using recycled water, stormwater, and dry weather flow, is a valuable part of a comprehensive solution, when integrated with the MPWSP, the GWR Project, and ASR.

4.3 Pacific Grove Project intends to generate as much as 500 acre-feet of recycled, non-potable water per year. The City of Pacific Grove shall be the lead agency to perform the environmental review for the Pacific Grove Project.

[1] California American Water and the Seaside Basin Water Master recently reached an agreement on the replenishment of the Seaside Groundwater Basin water level. The agreement requires California American Water to reduce extraction from the Basin by 700 acre-feet of water annually on a 5-year average basis. The reduced annual extraction volume from the Seaside Groundwater Basin would be 774 acre-feet. The reduction in extraction volume is not treated as demand but is instead treated as a reduction in supply.

4.4 California American Water included in its general rate case application, filed July 1, 2013, a proposal on behalf of the City of Pacific Grove that addresses the Pacific Grove Project.

5. TABLE 13 WATER RIGHTS

5.1 California American Water has had pending at the SWRCB since 1993 Application No. 30215A. On January 29, 2013, the SWRCB released for public comment a draft permit that would authorize California American Water to divert from the Carmel River up to 1,488 acre-feet per year between December 1 and May 31 of the subsequent year at the rate of 4.1 cubic feet per second, subject to certain conditions. Those conditions include compliance with flow criteria established by the National Oceanic and Atmospheric Administration Fisheries and implementation of certain aspects of the MPWMD Mitigation Program.

5.2 The Settling Parties agree that there is no need to adjust the capacity of the desalination plant to address the possible availability of Table 13 water rights since it is possible that in a dry year there will not be any Table 13 water available to California American Water.

5.3 California American Water agrees that if Table 13 water is available, California American Water shall be able to lower the operating level of the desalination plant or use those rights first in the year to allow other existing rights to be used later in the year for emergencies.

(CA-21, *Rebuttal Testimony of Richard C. Svindland*, dated March 8, 2013, pp. 13-14; WD-5, *Direct Testimony of David J. Stoldt*, dated February 22, 2013, pp. 9-10.)

6. CONDITIONS

6.1 This Settlement Agreement is without prejudice to any Party's right to take part to the full extent provided by law in any state, local, or federal permitting or other entitlement process related to the MPWSP. Notwithstanding such right, the Parties agree to support or not oppose all provisions included in this Settlement Agreement in any such process, and shall not advocate in any such process a position inconsistent with any provision in this Settlement Agreement. Any Party with the legal authority or obligation to issue any permit or entitlement for the MPWSP shall maintain its full legal authority and discretion to determine whether or not to issue such permit or entitlement.

(a) In the event any Party believes another Party has breached its obligations under this provision, the Party alleging breach shall provide the allegedly breaching party written notice and a 30-day opportunity to cure the alleged breach. The Parties agree that injunctive relief, and injunctive relief alone, is the appropriate means to enforce this provision. No Party shall be subject to any claim for money damages as a result of a breach of this provision.

6.2 Because this Settlement Agreement represents a compromise by them, the Settling Parties have entered into each stipulation contained in the Settlement Agreement on the basis that its approval by the Commission not be construed as an admission or concession by any Settling Party regarding any fact or matter of law in dispute in this proceeding.

6.3 The Settling Parties agree that no signatory to the Settlement Agreement assumes any personal liability as a result of this Settlement Agreement. The Settling Parties agree that the Commission has primary jurisdiction over any interpretation, enforcement, or remedy pertaining to this Settlement Agreement.

6.4 The Settling Parties agree that the Settlement Agreement is an integrated agreement such that if the Commission rejects or modifies any portion of this Settlement Agreement, each Settling Party must consent to the Settlement Agreement as modified, or any Settling Party may withdraw from the Settlement Agreement. Such consent may not be unreasonably withheld. As between the Settling Parties, this Settlement Agreement may be amended or changed only by a written agreement signed by all of the Settling Parties.

6.5 The Settling Parties agree to use their best efforts to obtain Commission approval of the Settlement Agreement. The Settling Parties shall request that the Commission approve the Settlement Agreement without change and find the Settlement Agreement to be reasonable, consistent with the law, and in the public interest.

6.6 This Settlement Agreement may be executed in counterparts, each of which shall be deemed an original, and the counterparts together shall constitute one and the same instrument. Each of the Settling Parties hereto and their respective counsel and advocates have contributed to the preparation of this Settlement Agreement. Accordingly, the Settling Parties agree that no provision of this Settlement Agreement shall be construed against any Settling Party because that Party or its counsel drafted the provision.

6.7 This Settlement Agreement supersedes any prior representations by the Settling Parties regarding each stipulation contained herein.

7. COMMISSION MODIFICATION OF SETTLEMENT AGREEMENT

7.1 If the Commission approves the Settlement Agreement with modifications, the Settling Parties request the Commission provide a reasonable period for the Settling Parties to consider and respond to such modification.

7.2 If the Commission approves the Settlement Agreement with modifications, each Settling Party shall determine no later than two business days before the deadline imposed by the Commission for acceptance of the modification whether the Settling Party will accept the modification and shall notify the other Settling Parties of its determination.

7.3 If any Settling Party declines to accept the Commission's modification, the other Settling Parties may still accept the modification and request the Commission to approve the revised Settlement Agreement in the absence of the agreement of the Settling Party or Parties who decline to accept the Commission's modification; provided, however, that Settling Parties who accept the modification and request approval of a revised Settlement Agreement may not accept the modification and request the Commission to approve the revised Settlement Agreement if the applicant California American Water is among the Settling Parties who decline to accept the Commission's modification. If the Commission's proposed modification of this Settlement Agreement is not consented to by California American Water, the Settlement

Agreement shall be void and the Commission will establish a procedural schedule to address the disputed issues.

July___, 2013 CALIFORNIA-AMERICAN WATER COMPANY

By:_____
Robert MacLean, President

July___, 2013 CITIZENS FOR PUBLIC WATER

By:_____
George T. Riley

July___, 2013 CITY OF PACIFIC GROVE

By:_____
Thomas Frutchey, City Manager

July___, 2013 COALITION OF PENINSULA BUSINESSES

By:_____
Bob McKenzie

July___, 2013 DIVISION OF RATEPAYER ADVOCATES

By:_____
Joe Como, Acting Director

July___, 2013

MONTEREY PENINSULA REGIONAL WATER AUTHORITY

By:_____
Chuck Della Sala- President

July___, 2013

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

By:_____
David J. Stoldt -General Manager

July___, 2013

MONTEREY REGIONAL WATER POLLUTION CONTROL AGENCY

By:_____
Keith Israel, General Manager

July___, 2013

PLANNING AND CONSERVATIONS LEAGUE

By:_____
Jonas Minton, Water Policy Advisor

Agreement shall be void and the Commission will establish a procedural schedule to address the disputed issues.

July 31, 2013

CALIFORNIA-AMERICAN WATER COMPANY

By: _____
Robert MacLean, President

July ___, 2013

CITIZENS FOR PUBLIC WATER

By: _____
George T. Riley

July 30, 2013

CITY OF PACIFIC GROVE

By: _____
Thomas Frutchey, City Manager

July 31, 2013

COALITION OF PENINSULA BUSINESSES

By: _____
Bob McKenzie

July 31, 2013

DIVISION OF RATEPAYER ADVOCATES

By: _____
Joe Como, Acting Director

July ___, 2013 CALIFORNIA AMERICAN WATER

By: _____
Robert MacLean, President

July 31, 2013 CITIZENS FOR PUBLIC WATER

By: _____
George T. Riley

July ___, 2013 CITY OF PACIFIC GROVE

By _____
Thomas Frutchey, City Manager

July ___, 2013 COALITION OF PENINSULA BUSINESSES

By _____
Bob McKenzie, President

July ___, 2013 DIVISION OF RATEPAYERS ADVOCATE

By: _____
Joe Como, Acting Director

July 31, 2013

MONTEREY PENINSULA REGIONAL WATER AUTHORITY

By: _____
Chuck Della Sala- President

July 30, 2013

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

By: _____
David J. Stoldt, General Manager

July 31, 2013

MONTEREY REGIONAL WATER POLLUTION CONTROL AGENCY

By: _____
Keith Israel, General Manager

July 31, 2013

PLANNING AND CONSERVATIONS LEAGUE

By: _____
Jonas Minton, Water Policy Advisor

EXHIBIT A

EXECUTION COPY

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 No. 12-04-019 (Filed April 23, 2012)

SETTLEMENT AGREEMENT ON MPWSP DESALINATION PLANT RETURN WATER

Robert G. MacLean
President
California American Water
1033 B Street, Suite 200
Coronado, CA 92118
For: California-American Water Company
robert.maclean@amwater.com
(619) 522-6361

Bob McKenzie
Water Issues Consultant
Coalition of Peninsula Businesses
P.O. Box 223542
Carmel, CA 93922
For: Coalition of Peninsula Businesses
jrbobmck@gmail.com
(831) 596-4206

Chris Fitz
LandWatch Monterey County
P.O. Box 1876
Salinas, CA 93902-1876
For: LandWatch Monterey County
landwatch@mclw.org
(831) 759-2824 [75-WATCH]

Norman C. Groot
Monterey County Farm Bureau
P.O. Box 1449
1140 Abbott Street, Suite C
Salinas, CA 93902-1449
For: Monterey County Farm Bureau
norm@montereycfb.com
(831) 751-3100

[ADDITIONAL PARTIES LISTED BELOW]

Dated: June 14, 2016

David Chardavoyne
Monterey County Water Resources Agency
893 Blanco Circle
Salinas, CA 93901
For: Monterey County Water Resources Agency
chardavoyneDE@co.monterey.ca.us
(831) 755-4860

Bill Kampe
Acting President
Monterey Peninsula Regional Water Authority
580 Pacific Street, Room 6
Monterey, CA 93940
For: Monterey Peninsula Regional Water Authority

David J. Stoldt
General Manager
Monterey Peninsula Water Management District
PO Box 85
Monterey, CA 93942
For: Monterey Peninsula Water Management District
(831) 658-5600
dstoldt@mpwmd.net

Paul Sciuto
General Manager
Monterey Regional Water Pollution Control Agency
5 Harris Court, Bldg D
Monterey, CA 3940
For: Monterey Regional Water Pollution Control Agency
(831) 645-4601
paul@mrwpca.com

Jonas Minton
Planning and Conservation League Foundation
1107 – 9th Street, Suite 901
Sacramento, CA 95814
For: Planning and Conservation League Foundation
jminton@pcl.org
(916) 822-5631

Nancy Isakson
President
Salinas Valley Water Coalition
3203 Playa Court
Marina, CA 93933
For: Salinas Valley Water Coalition
nisakson@mbay.net
(831) 224-2879

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 No. 12-04-019 (Filed April 23, 2012)

SETTLEMENT AGREEMENT ON MPWSP DESALINATION PLANT RETURN WATER

Pursuant to Article 12 of the Rules of Practice and Procedure of the California Public Utilities Commission ("CPUC"), California-American Water Company ("Cal Am"), Coalition of Peninsula Businesses ("CPB"), Landwatch Monterey County ("Landwatch"), the Monterey County Farm Bureau ("MCFB"), the Monterey County Water Resources Agency ("Agency"), the Monterey Peninsula Regional Water Authority ("Authority"), Monterey Peninsula Water Management District ("MPWMD"), Monterey Regional Water Pollution Control Agency ("MRWPCA"), Planning and Conservation League Foundation ("PCL"), and the Salinas Valley Water Coalition ("SVWC") (collectively, the "Parties") agree on the terms of this Settlement Agreement, which they now submit for review, consideration, and approval by the CPUC.

RECITALS

A. Cal Am is seeking permits and approvals for the Monterey Peninsula Water Supply Project ("Project"), including a certificate of public convenience and necessity from the CPUC.

B. The Project includes a desalination plant that will provide a potable water supply for Cal Am's Monterey Peninsula service area. Rather than using an open-ocean intake that would produce only seawater as source water for the desalination plant, the Project desalination plant will produce its source water from subterranean slant wells drilled adjacent to the ocean, which will draw water from strata underlying the ocean. The location of the wells overlies the western portion of the Salinas River Groundwater Basin ("SRGB").

C. Cal Am characterizes its Project as proposing to develop seawater and brackish groundwater originating from the SRGB to produce source water that would be desalinated to provide a potable water supply for Cal Am's Monterey Peninsula service area.

D. The SVWC, MCFB and Landwatch contend that—rather than proposing to use an open-ocean intake that would produce only seawater—Cal Am's Project proposes to use wells developed in the SRGB to produce source water for desalination to provide Cal Am's Monterey Peninsula service area with a new source of water supply.

E. The ratio of seawater to brackish SRGB groundwater in the Project source water is anticipated to change over time, with more seawater and less SRGB groundwater anticipated later in the Project's life.

F. Cal Am contends that source water production by the Project is unlikely to cause significant adverse environmental effects with respect to SRGB groundwater resources and is unlikely to cause injury to prior groundwater rights in the SRGB but submits that the Monterey County Water Resources Agency Act ("Agency Act") authorizes the Agency to obtain an injunction prohibiting the export and use of SRGB groundwater outside of the SRGB and certain areas of Fort Ord.

G. The Agency, SVWC, MCFB and Landwatch submit that the Agency Act directly prohibits the export and use of SRGB groundwater outside of the SRGB and certain areas of Fort Ord without the need for the Agency to obtain an injunction.

H. The Project's slant intake wells are designed to produce source water for treatment by the selected desalination plant ("Project Source Water Production"). To meet applicable requirements of the Agency Act, Cal Am has proposed as part of the Project to make available for delivery to groundwater users overlying the SRGB a volume of water ("Return Water") equal to the percentage of SRGB groundwater in the total Project Source Water Production, as calculated on a water year basis and determined by the Agency.

I. The SVWC, MCFB and Landwatch contend there is no surplus SRGB groundwater available for Cal Am's use in providing public water service within or outside of the SRGB and that the law of California groundwater rights requires that any production and use of SRGB groundwater by the Project must be returned for use within the SRGB in lieu of existing groundwater pumping.

J. For Project planning and engineering purposes, Cal Am submits that the Project source water wells have been designed so that approximately 4% of the source water produced by the Project will originate as brackish groundwater from the SRGB.

K. For planning purposes, Cal Am has assumed that the Return Water volume for the large desalination plant will be 1,080 acre feet annually ("afa") and, for the small desalination plant, 690 afa.

L. The CPUC is conducting environmental review of the Project under the California Environmental Quality Act ("CEQA"), and the Monterey Bay National Marine Sanctuary is conducting environmental review of the Project under the National Environmental Policy Act ("NEPA").

M. The modeling used in the CPUC's April 2015 CalAm Monterey Peninsula Water Supply Project Draft Environmental Impact Report ("DEIR") estimates that the volume of SRGB groundwater produced as source water for the large-scale (9.6 million gallons per day) Project would be approximately 7 percent, or 1,889 afa, under existing land-use conditions and would be approximately 4 percent, or 1,080 afa, under projected future 2060 land-use conditions, and would average approximately 5.5 percent, or 1,485 afa, over the life of the Project. (DEIR at 4.4-67.)

N. Note C to the CPUC's DEIR Table 2-5 states that "groundwater modeling indicates that as much as 1,080 afa may need to be returned to the Salinas Valley Groundwater Basin (based on 4 percent of total source water intake being drawn from the Salinas Valley Groundwater Basin)" and states that "Project supply would be sufficient to provide this larger quantity of return water."

O. The CPUC is preparing a revised DEIR/Environmental Impact Statement (RDEIR/DEIS) for the Project that will assess the significance of effects to SRGB groundwater resources, and the modeling in the revised RDEIR/DEIS will be updated and calibrated to include test well production data obtained to date (over 100 days of pumping). Cal Am also is working to gather additional (up to two years) test well production data to inform analysis of those effects. The full data set is not expected to be available before the CPUC's completion of CEQA/NEPA review and its decision whether to approve a certificate of convenience and necessity for the Project.

P. The Parties and the State Water Resources Control Board are in agreement, and the DEIR concludes, that delivering Return Water by injecting desalinated water from the Project into the SRGB is less desirable than delivering Return Water for beneficial use in in the SRGB.

Q. The Castroville Seawater Intrusion Project ("CSIP") is an Agency project that provides recycled water and diverted Salinas River water for use in lieu of groundwater pumping for irrigated agricultural use in the Castroville area of the SRGB.

R. It has been proposed that Cal Am Return Water obligations be fulfilled, in part, by delivery of Return Water to CSIP. Prior environmental analyses reveal that there may be limitations in the capacity of CSIP to accommodate all of the Project Return Water under some conditions. (DEIR, p. 2-45, 6-4, 6-114; Pure Water Monterey, GWR DEIR, Appendix Q, Table B-3).

S. The SVWC, MCFB and Landwatch contend that the Project's well production may cause injury to the SRGB and senior groundwater rights holders in the SRGB under California groundwater law, even if the RDEIR/DEIS concludes that the well production would not cause a significant adverse effect under CEQA.

T. MCFB, SVWC and Landwatch oppose any scenario where Return Water would be used outside the SRGB, rather than for use in lieu of existing groundwater pumping in the SRGB.

U. In the July 31, 2013 Settlement Agreement among 16 parties to Proceeding A.12-04-019, MCFB, SVWC, Landwatch, the Agency, and Citizens for Public Water reserved all rights to challenge production of water from the SRGB by Cal Am in any appropriate forum based on their concerns for potential harm to the SRGB and users thereof.

V. MCFB and SVWC have stated they may litigate these issues if they are not resolved through agreement.

W. Cal Am and the Authority maintain that any obligation to return SRGB groundwater to the SRGB arises only as a requirement of the Agency Act, except to the extent that Return

Water is necessary as part of a physical solution to avoid harm to the SRGB and senior groundwater rights holders in the SRGB under California groundwater law or to mitigate significant adverse effects to the SRGB or particular groundwater users pursuant to CEQA.

X. Cal Am, with the encouragement of the Authority, also desires to maximize revenue for Return Water to offset water costs and water rates for Cal Am customers on the Monterey Peninsula.

Y. Cal Am must obtain CPUC approval to deliver or sell any Return Water for use outside of Cal Am's service area.

Z. A controversy has now arisen as to Cal Am's obligation to deliver Return Water to the SRGB, and as to the responsibility for the costs of producing the Return Water, and the Parties to this Settlement Agreement seek to resolve these issues through this Settlement Agreement.

AA. Pursuant to the terms of this Settlement Agreement, the Parties propose that Cal Am deliver Return Water to the Castroville Community Services District ("CCSD") and to the CSIP to satisfy Return Water requirements that may arise out of the Agency Act, CEQA, or California groundwater law, in accordance with terms and conditions and general principles contained in this Settlement Agreement and separate Return Water Purchase Agreements between Cal Am as seller and CCSD and the Agency, respectively, as purchasers of Return Water.

BB. To facilitate planning and review, the Parties and CCSD executed a Return Water Planning Term Sheet ("Planning Term Sheet") on January 22, 2016 (Appendix A). At a regular meeting called and held on January 19, 2016, the Board of Directors of CCSD adopted Resolution No. 16-2 (Appendix B) approving execution of the Planning Term Sheet. The form of the Planning Term Sheet approved by Resolution 16-2 is consistent with the Planning Term Sheet executed by the Parties and CCSD on January 22, 2016. CCSD and the Parties have met and conferred since January 22, 2016 concerning the terms for a Return Water Purchase Agreement between CCSD and Cal Am ("CCSD RWPA") consistent with the Planning Term Sheet. The Board of Directors of CCSD reviewed the draft CCSD RWPA at a regular meeting on April 19, 2016 and adopted Resolution 16-4 (Appendix B) approving the draft CCSD RWPA in concept for submission to the CPUC for planning purposes and review. CCSD submits that CCSD would sign a CCSD RWPA after expiration of the statute of limitations for challenging a decision by the CPUC certifying the Project environmental impact report and approving this Settlement Agreement.

CC. In the Planning Term Sheet, CCSD submits that it provides municipal and domestic water service to the Town of Castroville, which overlies the SRGB in an area north of the City of Marina and west of the City of Salinas.

DD. In the Planning Term Sheet, CCSD submits that it currently relies on groundwater from the SRGB to meet Castroville's water demands, which use averages approximately 780 afa.

EE. In the Planning Term Sheet, CCSD submits that it increasingly has experienced water

supply challenges due to water quality degradation of its water supplies, primarily from increased salinity.

FF. In the Planning Term Sheet, CCSD submits that poor water quality, including elevated sodium levels in CCSD's groundwater supplies, can contribute to health risks of individuals susceptible to high sodium.

GG. In the Planning Term Sheet, CCSD submits that it has been identified as a disadvantaged community (Greater Monterey County IRWM Regional Water Management Group Disadvantaged Community Outreach Plan, Prepared for the Environmental Justice Coalition for Water by Nilsen & Associates, Approved April 18, 2012), and was an active participant in the Regional Plenary Oversight Group process established by the Office of Ratepayer Advocates to determine whether the Regional Desalination Project, a predecessor project to the Project, would be a source of supply for Castroville.

HH. In the Planning Term Sheet, CCSD submits that many of CCSD's customers contribute significantly to agricultural and hospitality industries in the Salinas Valley and on the Monterey Peninsula.

II. In the Planning Term Sheet, CCSD submits that it is actively pursuing alternative water supplies and has applied to the State for funding to develop deeper groundwater wells and other projects to serve its customer demands.

JJ. In the Planning Term Sheet, CCSD submits that it is interested in taking delivery of a Return Water supply from the Project to replace all or part of CCSD's current reliance on groundwater from the SRGB.

KK. Cal Am contemplated two separate pipelines delivering Return Water from the Project desalination plant, one to CSIP ponds and one to CCSD's wellsite #3 ("CCSD Wellsite"). Through negotiations and discussions, the Parties determined the cost of new infrastructure could be decreased by connecting with existing CSIP infrastructure. That connection allows a single pipeline, rather than two pipelines, to be constructed from the desalination plant to the CCSD Wellsite that will connect with an existing CSIP pipeline ("CSIP Connection"). The elimination of a separate pipeline to the CSIP ponds avoids certain pipeline and pump station costs and results in an estimated cost savings to Cal Am of approximately $1,300,000. A preliminary cost estimate for a pipeline and ancillary facilities necessary to convey water from the Project desalination plant to the CCSD Wellsite ("Delivery Pipeline") is approximately $6,500,000. Cal Am believes that if the Delivery Pipeline is constructed by Cal Am there will economies of scale achieved which may reduce the cost of the Delivery Pipeline to approximately $4,400,000, assuming that Cal Am will secure contracts for construction of the pipeline and that environmental review and permitting will be performed in conjunction with the Project. CCSD estimates its cost to construct a new deep well with treatment facilities would cost approximately $2,800,000. Thus, CCSD submits that it may not be able to prudently fund the Delivery Pipeline for more than $2,800,000, and that capital obligations for the Delivery Pipeline would necessitate long-term commitments by CCSD and certainty of source water supply for CCSD.

LL. The SVWC, MCFB, and Landwatch support Cal Am's delivering Return Water to CCSD and to CSIP for use in lieu of existing groundwater pumping in the SRGB.

MM. The Parties submit that Cal Am's delivery of Return Water to CCSD and CSIP pursuant to the terms of this Settlement Agreement is a fair and equitable resolution of the disputed matters described above, and is consistent with the law and policy controlling the CPUC's approval of the Project, and therefore desire to settle the differences between and among them discussed in the preceding Recitals by entry into this Settlement Agreement.

AGREEMENT

NOW, THEREFORE, as a COMPROMISE and SETTLEMENT of the above-stated dispute, and to provide for an efficient and effective resolution of this dispute, the Parties do hereby AGREE to the following terms:

1. The recitals are hereby incorporated in this Settlement Agreement as if fully set forth herein.

2. Cal Am will deliver Return Water to the SRGB for use in lieu of existing groundwater production as follows:

    a. Subject to Cal Am's Return Water obligations under this Settlement Agreement, Cal Am anticipates delivering Return Water pursuant to two Return Water Purchase Agreements, attached hereto in draft form as Appendix C, and Cal Am, CCSD and the Agency intend to enter into the Return Water Purchase Agreements.[1]

    b. In order to ensure Cal Am's compliance with the Agency Act, the Parties agree that upon start-up of the Project, the first 175 acre-feet of Return Water delivered by Cal Am pursuant to this Settlement Agreement ("Reserve Water") shall be delivered to CSIP.

    c. Cal Am shall have annual Return Water requirements ("Annual Return Water Obligation") that shall be calculated based on the percentage of SRGB groundwater in the total Project Source Water Production. Cal Am's Annual Return Water Obligation under this Settlement Agreement shall not begin until the day after the full

[1] Cal Am is in discussions with the Monterey Regional Waste Management District ("MRWMD") regarding the potential for potable water supply delivery by Cal Am to MRWMD's landfill site that is contiguous to the desalination plant facilities in an amount not to exceed MRWMD's historical average pumping amount estimated at 6 afa. The landfill site cannot use its existing wells for human consumption due to nitrate contamination and, currently, potable water is trucked-in to provide service. In addition, Cal Am is also in discussions with MRWPCA regarding the potential for potable water supply delivery by Cal Am to MRWPCA's site located near the desalination plant facilities in an amount not to exceed MRWPCA's historical averaging pumping amount estimated at 11.9 afa. MRWPCA is currently pumping SRGB groundwater for use at its site and any such potable water supply provided by Cal Am would directly reduce the corresponding amount of groundwater pumping by MRWPCA. The Parties agree that if Cal Am delivers potable water supply to MRWMD's landfill site and/or MRWPCA's site, such water (a) will be counted toward Cal Am satisfying its return water obligations under the Agency Act and this Settlement Agreement, (b) will be subject to Cal Am's applicable commercial customer tariff for its Monterey District, (c) will be included in Cal Am's reporting of Return Water delivered by Cal Am as contemplated by Section 2.h. of this Settlement Agreement, and (d) will be in lieu of existing groundwater pumping from the SRGB.

amount of Reserve Water has been delivered to CSIP (the "Obligation Start Date").

i. During the first three months after the Obligation Start Date, the Annual Return Water Obligation shall be 7% of total Project Source Water Production during that period. For the remainder of the water year after the first three months have passed, the Annual Return Water Obligation shall be the percentage of SRGB groundwater in the total Project Source Water Production calculated during the first three months after the Obligation Start Date.

ii. Beginning in the first full water year after the time period set forth in subsection i. above expires, the Annual Return Water Obligation in any given year shall be the sum of (a) the Base Return Water Obligation for that year, as determined pursuant to subsection iii. below, plus (b) any Return Water Shortfall for the prior year, as determined pursuant to subsection iv. below, minus (c) any Return Water Surplus for the prior year, as determined pursuant to subsection v. below.

iii. The volume of the Base Return Water Obligation shall be initially calculated each year by Cal Am based on the methodology set forth in Appendix D and Cal Am shall notify the other Parties, in writing, of the result of such calculation by December 1 of each year. Such notification shall include all calculations leading to such result. Within 14 days following receipt of such notification, the Agency shall notify the other Parties, in writing, of its determination regarding the accuracy of Cal Am's calculation of the volume of the Base Return Water Obligation. If the Agency determines the result is not accurate, its notification shall explain the reason for such determination. Within 21 days after any written notification by the Agency that it has determined that Cal Am's calculation is not accurate, the Parties shall meet to seek to reach agreement regarding the volume of the Base Return Water Obligation for that year. If the Parties do not reach agreement within 30 days after the initial meeting, any Party may on or after the 31st day, but no later than the 91st day, invoke the provisions of Section 9.

iv. The volume of any Return Water Shortfall for a given year shall be determined by subtracting the amount of Return Water made available by Cal Am in that year from the amount of the Annual Return Water Obligation for that year. If the amount of Return Water made available by Cal Am in that year equals or exceeds the Annual Return Water Obligation, the Return Water Shortfall for that year shall be equal to zero.

v. The volume of any Return Water Surplus for a given year shall be determined by subtracting the amount of the Annual Return Water Obligation for that year from the amount of Return Water provided by Cal Am to CCSD and the Agency in that year. If the amount of Annual Return Water Obligation in that year equals or exceeds the amount of Return Water provided by Cal Am to CCSD and the Agency, the Return Water Surplus for that year shall be equal to zero.

d. Subject to Section 8, Cal Am's obligation to make Return Water available for use in lieu of existing groundwater pumping in the SRGB to meet its Annual Return Water Obligation shall survive for a period of 30 years following start-up of the Project even if the Return Water Purchase Agreements are not executed, do not become effective, or are otherwise amended or terminated.

e. Cal Am shall make available for delivery to CCSD 690 afa of Return Water ("CCSD Delivery Volume").

f. If the Annual Return Water Obligation is less than the CCSD Delivery Volume, Cal Am shall make available for delivery potable water in an amount equal to the difference between the Annual Return Water Obligation for that year and the CCSD Delivery Volume ("Excess Water").

g. Cal Am shall make available for delivery to CSIP any Annual Return Water Obligation in excess of the CCSD Delivery Volume, according to procedures agreed to in the Return Water Purchase Agreement by and between the Agency and Cal Am.

h. For the first two years that Cal Am is delivering Return Water pursuant to this Settlement Agreement, Cal Am will report to the Parties on a quarterly basis the quantity of Return Water delivered to each recipient under this Settlement Agreement. Such reports shall be issued by Cal Am on or about December 1 (for the quarter July 1 to September 30), March 1 (for the quarter October 1 to December 31), June 1 (for the quarter January 1 to March 31), and September 1 (for the quarter April 1 to June 30) of each year. For the following three years that Cal Am is delivering Return Water pursuant to this Settlement Agreement, Cal Am will report to the Parties on a semi-annual basis (on or about December 1 for the period April 1 to September 30, and on or about June 1 for the period October 1 to March 31) the quantity of Return Water delivered to each recipient under this Settlement Agreement. Thereafter, Cal Am will report to the Parties on an annual basis (on or about December 1 for the period October 1 the previous year to September 30 the current year) the quantity of Return Water delivered to each recipient under this Settlement Agreement.

i. All references in this Settlement Agreement to a "year" shall mean a "water year," and all references to a "water year" shall mean the 12-month period beginning on October 1 of a given year and ending on September 30 of the following year. All calculations herein based on the period of a year shall be prorated to account for any time frame that is less than a 12-month period.

3. Cal Am shall comply with the Agency Act. Notwithstanding any other provisions of this Settlement Agreement, the Agency will retain all rights, discretion and authority conferred on the Agency under the Agency Act to ensure that the pumping, production, desalination, and distribution of project source water from the SRGB for the selected desalination plant complies with the Agency Act, and to protect the long-term viability of the SRGB as a water supply for water for agricultural, domestic and municipal use. Neither this Section 3 nor any other provision of this Settlement Agreement shall be interpreted: (a) to affect, diminish, or enhance the Agency's regulatory authority under the Agency Act; (b) to affect, diminish, excuse, or forgive Cal Am's obligation to comply with the Agency Act; or (c) to preclude any argument by any Party to this Settlement Agreement that there is no violation of the Agency Act.

4. The Parties acknowledge that Cal Am could be legally required by a regulatory agency, including the CPUC in this proceeding, or by a court, to make water deliveries to other locations in the SRGB to the extent necessary to mitigate any groundwater impacts from the Project that were demonstrated in relation to a specific location overlying the SRGB ("Other Return Water Obligation"). Such Other Return Water Obligation could also serve to satisfy Cal Am's obligations to return water to the SRGB under the Act, CEQA, or common-law water law principles. Under such circumstances, the Parties agree that it would be inequitable to Cal Am and its ratepayers to fund both the Other Return Water Obligation and the Return Water obligations specified herein as this would result in a duplicative liability to Cal Am and its ratepayers. Cal Am's obligation to make available the CCSD Delivery Volume shall be reduced in the event and to the extent that a regulatory agency or court has required Cal Am to deliver Return Water in a manner or to a location different than as specified in the Settlement Agreement. CCSD shall not be obliged to purchase Return Water if it determines that the reduced amount of Return Water would not be sufficient to justify a Water Purchase Agreement as contemplated herein. In the event that CCSD determines that its water purchase is not justified due to an Other Return Water Obligation, the Parties to this Settlement Agreement will meet and confer in good faith to effect other arrangements to make the remaining Return Water, net of the Other Return Water Obligation, available for use in lieu of existing groundwater pumping in the SRGB in order to ensure that Cal Am will meet its Annual Return Water Obligation under this Settlement Agreement.

   The Parties further acknowledge that the CCSD must be assured of a specific volume of Return Water to justify investment in the capital facilities necessary to convey the Return Water from the Project to the CCSD (the "CCSD Facilities"), and therefore Cal Am's obligation to the CCSD Delivery Volume specified herein cannot be terminated during the term of the anticipated Return Water Purchase Agreements after such time as CCSD has obligated itself to finance such capital facilities. To afford the best foresight in relation to potentially competing Return Water obligations, while also facilitating the certainty relating to Return Water deliveries required by CCSD, Cal Am's obligation to make available the CCSD Delivery Volume under the terms of the CCSD Return Water Purchase Agreement shall become unconditional on the date that is the latest of the following dates:

a. the date on which the CPUC has issued a CPCN for the Project and the period to challenge the legality of the CPUC's issuance of the CPCN (based on CEQA compliance or otherwise) has expired and no challenge has been brought;

b. the date on which any challenge against the CPUC's issuance of the CPCN is resolved with finality following all available appeals and petitions; or

c. 60 days following the date on which the CCSD provides notification to Cal Am that it has secured financing, acceptable to CCSD, to acquire the CCSD Facilities.

In the event of any challenge against the CPUC's issuance of the CPCN, the Parties to this Settlement Agreement shall meet and confer in good faith to effect other arrangements to make the total amount of the Return Water, as adjusted by any Other Return Water Obligation, available for use in lieu of existing groundwater pumping in the SRGB in order to ensure that Cal Am will meet its Annual Return Water Obligation under this Settlement Agreement during the pendency of that litigation.

After the above dates, Cal Am may not terminate its obligation to deliver the CCSD Delivery Volume in the event Cal Am is subsequently required to meet Other Return Water Obligations. Cal Am and CCSD shall meet and confer as necessary within a reasonable amount of time before or after any of the above dates if it appears that Cal Am's obligation to make available the CCSD Delivery Volume may not become unconditional. Due to the urgent nature of the Project and other regulatory pressures to implement the Project, Cal Am and CCSD may mutually agree at any time to amend and move forward with the CCSD Water Purchase Agreement, notwithstanding Other Return Water Obligations, provided all other required approvals have been attained and provided that Cal Am will meet its Annual Return Water Obligation under this Settlement Agreement through some combination of some or all of the CCSD Water Purchase Agreement, the CSIP Water Purchase Agreement, Other Return Water Obligations, or arrangements made pursuant to Section 7 of the Settlement Agreement.

5. Return Water and Excess Water pricing shall be as follows:

a. CCSD**:** For each acre-foot of Return Water or Excess Water made available for delivery to CCSD:

i. CCSD shall pay a rate intended to represent its avoided cost to produce groundwater to meet customer demand, currently estimated to be $110 per acre-foot, which will be the rate as of the Obligation Start Date, for Return Water made available for delivery to meet the Annual Return Water Obligation. CCSD plans to continue operation of its existing wells so they may be available in emergency circumstances. This continuing operation will enable CCSD to provide future updates to the avoided cost of pumping. If CCSD is unable to provide such updated avoided costs of pumping, then the percentage increase of PG&E's A-6 tariff for off-peak summer distribution

rate (with a base of $0.07311 / kWh as of the tariff existing on March 24, 2016) will be used as the escalation factor for the increase in avoided cost of pumping in the future. After the Obligation Start Date, the rate will be reviewed annually and updated, if necessary, via Tier 2 advice letter filing with the CPUC.

ii. CCSD shall pay a rate intended to represent the marginal operation and maintenance costs for the Project to produce one acre-foot of potable water, currently estimated to be $580 per acre-foot, which will be the rate as of the Obligation Start Date, for any Excess Water calculated as set forth in Appendix F. After the Obligation Start Date, the rate will be reviewed annually and updated, if necessary, via Tier 2 advice letter filing with the CPUC.

b. CSIP: Subject to rights to terminate established in Section 10 of the Return Water Purchase Agreement between the Agency and Cal Am, for each acre-foot of Return Water delivered by Cal Am, the Agency shall pay a rate intended to represent the CSIP customers' marginal avoided cost for groundwater produced for use by the CSIP customers, currently estimated to be $102 per acre-foot which will be the rate as of the Obligation Start Date. After the Obligation Start Date, the rate will be reviewed annually and updated, if necessary, via Tier 2 advice letter filing with the CPUC.

6. The Parties support Cal Am negotiating and entering into Return Water Purchase Agreements substantially in the form attached in Appendix C to this Settlement Agreement. To the extent any conflict is noted or alleged to exist between the terms of this Settlement Agreement and the terms of either Return Water Purchase Agreement, the Parties agree to meet and confer to seek to arrive at a mutually-agreeable reconciliation of the terms of the three agreements.

   a. The Return Water Purchase Agreements shall have an initial term of at least 30 years.

   b. Prior to the expiration of the Return Water Purchase Agreements contemplated herein, CCSD and CSIP shall have a right of first refusal to enter into new water purchase agreements on terms to be negotiated at the time.

7. If the Return Water Purchase Agreements are not executed, do not become effective, or are otherwise amended or terminated, the Parties to this Settlement Agreement shall meet and confer in good faith to effect other arrangements to make the total amount of the Return Water reduced by any Other Return Water Obligation available for use in lieu of existing groundwater pumping in the SRGB in order to ensure that Cal-Am will meet its Annual Return Water Obligation under this Settlement Agreement. Regardless of whether the Return Water Purchase Agreements are not executed, do not become effective, or are otherwise amended or terminated, Cal Am shall not be excused from meeting its Annual Return Water Obligation under this Settlement Agreement.

8. Upon termination, expiration or non-renewal of the Return Water Purchase Agreements,

Cal Am shall continue to make Return Water available for delivery to the SRGB for use in lieu of existing groundwater production, unless Cal Am demonstrates that Return Water is not needed to prevent legal injury to prior groundwater rights holders in the SRGB or to avoid significant adverse effects to SRGB groundwater resources. If Cal Am desires to make such a showing, it shall initially do so by providing a demonstration in writing to all Parties to this Settlement Agreement using the notice provisions of Section 24. Within 21 days thereafter, the Parties shall meet to seek to reach agreement regarding whether Cal Am has made the requisite demonstration. If the Parties do not reach agreement within 30 days after the initial meeting, any Party may on or after the 31st day, but no later than the 91st day, invoke the provisions of Section 9. For the avoidance of doubt, nothing in this section 8 in any way affects the provisions, scope and application of Section 3.

9. If a dispute arises concerning any controversy or claim arising out of or relating to this Settlement Agreement or the breach thereof, or relating to its application or interpretation, such dispute shall be resolved as follows:

   a. Disputes. The aggrieved Party will notify the other Parties of the dispute in writing within twenty (20) days after such dispute arises. If the Parties fail to resolve the dispute within sixty (60) days after delivery of such notice, each Party will promptly nominate a senior officer of its organization to meet at any mutually-agreed time and location to resolve the dispute. The Parties shall use their best efforts to reach a just and equitable solution satisfactory to all Parties. If the Parties are unable to resolve the dispute to their satisfaction within sixty (60) days thereafter, the dispute will be subject to mediation, as described below in Section 9.b. The time periods set forth in this section are subject to extension if agreed to by the Parties.

   b. Mandatory Non-binding Mediation. If a dispute is not resolved pursuant to Section 9.a., the Parties agree to first endeavor to settle the dispute in an amicable manner, using mandatory non-binding mediation initiated and conducted under the applicable rules of the American Arbitration Association in effect as of the Effective Date or other rules agreed to in writing by the Parties, before having recourse in a court of law or equity. Each Party shall bear its own legal expenses, and the expenses of witnesses for either side shall be paid by the Party producing such witnesses. All expenses of the mediator, including required travel, and the cost of any proofs or expert advice produced at the direct request of the mediator, shall be borne equally by the Parties, unless they agree otherwise. Any resultant agreements from mediation shall be documented in writing. All mediation proceedings, results, and documentation, including without limitation any materials prepared or submitted or any positions taken by or on behalf of any Party, shall be confidential and inadmissible for any purpose in any legal proceeding (pursuant to California Evidence Codes sections 1115 through 1128), unless such admission is otherwise agreed upon in writing by the Parties. Mediators shall not be subject to any subpoena or liability, and their actions shall not be subject to discovery. The mediation shall be completed within sixty (60) days after selection of the mediator, unless the Parties agree to extend the mediation period.

c. Judicial Relief. If mediation pursuant to Section 9.b. does not resolve a dispute, any Party may seek relief in a court of competent jurisdiction.

d. Limitations on Damages. No Party shall be entitled to consequential damages, incidental damages, or punitive or exemplary damages from any other Party in any action or proceeding in connection with this Settlement Agreement.

e. Attorneys' Fees and Costs. In any action or proceeding to enforce a term or condition of this Settlement Agreement, in any disputes relating to this Settlement Agreement, and in any actions for breaches, defaults, or misrepresentations in connection with the Settlement Agreement, a prevailing Party (as determined by a court of competent jurisdiction) shall be entitled to recover its reasonable costs and expenses, including without limitation reasonable attorneys' fees and costs.

10. The Parties agree that Cal Am's certificated service area for the Monterey County District shall be extended to include: (1) a delivery point near the intersection of Nashua Road and Monte Road (located between Cal Am's desalination plant facilities and the CCSD service area) that is necessary for Cal Am to serve CCSD and the Agency at the delivery point set forth in the anticipated Return Water Purchase Agreements; (2) the territory contiguous to the desalination plant facilities that is necessary for Cal Am to deliver water to Monterey Regional Waste Management District ("MRWMD"); and (3) to MRWPCA's wastewater treatment plant site which is located next to the MRWMD site, and that Cal Am shall update its service area map accordingly through a Tier 2 advice letter filing to describe the territory served on the utility's tariffs. The Parties further agree to support Cal Am's ability to implement and update its tariffs accordingly through a Tier 2 advice letter.

11. The Parties agree that the proposed tariff set forth in Appendix E, which may be modified from time to time with CPUC approval to reflect adjustments to the terms of service as set forth herein, shall govern the rates and provision of service to CCSD and the Agency, subject, however, to rights to terminate established in Section 10 of the Return Water Purchase Agreements between Cal Am and each of CCSD and the Agency.

12. Pursuant to the Return Water Purchase Agreements, Cal Am would collect revenue from CCSD and the Agency. All revenue collected under the Return Water Purchase Agreements would be through an approved tariff with the CPUC and would be used to offset the operations and maintenance costs of the Project to customers in the Monterey District in accordance with Section 8.3 of the document known as the "Large Settlement Agreement." Revenues collected from MRWMD would be under an existing General Metered Non-Residential tariff that is subject to regulation by the CPUC.

13. Cal Am shall provide notice of advice letters filed pursuant to this Settlement Agreement to the Parties and to CCSD upon their filing and in accordance with applicable CPUC requirements.

14. This Settlement Agreement reflects a settlement and compromise of putative claims and remedies of the Parties hereto.

15. If the Return Water settlement described in this Settlement Agreement is not approved by

the CPUC and implemented by Cal Am, the Agency, SVWC, MCFB and Landwatch reserve their rights to challenge Cal Am's production of water from the SRGB in any appropriate forum.

16. The Parties agree to expeditiously, substantively and in good faith support this Settlement Agreement and cooperate with Cal Am in any administrative or judicial proceeding challenging this Settlement Agreement and/or Cal Am's obligations and responsibilities with respect to Return Water.

17. Among other things, this Settlement Agreement helps to define a stable and finite project description that will facilitate the CPUC's completion of CEQA review for the Project. The legal effectiveness of this Settlement Agreement is contingent on the completion of CEQA review and this Settlement Agreement does not irretrievably commit the Parties to carrying out any physical activities that would be required for Cal Am to meet the Annual Return Water Obligation or would otherwise be required for the Parties to comply with the terms of this Settlement Agreement, including through the anticipated Return Water Purchase Agreements whose future approval will be conditioned upon the completion of CEQA review by the CPUC as lead agency for the Project and by those Parties playing the role of a responsible agency with respect to the anticipated Water Supply Agreements. The Parties acknowledge and intend that the lead agency and responsible agencies will retain full discretion with respect to deciding whether to approve the Return Water Supply Agreements or any other commitments necessary or convenient for Cal Am to meet the Annual Return Water Obligation, including discretion to modify commitments to avoid or reduce any significant adverse physical environmental effects (i) from Return Water activities that are within their jurisdiction, and (ii) from the Parties' compliance with other terms of this Settlement Agreement.

18. If the CPUC approves the Settlement Agreement with modifications, the Parties request the CPUC to provide a reasonable period for the Parties to consider and respond to such modification.

19. If the CPUC approves the Settlement Agreement with modifications, each Party shall determine no later than two business days before the deadline imposed by the CPUC for acceptance of the modification whether it will accept the modification and shall notify the other Parties of its determination.

20. If any Party declines to accept the CPUC's modification, the other Parties may still accept the modification and request the CPUC to approve the revised Settlement Agreement in the absence of the agreement of the Party or Parties who decline to accept the CPUC's modification; provided, however, that Parties who accept the modification and request approval of a revised Settlement Agreement may not accept the modification and request the CPUC to approve the revised Settlement Agreement if the applicant Cal Am is among the Parties who decline to accept the CPUC's modification. If the CPUC's proposed modification of this Settlement Agreement is not consented to by Cal Am, the Settlement Agreement shall be void and the CPUC will establish a procedural schedule to address the disputed issues.

21. This Settlement Agreement does not currently impact the terms of section 3.1(b) of the document known as the Large Settlement Agreement. To the extent later binding agreements may specifically do so, they will not impact the Agency's authority and responsibilities under or Cal Am's obligation to comply with the Agency Act.

22. This Agreement shall be binding upon, and shall inure to the benefit of and be enforceable by, the Parties hereto and their respective successors and assigns permitted hereunder.

23. Nothing in this Settlement Agreement is intended, either expressly or by implication, to confer any rights or remedies under or by reason of this Settlement Agreement on any persons other than the Parties hereto; nothing in this Agreement is intended, either expressly or by implication, to relieve or discharge the obligation or liability of any third person to any Party; and nothing in this Settlement Agreement creates, either expressly or by implication, any duty, liability or standard of care to any person who is not a Party.

24. All notifications, notices, demands, requests and other communications herein provided for or made pursuant hereto shall be in writing and shall be sent by: (i) registered or certified mail, return receipt requested, and the giving of such communication shall be deemed complete on the third (3rd) business day after the same is deposited in a United States Post Office with postage charges prepaid; or (ii) reputable overnight delivery service, and the giving of such communication shall be deemed complete on the immediately succeeding business day after the same is deposited with such delivery service; and (iii) so long as a Party has notified the other Party by means of a method described in clauses (i) or (ii) above of such Party's email address for notification purposes, email transmission of notices to such Party are also permitted provided an original is also sent via one of the other permitted means and the giving of such communication shall be complete when such email is received if such email is received on a business day before 3:00 pm Pacific Time; otherwise, such communication shall be deemed complete the next business day. The date on which notifications, notices, demands, requests and other communications are deemed complete shall be the earliest date arising under subsections (i), (ii) or (iii) of this Section 24. All notifications, notices, demands, requests and other communications shall be sent to the Parties as follows:

To Agency:

David E. Chardavoyne
General Manager
Monterey County Water Resources Agency
893 Blanco Circle
Salinas, CA 93901

To Authority:

Bill Kampe
Acting President
Monterey Peninsula Regional Water Authority

580 Pacific Street, Room 6
Monterey, CA 93940

To Cal Am:

Eric J. Sabolsice
Director, Operations
Coastal Division
California-American Water Company
511 Forest Lodge Road, Suite 100
Pacific Grove, CA 93950

To CPB:

Bob McKenzie
Water Issues Consultant
Coalition of Peninsula Businesses
P.O. Box 223542
Carmel, CA 93922

To Landwatch:

Chris Fitz
LandWatch Monterey County
P.O. Box 1876
Salinas, CA 93902-1876

To MCFB:

Norman C. Groot
Monterey County Farm Bureau
P.O. Box 1449
1140 Abbott Street, Suite C
Salinas, CA 93902-1449

To MPWMD:

David J. Stoldt
General Manager

Monterey Peninsula Water Management District
PO Box 85
Monterey, CA 93942

To MRWPCA:

Paul Sciuto
General Manager
Monterey Regional Water Pollution Control Agency
5 Harris Court, Bldg D
Monterey, CA 3940

To PCL:

Jonas Minton
Planning and Conservation League Foundation
1107 – 9th Street, Suite 901
Sacramento, CA 95814

To SVWC:

Nancy Isakson
President
Salinas Valley Water Coalition
3203 Playa Court
Marina, CA 93933

A Party may change the person and/or address for provision of notice by delivering written notice to the other Parties.

25. Each Party to this Settlement Agreement represents and warrants that it has the capability and authority to carry out the rights and obligations of this Settlement Agreement. Each person whose signature appears hereon represents and warrants that he/she has been duly authorized and has full authority to execute this Settlement Agreement on behalf of the Party on whose behalf this Settlement Agreement is executed.

26. This Settlement Agreement may be executed in any number of counterparts, each of which shall be an original, and such counterparts together shall constitute but one and the same instrument.

Respectfully submitted,

Dated: 6/13/16

CALIFORNIA-AMERICAN WATER COMPANY

By _____ for Robert MacLean
Robert MacLean,
President

Dated:

COALITION OF PENINSULA BUSINESSES

By _____
Bob McKenzie,
Water Issues Consultant

Dated:

LANDWATCH MONTEREY COUNTY

By _____
Chris Fitz,

Dated:

MONTEREY COUNTY FARM BUREAU

By _____
Norman C. Groot,
Executive Director

Dated:

MONTEREY COUNTY WATER RESOURCES AGENCY

By _____
David Chardavoyne,
General Manager

Respectfully submitted,

Dated: CALIFORNIA-AMERICAN WATER COMPANY

By _____
Robert MacLean,
President

Dated: June 14, 2016 COALITION OF PENINSULA BUSINESSES

By _____
Bob McKenzie,
Water Issues Consultant

Dated: LANDWATCH MONTEREY COUNTY

By _____
Chris Fitz,

Dated: MONTEREY COUNTY FARM BUREAU

By _____
Norman C. Groot,
Executive Director

Dated: MONTEREY COUNTY WATER RESOURCES AGENCY

By _____
David Chardavoyne,
General Manager

Respectfully submitted,

Dated: CALIFORNIA-AMERICAN WATER COMPANY

By _____
Robert MacLean,
President

Dated: COALITION OF PENINSULA BUSINESSES

By _____
Bob McKenzie,
Water Issues Consultant

Dated: 6/13/16 LANDWATCH MONTEREY COUNTY

By _____
Chris Fitz,

Dated: MONTEREY COUNTY FARM BUREAU

By _____
Norman C. Groot,
Executive Director

Dated: MONTEREY COUNTY WATER RESOURCES AGENCY

By _____
David Chardavoyne,
General Manager

Respectfully submitted,

Dated: CALIFORNIA-AMERICAN WATER COMPANY

By _____
Robert MacLean,
President

Dated: COALITION OF PENINSULA BUSINESSES

By _____
Bob McKenzie,
Water Issues Consultant

Dated: LANDWATCH MONTEREY COUNTY

By _____
Chris Fitz,

Dated: June 14, 2016 MONTEREY COUNTY FARM BUREAU

By _____
Norman C. Groot,
Executive Director

Dated: MONTEREY COUNTY WATER RESOURCES AGENCY

By _____
David Chardavoyne,
General Manager

Respectfully submitted,

Dated: CALIFORNIA-AMERICAN WATER COMPANY

By _____
Robert MacLean,
President

Dated: COALITION OF PENINSULA BUSINESSES

By _____
Bob McKenzie,
Water Issues Consultant

Dated: LANDWATCH MONTEREY COUNTY

By _____
Chris Fitz,

Dated: MONTEREY COUNTY FARM BUREAU

By _____
Norman C. Groot,
Executive Director

Dated: MONTEREY COUNTY WATER RESOURCES AGENCY

10 June 2016

By David E. Chardavoyne
David Chardavoyne,
General Manager

Dated: 6/11/16

MONTEREY PENINSULA REGIONAL WATER AUTHORITY

By Bill Kampe
Bill Kampe,
Acting President

Dated:

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

By _____
David J. Stoldt,
General Manager

Dated:

MONTEREY REGIONAL WATER POLLUTION CONTROL AGENCY

By _____
Paul Sciuto,
General Manager

Dated:

PLANNING AND CONSERVATION LEAGUE FOUNDATION

By _____
Jonas Minton,
Water Policy Adviser

Dated:

SALINAS VALLEY WATER COALITION

By _____
Nancy Isakson,
President

Dated:

MONTEREY PENINSULA REGIONAL WATER AUTHORITY

By _____
Bill Kampe,
Acting President

Dated: July 1, 2016

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

By _____
David J. Stoldt,
General Manager

Dated:

MONTEREY REGIONAL WATER POLLUTION CONTROL AGENCY

By _____
Paul Sciuto,
General Manager

Dated:

PLANNING AND CONSERVATION LEAGUE FOUNDATION

By _____
Jonas Minton,
Water Policy Adviser

Dated:

SALINAS VALLEY WATER COALITION

By _____
Nancy Isakson,
President

Dated:

MONTEREY PENINSULA REGIONAL WATER AUTHORITY

By _____
Bill Kampe,
Acting President

Dated:

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

By _____
David J. Stoldt,
General Manager

Dated: July 28, 2016

MONTEREY REGIONAL WATER POLLUTION CONTROL AGENCY

By _____
Paul Sciuto,
General Manager

Dated:

PLANNING AND CONSERVATION LEAGUE FOUNDATION

By _____
Jonas Minton,
Water Policy Adviser

Dated:

SALINAS VALLEY WATER COALITION

By _____
Nancy Isakson,
President

Dated:

MONTEREY PENINSULA REGIONAL WATER AUTHORITY

By _____
Bill Kampe,
Acting President

Dated:

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

By _____
David J. Stoldt,
General Manager

Dated:

MONTEREY REGIONAL WATER POLLUTION CONTROL AGENCY

By _____
Paul Sciuto,
General Manager

Dated: June 14, 2016

PLANNING AND CONSERVATION LEAGUE FOUNDATION

By _____
Jonas Minton,
Water Policy Adviser

Dated:

SALINAS VALLEY WATER COALITION

By _____
Nancy Isakson,
President

Dated:

MONTEREY PENINSULA REGIONAL WATER AUTHORITY

By _____
Bill Kampe,
Acting President

Dated:

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

By _____
David J. Stoldt,
General Manager

Dated:

MONTEREY REGIONAL WATER POLLUTION CONTROL AGENCY

By _____
Paul Sciuto,
General Manager

Dated:

PLANNING AND CONSERVATION LEAGUE FOUNDATION

By _____
Jonas Minton,
Water Policy Adviser

Dated: June 14, 2016

SALINAS VALLEY WATER COALITION

By _____
Nancy Isakson,
President

SETTLEMENT AGREEMENT ON MPWSP DESALINATION PLANT RETURN WATER

APPENDIX A

PLANNING TERM SHEET

January 21, 2016

RETURN WATER PLANNING TERM SHEET

This PLANNING TERM SHEET (the "Term Sheet") is made as of January 22nd, 2016, by and among CALIFORNIA-AMERICAN WATER COMPANY ("CAW"), the SALINAS VALLEY WATER COALITION ("SVWC"), the MONTEREY COUNTY FARM BUREAU ("MCFB"), the MONTEREY PENINSULA REGIONAL WATER AUTHORITY ("Authority"), LANDWATCH MONTEREY COUNTY, the CASTROVILLE COMMUNITY SERVICES DISTRICT ("CCSD"), and the MONTEREY COUNTY WATER RESOURCES AGENCY ("Agency") (individually, "Party"; collectively, "Parties").

RECITALS

A. CAW is seeking permits and approvals for the Monterey Peninsula Water Supply Project ("MPWSP"), including a certificate of public convenience and necessity from the California Public Utilities Commission ("CPUC");

B. The MPWSP includes a desalination plant that will provide a potable water supply for CAW's Monterey Peninsula service area. Rather than using an open-ocean intake that would produce only seawater as source water for the desalination plant, the MPWSP desalination plant will produce its source water from subterranean slant wells drilled adjacent to the ocean, which will draw water from strata underlying the ocean. The location of the wells overlies the western portion of the Salinas River Groundwater Basin ("SRGB").

C. CAW characterizes its MPWSP as proposing to develop seawater and brackish groundwater originating from the SRGB to produce source water that would be desalinated to provide a potable water supply for CAW's Monterey Peninsula service area.

D. The SVWC, MCFB and Landwatch contend that—rather than proposing to use an open-ocean intake that would produce only seawater—CAW's MPWSP proposes to use wells developed in the SRGB to produce source water for desalination to provide CAW's Monterey Peninsula service area with a new source of water supply.

E. The ratio of seawater to brackish SRGB groundwater in the MPWSP source water is anticipated to change over time, with more seawater and less SRGB groundwater anticipated later in the MPWSP's life;

F. CAW contends that source water production by the MPWSP is unlikely to cause significant adverse environmental effects with respect to SRGB groundwater resources and is unlikely to cause injury to prior groundwater rights in the SRGB but submits that the Monterey County Water Resources Agency Act ("Agency Act") authorizes the Monterey County Water Resources Agency ("Agency") to obtain an injunction prohibiting the export and use of SRGB groundwater outside of the SRGB and certain areas of Fort Ord;

G. The SVWC, MCFB and Landwatch submit that the Agency Act directly prohibits the export and use of SRGB groundwater outside of the SRGB and certain areas of Fort Ord without the need for the Agency to obtain an injunction;

H. To meet applicable requirements of the Agency Act, CAW has proposed as part of the MPWSP to make available for delivery to groundwater users overlying the SRGB a volume of water equal to the percentage of SRGB groundwater in the total MPWSP source water production, as determined by the Agency ("Return Water");

I. The SVWC, MCFB and Landwatch contend there is no surplus SRGB groundwater available for CAW's use in providing public water service within or outside of the SRGB and that the law of California groundwater rights requires that any production and use of SRGB groundwater by the MPWSP must be returned for use within the SRGB in lieu of existing groundwater pumping;

J. For MPWSP planning and engineering purposes, CAW submits that the MPWSP source water wells have been designed so that approximately 4% of the source water produced by the MPWSP will originate as brackish groundwater from the SRGB;

K. For planning purposes, CAW has assumed that the Return Water volume for the large desalination plant will be 1,080 afa, and for the small plant 690 afa;

L. The CPUC is conducting environmental review of the MPWSP under the California Environmental Quality Act ("CEQA"), and the Monterey Bay National Marine Sanctuary is conducting environmental review of the MPWSP under the National Environmental Policy Act ("NEPA");

M. The modeling used in the CPUC's April 2015 CalAm Monterey Peninsula Water Supply Project Draft Environmental Impact Report ("DEIR") estimates that the volume of SRGB groundwater produced as source water for the large-scale (9.6 million gallons per day) MPWSP would be approximately 7 percent, or 1,889 afa, under existing land-use conditions and would be approximately 4 percent, or 1,080 afa, under projected future 2060 land-use conditions, and would average approximately 5.5 percent, or 1,485 afa, over the life of the MPWSP. (DEIR at 4.4-67.)

N. Note C to the CPUC's DEIR Table 2-5 states that "groundwater modeling indicates that as much as 1,080 afa may need to be returned to the Salinas Valley Groundwater Basin (based on 4 percent of total source water intake being drawn from the Salinas Valley Groundwater Basin[]))" and states that "MPWSP supply would be sufficient to provide this larger quantity of return water."

O. The CPUC is preparing a revised DEIR/Environmental Impact Statement (RDEIR/DEIS) for the MPWSP that will assess the significance of effects to SRGB groundwater resources, and the modeling in the revised RDEIR/DEIS will be updated and calibrated to include test well production data obtained to date (over 100 days of pumping). CAW also is working to gather additional (up to two years) test well production data to inform analysis of those effects. The full data set is not expected to be available before the CPUC's completion of CEQA/NEPA review and its decision whether to approve a certificate of convenience and necessity for the MPWSP;

P. The Parties and the State Water Resources Control Board are in agreement, and the DEIR

concludes, that injecting desalinated water from the MPWSP into the SRGB is less desirable than delivering the Return Water for beneficial use in in the SRGB;

Q. Prior environmental analyses reveal that there may be limitations in the capacity of the Castroville Seawater Intrusion Project ("CSIP") to accommodate all of the MPWSP Return Water under some conditions. (DEIR, p. 2-45, 6-4, 6-114; Pure Water Monterey, GWR DEIR, Appendix Q, Table B-3);

R. CSIP is an Agency project that provides recycled water and diverted Salinas River water for use in lieu of groundwater pumping for irrigated agricultural use in the Castroville area of the SRGB;

S. The CPUC Administrative Law Judge has requested additional testimony from the Joint Settling Parties regarding Return Water options, and that testimony must be submitted to the CPUC by January 22, 2016;

T. The SVWC, MCFB and Landwatch contend that the MPWSP's well production may cause injury to the SRGB and senior groundwater rights holders in the SRGB under California groundwater law, even if the RDEIR/DEIS concludes that the well production would not cause a significant adverse effect under CEQA.

U. MCFB, SVWC and Landwatch oppose any scenario where Return Water would be used outside the SRGB, rather than for use in lieu of existing groundwater pumping in the SRGB;

V. In the July 31, 2013 Settlement Agreement among 16 parties to Proceeding A1204019, MCFB, SVWC, Landwatch, the Agency, and Citizens for Public Water reserved all rights to challenge production of water from the SRGB by CAW in any appropriate forum based on their concerns for potential harm to the SRGB and users thereof;

W. MCFB and SVWC have stated they will litigate these issues if they are not resolved through agreement;

X. CAW and the Authority maintain that any obligation to return SRGB groundwater to the SRGB arises only as a requirement of the Agency Act, except to the extent that Return Water is necessary as part of a physical solution to avoid harm to the SRGB and senior groundwater rights holders in the SRGB under California groundwater law or to mitigate significant adverse effects to the SRGB or particular groundwater users pursuant to CEQA;

Y. CAW, with the encouragement of the Authority, also desires to maximize revenue for Return Water to offset water costs and water rates for CAW customers on the Monterey Peninsula;

Z. CAW must obtain CPUC approval to deliver or sell any Return Water for use outside of CAW's service area;

AA. A controversy has now arisen as to CAW's obligation to deliver Return Water to the SRGB, and as to the responsibility for the costs of producing the Return Water, and the Parties to this Term Sheet desire to resolve these issues and to reach agreement on a framework to satisfy Return Water requirements;

BB. Pursuant to the terms of this Term Sheet, the Parties propose that CAW deliver Return Water to the CCSD and to the CSIP to satisfy Return Water requirements that may arise out of the Agency Act, CEQA, or California groundwater law, in accordance with terms and conditions to be agreed upon based on the general principles contained in this Term Sheet;

CC. CCSD submits that it provides municipal and domestic water service to the Town of Castroville, which overlies the SRGB in an area north of the City of Marina and west of the City of Salinas;

DD. CCSD submits that it currently relies on groundwater from the SRGB to meet Castroville's water demands, which average approximately 800 afa;

EE. CCSD submits that it increasingly has experienced water supply challenges due to water quality degradation of its water supplies, primarily from increased salinity;

FF. CCSD submits that poor water quality, including elevated sodium levels extant in CCSD's groundwater supplies, can contribute to health risks of individuals susceptible to high sodium;

GG. CCSD submits that it has been identified as a disadvantaged community (Greater Monterey County IRWM Regional Water Management Group Disadvantaged Community Outreach Plan, Prepared for the Environmental Justice Coalition for Water by Nilsen & Associates, Approved April 18, 2012), and was an active participant in the Regional Plenary Oversight Group process established by the Office of Ratepayer Advocates to determine whether the Regional Desalination Project, a predecessor project to the MPWSP, would be a source of supply for Castroville;

HH. CCSD submits that many of CCSD's customers contribute significantly to agricultural and hospitality industries in the Salinas Valley and on the Monterey Peninsula;

II. CCSD submits that it is actively pursuing alterative water supplies and has applied to the State for funding to develop deeper groundwater wells and other projects to serve its customer demands;

JJ. CCSD submits that it is interested in taking delivery of a Return Water supply from the MPWSP to replace or supplement CCSD's current reliance on groundwater from the SRGB;

KK. Preliminary cost estimates for a pipeline to convey water from the MPWSP plant to CCSD are approximately $6,500,000, which may be reduced to approximately $4,400,000, assuming that CAW will secure contracts for construction of the pipeline and that environmental review and permitting will be performed in conjunction with the MPWSP. CCSD submits that it may not be able to prudently fund a pipeline for more than $2,800,000, and that capital obligations for the pipeline would necessitate long-term commitments by CCSD and certainty of source water supply for CCSD;

LL. The SVWC, MCFB, and Landwatch support CAW's delivering Return Water to CCSD and to CSIP for use in lieu of existing groundwater pumping in the SRGB; and

MM. CAW's delivery of Return Water to CCSD pursuant to the terms of this Term Sheet is a fair and equitable resolution of the disputed matters described above, and is consistent with the law and policy controlling the CPUC's approval of the MPWSP.

NN. The foregoing Recitals are included to provide background regarding this Term Sheet but are neither part of nor incorporated into its terms.

NOW, THEREFORE, as a COMPROMISE and SETTLEMENT of the above-stated dispute, and to provide for an efficient and effective resolution of this dispute, the Parties do hereby AGREE to negotiate appropriate binding agreements on the following terms:

1. Notwithstanding any other provision of this Term Sheet, this Term Sheet sets forth agreements in principle concerning its subject matter, but does not at this time constitute binding covenants or conditions with respect to the issue of Return Water.

2. It is anticipated that certain Parties to this terms sheet will negotiate and enter into water purchase agreements under which CAW will deliver Return Water to the SRGB during the term of the anticipated water purchase agreements for use in lieu of existing groundwater production as follows:

    a. CAW shall have annual Return Water requirements that shall be calculated based on the percentage of SRGB groundwater in the total MPWSP source water production for the prior calendar year ("Annual Return Water Obligation").

        i. During the first three months after start-up of the MPWSP, the Annual Return Water Obligation shall be 7% of total source water production during that period, and for the remainder of that year shall be the percentage of SRGB groundwater in the total MPWSP source water production calculated during the first three months in which the MPWSP started up and then operated.

        ii. Thereafter, CAW shall make available for delivery to the SRGB for beneficial use each year the Annual Return Water Obligation.

        iii. The volume of the Annual Return Water Obligation shall be determined by the Agency based on the methodology set forth in Exhibit A [parties analyzing], which may include annual averaging and other operational parameters appropriate to the circumstances.

    b. CAW shall make available for delivery to CCSD 800 afa of Return Water if the large desalination plant is constructed or 690 afa if the smaller desalination plant is constructed ("CCSD Delivery Volume").

    c. If the Annual Return Water Obligation is less than the CCSD Delivery Volume, CAW shall make available for delivery potable water in addition to the amount of the Annual Return Water Obligation sufficient to satisfy the CCSD Delivery Volume ("Excess Water").

    d. CAW shall make available for delivery to CSIP any Annual Return Water Obligation

in excess of the CCSD Delivery Volume, according to procedures agreed to in the Water Purchase Agreement.

3. The Parties acknowledge that CAW could be legally required by a regulatory agency, including the CPUC in this proceeding, or by a court, to make water deliveries to other locations in the SRGB to the extent necessary to mitigate any groundwater impacts from the MPWSP that were demonstrated in relation to a specific location overlying the SRGB ("Other Return Water Obligation"). Such Other Return Water Obligation could also serve to satisfy CAWs obligations to return water to the SRGB under the Act, CEQA, or common-law water law principle. Under such circumstances, the Parties agree that it may be inequitable to CAW and its ratepayers to fund both the Other Return Water Obligation and the Return Water obligations specified herein as this would result in a duplicative liability to CAW and its ratepayers. CAW's obligation to make available the CCSD Delivery Volume shall be reduced in the event and to the extent that a regulatory agency or court has required CAW to deliver Return Water in a manner or location different than as specified in the Term Sheet. CCSD shall not be obliged to purchase Return Water if it determines that the reduced amount of Return Water would not be sufficient to justify a Water Purchase Agreement as contemplated herein. In the event that CCSD determines that its water purchase is not justified due to an Other Return Water Obligation, the parties to this Term Sheet will meet and confer in good faith to effect other arrangements to make the remaining Return Water, net of the Other Return Water Obligation, available for use in lieu of existing groundwater pumping in the SRGB in order to ensure that CAW will meet its Annual Return Water Obligation under this Term Sheet.

   The Parties further acknowledge that the CCSD must be assured of a specific volume of Return Water to justify investment in the capital facilities necessary to convey the Return Water from the Project to the CCSD (the "CCSD Facilities"), and therefore CAW's obligation to the CCSD Delivery Volume specified herein cannot be terminated during the term of the anticipated water purchase agreements after such time as CCSD has obligated itself to finance such capital facilities. To afford the best foresight in relation to potentially competing Return Water obligations, while also facilitating the certainty relating to Return Water deliveries required by CCSD, CAW's obligation to make available the CCSD Delivery Volume under the terms of that water purchase agreement shall become unconditional on the date that is the latest of the following dates:

   a. the date on which the CPUC has issued a CPCN for the Project and the period to challenge the legality of the CPUC's issuance of the CPCN (based on CEQA compliance or otherwise) has expired and no challenge has been brought;

   b. the date on which any challenge against the CPUC's issuance of the CPCN is resolved with finality following all available appeals and petitions; or

   c. 60 days following the date on which the CCSD provides notification to CAW that it has secured financing, acceptable to CCSD, to construct the CCSD Facilities.

In the event of any challenge against the CPUC's issuance of the CPCN, the Parties to this Agreement shall meet and confer in good faith to effect other arrangements to make the total amount of the Return Water, as adjusted by any Other Return Water Obligation, available for use in lieu of existing groundwater pumping in the SRGB in order to ensure that CAW will meet its Annual Return Water Obligation under this Agreement during the pendency of that litigation.

After the above dates, Cal Am may not terminate its obligation to deliver the CCSD Delivery Volume in the event CAW is subsequently required to make Other Return Water Obligations. CAW and CCSD shall meet and confer as necessary within a reasonable amount of time before or after any of the above dates if it appears that CAW's obligation to make available the CCSD Delivery Volume may not become unconditional. Due to the urgent nature of the MPWSP and other regulatory pressures to implement the MPWSP, CAW and CCSD may mutually agree at any time to amend and move forward with the CCSD Water Purchase Agreement, notwithstanding Other Return Water Obligations, provided all other required approvals have been attained and provided that CAW will meet its Annual Return Water Obligation under this Term Sheet through some combination of the CCSD Water Purchase Agreement, the CSIP Water Purchase Agreement, Other Return Water Obligations, or arrangements made pursuant to paragraph 6 of the Term Sheet.

4. Return Water and Excess Water pricing shall be as follows:

    a. **CCSD:** For each acre-foot of Return Water or Excess Water made available for delivery to CCSD:

        i. CCSD shall pay $110 per acre-foot, as currently estimated, for Return Water made available for delivery to meet the Annual Return Water Obligation, which reflects its avoided cost to produce groundwater to meet customer demand.

        ii. CCSD shall pay $580 per acre-foot, as currently estimated, for any Excess Water, which reflects the operations and maintenance cost for the MPWSP to produce one acre-foot of potable water.

    b. **CSIP:** For each acre-foot of Return Water delivered by CAW, CSIP shall pay $xxx per acre-foot, as currently estimated, which reflects the CSIP customers' marginal avoided cost for recycled water produced for use by the CSIP in lieu recharge project's customers.

    c. Payment for Return Water and Excess Water shall be subject to standard financing provisions, including appropriate price adjustments. The pricing set forth in this Term Sheet is for illustrative purposes only, and actual prices have not been determined.

5. The Parties support CAW negotiating and entering into Water Purchase Agreements with CCSD and the Agency (for CSIP) consistent with the terms of this Term Sheet.

a. The Water Purchase Agreements shall have an initial term of at least 30 years.

b. Prior to the expiration of the Water Purchase Agreements contemplated herein, CCSD and CSIP shall have a right of first refusal to enter into new water purchase agreements on terms to be negotiated at the time.

6. CAW's obligation to make Return Water available for use in lieu of existing groundwater pumping in the SRGB to meet its Annual Return Water Obligation shall survive for a period of 30 years if the initial Water Purchase Agreements do not become effective or are otherwise amended or terminated. In that event, the Parties to this Term Sheet shall meet and confer in good faith to effect other arrangements to make the total amount of the Return Water reduced by any Other Return Water Obligation available for use in lieu of existing groundwater pumping in the SRGB in order to ensure that Cal-Am will meet its Annual Return Water Obligation under this Term Sheet.

7. Upon expiration or non-renewal of the Water Purchase Agreements: (a) CAW shall comply with the Agency Act; and (b) unless CAW demonstrates that Return Water is not needed to prevent legal injury to prior groundwater rights holders in the SRGB or to avoid significant adverse effects to SRGB groundwater resources pursuant to procedures to be agreed upon in future negotiations, CAW shall continue to make Return Water available for delivery to the SRGB for use in lieu of existing groundwater production. In the event of a dispute among any of the parties to this Term Sheet with respect to CAW's need to continue providing Return Water, such dispute shall be resolved by a dispute resolution procedure to be agreed upon in future negotiations.

8. This Term Sheet reflects a settlement and compromise of putative claims and remedies of the Parties hereto.

9. If the Return Water settlement described in this Term Sheet is not approved by the CPUC and implemented by CAW, the SVWC, MCFB and Landwatch reserve their rights to challenge CAW's production of water from the SRGB in any appropriate forum.

10. The Parties agree to support CPUC approval of MPWSP consistent with the compromise and settlement reflected in this Term Sheet, and agree to defend and support this Return Water settlement Term Sheet in any administrative or judicial proceedings concerning this Term Sheet and/or CAW's obligations and responsibilities with respect to Return Water.

11. Among other things, this Term Sheet helps to define a stable and finite project description that will facilitate the CPUC's completion of CEQA review for the MPWSP. The legal effectiveness of this Term Sheet is contingent on the completion of CEQA review and does not irretrievably commit the Parties to carrying out any physical activities that would be required for CAW to meet the Annual Return Water Obligation, including through the anticipated Water Purchase Agreements whose future approval will be conditioned upon the completion of CEQA review by the CPUC as lead agency for the MPWSP and by those Parties playing the role of a responsible agency with respect to the anticipated Water Supply Agreements. The lead agency and responsible agencies will retain full discretion with respect to deciding whether to approve Water Supply Agreements or any other commitments

necessary or convenient for CAW to meet the Annual Return Water Obligation, including discretion to modify commitments to avoid or reduce any significant adverse physical environmental effects from Return Water activities that are within their jurisdiction.

12. This Term Sheet does not currently impact the terms of sections 3.1(b) of the document known as the Large Settlement Agreement. To the extent later binding agreements may specifically do so, they will not impact the Agency's authority and responsibilities under the Agency Act.

13. This Term Sheet may be executed in any number of counterparts.

Dated:

1/22/16

CALIFORNIA-AMERICAN WATER COMPANY

By _____
Robert MacLean,
President

Dated:

SALINAS VALLEY WATER COALITION

By _____
Nancy Isakson,
President

Dated:

MONTEREY COUNTY FARM BUREAU

By _____
Norm Groot,
Executive Director

Dated:

MONTEREY PENINSULA REGIONAL WATER AUTHORITY

By _____
Jason Burnett,
President

necessary or convenient for CAW to meet the Annual Return Water Obligation, including discretion to modify commitments to avoid or reduce any significant adverse physical environmental effects from Return Water activities that are within their jurisdiction.

12. This Term Sheet does not currently impact the terms of sections 3.1(b) of the document known as the Large Settlement Agreement. To the extent later binding agreements may specifically do so, they will not impact the Agency's authority and responsibilities under the Agency Act.

13. This Term Sheet may be executed in any number of counterparts.

Dated: CALIFORNIA-AMERICAN WATER COMPANY

By _____
Robert MacLean,
President

Dated: SALINAS VALLEY WATER COALITION

1/22/16 Nancy Isakson

By _____
Nancy Isakson,
President

Dated: MONTEREY COUNTY FARM BUREAU

By _____
Norm Groot,
Executive Director

Dated: MONTEREY PENINSULA REGIONAL WATER AUTHORITY

By _____
Jason Burnett,
President

necessary or convenient for CAW to meet the Annual Return Water Obligation, including discretion to modify commitments to avoid or reduce any significant adverse physical environmental effects from Return Water activities that are within their jurisdiction.

12. This Term Sheet does not currently impact the terms of sections 3.1(b) of the document known as the Large Settlement Agreement. To the extent later binding agreements may specifically do so, they will not impact the Agency's authority and responsibilities under the Agency Act.

13. This Term Sheet may be executed in any number of counterparts.

Dated:

CALIFORNIA-AMERICAN WATER COMPANY

By _____
Robert MacLean,
President

Dated:

SALINAS VALLEY WATER COALITION

By _____
Nancy Isakson,
President

Dated:

MONTEREY COUNTY FARM BUREAU

1/22/16

By _____
Norm Groot,
Executive Director

Dated:

MONTEREY PENINSULA REGIONAL WATER AUTHORITY

By _____
Jason Burnett,
President

necessary or convenient for CAW to meet the Annual Return Water Obligation, including discretion to modify commitments to avoid or reduce any significant adverse physical environmental effects from Return Water activities that are within their jurisdiction.

12. This Term Sheet does not currently impact the terms of sections 3.1(b) of the document known as the Large Settlement Agreement. To the extent later binding agreements may specifically do so, they will not impact the Agency's authority and responsibilities under the Agency Act.

13. This Term Sheet may be executed in any number of counterparts.

Dated: CALIFORNIA-AMERICAN WATER COMPANY

By _____
Robert MacLean,
President

Dated: SALINAS VALLEY WATER COALITION

By _____
Nancy Isakson,
President

Dated: MONTEREY COUNTY FARM BUREAU

By _____
Norm Groot,
Executive Director

Dated: January 21, 2016 MONTEREY PENINSULA REGIONAL WATER AUTHORITY

By Jason Burnett
Jason Burnett,
President

January 21, 2016

Dated: 1/22/16

LANDWATCH MONTEREY COUNTY

By _____
John H. Farrow,
Counsel

Dated:

CASTROVILLE COMMUNITY SERVICES DISTRICT

By _____
J. Eric Tynan,
General Manager

Dated:

MONTEREY COUNTY WATER RESOURCES AGENCY

By _____
David Chardavoyne,
General Manager

Dated: LANDWATCH MONTEREY COUNTY

By _____
John H. Farrow,
Counsel

Dated: CASTROVILLE COMMUNITY SERVICES DISTRICT

1/22/16

By _____
J. Eric Tynan,
General Manager

Dated: MONTEREY COUNTY WATER RESOURCES AGENCY

By _____
David Chardavoyne,
General Manager

Dated: LANDWATCH MONTEREY COUNTY

By _____
John H. Farrow,
Counsel

Dated: CASTROVILLE COMMUNITY SERVICES DISTRICT

By _____
J. Eric Tynan,
General Manager

Dated: 2/2/16 MONTEREY COUNTY WATER RESOURCES AGENCY

By David F. Chardavoyne
David Chardavoyne,
General Manager

SETTLEMENT AGREEMENT
ON MPWSP DESALINATION PLANT
RETURN WATER

APPENDIX B

CCSD RESOLUTION NO. 16-2 and NO. 16-4

RESOLUTION NO. 16-2

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CASTROVILLE COMMUNITY SERVICES DISTRICT APPROVING RETURN WATER PLANNING TERM SHEET

RESOLVED by the Board of Directors ("Board") of the Castroville Community Services District ("District"), at a regular meeting called and held on January 19, 2016, at the business office of the District, 111499 Geil Street, Castroville, California as follows:

WHEREAS, the Board makes the following findings of fact:

A. California-American Water Company ("CAW") is seeking permits and approvals for the Monterey Peninsula Water Supply Project ("MPWSP"), including a certificate of public convenience and necessity from the California Public Utilities Commission ("CPUC").

B. The MPWSP includes a desalination plant that will provide a potable water supply for CAW's Monterey Peninsula service area. Rather than using an open-ocean intake that would produce only seawater as source water for the desalination plant, the MPWSP desalination plant will produce its source water from subterranean slant wells drilled adjacent to the ocean, which will draw water from strata underlying the ocean. The location of the wells overlies the western portion of the Salinas River Groundwater Basin ("SRGB").

C. To meet applicable requirements of the Monterey County Water Resources Agency Act ("Agency Act", CAW has proposed as part of the MPWSP to make available for delivery to groundwater users overlying the SRGB a volume of water equal to the percentage of SRGB groundwater in the total MPWSP source water production, as determined by the Agency ("Return Water").

D. A controversy has arisen as to CAW's obligation to deliver Return Water to the SRGB, and as to the responsibility for the costs of producing the Return Water, and a Draft Return Water Planning Term Sheet ("Term Sheet") has been proposed to resolve these issues and to reach agreement on a framework to satisfy Return Water requirements. A copy of the January 12, 2016 Draft of the Term Sheet is attached to this Resolution as Exhibit "A".

E. Pursuant to the terms of this Term Sheet, the Parties propose that CAW deliver Return Water to the District, which is designated "CCSD" in the Term Sheet, and to the Castroville Seawater Intrusion Project ("CSIP") to satisfy Return Water requirements that may arise out of the Agency Act, CEQA, or California groundwater law, in accordance with terms and conditions to be agreed upon based on the general principles contained in the Term Sheet.

F. The Salinas Valley Water Coalition, Monterey County Farm Bureau, and Landwatch Monterey County support CAW's delivering Return Water to the District and to CSIP for use in lieu of existing groundwater pumping in the SRGB.

G. The District currently relies on groundwater from the SRGB to meet water demands within the District's service area, which average approximately 800 acre-feet annually ("afa").

H. The District increasingly has experienced water supply challenges due to water quality degradation of its water supplies, primarily from increased salinity. The District is actively pursuing alterative water supplies and has applied to the State for funding to develop deeper groundwater wells and other projects to serve its customer demands.

I. The District is interested in taking delivery of a Return Water supply from the MPWSP to replace or supplement the District's current reliance on groundwater from the SRGB.

J. The District understands from its engineer and from CAW that preliminary cost estimates for a pipeline to convey water from the MPWSP plant to the District are approximately $6,500,000, which may be reduced to approximately $4,400,000, assuming that CAW will secure contracts for construction of the pipeline and that environmental review and permitting will be performed in conjunction with the MPWSP.

K. The District may not be able to prudently fund a pipeline for more than $2,800,000.

L. Capital obligations for the pipeline would necessitate long-term commitments by the District and certainty of source water supply for the District. The Term Sheet addresses these issues.

M. The Term Sheet provides that the legal effectiveness of the Term Sheet is contingent on the completion of CEQA review and does not irretrievably commit the Parties to the Term Sheet to carrying out any physical activities that would be required to implement the terms of the Term Sheet and that the lead agency, and responsible agencies like the District will retain full discretion with respect to deciding whether to approve Water Supply Agreements or any other commitments necessary or convenient for CAW to meet the Annual Return Water Obligation under the Term Sheet, including discretion to modify commitments to avoid or reduce any significant adverse physical environmental effects from Return Water activities that are within their jurisdiction.

N. District Counsel advises that approval of the Term Sheet by the District Board does not require prior review under the California Environmental Quality Act, because approval of the Term Sheet will not constitute action that significantly furthers a project "in a manner that forecloses alternatives or mitigation measures that would ordinarily be part of CEQA review of that public project," as required by Cal.CodeRegs., tit. 14, § 15004, subd. (b)(2)(B)and the decision of the California Supreme Court in*Save Tara v. City of West Hollywood* (2008) 45 Cal.4th 116, 138.

O. The District's General Manager recommends approval of the Term Sheet.

NOW THEREFORE, BE IT RESOLVED by the Board of Directors of the Castroville Community Services District, as follows:

1. **Approval of Return WaterPlanning Term Sheet.** The Board approves execution by the Board President of the Return Water Term Sheet, a copy of which is attached to this Resolution 16-2 as Exhibit "A".

2. **Authority to Implement Term Sheet.** The District, acting through the General Manager and the Board President, are authorized to meet and confer with such persons, including representatives of other Parties to the Term Sheet and the District's engineering and legal advisors to carry out the activities necessary to comply with the Term Sheet and with applicable law.

3. **Limitation on Authority to Implement Term Sheet.** Prior to compliance with the California Environmental Quality Act ("CEQA"), the District and persons acting on behalf of the District shall not take any action or commit the District to any action to implement the Term Sheet that would as a practical matter under the circumstances effectively preclude any alternatives or mitigation measures that would otherwise require to be considered, including the alternative of not going forward with the project outlined in the Term Sheet.

The foregoing resolution was duly and properly introduced at a regular meeting of the Castroville Community Services District Board of Directors duly held on January 19, 2016,and passed and adopted by the following vote:

AYES: Stefani, Montejano, MacMillan, Lewis
NOES: Ø
ABSENT: Melgoza
ABSTAIN: Ø

~~President of the~~ Board

Attest:
Lidia Santos
Secretary of ~~the~~ Board

EXHIBIT A

DRAFT RETURN WATER PLANNING TERM SHEET
Dated January 12, 2016

DRAFT RETURN WATER PLANNING TERM SHEET

This PLANNING TERM SHEET (the "Term Sheet") is made as of _____ _____, 2016, by and among CALIFORNIA-AMERICAN WATER COMPANY ("CAW"), the SALINAS VALLEY WATER COALITION ("SVWC"), the MONTEREY COUNTY FARM BUREAU ("MCFB"), the MONTEREY PENINSULA REGIONAL WATER AUTHORITY ("Authority"), LANDWATCH MONTEREY COUNTY, the CASTROVILLE COMMUNITY SERVICES DISTRICT ("CCSD"), and [OTHER PARTIES] (individually, "Party"; collectively, "Parties").

RECITALS

A. CAW is seeking permits and approvals for the Monterey Peninsula Water Supply Project ("MPWSP"), including a certificate of public convenience and necessity from the California Public Utilities Commission ("CPUC");

B. The MPWSP includes a desalination plant that will provide a potable water supply for CAW's Monterey Peninsula service area. Rather than using an open-ocean intake that would produce only seawater as source water for the desalination plant, the MPWSP desalination plant will produce its source water from subterranean slant wells drilled adjacent to the ocean, which will draw water from strata underlying the ocean. The location of the wells overlies the western portion of the Salinas River Groundwater Basin ("SRGB").

C. CAW characterizes its MPWSP as proposing to develop seawater and brackish groundwater originating from the SRGB to produce source water that would be desalinated to provide a potable water supply for CAW's Monterey Peninsula service area.

D. The SVWC, MCFB and Landwatch contend that—rather than proposing to use an open-ocean intake that would produce only seawater—CAW's MPWSP proposes to use wells developed in the SRGB to produce source water for desalination to provide CAW's Monterey Peninsula service area with a new source of water supply.

E. The ratio of seawater to brackish SRGB groundwater in the MPWSP source water is anticipated to change over time, with more seawater and less SRGB groundwater anticipated later in the MPWSP's life;

F. CAW contends that source water production by the MPWSP is unlikely to cause significant adverse environmental effects with respect to SRGB groundwater resources and is unlikely to cause injury to prior groundwater rights in the SRGB but submits that the Monterey County Water Resources Agency Act ("Agency Act") authorizes the Monterey County Water Resources Agency ("Agency") to obtain an injunction prohibiting the export and use of SRGB groundwater outside of the SRGB and certain areas of Fort Ord;

G. The SVWC, MCFB and Landwatch submit that the Agency Act directly prohibits the

export and use of SRGB groundwater outside of the SRGB and certain areas of Fort Ord without the need for the Agency to obtain an injunction;

H. To meet applicable requirements of the Agency Act, CAW has proposed as part of the MPWSP to make available for delivery to groundwater users overlying the SRGB a volume of water equal to the percentage of SRGB groundwater in the total MPWSP source water production, as determined by the Agency ("Return Water");

I. The SVWC, MCFB and Landwatch contend there is no surplus SRGB groundwater available for CAW's use in providing public water service within or outside of the SRGB and that the law of California groundwater rights requires that any production and use of SRGB groundwater by the MPWSP must be returned for use within the SRGB in lieu of existing groundwater pumping;

J. For MPWSP planning and engineering purposes, CAW submits that the MPWSP source water wells have been designed so that approximately 4% of the source water produced by the MPWSP will originate as brackish groundwater from the SRGB;

K. For planning purposes, CAW has assumed that the Return Water volume for the large desalination plant will be 1,080 afa, and for the small plant 690 afa;

L. The CPUC is conducting environmental review of the MPWSP under the California Environmental Quality Act ("CEQA"), and the Monterey Bay National Marine Sanctuary is conducting environmental review of the MPWSP under the National Environmental Policy Act ("NEPA");

M. The modeling used in the CPUC's April 2015 CalAm Monterey Peninsula Water Supply Project Draft Environmental Impact Report ("DEIR") estimates that the volume of SRGB groundwater produced as source water for the large-scale (9.6 million gallons per day) MPWSP would be approximately 7 percent, or 1,889 afa, under existing land-use conditions and would be approximately 4 percent, or 1,080 afa, under projected future 2060 land-use conditions, and would average approximately 5.5 percent, or 1,485 afa, over the life of the MPWSP. (DEIR at 4.4-67.)

N. Note C to the CPUC's DEIR Table 2-5 states that "groundwater modeling indicates that as much as 1,080 afa may need to be returned to the Salinas Valley Groundwater Basin (based on 4 percent of total source water intake being drawn from the Salinas Valley Groundwater Basin[])" and states that "MPWSP supply would be sufficient to provide this larger quantity of return water."

O. The CPUC is preparing a revised DEIR/Environmental Impact Statement (RDEIR/DEIS) for the MPWSP that will assess the significance of effects to SRGB groundwater resources, and the modeling in the revised RDEIR/DEIS will be updated and calibrated to include test well production data obtained to date (over 100 days of pumping). CAW also is working to gather additional (up to two years) test well production data to inform analysis of those effects. The full data set is not expected to be available before the CPUC's completion of CEQA/NEPA review and its

decision whether to approve a certificate of convenience and necessity for the MPWSP;

P. The Parties and the State Water Resources Control Board are in agreement, and the DEIR concludes, that injecting desalinated water from the MPWSP into the SRGB is less desirable than delivering the Return Water for beneficial use in in the SRGB;

Q. Prior environmental analyses reveal that there may be limitations in the capacity of the Castroville Seawater Intrusion Project ("CSIP") to accommodate all of the MPWSP Return Water under some conditions. (DEIR, p. 2-45, 6-4, 6-114; Pure Water Monterey, GWR DEIR, Appendix Q, Table B-3);

R. CSIP is an Agency project that provides recycled water and diverted Salinas River water for use in lieu of groundwater pumping for irrigated agricultural use in the Castroville area of the SRGB;

S. The CPUC Administrative Law Judge has requested additional testimony from the Joint Settling Parties regarding Return Water options, and that testimony must be submitted to the CPUC by January 22, 2016;

T. The SVWC, MCFB and Landwatch contend that the MPWSP's well production may cause injury to the SRGB and senior groundwater rights holders in the SRGB under California groundwater law, even if the RDEIR/DEIS concludes that the well production would not cause a significant adverse effect under CEQA.

U. MCFB, SVWC and Landwatch oppose any scenario where Return Water would be used outside the SRGB, rather than for use in lieu of existing groundwater pumping in the SRGB;

V. In the July 31, 2013 Settlement Agreement among 16 parties to Proceeding A1204019, MCFB, SVWC, Landwatch, the Agency, and Citizens for Public Water reserved all rights to challenge production of water from the SRGB by CAW in any appropriate forum based on their concerns for potential harm to the SRGB and users thereof;

W. MCFB and SVWC have stated they will litigate these issues if they are not resolved through agreement;

X. CAW and the Authority maintain that any obligation to return SRGB groundwater to the SRGB arises only as a requirement of the Agency Act, except to the extent that Return Water is necessary as part of a physical solution to avoid harm to the SRGB and senior groundwater rights holders in the SRGB under California groundwater law or to mitigate significant adverse effects to the SRGB or particular groundwater users pursuant to CEQA;

Y. CAW, with the encouragement of the Authority, also desires to maximize revenue for Return Water to offset water costs and water rates for CAW customers on the Monterey Peninsula;

Z. CAW must obtain CPUC approval to deliver or sell any Return Water for use outside of CAW's service area;

AA. A controversy has now arisen as to CAW's obligation to deliver Return Water to the SRGB, and as to the responsibility for the costs of producing the Return Water, and the Parties to this Term Sheet desire to resolve these issues and to reach agreement on a framework to satisfy Return Water requirements;

BB. Pursuant to the terms of this Term Sheet, the Parties propose that CAW deliver Return Water to the CCSD and to the CSIP to satisfy Return Water requirements that may arise out of the Agency Act, CEQA, or California groundwater law, in accordance with terms and conditions to be agreed upon based on the general principles contained in this Term Sheet;

CC. CCSD submits that it provides municipal and domestic water service to the Town of Castroville, which overlies the SRGB in an area north of the City of Marina and west of the City of Salinas;

DD. CCSD submits that it currently relies on groundwater from the SRGB to meet Castroville's water demands, which average approximately 800 afa;

EE. CCSD submits that it increasingly has experienced water supply challenges due to water quality degradation of its water supplies, primarily from increased salinity;

FF. CCSD submits that poor water quality, including elevated sodium levels extant in CCSD's groundwater supplies, can contribute to health risks of individuals susceptible to high sodium;

GG. CCSD submits that it has been identified as a disadvantaged community (Greater Monterey County IRWM Regional Water Management Group Disadvantaged Community Outreach Plan, Prepared for the Environmental Justice Coalition for Water by Nilsen & Associates, Approved April 18, 2012), and was an active participant in the Regional Plenary Oversight Group process established by the Office of Ratepayer Advocates to determine whether the Regional Desalination Project, a predecessor project to the MPWSP, would be a source of supply for Castroville;

HH. CCSD submits that many of CCSD's customers contribute significantly to agricultural and hospitality industries in the Salinas Valley and on the Monterey Peninsula;

II. CCSD submits that it is actively pursuing alterative water supplies and has applied to the State for funding to develop deeper groundwater wells and other projects to serve its customer demands;

JJ. CCSD submits that it is interested in taking delivery of a Return Water supply from the MPWSP to replace or supplement CCSD's current reliance on groundwater from the SRGB;

KK. Preliminary cost estimates for a pipeline to convey water from the MPWSP plant to CCSD are approximately $6,500,000, which may be reduced to approximately $4,400,000, assuming that CAW will secure contracts for construction of the pipeline and that environmental review and permitting will be performed in conjunction with the MPWSP. CCSD submits that it may not be able to prudently fund a pipeline for more than $2,800,000, and that capital obligations for the pipelinewould necessitate long-term commitments by CCSD and certainty of source water supply for CCSD;

LL. The SVWC, MCFB, and Landwatch support CAW's delivering Return Water to CCSD and to CSIP for use in lieu of existing groundwater pumping in the SRGB; and

MM. CAW's delivery of Return Water to CCSD pursuant to the terms of this Term Sheet is a fair and equitable resolution of the disputed matters described above, and is consistent with the law and policy controlling the CPUC's approval of the MPWSP.

NN. The foregoing Recitals are included to provide background regarding this Term Sheet but are neither part of nor incorporated into its terms.

NOW, THEREFORE, as a COMPROMISE and SETTLEMENT of the above-stated dispute, and to provide for an efficient and effective resolution of this dispute, the Parties do hereby AGREE to negotiate appropriate binding agreements on the following terms:

1. Notwithstanding any other provision of this Term Sheet, this Term Sheet sets forth agreements in principle concerning its subject matter, but does not at this time constitute binding covenants or conditions with respect to the issue of Return Water.

2. It is anticipated that certain Parties to thisterms sheet will negotiate and enter into water purchase agreements under which CAW will deliver Return Water to the SRGB during the term of the anticipated water purchase agreements for use in lieu of existing groundwater production as follows:

    a. CAW shall have annual Return Water requirements that shall be calculated based on the percentage of SRGB groundwater in the total MPWSP source water production for the prior calendar year ("Annual Return Water Obligation").

        i. During the first three months after start-up of the MPWSP, the Annual Return Water Obligation shall be 7% of total source water production during that period, and for the remainder of that year shall be the percentage of SRGB groundwater in the total MPWSP source water production calculated during the first three months in which the MPWSP started up and then operated.

        ii. Thereafter, CAW shall make available for delivery to the SRGB for beneficial use each year the Annual Return Water Obligation.

iii. The volume of the Annual Return Water Obligation shall be determined by the Agency based on the methodology set forth in Exhibit A [parties analyzing], which may include annual averaging and other operational parameters appropriate to the circumstances.

b. CAW shall make available for delivery to CCSD 800 afa of Return Water if the large desalination plant is constructed or 690 afa if the smaller desalination plant is constructed ("CCSD Delivery Volume").

c. If the Annual Return Water Obligation is less than the CCSD Delivery Volume, CAW shall make available for delivery potable water in addition to the amount of the Annual Return Water Obligation sufficient to satisfy the CCSD Delivery Volume ("Excess Water").

d. CAW shall make available for delivery to CSIP any Annual Return Water Obligation in excess of the CCSD Delivery Volume, according to procedures agreed to in the Water Purchase Agreement.

3. The Parties acknowledge that CAW could be legally required by a regulatory agency, including the CPUC in this proceeding, or by a court, to make water deliveries to other locations in the SRGB to the extent necessary to mitigate any groundwater impacts from the MPWSP that were demonstrated in relation to a specific location overlying the SRGB ("Other Return Water Obligation"). Such Other Return Water Obligation could also serve to satisfy CAWs obligations to return water to the SRGB under the Act, CEQA, or common-law water law principle. Under such circumstances, the Parties agree that it may be inequitable to CAW and its ratepayers to fund both the Other Return Water Obligation and the Return Water obligations specified herein as this would result in a duplicative liability to CAW and its ratepayers. CAW's obligation to make available the CCSD Delivery Volume shall be reduced in the event and to the extent that a regulatory agency or court has required CAW to deliver Return Water in a manner or location different than as specified in the Term Sheet. CCSD shall not be obliged to purchase Return Water if it determines that the reduced amount of Return Water would not be sufficient to justify a Water Purchase Agreement as contemplated herein. In the event that CCSD determines that its water purchase is not justified due to an Other Return Water Obligation, the parties to this Term Sheet will meet and confer in good faith to effect other arrangements to make the remaining Return Water, net of the Other Return Water Obligation, available for use in lieu of existing groundwater pumping in the SRGB in order to ensure that CAW will meet its Annual Return Water Obligation under this Term Sheet.

The Parties further acknowledge that the CCSD must be assured of a specific volume of Return Water to justify investment in the capital facilities necessary to convey the Return Water from the Project to the CCSD (the "CCSD Facilities"), and therefore CAW's obligation to the CCSD Delivery Volume specified herein cannot be terminated during the term of the anticipated water purchase agreements after such time as CCSD has obligated itself to finance such capital facilities. To afford the best foresight in

relation to potentially competing Return Water obligations, while also facilitating the certainty relating to Return Water deliveries required by CCSD, CAW's obligation to make available the CCSD Delivery Volume under the terms of that water purchase agreement shall become unconditional on the date that is the latest of the following dates:

a. the date on which the CPUC has issued a CPCN for the Project and the period to challenge the legality of the CPUC's issuance of the CPCN (based on CEQA compliance or otherwise) has expired and no challenge has been brought;

b. the date on which any challenge against the CPUC's issuance of the CPCN is resolved with finality following all available appeals and petitions; or

c. 60 days following the date on which the CCSD provides notification to CAW that it has secured financing, acceptable to CCSD, to construct the CCSD Facilities.

In the event of any challenge against the CPUC's issuance of the CPCN, the Parties to this Agreement shall meet and confer in good faith to effect other arrangements to make the total amount of the Return Water, as adjusted by any Other Return Water Obligation, available for use in lieu of existing groundwater pumping in the SRGB in order to ensure that CAW will meet its Annual Return Water Obligation under this Agreement during the pendency of that litigation.

After the above dates, Cal Am may not terminate its obligation to deliver the CCSD Delivery Volume in the event CAW is subsequently required to make Other Return Water Obligations. CAW and CCSD shall meet and confer as necessary within a reasonable amount of time before or after any of the above dates if it appears that CAW's obligation to make available the CCSD Delivery Volume may not become unconditional. Due to the urgent nature of the MPWSP and other regulatory pressures to implement the MPWSP, CAW and CCSD may mutually agree at any time to amend and move forward with the CCSD Water Purchase Agreement, notwithstanding Other Return Water Obligations, provided all other required approvals have been attained and provided that CAW will meet its Annual Return Water Obligation under this Term Sheet through some combination of the CCSD Water Purchase Agreement, the CSIP Water Purchase Agreement, Other Return Water Obligations, or arrangements made pursuant to paragraph 6 of the Term Sheet.

4. Return Water and Excess Water pricing shall be as follows:

a. **CCSD:** For each acre-foot of Return Water or Excess Water made available for delivery to CCSD:

i. CCSD shall pay $110 per acre-foot, as currently estimated, for Return Water made available for delivery to meet the Annual Return Water Obligation, which reflects its avoided cost to produce groundwater to

meet customer demand.

ii. CCSD shall pay $580 per acre-foot, as currently estimated, for any Excess Water, which reflects the operations and maintenance cost for the MPWSP to produce one acre-foot of potable water.

b. **CSIP:** For each acre-foot of Return Water delivered by CAW, CSIP shall pay $xxx per acre-foot, as currently estimated, which reflects the CSIP customers' marginal avoided cost for recycled water produced for use by the CSIP in lieu recharge project's customers.

c. Payment for Return Water and Excess Water shall be subject to standard financing provisions, including appropriate price adjustments. The pricing set forth in this Term Sheet is for illustrative purposes only, and actual prices have not been determined.

5. The Parties support CAW negotiating and entering into Water Purchase Agreements with CCSD and the Agency (for CSIP) consistent with the terms of this Term Sheet.

   a. The Water Purchase Agreements shall have an initial term of at least 30 years.

   b. Prior to the expiration of the Water Purchase Agreements contemplated herein, CCSD and CSIP shall have a right of first refusal to enter into new water purchase agreements on terms to be negotiated at the time.

6. CAW's obligation to make Return Water available for use in lieu of existing groundwater pumping in the SRGB to meet its Annual Return Water Obligation shall survive for a period of 30 years if the initial Water Purchase Agreements do not become effective or are otherwise amended or terminated. In that event, the Parties to this Term Sheet shall meet and confer in good faith to effect other arrangements to make the total amount of the Return Water reduced by any Other Return Water Obligation available for use in lieu of existing groundwater pumping in the SRGB in order to ensure that Cal-Am will meet its Annual Return Water Obligation under this Term Sheet.

7. Upon expiration or non-renewal of the Water Purchase Agreements: (a) CAW shall comply with the Agency Act; and (b) unless CAW demonstrates that Return Water is not needed to prevent legal injury to prior groundwater rights holders in the SRGB or to avoid significant adverse effects to SRGB groundwater resources pursuant to procedures to be agreed upon in future negotiations, CAW shall continue to make Return Water available for delivery to the SRGB for use in lieu of existing groundwater production. In the event of a dispute among any of the parties to this Term Sheet with respect to CAW's need to continue providing Return Water, such dispute shall be resolved by a dispute resolution procedure to be agreed upon in future negotiations.

8. This Term Sheet reflects a settlement and compromise of putative claims and remedies of the Parties hereto.

9. If the Return Water settlement described in this Term Sheet is not approved by the CPUC and implemented by CAW, the SVWC, MCFB and Landwatch reserve their rights to challenge CAW's production of water from the SRGB in any appropriate forum.

10. The Parties agree to support CPUC approval of MPWSP consistent with the compromise and settlement reflected in this Term Sheet, and agree to defend and support this Return Water settlement Term Sheet in any administrative or judicial proceedings concerning this Term Sheet and/or CAW's obligations and responsibilities with respect to Return Water.

11. Among other things, this Term Sheet helps to define a stable and finite project description that will facilitate the CPUC's completion of CEQA review for the MPWSP. The legal effectiveness of this Term Sheet is contingent on the completion of CEQA review and does not irretrievably commit the Parties to carrying out any physical activities that would be required for CAW to meet the Annual Return Water Obligation, including through the anticipated Water Purchase Agreements whose future approval will be conditioned upon the completion of CEQA review by the CPUC as lead agency for the MPWSP and by those Parties playing the role of a responsible agency with respect to the anticipated Water Supply Agreements. The lead agency and responsible agencies will retain full discretion with respect to deciding whether to approve Water Supply Agreements or any other commitments necessary or convenient for CAW to meet the Annual Return Water Obligation, including discretion to modify commitments to avoid or reduce any significant adverse physical environmental effects from Return Water activities that are within their jurisdiction.

12. This Term Sheet does not currently impact the terms of sections 3.1(b) of the document known as the Large Settlement Agreement. To the extent later binding agreements may specifically do so, they will not impact the Agency's authority and responsibilities under the Agency Act.

13. This Term Sheet may be executed in any number of counterparts.

[Signatures to be added]

RESOLUTION NO. 16-4

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CASTROVILLE COMMUNITY SERVICES DISTRICT APPROVING SUBMITTAL TO CPUC OF DRAFT "IN CONCEPT" RETURN WATER PURCHASE AGREEMENT

RESOLVED by the Board of Directors ("Board") of the Castroville Community Services District ("District"), at a regular meeting called and held on April 19, 2016, at the business office of the District, 111499 Geil Street, Castroville, California as follows:

WHEREAS, the Board makes the following findings of fact:

A. California-American Water Company ("Cal Am") is seeking permits and approvals for the Monterey Peninsula Water Supply Project ("MPWSP"), including a certificate of public convenience and necessity from the California Public Utilities Commission ("CPUC").

B. The MPWSP includes a desalination plant that will provide a potable water supply for Cal Am's Monterey Peninsula service area. Rather than using an open-ocean intake that would produce only seawater as source water for the desalination plant, the MPWSP desalination plant will produce its source water from subterranean slant wells drilled adjacent to the ocean, which will draw water from strata underlying the ocean. The location of the wells overlies the western portion of the Salinas River Groundwater Basin ("SRGB").

C. To meet applicable requirements of the Monterey County Water Resources Agency Act ("Agency Act"), Cal Am has proposed as part of the MPWSP to make available for delivery to groundwater users overlying the SRGB a volume of water equal to the percentage of SRGB groundwater in the total MPWSP source water production, as determined by the Agency ("Return Water").

D. On January 22, Cal Am, other parties to CPUC proceeding A.12-04-019 and the District signed a Return Water Planning Term Sheet ("Term Sheet") for a framework to satisfy Return Water requirements. The Board approved Resolution 16-2 on December 15, 2015, authorizing execution of the Term Sheet for the District.

E. The Term Sheet provides that Cal Am deliver Return Water to the District, which is designated "CCSD" in the Term Sheet, and to the Castroville Seawater Intrusion Project ("CSIP") to satisfy Return Water requirements that may arise out of the Agency Act, CEQA, or California groundwater law, in accordance with terms and conditions to be agreed upon based on the general principles contained in the Term Sheet. The Monterey County Water Resources Agency ("MCWRA"), the Salinas Valley Water Coalition, Monterey County Farm Bureau, and Landwatch Monterey County support Cal Am's delivering Return Water to the District and to CSIP for use in lieu of existing groundwater pumping in the SRGB.

F. The District currently relies on groundwater from the SRGB to meet water demands within the District's service area, which are currently 780 acre-feet annually ("afa").

G. The District increasingly has experienced water supply challenges due to water quality degradation of its water supplies, primarily from increased salinity. The District is actively pursuing alterative water supplies and has applied to the State for funding to develop deeper groundwater wells and other projects to serve its customer demands.

H. The District is interested in taking delivery of a Return Water supply from the MPWSP to replace or supplement the District's current reliance on groundwater from the SRGB at a cost equivalent to the cost for the District to drill and outfit a new deep well, currently estimated to be $2,800,000.

I. The parties to the Term Sheet have met and conferred and negotiated draft agreements consistent with the Term Sheet. A draft Settlement Agreement is proposed for the parties to the Term Sheet who are also parties to CPUC proceeding A.12-04-019. Draft Return Water Purchase Agreements consistent with the Term Sheet and the draft Settlement Agreement are proposed for the District and for the Monterey County Water Resources Agency for CSIP.

J. A 20,000-foot pipe line is proposed to deliver return water from the MPWSP to CSIP and to the District. Cal Am will build the entire pipe line and will retain ownership of the 12,000 feet from the plant to Nashua Rd, where meters will be set for CSIP and the District. The portion of the return water delivery pipeline and appurtenances from the meter to Castroville, about 8,000 feet, is proposed to be acquired by the District from Cal Am for $2.8 million dollars. Financing obligations for the District's acquisition of this portion of the pipeline would necessitate long-term commitments by the District and Cal Am and certainty of source water supply for the District. The draft Return Water Purchase Agreement for the District addresses these issues.

K. The draft Return Water Purchase Agreement allows for Castroville to receive this high quality, long term and drought proof Desalinated water in-lieu of pumping the District's wells. The price per acre foot would be approximately the same as the cost per acre foot to pump from our wells, about $110 per acre foot. Under certain conditions, including if the source water becomes 100% salt water, the price would be Cal Am's marginal production cost for the return water, approximately $580 per acre foot.

L. The draft Return Water Purchase Agreement provides that the legal effectiveness of the Return Water Purchase Agreement is contingent on the completion of CEQA review and does not irretrievably commit the Parties to carrying out any physical activities that would be required to implement the terms of the Return Water Purchase Agreement and that the lead agency, and responsible agencies like the District will retain full discretion with respect to deciding whether to approve commitments necessary or convenient for Cal Am to meet the Annual Return Water Obligation under the Return Water Purchase Agreement, including discretion to modify commitments to avoid or reduce any significant adverse physical environmental effects from Return Water activities that are within their jurisdiction.

M. District Counsel advises that the District Board's approval of the draft Return Water Purchase Agreement for submittal by Cal Am to the CPUC for planning purposes and review by

the CPUC does not require prior review under the California Environmental Quality Act, because such approval will not constitute action that significantly furthers a project "in a manner that forecloses alternatives or mitigation measures that would ordinarily be part of CEQA review of that public project," as required by Cal.Code Regs., tit. 14, § 15004, subd. (b)(2)(B) and the decision of the California Supreme Court in *Save Tara v. City of West Hollywood* (2008) 45 Cal.4th 116, 138.

N. Recital BB of the Settlement Agreement recites that the District submits that the District would sign a Return Water Purchase Agreement after expiration of the statute of limitations for challenging a decision by the CPUC certifying the Project environmental impact report and approving the Settlement Agreement.

O. The District's General Manager recommends approval of the draft Return Water Purchase Agreement for submittal by Cal Am to the CPUC for planning purposes and review by the CPUC.

NOW THEREFORE, BE IT RESOLVED by the Board of Directors of the Castroville Community Services District, as follows:

1. Approval for Cal Am to Submit draft Return Water Purchase Agreement Between Cal Am and the District to the CPUC for Planning Purposes and Review. The Board approves the draft Return Water Purchase Agreement, copy of which is attached to this Resolution 16-4 as Exhibit "A", for submittal by California-American Water Company to the California Public Utilities Commission for planning purposes and review in proceeding number A.12-04-019. The General Manager shall keep the Board apprised of the status of the submittal of the draft Return Water Purchase Agreement to the CPUC and of the CPUC's review of the draft Return Water Purchase Agreement.

2. Authority to Implement Resolution. The District, acting through the General Manager and the Board President, are authorized to meet and confer with such persons, including representatives of other Parties to the Term Sheet and the District's engineering and legal advisors to carry out the activities consistent with implementing this Resolution 16-4 in accordance with applicable law.

3. Limitation on Authority to execute Return Water Purchase Agreement. Prior to compliance with the California Environmental Quality Act ("CEQA"), the District and persons acting on behalf of the District shall not take any action or commit the District to any action to implement the draft Return Water Purchase Agreement that would as a practical matter under the circumstances effectively preclude any alternatives or mitigation measures that would otherwise require to be considered, including the alternative of not going forward with the project outlined in the draft Return Water Purchase Agreement.

The foregoing resolution was duly and properly introduced at a regular meeting of the Castroville Community Services District Board of Directors duly held on April 19, 2016, and passed and adopted by the following vote:

AYES: MacMillan, Melgoza, Montejano & Stefani
NOES: Ø
ABSENT: Lewis
ABSTAIN: Ø

President of the Board

Attest:

Secretary of the Board

EXHIBIT A

DRAFT RETURN WATER PURCHASE AGREEMENT
Draft Dated 4/13/16

RETURN WATER PURCHASE AGREEMENT

By and Between

CASTROVILLE COMMUNITY SERVICES DISTRICT

and

CALIFORNIA-AMERICAN WATER COMPANY

THIS RETURN WATER PURCHASE AGREEMENT ("Agreement") is made as of _____, 2017 (the "Effective Date") by and between the CASTROVILLE COMMUNITY SERVICES DISTRICT, a Special District formed pursuant to the Community Services District Law found at California Government Code Sections 61000 – 61226.5 ("CCSD"), and CALIFORNIA-AMERICAN WATER COMPANY, a California corporation ("Cal Am"). CCSD and Cal Am are referred to herein individually as a "Party" and collectively as the "Parties."

RECITALS:

A. CCSD is a public agency providing services to customers within its jurisdictional boundaries in the Castroville area located in Monterey County north of the City of Marina and west of the City of Salinas ("CCSD Service Area"), and is responsible for, among other things, providing municipal and domestic water service to the CCSD Service Area, which overlies the Salinas River Groundwater Basin ("SRGB").

B. Cal Am is a public utility regulated by the California Public Utilities Commission ("CPUC") and provides water service in various areas within California, including a service area in Monterey County (as it may be subsequently amended or revised from time to time without the approval of the other Party) ("Cal Am Service Area").

C. Cal Am submitted an application to the CPUC on April 23, 2012, in Proceeding A.12-04-019 for approval of the Monterey Peninsula Water Supply Project ("Project"). The Project as proposed would consist of slant intake wells, brackish water pipelines, a desalination plant, product water pipelines, brine disposal facilities and related appurtenant facilities. Depending on the availability of water from the Monterey Regional Water Pollution Control Agency's proposed publicly-owned Groundwater Replenishment Project and on the CPUC's decision on the application, the desalination plant is expected to be sized at either 9.6 million gallons per day ("mgd") ("Large Plant") or 6.4 mgd ("Small Plant") to supply water for municipal use in the Cal Am Service Area.

D. The Project's slant intake wells are designed to pump seawater and to avoid or minimize the capture of groundwater from the SRGB in the process of producing source water for treatment by the selected desalination plant ("Project Source Water Production"). To meet applicable requirements of the Monterey County Water Resources Agency ("Agency") Act ("Agency Act"), Cal Am has proposed as part of the Project to make available for delivery to groundwater users overlying the SRGB a volume of water equal to the percentage of SRGB groundwater in the total Project Source Water Production ("Return Water").

E. CCSD currently relies on groundwater from the SRGB to meet the CCSD Service Area water demands, which average approximately 780 acre feet annually ("afa"), however, CCSD increasingly has experienced water supply challenges due to water quality degradation of its water supplies, primarily from increased salinity. As such, CCSD desires to purchase Return Water to replace or supplement CCSD's current reliance on groundwater from the SRGB.

F. Cal Am intends to seek any CPUC approval necessary to allow for the sale of Return Water to CCSD consistent with the terms of this Agreement, and CCSD intends to

support Cal Am's request for any CPUC approval necessary to allow for the sale of Return Water to CCSD pursuant to the terms of this Agreement.

G. Cal Am contemplated two separate pipelines delivering Return Water from the Project desalination plant, one to CSIP ponds and one to CCSD's wellsite #3 ("CCSD Wellsite"). Through negotiations and discussions, the Parties determined the cost of new infrastructure could be decreased by connecting with existing CSIP infrastructure. That connection allows a single pipeline, rather than two pipelines, to be constructed from the desalination plant to the CCSD Wellsite that will connect with an existing CSIP pipeline ("CSIP Connection"). The elimination of a separate pipeline to the CSIP ponds avoids certain pipeline and pump station costs and results in an estimated cost savings to Cal Am of approximately $1,300,000. A preliminary cost estimate for a pipeline and ancillary facilities necessary to convey water from the Project desalination plant to the CCSD Wellsite ("Delivery Pipeline") is approximately $6,500,000. Cal Am believes that if the Delivery Pipeline is constructed by Cal Am there will economies of scale achieved which may reduce the cost of the Delivery Pipeline to approximately $4,400,000, assuming that Cal Am will secure contracts for construction of the pipeline and that environmental review and permitting will be performed in conjunction with the Project. CCSD estimates its cost to construct a new deep well with treatment facilities would cost approximately $2,800,000. Thus, CCSD submits that it may not be able to prudently fund the Delivery Pipeline for more than $2,800,000, and that capital obligations for the Delivery Pipeline would necessitate long-term commitments by CCSD and certainty of source water supply for CCSD.

NOW THEREFORE, in consideration of the foregoing recitals and the mutual covenants set forth in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, CCSD and Cal Am hereby agree as follows:

AGREEMENT

1. **Governing Terms**.

1.1 Recitals. The recitals are hereby incorporated in this Agreement as if fully set forth herein.

1.2 Interpretation. The following rules of interpretation shall apply:

(a) Capitalized terms used in this Agreement, including the exhibits hereto, shall have their respective meanings as set forth in this Agreement.

(b) Unless otherwise specified herein, references in the singular shall include references in the plural and vice versa; and pronouns having masculine or feminine gender will be deemed to include the other.

(c) Any act required to occur by or on a certain day is required to occur before or on that day unless the day falls on a Saturday, Sunday or federal holiday, in which case the act must occur before or on the next day this is not a Saturday, Sunday or federal holiday.

(d) The headings in this Agreement are included for convenience only and shall not be deemed to modify or explain any of the terms of this Agreement.

(e) This Agreement is the product of negotiation between the Parties, no Party is to be deemed the drafter of this Agreement, and any ambiguities in this Agreement shall not be read against any Party to the Agreement.

(f) All references in this Agreement to a "year" shall mean a "water year," and all references to a "water year" shall mean the 12-month period beginning on October 1 of a given year and ending on September 30 of the following year. All calculations herein based on the period of a year shall be prorated to account for any time frame that is less than a 12-month period.

1.3 Agency Act Compliance. Cal Am shall comply with the Agency Act. Notwithstanding any other provisions of this Agreement, the Agency will retain all rights, discretion and authority conferred on the Agency under the Agency Act to ensure that the pumping, production, desalination, and distribution of project source water from the SRGB for the selected desalination plant complies with the Agency Act, and the long-term viability of the SRGB as a water supply for water for agricultural, domestic and municipal use. Neither this Section 1.3 nor any other provision of this Agreement shall be interpreted: (a) to affect, diminish, or enhance the Agency's regulatory authority under the Agency Act; (b) to affect, diminish, excuse, or forgive Cal Am's obligation to comply with the Agency Act; or (c) to preclude any argument by Cal Am or CCSD that there is no violation of the Agency Act.

2. **Term**.

2.1 Effective Date. This Agreement shall be effective on the Effective Date and shall continue in effect until expiration of the Delivery Term (defined in Section 2.2 below) or until earlier termination as provided for in Section 10.

2.2 Delivery Term. The "Delivery Term" shall begin on the date on which Cal Am has determined that it is ready to deliver Return Water to the Delivery Point (defined in Section 3.1 below), the anticipated location of which is depicted on Exhibit A, and shall continue for a period of thirty (30) years thereafter. Cal Am shall provide CCSD with written notice of the commencement date of the Delivery Term, promptly upon Cal Am's determination of such date.

2.3 Right of First Refusal. If this Agreement has not been terminated as provided for in Section 10, CCSD shall have a right of first refusal to enter into a new return water purchase agreement on terms to be negotiated by the Parties at the time the right is exercised. In order to exercise the right, CCSD shall provide Cal Am written notice of its intent to do so no earlier than 730 days and no later than 365 days prior to expiration of this Agreement. CCSD acknowledges that Agency also has a right of first refusal to enter into a new return water purchase agreement with respect to its agreement with Cal Am pursuant to that certain Return Water Purchase Agreement By and Between MONTEREY COUNTY WATER RESOURCES AGENCY and CALIFORNIA-AMERICAN WATER COMPANY dated _____.

2.4 Expiration or Non-Renewal. Upon termination, expiration or non-renewal of this Agreement, Cal Am shall continue to make Return Water available for delivery to the SRGB

for use in lieu of existing groundwater production, unless Cal Am demonstrates that Return Water is not needed to prevent legal injury to prior groundwater rights holders in the SRGB or to avoid significant adverse effects to SRGB groundwater resources. If Cal Am desires to make such a showing, it shall initially do so by providing a demonstration in writing to all parties to that certain Settlement Agreement on MPWSP Desalination Plant Return Water, dated , 2016, (the "Settlement Agreement") using the notice provisions of Section 11 of this Agreement. Within 21 days thereafter, the Parties shall meet to seek to reach agreement regarding whether Cal Am has made the requisite demonstration. If the Parties do not reach agreement within 30 days after the initial meeting, any Party may on or after the 31st day, but no later than the 91st day, invoke the provisions of Section 9. For the avoidance of doubt, nothing in this Section 2.4 in any way affects the provisions, scope and application of Section 1.3.

3. Delivery of Return Water

3.1 Priority of Return Water for In-Lieu Use. Unless prevented by circumstances outside the control of CCSD and so long as such use is permitted by law, CCSD will use the water purchased from Cal Am under Section 3.5.1 of this Agreement to serve the water supply demand of persons served by CCSD, before using water from the SRGB. CCSD shall measure and record the amount of water received under this Agreement and produced from other groundwater sources within the SRGB and shall make such information available to the public upon written request. CCSD will report to the parties to the Settlement Agreement within 90 days after executing this Agreement, and annually thereafter by March 31, the following information for the prior 12 months: the amount of water served to, and the current number of, its residential, commercial, and industrial service connections; the amount of water produced from groundwater wells to serve these connections; the amount of Return Water to serve these connections; and the amount of water from other sources to serve these connections. This provision is not intended and shall not be interpreted to limit either CCSD's statutory authority under Section 61100 of the California Government Code to supply water for any beneficial uses within CCSD's boundaries or CCSD's discretion in the use of best management practices to operate CCSD's water system facilities in performing CCSD's obligations under the law and this Agreement, or to impose new or additional requirements for analysis under the California Environmental Quality Act ("CEQA"), Public Resource Code Sections 21000 and following for water service and supply by CCSD.

3.2 Cal Am Return Water Pipeline. Subject to satisfaction of the Conditions Precedent set forth in Sections 3.3(a), (b), (c), (d), (e) and (f), Cal Am will design and construct (in consultation with CCSD) the Delivery Pipeline including a metered delivery point ("Delivery Point") as set forth in Exhibit A. Cal Am will install, operate, and maintain the meter in accordance with CPUC General Order 103-A or other applicable CPUC or water industry standards which will measure the volume of Return Water delivered to the Delivery Point ("Cal Am Meter"). CCSD shall use best efforts to ensure it has the ability to take such delivery. All pipeline facilities from the desalination plant up to and including the Cal Am Meter shall be owned, operated and maintained by Cal Am. All pipeline facilities downstream of the Cal Am Meter shall be owned, operated, and maintained by CCSD upon payment by CCSD to Cal Am of the CCSD Pipeline Contribution as set forth in this Agreement.

3.3 Conditions Precedent. Any delivery of Return Water pursuant to this Agreement is subject to the following conditions precedent:

(a) any required CPUC approval to amend Cal Am's Service Area to allow for the sale of Return Water consistent with the terms of this Agreement; and,

(b) any required CPUC approval of a tariff to allow for the sale of Return Water consistent with the terms of this Agreement, which tariff may change from time to time with the approval of the CPUC and shall govern over any inconsistent terms or conditions set forth in this Agreement; and,

(c) the completion of CEQA review by the CPUC as lead agency for the Project; and

(d) the CPUC's issuance of a Certificate of Public Convenience and Necessity ("CPCN") for the Project; and,

(e) the total cost of the Delivery Pipeline ("Delivery Pipeline Cost") is estimated by Cal Am to be no more than $4.4 million; and,

(f) CCSD and Cal Am have reached an agreement concerning the capacity, construction by Cal Am, implementation, acquisition by CCSD, ownership, financing, and operation and maintenance costs of the Delivery Pipeline; and,

(g) completion of construction, and acceptance by Cal Am, of the Project desalination plant such that it is able to produce and transport Return Water to the Delivery Point; and

(h) CCSD's ability to take delivery of the Return Water at the Delivery Point.

With respect to Sections 3.2(a), (b), (c) and (d), Cal Am shall use good faith diligent efforts to seek any such required CPUC approval as is reasonably possible following the Effective Date. CCSD shall use good faith diligent efforts to support Cal Am's efforts to obtain any such CPUC approval.

3.4 Delivery Pipeline Cost.

3.4.1 Upon completion and acceptance by Cal Am of the Delivery Pipeline, CCSD will pay to Cal Am the Delivery Pipeline Cost, subject to a cap of $2.8 million ("CCSD Pipeline Contribution").

3.4.2 The Parties shall cooperate in good faith to seek grants to offset the Delivery Pipeline Cost.

3.4.3 Cal Am will reimburse CCSD for its CCSD Pipeline Contribution in proportion to any reduction to the CCSD Delivery Volume as a result of the occurrence of an Other Return Water Obligation pursuant to Section 3.5.2 ("Conditional Pipeline Reimbursement"), which Conditional Pipeline Reimbursement shall be prorated by that

percentage of the outstanding 30-year Delivery Term remaining at the time the Other Return Water Obligation occurs. The foregoing concept is represented in the following equation: Conditional Pipeline Reimbursement = ([Other Return Water Obligation/CCSD Delivery Volume] x $2.8 million) x (remaining Delivery Term/30-year term).

3.5 Delivery Requirements. Cal Am shall have annual Return Water requirements ("Annual Return Water Obligation") that shall be calculated based on the percentage of SRGB groundwater in the total Project Source Water Production. CCSD agrees that the volume of the Annual Return Water Obligation will be determined as set forth in Section 2.c. of the Settlement Agreement. For reference purposes, Section 2.c. of the Settlement Agreement is attached as Exhibit C hereto.

3.5.1 On an annual basis during the Delivery Term, Cal Am shall make available for delivery to CCSD 690 afa of Return Water ("CCSD Delivery Volume"). In any given year, if the CCSD Delivery Volume is less than the Annual Return Water Obligation for that year, CCSD shall purchase Return Water from Cal Am in an amount equal to the CCSD Delivery Volume. In any given year, if the Annual Return Water Obligation is less than the CCSD Delivery Volume, CCSD shall purchase Return Water from Cal Am in an amount equal to the Annual Return Water Obligation for that year and may elect to purchase from Cal Am potable water in an amount equal to the difference between the Annual Return Water Obligation for that year and the CCSD Delivery Volume ("Excess Water"). In other words, CCSD shall purchase from Cal Am each year the lesser of the CCWD Delivery Volume or the Annual Return Water Obligation, and may purchase from Cal Am each year Excess Water, in accordance with pricing terms addressed in Section 4.2. Notwithstanding any other provision of this Agreement, if CCSD purchases any Excess Water in any given year, it may not purchase a total of more than 690 afa of Return Water in that year.

3.5.2 The Parties acknowledge that Cal Am could be legally required by a regulatory agency, including the CPUC in this proceeding, or by a court, to make water deliveries to other locations in the SRGB to the extent necessary to mitigate any groundwater impacts from the Project that were demonstrated in relation to a specific location overlying the SRGB ("Other Return Water Obligation"). Such Other Return Water Obligation could also serve to satisfy Cal Am's obligations to return water to the SRGB under the Agency Act, the CEQA, or common-law water law principles. Under such circumstances, the Parties agree that it would be inequitable to Cal Am and its ratepayers to fund both the Other Return Water Obligation and the Return Water obligations specified herein as this would result in a duplicative liability to Cal Am and its ratepayers. Cal Am's obligation to make available the CCSD Delivery Volume shall be reduced in the event and to the extent that a regulatory agency or court has required Cal Am to deliver Return Water in a manner or location different than as specified in this Agreement. CCSD shall have the right to terminate this Agreement as set forth in Section 10.3 if it determines that the reduced amount of Return Water would not be sufficient to justify its water purchase as contemplated herein.

3.6 Scheduling of Deliveries. Subject to CCSD's obligation to purchase Return Water set forth in Section 3.5.1, Cal Am will deliver Return Water to the Delivery Point in quantities and at times determined by the Parties. Cal Am will endeavor to cooperate with

CCSD to deliver Return Water to the Delivery Point in volumes and at times requested by CCSD.

4. **Payment Provisions**.

4.1 Generally. Cal Am will invoice CCSD for deliveries of Return Water to the Delivery Point based on the volumes measured at the Cal Am Meter. CCSD shall pay such invoices within 30 days of receipt.

(a) Pricing. CCSD shall pay its avoided cost to produce groundwater to meet customer demand, currently estimated to be $110 per acre-foot, for Return Water made available for delivery to meet the Annual Return Water Obligation. CCSD plans to continue operation of its existing wells so they may be available in emergency circumstances. This continuing operation will enable CCSD to provide future updates to the avoided cost of pumping to Cal Am upon Cal Am's reasonable request, but not more than once per year. If CCSD is unable to provide such updated avoided costs of pumping, then the percentage increase of PG&E's A-6 tariff for off-peak summer distribution rate (with a base of $0.07311 / kWh as of the tariff existing on March 24, 2016) will be used as the escalation factor for the increase in avoided cost of pumping in the future.

(b) CCSD shall pay the operations and maintenance cost for the MPWSP to produce one acre-foot of potable water, currently estimated to be $580 per acre-foot for any Excess Water; provided, however, that as to Excess Water, CCSD shall pay the prices that are approved by the CPUC and included in Cal Am's tariffs, as they may be modified from time to time as approved by the CPUC, if such CPUC-approved prices differ from a price of $580 per acre foot.

5. **Compliance with Laws/Cooperation**. The Parties shall comply with all applicable laws in their respective performance under this Agreement and shall cooperate to take the actions and execute the documents necessary to perform under this Agreement.

6. **Indemnification; Fees and Expenses**

6.1 Indemnification.

(a) To the fullest extent permitted by law, Cal Am shall indemnify and hold harmless CCSD and its respective directors, officers, agents and employees, from any claims, actions or liability for any damages (including reasonable attorneys' fees, expert fees and litigation costs), any injury to persons or property, or any violation of any law or regulation, occurring by reason of anything done or omitted to be done by Cal Am, its officers, employees, contractors or agents under this Agreement, except and only to the extent such damages, injury, or violation resulted from the negligent acts or willful misconduct of CCSD or its respective directors, officers, agents and employees.

(b) To the fullest extent permitted by law, CCSD shall indemnify and hold harmless Cal Am and its respective directors, officers, agents and employees from any claims, actions or liability for any damages (including reasonable attorneys' fees, expert fees and litigation costs), any injury to persons or property, or any violation of any law or regulation, occurring by

reason of anything done or omitted to be done by CCSD, its officers, employees, contractors or agents under this Agreement, except and only to the extent such damages, injury, or violation resulted from the negligent acts or willful misconduct of Cal Am or its respective directors, officers, agents and employees.

7. **Insurance.** The Parties will keep in full force and effect the insurance coverage described in Exhibit B.

8. **Assignment**. A Party may not assign its rights or obligations under this Agreement without the written consent of the other Party, which consent may not be unreasonably withheld.

9. **Dispute Resolution**

9.1 Scope of Article. This Article governs the resolution of all disputes that arise under this Agreement.

9.2 Disputes. If a dispute arises concerning any controversy or claim arising out of or relating to this Agreement or the breach thereof, or relating to its application or interpretation, the aggrieved Party will notify the other Party of the dispute in writing within twenty (20) days after such dispute arises. If the Parties fail to resolve the dispute within sixty (60) days after delivery of such notice, each Party will promptly nominate a senior officer of its organization to meet at any mutually-agreed time and location to resolve the dispute. The Parties shall use their best efforts to reach a just and equitable solution satisfactory to both Parties. If the Parties are unable to resolve the dispute to their mutual satisfaction within sixty (60) days thereafter, the dispute will be subject to mediation, pursuant to Section 9.3. The time periods set forth in this Section 9.2 are subject to extension as agreed to by the Parties.

9.3 Mandatory Non-binding Mediation. If a dispute is not resolved pursuant to Section 9.2, the Parties agree to first endeavor to settle the dispute in an amicable manner, using mandatory non-binding mediation initiated and conducted under the applicable rules of the American Arbitration Association in effect as of the Effective Date or other rules agreed to in writing by the Parties, before having recourse in a court of law. Each Party shall bear its own legal expenses, and the expenses of witnesses for either side shall be paid by the Party producing such witnesses. All expenses of the mediator, including required travel, and the cost of any proofs or expert advice produced at the direct request of the mediator, shall be borne equally by the Parties, unless they agree otherwise. Any resultant agreements from mediation shall be documented in writing. All mediation proceedings, results, and documentation, including without limitation any materials prepared or submitted or any positions taken by or on behalf of either Party, shall be confidential and inadmissible for any purpose in any legal proceeding (pursuant to California Evidence Codes sections 1115 through 1128), unless such admission is otherwise agreed upon in writing by the Parties. Mediators shall not be subject to any subpoena or liability, and their actions shall not be subject to discovery. The mediation shall be completed within sixty (60) days after selection of the mediator, unless the Parties agree to extend the mediation period.

9.4 Judicial Relief. If mediation pursuant to Section 9.3 does not resolve a dispute, either Party may seek relief in a court of competent jurisdiction.

9.5 Limitations on Damages. No Party shall be entitled to consequential damages, incidental damages, or punitive or exemplary damages from the other Party in any action or proceeding in connection with this Agreement.

9.6 Attorneys' Fees and Costs. In any action or proceeding to enforce a term or condition of this Agreement, in any disputes relating to the Agreement, and in any actions for breaches, defaults, or misrepresentations in connection with any the Agreement, a prevailing Party (as determined by a court of competent jurisdiction) shall be entitled to recover its reasonable costs and expenses, including without limitation reasonable attorneys' fees and costs.

10. **Termination**.

10.1 Termination for Non-Performance. Either Party may terminate this Agreement if the other Party fails to perform a material provision of this Agreement as required herein, provided that the Party seeking termination shall provide prior written notice of its intention to terminate to the other Party, which notice shall fully describe how the other Party failed to perform a material provision of this Agreement, and provided further that the dispute has not been resolved by following the procedures set forth in Section 9 above. If the Parties are unable to resolve the dispute following the procedures set forth in Section 9, the Party seeking termination may provide a written notification of termination to the other Party, and such termination shall become effective thirty (30) days after the other Party has received such written notification. The procedures of this Section 10.1 shall not apply to terminations under Section 10.2 and 10.3 of this Agreement.

10.2 Termination for Failure of Conditions Precedent. Either Party may terminate this Agreement if, by January 1, 2025, Cal Am has not obtained any and all required CPUC approval of the matters described as conditions precedent in Sections 3.2(a), (b), (c) and (d) by providing a written notification of termination to the other Party, and such termination shall become effective thirty (30) days after the other Party has received such written notification.

10.3 Termination Based on Regulatory Requirements. CCSD may terminate this Agreement if: (a) Cal Am is legally required by a regulatory agency, including the CPUC, or by a court, to make water deliveries to locations in the SRGB other than the CCSD Service Area which result in reduced deliveries to CCSD; and (b) CCSD determines that the reduced amount of Return Water would not be sufficient to justify its water purchase hereunder. Such termination must be effected by providing a written notification of termination to Cal Am, and such termination shall become effective thirty (30) days after Cal Am has received such written notification.

10.4 Agency Act. Termination of this Agreement does not excuse or delay Cal Am's obligation to comply with the Agency Act.

10.5 Ending of Right to Terminate. The Parties acknowledge that the CCSD must be assured of a specific volume of Return Water to justify investment in the capital facilities necessary to convey the Return Water to the CCSD ("CCSD Facilities"), and therefore Cal Am's obligation under this Agreement to make available the CCSD Delivery Volume shall become unconditional on the latest of the following dates, on and after which date the Agreement may not be terminated prior to its expiration:

10.5.1 The date on which the CPUC has issued a CPCN for the Project and the period to challenge the legality of the CPUC's issuance of the CPCN (based on CEQA compliance or otherwise) has expired and no challenge has been brought; or

10.5.2 The date on which any challenge against the CPUC's issuance of the CPCN is resolved with finality following all available appeals and petitions; or

10.5.3 Sixty (60) days following the date on which the CCSD provides notification to Cal Am that it has secured financing, acceptable to CCSD, to construct the CCSD Facilities.

Nothing in this Section 10.4 shall prohibit Cal Am from temporarily suspending delivery of Return Water or Excess Water to CCSD if CCSD fails to make payments when due and such failure continues for a time period in excess of sixty (60) calendar days.

11. **Representatives; Notices.**

11.1 Authorized Representatives. Each Party will designate at least one individual officer or employee who will be its representative and will be authorized to act on behalf of the Party for all purposes in performing the provisions of this Agreement ("Representative"). The designation may be changed from time to time. The designation and changes to a designation must be made in a writing delivered to the other Party.

11.2 No Release. Each Party is responsible for the acts or omissions of its Representative(s). The designation of a Representative by a Party does not release the Party from responsibility for performance of its obligations under this Agreement.

11.3 Notice. All notifications, notices, demands, requests and other communications herein provided for or made pursuant hereto shall be in writing and shall be sent by: (i) registered or certified mail, return receipt requested, and the giving of such communication shall be deemed complete on the third (3rd) business day after the same is deposited in a United States Post Office with postage charges prepaid; (ii) reputable overnight delivery service, and the giving of such communication shall be deemed complete on the immediately succeeding business day after the same is deposited with such delivery service; or (iii) so long as a Party has notified the other Party by means of a method described in clauses (i) or (ii) above of such Party's email address for notification purposes, email transmission of notices to such Party are also permitted provided an original is also sent via one of the other permitted means and the giving of such communication shall be complete when such email is received if such email is received on a business day before 3:00 pm Pacific Time; otherwise, such communication shall be deemed complete the next business day. The date on which notifications, notices, demands, requests and other communications are deemed complete shall be the earliest date arising under subsections (i), (ii) or (iii) of this Section 11.3. All notifications, notices, demands, requests and other communications shall be sent to the Parties as follows:

To CCSD:

J. Eric Tynan
General Manager
Castroville Community Services District
11499 Geil Street
Castroville, CA 95012

To Cal Am:

Eric J. Sabolsice
Director, Operations
Coastal Division
California-American Water Company
511 Forest Lodge Road, Suite 100
Pacific Grove, CA 93950

12. **Force Majeure**. If by reason of Force Majeure (defined below), a Party is rendered unable, wholly or in part, to carry out its obligations under this Agreement, and if such Party gives notice and reasonably describes the particulars of such Force Majeure in writing to the other Party as promptly as possible after the occurrence of the cause relied on, then the affected Party shall be excused from performance hereunder without liability, but only so far as and to the extent that it is affected by such Force Majeure; provided, however, such cause shall be remedied with all reasonable dispatch. Upon occurrence of the Force Majeure, the affected Party, in addition to notifying the other Party as provided above, shall as promptly as possible provide such Party a written description of the Force Majeure, the cause thereof (to the extent known), the date the Force Majeure began, its expected duration, and an estimate of the specific relief requested or to be requested by such Party. Furthermore, the Party affected by such Force Majeure shall use diligent efforts to reduce costs resulting from the occurrence of the Force Majeure, fulfill its performance obligations under this Agreement and otherwise mitigate the adverse effects of the Force Majeure. While the Force Majeure continues, the affected Party shall give the other Party regular updates of the information previously submitted. The affected Party shall also provide prompt written notice to the other Party of the cessation of the Force Majeure. Notwithstanding anything to the contrary contained herein, the occurrence of a Force Majeure shall not, however, (i) excuse or delay any obligation to pay monies previously accrued and owing to another Party under this Agreement, or for the Party to perform any obligation under this Agreement not affected by the occurrence of the Force Majeure; or (ii) excuse or delay Cal Am's obligation to comply with the Agency Act.

For purposes of this Section 12, "Force Majeure" means any act, event, condition or circumstance that (A) is beyond the reasonable control of a Party, (B) by itself or in combination with other acts, events, conditions or circumstances adversely affects, interferes with or delays a Party's ability to perform its obligations under this Agreement, expands the scope of a Party's obligations under this Agreement, or increases a Party's cost of performing its obligations under this Agreement, and (C) is not the direct result of the willful or negligent act, intentional misconduct, or breach of this Agreement by the affected Party.

13. **Other Provisions**.

13.1 Integration. This Agreement embodies the entire agreement between the Parties relating to the subject matter hereof and supersedes all prior agreements and understandings, written or oral, relating to such subject matter.

13.2 Successor and Assigns. This Agreement shall be binding upon, and shall inure to the benefit of and be enforceable by, the Parties hereto and their respective successors and assigns permitted hereunder.

13.3 Relationship of Parties. Each Party is an independent entity. This Agreement will not constitute any Party as the agent of the other Party. This Agreement will not constitute the Parties as partners or joint venturers (or as co-owners of a business entity) for common law purposes, federal, state or local income tax purposes, or otherwise.

13.4 Amendments or Waivers. No term or provision hereof or Exhibit hereto may be amended, changed, waived, discharged, terminated or replaced except by a writing executed by each of the Parties hereto.

13.5 No Waiver by Failure to Act. No failure, delay, forbearance or indulgence on the part of any Party in insisting upon the strict performance of any provision, or in exercising any option, right, power, privilege or remedy hereunder, shall operate or be construed as a waiver or relinquishment thereof, or as an acquiescence in any breach, nor shall any single or partial exercise of any option, right, power, privilege or remedy hereunder preclude any other or further exercise thereof or the exercise of any other option, right, power, privilege or remedy.

13.6 Controlling Law; Conflicts of Law. This Agreement shall be construed, governed and applied in accordance with the laws of the State of California, without regard to the conflicts of law principles thereof.

13.7 CEQA. This Agreement helps to define a stable and finite project description that will facilitate the CPUC's completion of CEQA review for the Project. The legal effectiveness of this Agreement is contingent on the completion of CEQA review and this Agreement does not irretrievably commit the Parties to carrying out any physical activities that would be required for Cal Am to meet the Annual Return Water Obligation or would otherwise be required for the Parties to comply with the terms of this Agreement. The Parties acknowledge and intend that the CPUC as lead agency and other responsible agencies under CEQA will retain full discretion with respect to deciding whether to approve water purchase or any other commitments necessary or convenient for Cal Am to meet the Annual Return Water Obligation, including discretion to modify commitments to avoid or reduce any significant adverse physical environmental effects (i) from Return Water activities that are within their jurisdiction, and (ii) from the Parties' compliance with other terms of this Agreement.

13.8 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any

such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

13.9 No Third Party Beneficiaries. Nothing in this Agreement, express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the Parties hereto; nothing in this Agreement is intended to relieve or discharge the obligation or liability of any third person to any Party; and, this Agreement does not create any duty, liability or standard of care to any person who is not a Party.

13.10 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, and such counterparts together shall constitute but one and the same instrument.

13.11 Consents and Approvals. Except as otherwise expressly set forth in this Agreement, all consents and approvals which may be given under this Agreement shall be in writing and shall not be unreasonably withheld or delayed unless otherwise expressly provided herein.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed and delivered in their name and on their behalf.

CASTROVILLE COMMUNITY SERVICES DISTRICT

By: _____

Printed Name: _____

Title: _____

Approved as to Form:

By: _____

Printed Name: _____

Title: _____

CALIFORNIA-AMERICAN WATER COMPANY

By: _____

Printed Name: _____

Title: _____

EXHIBIT A

Depiction of Anticipated Location of Delivery Pipeline and Delivery Point

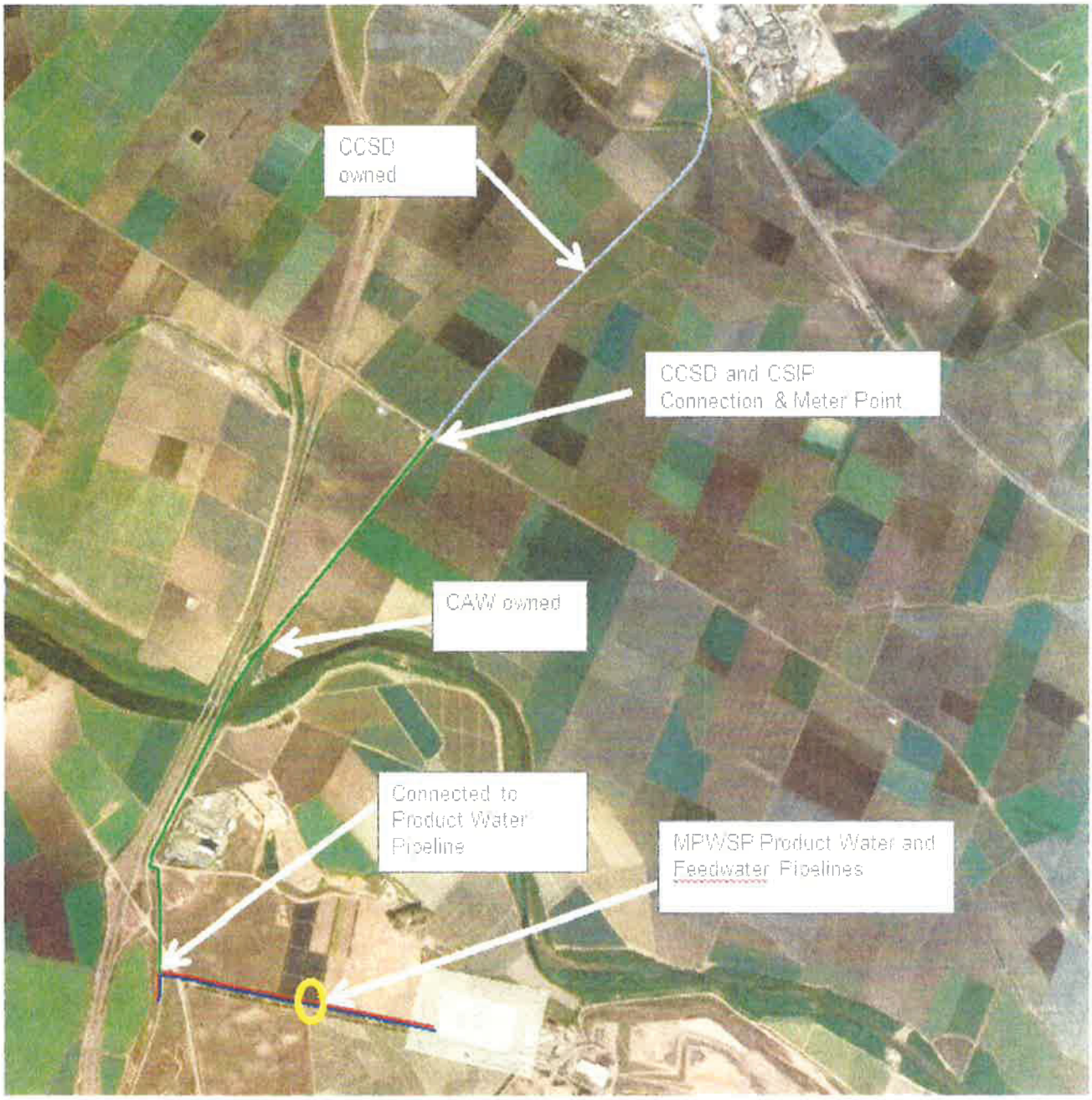


EXHIBIT B

INSURANCE REQUIREMENTS

[CCSD TO PROVIDE]

DRAFT

EXHIBIT C

SECTION 2.C. OF SETTLEMENT AGREEMENT

[TO BE PROVIDED UPON FINALIZATION OF SETTLEMENT AGREEMENT]

SETTLEMENT AGREEMENT
ON MPWSP DESALINATION PLANT
RETURN WATER

APPENDIX C

RETURN WATER PURCHASE AGREEMENTS

RETURN WATER PURCHASE AGREEMENT

By and Between

CASTROVILLE COMMUNITY SERVICES DISTRICT

and

CALIFORNIA-AMERICAN WATER COMPANY

THIS RETURN WATER PURCHASE AGREEMENT ("Agreement") is made as of _____, 2017 (the "Effective Date") by and between the CASTROVILLE COMMUNITY SERVICES DISTRICT, a Special District formed pursuant to the Community Services District Law found at California Government Code Sections 61000 – 61226.5 ("CCSD"), and CALIFORNIA-AMERICAN WATER COMPANY, a California corporation ("Cal Am"). CCSD and Cal Am are referred to herein individually as a "Party" and collectively as the "Parties."

RECITALS:

A. CCSD is a public agency providing services to customers within its jurisdictional boundaries in the Castroville area located in Monterey County north of the City of Marina and west of the City of Salinas ("CCSD Service Area"), and is responsible for, among other things, providing municipal and domestic water service to the CCSD Service Area, which overlies the Salinas River Groundwater Basin ("SRGB").

B. Cal Am is a public utility regulated by the California Public Utilities Commission ("CPUC") and provides water service in various areas within California, including a service area in Monterey County (as it may be subsequently amended or revised from time to time without the approval of the other Party) ("Cal Am Service Area").

C. Cal Am submitted an application to the CPUC on April 23, 2012, in Proceeding A.12-04-019 for approval of the Monterey Peninsula Water Supply Project ("Project"). The Project as proposed would consist of slant intake wells, brackish water pipelines, a desalination plant, product water pipelines, brine disposal facilities and related appurtenant facilities. Depending on the availability of water from the Monterey Regional Water Pollution Control Agency's proposed publicly-owned Groundwater Replenishment Project and on the CPUC's decision on the application, the desalination plant is expected to be sized at either 9.6 million gallons per day ("mgd") ("Large Plant") or 6.4 mgd ("Small Plant") to supply water for municipal use in the Cal Am Service Area.

D. The Project's slant intake wells are designed to pump seawater and to avoid or minimize the capture of groundwater from the SRGB in the process of producing source water for treatment by the selected desalination plant ("Project Source Water Production"). To meet applicable requirements of the Monterey County Water Resources Agency ("Agency") Act ("Agency Act"), Cal Am has proposed as part of the Project to make available for delivery to groundwater users overlying the SRGB a volume of water equal to the percentage of SRGB groundwater in the total Project Source Water Production ("Return Water").

E. CCSD currently relies on groundwater from the SRGB to meet the CCSD Service Area water demands, which average approximately 780 acre feet annually ("afa"), however, CCSD increasingly has experienced water supply challenges due to water quality degradation of its water supplies, primarily from increased salinity. As such, CCSD desires to purchase Return Water to replace or supplement CCSD's current reliance on groundwater from the SRGB.

F. Cal Am intends to seek any CPUC approval necessary to allow for the sale of Return Water to CCSD consistent with the terms of this Agreement, and CCSD intends to

support Cal Am's request for any CPUC approval necessary to allow for the sale of Return Water to CCSD pursuant to the terms of this Agreement.

G. Cal Am's performance of its Return Water obligations under this Agreement and its Return Water Purchase Agreement with the Agency is intended to advance fulfillment of Cal Am's Return Water obligations under that certain SETTLEMENT AGREEMENT ON MPWSP DESALINATION PLANT RETURN WATER, dated _____, 2016 ("Settlement Agreement").

H. Cal Am contemplated two separate pipelines delivering Return Water from the Project desalination plant, one to CSIP ponds and one to CCSD's wellsite #3 ("CCSD Wellsite"). Through negotiations and discussions, the Parties determined the cost of new infrastructure could be decreased by connecting with existing CSIP infrastructure. That connection allows a single pipeline, rather than two pipelines, to be constructed from the desalination plant to the CCSD Wellsite that will connect with an existing CSIP pipeline ("CSIP Connection"). The elimination of a separate pipeline to the CSIP ponds avoids certain pipeline and pump station costs and results in an estimated cost savings to Cal Am of approximately $1,300,000. A preliminary cost estimate for a pipeline and ancillary facilities necessary to convey water from the Project desalination plant to the CCSD Wellsite ("Delivery Pipeline") is approximately $6,500,000. Cal Am believes that if the Delivery Pipeline is constructed by Cal Am there will economies of scale achieved which may reduce the cost of the Delivery Pipeline to approximately $4,400,000, assuming that Cal Am will secure contracts for construction of the pipeline and that environmental review and permitting will be performed in conjunction with the Project. CCSD estimates its cost to construct a new deep well with treatment facilities would cost approximately $2,800,000. Thus, CCSD submits that it may not be able to prudently fund the Delivery Pipeline for more than $2,800,000, and that capital obligations for the Delivery Pipeline would necessitate long-term commitments by CCSD and certainty of source water supply for CCSD.

NOW THEREFORE, in consideration of the foregoing recitals and the mutual covenants set forth in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, CCSD and Cal Am hereby agree as follows:

AGREEMENT

1. **Governing Terms**.

1.1 Recitals. The recitals are hereby incorporated in this Agreement as if fully set forth herein.

1.2 Interpretation. The following rules of interpretation shall apply:

(a) Capitalized terms used in this Agreement, including the exhibits hereto, shall have their respective meanings as set forth in this Agreement.

(b) Unless otherwise specified herein, references in the singular shall include references in the plural and vice versa; and pronouns having masculine or feminine gender will be deemed to include the other.

(c) Any act required to occur by or on a certain day is required to occur before or on that day unless the day falls on a Saturday, Sunday or federal holiday, in which case the act must occur before or on the next day this is not a Saturday, Sunday or federal holiday.

(d) The headings in this Agreement are included for convenience only and shall not be deemed to modify or explain any of the terms of this Agreement.

(e) This Agreement is the product of negotiation between the Parties, no Party is to be deemed the drafter of this Agreement, and any ambiguities in this Agreement shall not be read against any Party to the Agreement.

(f) All references in this Agreement to a "year" shall mean a "water year," and all references to a "water year" shall mean the 12-month period beginning on October 1 of a given year and ending on September 30 of the following year. All calculations herein based on the period of a year shall be prorated to account for any time frame that is less than a 12-month period.

1.3 Agency Act Compliance. Cal Am shall comply with the Agency Act. Notwithstanding any other provisions of this Agreement, the Agency will retain all rights, discretion and authority conferred on the Agency under the Agency Act to ensure that the pumping, production, desalination, and distribution of project source water from the SRGB for the selected desalination plant complies with the Agency Act, and the long-term viability of the SRGB as a water supply for water for agricultural, domestic and municipal use. Neither this Section 1.3 nor any other provision of this Agreement shall be interpreted: (a) to affect, diminish, or enhance the Agency's regulatory authority under the Agency Act; (b) to affect, diminish, excuse, or forgive Cal Am's obligation to comply with the Agency Act; or (c) to preclude any argument by Cal Am or CCSD that there is no violation of the Agency Act.

2. **Term**.

2.1 Effective Date. This Agreement shall be effective on the Effective Date and shall continue in effect until expiration of the Delivery Term (defined in Section 2.2 below) or until earlier termination as provided for in Section 10.

2.2 Delivery Term. The "Delivery Term" shall begin on the date on which Cal Am has determined that it is ready to deliver Return Water to the Delivery Point (defined in Section 3.2 below), the anticipated location of which is depicted on Exhibit A, and shall continue for a period of thirty (30) years thereafter. Cal Am shall provide CCSD with written notice of the commencement date of the Delivery Term, promptly upon Cal Am's determination of such date.

2.3 Right of First Refusal. If this Agreement has not been terminated as provided for in Section 10, CCSD shall have a right of first refusal to enter into a new return water purchase agreement on terms to be negotiated by the Parties at the time the right is exercised. In order to exercise the right, CCSD shall provide Cal Am written notice of its intent to do so no earlier than 730 days and no later than 365 days prior to expiration of this Agreement. CCSD acknowledges that Agency also has a right of first refusal to enter into a new

return water purchase agreement with respect to its agreement with Cal Am pursuant to that certain Return Water Purchase Agreement By and Between MONTEREY COUNTY WATER RESOURCES AGENCY and CALIFORNIA-AMERICAN WATER COMPANY dated _____.

2.4 Expiration or Non-Renewal. Upon termination, expiration or non-renewal of this Agreement, Cal Am shall continue to make Return Water available for delivery to the SRGB for use in lieu of existing groundwater production, unless Cal Am demonstrates that Return Water is not needed to prevent legal injury to prior groundwater rights holders in the SRGB or to avoid significant adverse effects to SRGB groundwater resources. If Cal Am desires to make such a showing, it shall initially do so by providing a demonstration in writing to all parties to the Settlement Agreement using the notice provisions of Section 11 of this Agreement. Within 21 days thereafter, the Parties shall meet to seek to reach agreement regarding whether Cal Am has made the requisite demonstration. If the Parties do not reach agreement within 30 days after the initial meeting, any Party may on or after the 31st day, but no later than the 91st day, invoke the provisions of Section 9. For the avoidance of doubt, nothing in this Section 2.4 in any way affects the provisions, scope and application of Section 1.3.

3. Delivery of Return Water

3.1 Priority of Return Water for In-Lieu Use. Unless prevented by circumstances outside the control of CCSD and so long as such use is permitted by law, CCSD will use the water purchased from Cal Am under Section 3.5.1 of this Agreement to serve the water supply demand of persons served by CCSD, before using water from the SRGB. CCSD shall measure and record the amount of water received under this Agreement and produced from other groundwater sources within the SRGB and shall make such information available to the public upon written request. CCSD will report to the parties to the Settlement Agreement within 90 days after executing this Agreement, and annually thereafter by March 31, the following information for the prior 12 months: the amount of water served to, and the current number of, its residential, commercial, and industrial service connections; the amount of water produced from groundwater wells to serve these connections; the amount of Return Water to serve these connections; and the amount of water from other sources to serve these connections. This provision is not intended and shall not be interpreted to limit either CCSD's statutory authority under Section 61100 of the California Government Code to supply water for any beneficial uses within CCSD's boundaries or CCSD's discretion in the use of best management practices to operate CCSD's water system facilities in performing CCSD's obligations under the law and this Agreement, or to impose new or additional requirements for analysis under the California Environmental Quality Act ("CEQA"), Public Resource Code Sections 21000 and following for water service and supply by CCSD.

3.2 Cal Am Return Water Pipeline. Subject to satisfaction of the Conditions Precedent set forth in Sections 3.3(a), (b), (c), (d), (e) and (f), Cal Am will design and construct (in consultation with CCSD) the Delivery Pipeline including a metered delivery point ("Delivery Point") as set forth in Exhibit A. Cal Am will install, operate, and maintain the meter in accordance with CPUC General Order 103-A or other applicable CPUC or water industry standards which will measure the volume of Return Water delivered to the Delivery Point ("Cal Am Meter"). CCSD shall use best efforts to ensure it has the ability to take such delivery. All pipeline facilities from the desalination plant up to and including the Cal Am Meter shall be

owned, operated and maintained by Cal Am. All pipeline facilities downstream of the Cal Am Meter shall be owned, operated, and maintained by CCSD upon payment by CCSD to Cal Am of the CCSD Pipeline Contribution as set forth in this Agreement.

3.3 Conditions Precedent. Any delivery of Return Water pursuant to this Agreement is subject to the following conditions precedent:

(a) any required CPUC approval to amend Cal Am's Service Area to allow for the sale of Return Water consistent with the terms of this Agreement; and,

(b) any required CPUC approval of a tariff to allow for the sale of Return Water consistent with the terms of this Agreement, which tariff may change from time to time with the approval of the CPUC and shall govern over any inconsistent terms or conditions set forth in this Agreement; and,

(c) the completion of CEQA review by the CPUC as lead agency for the Project; and

(d) the CPUC's issuance of a Certificate of Public Convenience and Necessity ("CPCN") for the Project; and,

(e) the total cost of the Delivery Pipeline ("Delivery Pipeline Cost") is estimated by Cal Am to be no more than $4.4 million; and,

(f) CCSD and Cal Am have reached an agreement concerning the capacity, construction by Cal Am, implementation, acquisition by CCSD, ownership, financing, and operation and maintenance costs of the Delivery Pipeline; and,

(g) completion of construction, and acceptance by Cal Am, of the Project desalination plant such that it is able to produce and transport Return Water to the Delivery Point; and

(h) CCSD's ability to take delivery of the Return Water at the Delivery Point.

With respect to Sections 3.3(a), (b), (c) and (d), Cal Am shall use good faith diligent efforts to seek any such required CPUC approval as is reasonably possible following the Effective Date. CCSD shall use good faith diligent efforts to support Cal Am's efforts to obtain any such CPUC approval.

3.4 Delivery Pipeline Cost.

3.4.1 Upon completion and acceptance by Cal Am of the Delivery Pipeline, CCSD will pay to Cal Am the Delivery Pipeline Cost, subject to a cap of $2.8 million ("CCSD Pipeline Contribution").

3.4.2 The Parties shall cooperate in good faith to seek grants to offset the Delivery Pipeline Cost.

3.4.3 Cal Am will reimburse CCSD for its CCSD Pipeline Contribution in proportion to any reduction to the CCSD Delivery Volume as a result of the occurrence of an Other Return Water Obligation pursuant to Section 3.5.2 ("Conditional Pipeline Reimbursement"), which Conditional Pipeline Reimbursement shall be prorated by that percentage of the outstanding 30-year Delivery Term remaining at the time the Other Return Water Obligation occurs. The foregoing concept is represented in the following equation: Conditional Pipeline Reimbursement = ([Other Return Water Obligation/CCSD Delivery Volume] x $2.8 million) x (remaining Delivery Term/30-year term).

3.5 Delivery Requirements. Cal Am shall have annual Return Water requirements ("Annual Return Water Obligation") that shall be calculated based on the percentage of SRGB groundwater in the total Project Source Water Production. CCSD agrees that the volume of the Annual Return Water Obligation will be determined as set forth in Section 2.c. of the Settlement Agreement. For reference purposes, Section 2.c. of the Settlement Agreement is attached as Exhibit C hereto.

3.5.1 On an annual basis during the Delivery Term, Cal Am shall make available for delivery to CCSD 690 afa of Return Water ("CCSD Delivery Volume"). In any given year, if the CCSD Delivery Volume is less than the Annual Return Water Obligation for that year, CCSD shall purchase Return Water from Cal Am in an amount equal to the CCSD Delivery Volume. In any given year, if the Annual Return Water Obligation is less than the CCSD Delivery Volume, CCSD shall purchase Return Water from Cal Am in an amount equal to the Annual Return Water Obligation for that year and may elect to purchase from Cal Am potable water in an amount equal to the difference between the Annual Return Water Obligation for that year and the CCSD Delivery Volume ("Excess Water"). In other words, CCSD shall purchase from Cal Am each year the lesser of the CCWD Delivery Volume or the Annual Return Water Obligation, and may purchase from Cal Am each year Excess Water, in accordance with pricing terms addressed in Section 4. Notwithstanding any other provision of this Agreement, if CCSD purchases any Excess Water in any given year, it may not purchase a total of more than 690 afa of Return Water in that year.

3.5.2 The Parties acknowledge that Cal Am could be legally required by a regulatory agency, including the CPUC in this proceeding, or by a court, to make water deliveries to other locations in the SRGB to the extent necessary to mitigate any groundwater impacts from the Project that were demonstrated in relation to a specific location overlying the SRGB ("Other Return Water Obligation"). Such Other Return Water Obligation could also serve to satisfy Cal Am's obligations to return water to the SRGB under the Agency Act, the CEQA, or common-law water law principles. Under such circumstances, the Parties agree that it would be inequitable to Cal Am and its ratepayers to fund both the Other Return Water Obligation and the Return Water obligations specified herein as this would result in a duplicative liability to Cal Am and its ratepayers. Cal Am's obligation to make available the CCSD Delivery Volume shall be reduced in the event and to the extent that a regulatory agency or court has required Cal Am to deliver Return Water in a manner or location different than as specified in this Agreement. CCSD shall have the right to terminate this Agreement as set forth in Section

10.3 if it determines that the reduced amount of Return Water would not be sufficient to justify its water purchase as contemplated herein.

3.6 Scheduling of Deliveries. Subject to CCSD's obligation to purchase Return Water set forth in Section 3.5.1, Cal Am will deliver Return Water to the Delivery Point in quantities and at times determined by the Parties. Cal Am will endeavor to cooperate with CCSD to deliver Return Water to the Delivery Point in volumes and at times requested by CCSD. CCSD will give at least 30 days' advance written notice to Cal Am by email, facsimile or U.S. Mail before any changes to CCSD's water demand during any water year.

4. **Payment Provisions**.

4.1 Generally. Cal Am will invoice CCSD for deliveries of Return Water to the Delivery Point based on the volumes measured at the Cal Am Meter. CCSD shall pay such invoices within 30 days of receipt.

(a) Pricing. CCSD shall pay a rate intended to represent its avoided cost to produce groundwater to meet customer demand, currently estimated to be $110 per acre-foot, which will be the rate as of the beginning of the Delivery Term, for Return Water made available for delivery to meet the Annual Return Water Obligation. CCSD plans to continue operation of its existing wells so they may be available in emergency circumstances. This continuing operation will enable CCSD to provide future updates to the avoided cost of pumping to Cal Am upon Cal Am's reasonable request, but not more than once per year. If CCSD is unable to provide such updated avoided costs of pumping, then the percentage increase of PG&E's A-6 tariff for off-peak summer distribution rate (with a base of $0.07311 / kWh as of the tariff existing on March 24, 2016) will be used as the escalation factor for the increase in avoided cost of pumping in the future. During the Delivery Term, the rate will be reviewed annually and updated, if necessary, via Tier 2 advice letter filing with the CPUC. If at any time the CPUC approves or imposes a price for Return Water that exceeds CCSD's marginal avoided cost for groundwater pumping, CCSD may terminate this Agreement, but Cal Am's obligation to provide Return Water shall not be affected by such termination. Such termination must be effected by providing a written notification of termination to Cal Am, and such termination shall become effective thirty (30) days after Cal Am has received such written notification.

(b) CCSD shall pay a rate intended to represent the marginal operation and maintenance costs for the Project to produce one acre-foot of potable water, currently estimated to be $580 per acre-foot, which will be the rate as of the beginning of the Delivery Term, for any Excess Water; provided, however, that as to Excess Water, CCSD shall pay the prices that are approved by the CPUC and included in Cal Am's tariffs, as they may be modified from time to time as approved by the CPUC. During the Delivery Term, the rate will be reviewed annually and updated, if necessary, via Tier 2 advice letter filing with the CPUC.

5. **Compliance with Laws/Cooperation**. The Parties shall comply with all applicable laws in their respective performance under this Agreement and shall cooperate to take the actions and execute the documents necessary to perform under this Agreement.

6. **Indemnification; Fees and Expenses**

6.1 Indemnification.

(a) To the fullest extent permitted by law, Cal Am shall indemnify and hold harmless, but shall have no obligation to defend, CCSD and its directors, officers, agents and employees, from any claims, actions or liability for any damages or costs (including reasonable attorneys' fees and costs of defense) arising either from any injury to persons or property or from any violation of any law or regulation, which damages result from either the negligent acts, errors, or omissions, or the willful misconduct, of Cal Am, its directors, officers, employees, or agents in performing under this Agreement, but only to the extent such damages resulted from such negligent acts, errors, or omissions, or from such willful misconduct, of Cal Am or its directors, officers, agents and employees, such that Cal Am's indemnity obligation shall only apply to its percentage of fault multiplied by the total damages in issue.

(b) To the fullest extent permitted by law, CCSD shall indemnify and hold harmless, but shall have no obligation to defend, Cal Am and its directors, officers, agents and employees from any claims, actions or liability for any damages or costs (including reasonable attorneys' fees and costs of defense) arising either from any injury to persons or property or from any violation of any law or regulation, which damages result from either the negligent acts, errors, or omissions, or the willful misconduct, of CCSD, its directors, officers, employees, contractors or agents in performing under this Agreement, but only to the extent such damages resulted from such negligent acts, errors, or omissions, or from such willful misconduct, of CCSD or its directors, officers, agents and employees, such that CCSD's indemnity obligation shall only apply to its percentage of fault multiplied by the total damages in issue. Notwithstanding the foregoing, the Parties acknowledge and agree that nothing in this Section 6.1(b) or otherwise contained in this Agreement constitutes or shall be asserted to constitute a waiver of any defense CCSD possesses or may possess, including but not limited to any defense of sovereign or statutory immunity, to liability at law or in equity.

7. **Insurance.** The Parties will keep in full force and effect the insurance coverage described in Exhibit B.

8. **Assignment**. A Party may not assign its rights or obligations under this Agreement without the written consent of the other Party, which consent may not be unreasonably withheld.

9. **Dispute Resolution**

9.1 Scope of Article. This Article governs the resolution of all disputes that arise under this Agreement.

9.2 Disputes. If a dispute arises concerning any controversy or claim arising out of or relating to this Agreement or the breach thereof, or relating to its application or interpretation, the aggrieved Party will notify the other Party of the dispute in writing within twenty (20) days after such dispute arises. If the Parties fail to resolve the dispute within sixty (60) days after delivery of such notice, each Party will promptly nominate a senior officer of its organization to meet at any mutually-agreed time and location to resolve the dispute. The Parties

shall use their best efforts to reach a just and equitable solution satisfactory to both Parties. If the Parties are unable to resolve the dispute to their mutual satisfaction within sixty (60) days thereafter, the dispute will be subject to mediation, pursuant to Section 9.3. The time periods set forth in this Section 9.2 are subject to extension as agreed to by the Parties.

9.3 Mandatory Non-binding Mediation. If a dispute is not resolved pursuant to Section 9.2, the Parties agree to first endeavor to settle the dispute in an amicable manner, using mandatory non-binding mediation initiated and conducted under the applicable rules of the American Arbitration Association in effect as of the Effective Date or other rules agreed to in writing by the Parties, before having recourse in a court of law. Each Party shall bear its own legal expenses, and the expenses of witnesses for either side shall be paid by the Party producing such witnesses. All expenses of the mediator, including required travel, and the cost of any proofs or expert advice produced at the direct request of the mediator, shall be borne equally by the Parties, unless they agree otherwise. Any resultant agreements from mediation shall be documented in writing. All mediation proceedings, results, and documentation, including without limitation any materials prepared or submitted or any positions taken by or on behalf of either Party, shall be confidential and inadmissible for any purpose in any legal proceeding (pursuant to California Evidence Codes sections 1115 through 1128), unless such admission is otherwise agreed upon in writing by the Parties. Mediators shall not be subject to any subpoena or liability, and their actions shall not be subject to discovery. The mediation shall be completed within sixty (60) days after selection of the mediator, unless the Parties agree to extend the mediation period.

9.4 Judicial Relief. If mediation pursuant to Section 9.3 does not resolve a dispute, either Party may seek relief in a court of competent jurisdiction.

9.5 Limitations on Damages. No Party shall be entitled to consequential damages, incidental damages, or punitive or exemplary damages from the other Party in any action or proceeding in connection with this Agreement.

9.6 Attorneys' Fees and Costs. In any action or proceeding to enforce a term or condition of this Agreement, in any disputes relating to the Agreement, and in any actions for breaches, defaults, or misrepresentations in connection with any the Agreement, a prevailing Party (as determined by a court of competent jurisdiction) shall be entitled to recover its reasonable costs and expenses, including without limitation reasonable attorneys' fees and costs.

10. **Termination**.

10.1 Termination for Non-Performance. Either Party may terminate this Agreement if the other Party fails to perform a material provision of this Agreement as required herein, provided that the Party seeking termination shall provide prior written notice of its intention to terminate to the other Party, which notice shall fully describe how the other Party failed to perform a material provision of this Agreement, and provided further that the dispute has not been resolved by following the procedures set forth in Section 9 above. If the Parties are unable to resolve the dispute following the procedures set forth in Section 9, the Party seeking termination may provide a written notification of termination to the other Party, and such termination shall become effective thirty (30) days after the other Party has received such written

notification. The procedures of this Section 10.1 shall not apply to terminations under Section 10.2 and 10.3 of this Agreement.

10.2 Termination for Failure of Conditions Precedent. Either Party may terminate this Agreement if, by January 1, 2025, Cal Am has not obtained any and all required CPUC approval of the matters described as conditions precedent in Sections 3.2(a), (b), (c) and (d) by providing a written notification of termination to the other Party, and such termination shall become effective thirty (30) days after the other Party has received such written notification.

10.3 Termination Based on Regulatory Requirements. CCSD may terminate this Agreement if: (a) Cal Am is legally required by a regulatory agency, including the CPUC, or by a court, to make water deliveries to locations in the SRGB other than the CCSD Service Area which result in reduced deliveries to CCSD; and (b) CCSD determines that the reduced amount of Return Water would not be sufficient to justify its water purchase hereunder. Such termination must be effected by providing a written notification of termination to Cal Am, and such termination shall become effective thirty (30) days after Cal Am has received such written notification.

10.4 Agency Act. Termination of this Agreement does not excuse or delay Cal Am's obligation to comply with the Agency Act.

10.5 Ending of Right to Terminate. The Parties acknowledge that the CCSD must be assured of a specific volume of Return Water to justify investment in the capital facilities necessary to convey the Return Water to the CCSD ("CCSD Facilities"), and therefore Cal Am's obligation under this Agreement to make available the CCSD Delivery Volume shall become unconditional on the latest of the following dates, on and after which date the Agreement may not be terminated prior to its expiration:

10.5.1 The date on which the CPUC has issued a CPCN for the Project and the period to challenge the legality of the CPUC's issuance of the CPCN (based on CEQA compliance or otherwise) has expired and no challenge has been brought; or

10.5.2 The date on which any challenge against the CPUC's issuance of the CPCN is resolved with finality following all available appeals and petitions; or

10.5.3 Sixty (60) days following the date on which the CCSD provides notification to Cal Am that it has secured financing, acceptable to CCSD, to acquire the CCSD Facilities.

Nothing in this Section 10.54 shall prohibit Cal Am from temporarily suspending delivery of Return Water or Excess Water to CCSD if CCSD fails to make payments when due and such failure continues for a time period in excess of sixty (60) calendar days.

11. **Representatives; Notices**.

11.1 Authorized Representatives. Each Party will designate at least one individual officer or employee who will be its representative and will be authorized to act on behalf of the Party for all purposes in performing the provisions of this Agreement ("Representative"). The designation may be changed from time to time. The designation and changes to a designation must be made in a writing delivered to the other Party.

11.2 No Release. Each Party is responsible for the acts or omissions of its Representative(s). The designation of a Representative by a Party does not release the Party from responsibility for performance of its obligations under this Agreement.

11.3 Notice. All notifications, notices, demands, requests and other communications herein provided for or made pursuant hereto shall be in writing and shall be sent by: (i) registered or certified mail, return receipt requested, and the giving of such communication shall be deemed complete on the third (3rd) business day after the same is deposited in a United States Post Office with postage charges prepaid; (ii) reputable overnight delivery service, and the giving of such communication shall be deemed complete on the immediately succeeding business day after the same is deposited with such delivery service; or (iii) so long as a Party has notified the other Party by means of a method described in clauses (i) or (ii) above of such Party's email address for notification purposes, email transmission of notices to such Party are also permitted provided an original is also sent via one of the other permitted means and the giving of such communication shall be complete when such email is received if such email is received on a business day before 3:00 pm Pacific Time; otherwise, such communication shall be deemed complete the next business day. The date on which notifications, notices, demands, requests and other communications are deemed complete shall be the earliest date arising under subsections (i), (ii) or (iii) of this Section 11.3. All notifications, notices, demands, requests and other communications shall be sent to the Parties as follows:

To CCSD:

J. Eric Tynan
General Manager
Castroville Community Services District
11499 Geil Street
Castroville, CA 95012

To Cal Am:

Eric J. Sabolsice
Director, Operations
Coastal Division
California-American Water Company
511 Forest Lodge Road, Suite 100
Pacific Grove, CA 93950

12. **Force Majeure**. If by reason of Force Majeure (defined below), a Party is rendered unable, wholly or in part, to carry out its obligations under this Agreement, and if such Party gives notice and reasonably describes the particulars of such Force Majeure in writing to the other Party as promptly as possible after the occurrence of the cause relied on, then the affected Party shall be excused from performance hereunder without liability, but only so far as and to the extent that it is affected by such Force Majeure; provided, however, such cause shall be remedied with all reasonable dispatch. Upon occurrence of the Force Majeure, the affected Party, in addition to notifying the other Party as provided above, shall as promptly as possible provide such Party a written description of the Force Majeure, the cause thereof (to the extent known), the date the Force Majeure began, its expected duration, and an estimate of the specific relief requested or to be requested by such Party. Furthermore, the Party affected by such Force Majeure shall use diligent efforts to reduce costs resulting from the occurrence of the Force Majeure, fulfill its performance obligations under this Agreement and otherwise mitigate the adverse effects of the Force Majeure. While the Force Majeure continues, the affected Party shall give the other Party regular updates of the information previously submitted. The affected Party shall also provide prompt written notice to the other Party of the cessation of the Force Majeure. Notwithstanding anything to the contrary contained herein, the occurrence of a Force Majeure shall not, however, (i) excuse or delay any obligation to pay monies previously accrued and owing to another Party under this Agreement, or for the Party to perform any obligation under this Agreement not affected by the occurrence of the Force Majeure; or (ii) excuse or delay Cal Am's obligation to comply with the Agency Act.

For purposes of this Section 12, "Force Majeure" means any act, event, condition or circumstance that (A) is beyond the reasonable control of a Party, (B) by itself or in combination with other acts, events, conditions or circumstances adversely affects, interferes with or delays a Party's ability to perform its obligations under this Agreement, expands the scope of a Party's obligations under this Agreement, or increases a Party's cost of performing its obligations under this Agreement, and (C) is not the direct result of the willful or negligent act, intentional misconduct, or breach of this Agreement by the affected Party.

13. **Other Provisions**.

13.1 Integration. This Agreement embodies the entire agreement between the Parties relating to the subject matter hereof and supersedes all prior agreements and understandings, written or oral, relating to such subject matter.

13.2 Successor and Assigns. This Agreement shall be binding upon, and shall inure to the benefit of and be enforceable by, the Parties hereto and their respective successors and assigns permitted hereunder.

13.3 Relationship of Parties. Each Party is an independent entity. This Agreement will not constitute any Party as the agent of the other Party. This Agreement will not constitute the Parties as partners or joint venturers (or as co-owners of a business entity) for common law purposes, federal, state or local income tax purposes, or otherwise.

13.4 Amendments or Waivers. No term or provision hereof or Exhibit hereto may be amended, changed, waived, discharged, terminated or replaced except by a writing executed by each of the Parties hereto.

13.5 No Waiver by Failure to Act. No failure, delay, forbearance or indulgence on the part of any Party in insisting upon the strict performance of any provision, or in exercising any option, right, power, privilege or remedy hereunder, shall operate or be construed as a waiver or relinquishment thereof, or as an acquiescence in any breach, nor shall any single or partial exercise of any option, right, power, privilege or remedy hereunder preclude any other or further exercise thereof or the exercise of any other option, right, power, privilege or remedy.

13.6 Controlling Law; Conflicts of Law. This Agreement shall be construed, governed and applied in accordance with the laws of the State of California, without regard to the conflicts of law principles thereof.

13.7 CEQA. This Agreement helps to define a stable and finite project description that will facilitate the CPUC's completion of CEQA review for the Project. The legal effectiveness of this Agreement is contingent on the completion of CEQA review and this Agreement does not irretrievably commit the Parties to carrying out any physical activities that would be required for Cal Am to meet the Annual Return Water Obligation or would otherwise be required for the Parties to comply with the terms of this Agreement. The Parties acknowledge and intend that the CPUC as lead agency and other responsible agencies under CEQA will retain full discretion with respect to deciding whether to approve water purchase or any other commitments necessary or convenient for Cal Am to meet the Annual Return Water Obligation, including discretion to modify commitments to avoid or reduce any significant adverse physical environmental effects (i) from Return Water activities that are within their jurisdiction, and (ii) from the Parties' compliance with other terms of this Agreement.

13.8 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

13.9 No Third Party Beneficiaries. Nothing in this Agreement, express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the Parties hereto; nothing in this Agreement is intended to relieve or discharge the obligation or liability of any third person to any Party; and, this Agreement does not create any duty, liability or standard of care to any person who is not a Party. However, this Section 13.9 is not intended to, and shall not, limit the right of Settlement Agreement Parties to meet and confer under Section 6 of the Settlement Agreement in response to any conflict that is noted or alleged to exist between the terms of this Agreement and the terms of the Settlement Agreement.

13.10 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, and such counterparts together shall constitute but one and the same instrument.

13.11 Consents and Approvals. Except as otherwise expressly set forth in this Agreement, all consents and approvals which may be given under this Agreement shall be in writing and shall not be unreasonably withheld or delayed unless otherwise expressly provided herein.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed and delivered in their name and on their behalf.

CASTROVILLE COMMUNITY SERVICES DISTRICT

By: _____

Printed Name: _____

Title: _____

Approved as to Form:

By: _____

Printed Name: _____

Title: _____

CALIFORNIA-AMERICAN WATER COMPANY

By: _____

Printed Name: _____

Title: _____

EXHIBIT A

Depiction of Anticipated Location of Delivery Pipeline and Delivery Point

EXHIBIT B

INSURANCE REQUIREMENTS

Each Party to this Agreement shall initially provide information regarding and thereafter at all times maintain Commercial General Liability ("CGL") insurance, or be analogously self-insured or insured through a pooling arrangement, in the minimum amount of $1,000,000 per occurrence with an aggregate limit of $2,000,000. Subject to the immediately preceding sentence, each Party may change insurance and/or insurers, and if a Party does so, it shall provide notice to the other Party within seven (7) days of such change.

Cal Am declares that it currently has a CGL policy with limits of $2,000,000 per occurrence with an aggregate limit of $25,000,000 and a $2,000,000 deductible. Coverage is issued through Travelers Property Casualty Company of America.

CCSD declares that it participates in pooled coverage through the Association of California Water Agency Joint Powers Insurance Authority (ACWA/JPIA) for acts and omissions that would be covered by a CGL policy issued by a private insurer. The limits of such pooled coverage equal or exceed $1,000,000 per occurrence and an aggregate limit of $2,000,000.

EXHIBIT C

SECTION 2.C. OF SETTLEMENT AGREEMENT

[TO BE PROVIDED UPON FINALIZATION OF SETTLEMENT AGREEMENT]

RETURN WATER PURCHASE AGREEMENT

By and Between

MONTEREY COUNTY WATER RESOURCES AGENCY

and

CALIFORNIA-AMERICAN WATER COMPANY

THIS RETURN WATER PURCHASE AGREEMENT ("Agreement") is made as of _____, 2017 (the "Effective Date") by and between the MONTEREY COUNTY WATER RESOURCES AGENCY, a Water Resources Agency created pursuant to the Monterey County Water Resources Agency Act found at California Water Code Appendix Chapter 52 ("Agency"), and CALIFORNIA-AMERICAN WATER COMPANY, a California corporation ("Cal Am"). Agency and Cal Am are referred to herein individually as a "Party" and collectively as the "Parties."

RECITALS:

A. The Agency is a public agency with jurisdictional boundaries that are coextensive with the boundaries of the County of Monterey and, under the Monterey County Water Resources Agency Act ("Agency Act"), Agency is responsible for, among other things, controlling groundwater extractions as required to prevent or deter the loss of usable groundwater through intrusion of seawater and prohibiting groundwater exportation from the Salinas River Groundwater Basin ("SRGB").

B. Cal Am is a public utility regulated by the California Public Utilities Commission ("CPUC") and provides water service in various areas within California, including a service area in Monterey County (as it may be subsequently amended or revised from time to time without the approval of the other Party) ("Cal Am Service Area").

C. Cal Am submitted an application to the CPUC on April 23, 2012, in Proceeding A.12-04-019 for approval of the Monterey Peninsula Water Supply Project ("Project"). The Project as proposed would consist of slant intake wells, brackish water pipelines, a desalination plant, product water pipelines, brine disposal facilities and related appurtenant facilities. Depending on the availability of water from the Monterey Regional Water Pollution Control Agency's proposed publicly-owned Groundwater Replenishment Project and on the CPUC's decision on the application, the desalination plant is expected to be sized at either 9.6 million gallons per day ("mgd") or 6.4 mgd to supply water for municipal use in the Cal Am Service Area.

D. The Project's slant intake wells are designed to pump seawater and to avoid or minimize the capture of groundwater from the SRGB in the process of producing source water for treatment by the selected desalination plant ("Project Source Water Production"). To meet applicable requirements of the Agency Act, Cal Am has proposed as part of the Project to make available for delivery to groundwater users overlying the SRGB a volume of water equal to the percentage of SRGB groundwater in the total Project Source Water Production ("Return Water").

E. The Castroville Seawater Intrusion Project ("CSIP") is an Agency project that provides recycled water and diverted Salinas River water for use in lieu of groundwater pumping for irrigated agricultural use in the Castroville area of the SRGB. Agency desires to purchase Return Water for ultimate distribution to CSIP agricultural users; however, prior environmental analyses reveal that there may be limitations in the capacity of CSIP to accommodate all of the Return Water under some conditions.

F. Cal Am intends to seek any CPUC approval necessary to allow for the sale of Return Water to Agency consistent with the terms of this Agreement, and Agency intends to support Cal Am's request for any CPUC approval necessary to allow the sale of Return Water to Agency pursuant to the terms of this Agreement.

G. Pursuant to a separate agreement with Castroville Community Services District ("CCSD") dated _____ and entitled Return Water Purchase Agreement By and Between CASTROVILLE COMMUNITY SERVICES DISTRICT and CALIFORNIA-AMERICAN WATER COMPANY ("CCSD Return WPA"), Cal Am is required to make available for delivery to CCSD 690 acre feet annually ("afa") of Return Water ("CCSD Delivery Volume").

H. Cal Am's performance of its Return Water obligations under this Agreement and the CCSD Return WPA is intended to advance fulfillment of Cal Am's Return Water obligations under that certain SETTLEMENT AGREEMENT ON MPWSP DESALINATION PLANT RETURN WATER, dated _____, 2016 ("Settlement Agreement").

I. Cal Am contemplated two separate pipelines delivering Return Water from the Project desalination plant, one to CSIP ponds and one to CCSD's wellsite #3 ("CCSD Wellsite"). Through negotiations and discussions, the Parties determined the cost of new infrastructure could be decreased by connecting with existing CSIP infrastructure. That connection allows a single pipeline, rather than two pipelines, to be constructed from the desalination plant to the CCSD Wellsite that will connect with an existing CSIP pipeline ("CSIP Connection"). The elimination of a separate pipeline to the CSIP ponds avoids certain pipeline and pump station costs and results in an estimated cost savings to Cal Am of approximately $1,300,000. A preliminary cost estimate for a pipeline and ancillary facilities necessary to convey water from the Project desalination plant to the CCSD Wellsite ("Delivery Pipeline") is approximately $6,500,000. Cal Am believes that if the Delivery Pipeline is constructed by Cal Am there will economies of scale achieved which may reduce the cost of the Delivery Pipeline to approximately $4,400,000, assuming that Cal Am will secure contracts for construction of the pipeline and that environmental review and permitting will be performed in conjunction with the Project. CCSD estimates its cost to construct a new deep well with treatment facilities would cost approximately $2,800,000. Thus, CCSD submits that it may not be able to prudently fund the Delivery Pipeline for more than $2,800,000, and that capital obligations for the Delivery Pipeline would necessitate long-term commitments by CCSD and certainty of source water supply for CCSD.

NOW THEREFORE, in consideration of the foregoing recitals and the mutual covenants set forth in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Agency and Cal Am hereby agree as follows:

AGREEMENT

1. **Governing Terms**.

1.1 Recitals. The recitals are hereby incorporated in this Agreement as if fully set forth herein.

1.2 Interpretation. The following rules of interpretation shall apply:

(a) Capitalized terms used in this Agreement, including the exhibits hereto, shall have their respective meanings as set forth in this Agreement.

(b) Unless otherwise specified herein, references in the singular shall include references in the plural and vice versa; and pronouns having masculine or feminine gender will be deemed to include the other.

(c) Any act required to occur by or on a certain day is required to occur before or on that day unless the day falls on a Saturday, Sunday or federal holiday, in which case the act must occur before or on the next day this is not a Saturday, Sunday or federal holiday.

(d) The headings in this Agreement are included for convenience only and shall not be deemed to modify or explain any of the terms of this Agreement.

(e) This Agreement is the product of negotiation between the Parties, no Party is to be deemed the drafter of this Agreement, and any ambiguities in this Agreement shall not be read against any Party to the Agreement.

(f) All references in this Agreement to a "year" shall mean a "water year," and all references to a "water year" shall mean the 12-month period beginning on October 1 of a given year and ending on September 30 of the following year. All calculations herein based on the period of a year shall be prorated to account for any time frame that is less than a 12-month period.

1.3 Agency Act Compliance. Cal Am shall comply with the Agency Act. Notwithstanding any other provisions of this Agreement, the Agency will retain all rights, discretion and authority conferred on the Agency under the Agency Act to ensure that the pumping, production, desalination, and distribution of project source water from the SRGB for the selected desalination plant complies with the Agency Act, and the long-term viability of the SRGB as a water supply for water for agricultural, domestic and municipal use. Neither this Section 1.3 nor any other provision of this Agreement shall be interpreted: (a) to affect, diminish, or enhance the Agency's regulatory authority under the Agency Act; (b) to affect, diminish, excuse, or forgive Cal Am's obligation to comply with the Agency Act; or (c) to preclude any argument by Cal Am that there is no violation of the Agency Act.

2. **Term**.

2.1 Effective Date. This Agreement shall be effective on the Effective Date and shall continue in effect until expiration of the Delivery Term (defined in Section 2.2 below) or until earlier termination as provided for in Section 10.

2.2 Delivery Term. The "Delivery Term" shall begin on the date on which Cal Am has determined that it is ready to deliver Return Water to the Delivery Point (defined in Section 3.2 below), the anticipated location of which is depicted on Exhibit A, and shall continue for a period of thirty (30) years thereafter. Cal Am shall provide Agency with written notice of

the commencement date of the Delivery Term, promptly upon Cal Am's determination of such date.

2.3 Right of First Refusal. If this Agreement has not been terminated as provided for in Section 10, Agency shall have a right of first refusal to enter into a new return water purchase agreement on terms to be negotiated by the Parties at the time the right is exercised. In order to exercise the right, Agency shall provide Cal Am written notice of its intent to do so no earlier than 730 days and no later than 365 days prior to expiration of this Agreement. Agency acknowledges that pursuant to the CCSD Return WPA CCSD also has a right of first refusal to enter into a new return water purchase agreement with respect to its agreement with Cal Am.

2.4 Expiration or Non-Renewal. Upon termination, expiration or non-renewal of this Agreement, Cal Am shall continue to make Return Water available for delivery to the SRGB for use in lieu of existing groundwater production, unless Cal Am demonstrates that Return Water is not needed to prevent legal injury to prior groundwater rights holders in the SRGB or to avoid significant adverse effects to SRGB groundwater resources. If Cal Am desires to make such a showing, it shall initially do so by providing a demonstration in writing to all parties to the Settlement Agreement using the notice provisions of Section 11. Within 21 days thereafter, the Parties shall meet to seek to reach agreement regarding whether Cal Am has made the requisite demonstration. If the Parties do not reach agreement within 30 days after the initial meeting, any Party may on or after the 31st day, but no later than the 91st day, invoke the provisions of Section 9. For the avoidance of doubt, nothing in this Section 2.4 in any way affects the provisions, scope and application of Section 1.3.

3. **Delivery of Return Water**

3.1 Priority of Return Water for In-Lieu Use. Agency will use the Return Water only within the existing CSIP service area and will use it to the greatest extent possible to offset existing groundwater pumping. Unless the amounts of groundwater pumped and Return Water purchased are not publicly available through routine Agency reports, Agency will annually report to the parties to the Settlement Agreement the amount of groundwater pumped and Return Water purchased for use within the CSIP service area, delivery of which report shall occur under the notice provisions of Section 11 of this Agreement.

3.2 Cal Am Return Water Pipeline. Subject to satisfaction of the Conditions Precedent set forth in Sections 3.3(a), (b), (c), (d), (e), and (f), Cal Am will design and construct (in consultation with Agency) the Delivery Pipeline including a metered delivery point ("Delivery Point") as set forth in Exhibit A. Cal Am will install, operate, and maintain the meter at the Delivery Point in accordance with CPUC General Order 103-A or other applicable CPUC or water industry standards which will measure the volume of Return Water delivered at the Delivery Point ("Cal Am Meter"). Agency shall use good faith diligent efforts to support Cal Am's efforts to obtain any such CPUC approval. The Parties shall cooperate in good faith to seek grants to offset the costs of the Delivery Pipeline.

3.3 Conditions Precedent. Any delivery of Return Water pursuant to this Agreement is subject to the following conditions precedent:

(a) any required CPUC approval to amend Cal Am's Service Area to allow for the sale of Return Water consistent with the terms of this Agreement; and

(b) any required CPUC approval of a tariff to allow for the sale of Return Water consistent with the terms of this Agreement, which tariff may change from time to time with the approval of the CPUC and shall govern over any inconsistent terms or conditions set forth in this Agreement; and

(c) the completion of California Environmental Quality Act ("CEQA") review by the CPUC as lead agency for the Project; and

(d) the CPUC's issuance of a Certificate of Public Convenience and Necessity ("CPCN") for the Project; and

(e) completion of construction, and acceptance by Cal Am, of the Project desalination plant such that it is able to produce and transport Return Water to the Delivery Point; and

(f) A Cal Am Annual Return Water Obligation in any given year (defined in Section 3.4 below) in excess of the CCSD Delivery Volume; and

(g) Agency's ability to take delivery of the Return Water at the Delivery Point. Agency shall use best efforts to ensure it has the ability to take such delivery.

With respect to Sections 3.3(a), (b), (c) and (d), Cal Am shall use good faith diligent efforts to seek any such required CPUC approval as is reasonably possible following the Effective Date.

3.4 Annual Return Water Obligation. Cal Am shall have an annual Return Water obligation ("Annual Return Water Obligation") that shall be calculated based on the percentage of SRGB groundwater in the total Project Source Water Production. Agency agrees that any Return Water delivered by Cal Am to the Delivery Point as contemplated by this Agreement, any Return Water delivered to CCSD as contemplated by the CCSD Return WPA, and any Return Water delivered to Monterey Regional Waste Management District and Monterey Regional Water Pollution Control Agency, should such delivery occur as discussed in the Settlement Agreement, shall be applied to satisfy Cal Am's Annual Return Water Obligation.

3.4.1 The volume of the Annual Return Water Obligation will be determined as set forth in Section 2.c. of the Settlement Agreement. For reference purposes, Section 2.c. of the Settlement Agreement is attached as Exhibit C hereto.

3.4.2 The Parties acknowledge that Cal Am could be legally required by a regulatory agency, including the CPUC in this proceeding, or by a court, to make water deliveries to other locations in the SRGB to the extent necessary to mitigate any groundwater impacts from the Project that were demonstrated in relation to a specific location overlying the SRGB ("Other Return Water Obligation"). Such Other Return Water Obligation could also serve to satisfy Cal Am's obligations to return water to the SRGB under the Agency Act, the

CEQA, or common-law water law principles. Under such circumstances, the Parties agree that it would be inequitable to Cal Am and its ratepayers to fund both the Other Return Water Obligation and the Return Water obligations specified herein as this would result in a duplicative liability to Cal Am and its ratepayers. Cal Am's obligation to make available the CCSD Delivery Volume shall be reduced in the event and to the extent that a regulatory agency or court has required Cal Am to deliver Return Water in a manner or location different than as specified in this Agreement. Agency shall have the right to terminate this Agreement as set forth in Section 10.3 if it determines that the reduced amount of Return Water would not be sufficient to justify its water purchase as contemplated herein.

3.5 Scheduling of Deliveries. On an annual basis during the Delivery Term, Cal Am shall make available for delivery to Agency for CSIP use the volume of Cal Am's Annual Return Water Obligation in excess of the CCSD Delivery Volume, if any. If available and requested by Agency, Cal Am will endeavor to cooperate with Agency to deliver Return Water to the Delivery Point in volumes and at times that satisfy Agency's needs.

4. **Payment Provisions**.

4.1 Generally. Cal Am will invoice Agency for deliveries of Return Water to the Delivery Point based on the volumes measured at the Cal Am Meter. Agency shall pay such invoices within 30 days of receipt.

4.2 Pricing. For each acre-foot of Return Water delivered by Cal Am, the Agency shall pay a rate intended to represent the CSIP customers' marginal avoided cost for groundwater produced for use by the CSIP customers, currently estimated to be $102 per acre foot, which will be the rate as of the beginning of the Delivery Term. Upon Cal Am's reasonable request, and not more than once per year, Agency shall provide Cal Am with all information relating to CSIP customers' marginal avoided cost for groundwater pumping reasonably requested by Cal Am to support Agency's calculation of CSIP customers' marginal avoided cost for groundwater pumping. Using Agency's calculation and information provided under this Section 4.2, Cal Am will annually review the rate and following such review, if necessary, update its CPUC tariff through a Tier 2 advice letter filing with the CPUC. If at any time the CPUC approves or imposes a price for Return Water that exceeds CSIP customers' marginal avoided cost for groundwater pumping, Agency may terminate this Agreement as provided in Section 10.3, but Cal Am's obligation to provide Return Water shall not be affected by such termination.

5. **Compliance with Laws/Cooperation**. The Parties shall comply with all applicable laws in their respective performance under this Agreement and shall cooperate to take the actions and execute the documents necessary to perform under this Agreement.

6. **Indemnification; Fees and Expenses**

6.1 Indemnification.

(a) To the fullest extent permitted by law, Cal Am shall indemnify and hold harmless, but shall have no obligation to defend, Agency and its directors, officers, agents and employees, from any claims, actions or liability for any damages or costs (including

reasonable attorneys' fees and costs of defense) arising either from any injury to persons or property or from any violation of any law or regulation, which damages result from either the negligent acts, errors, or omissions, or the willful misconduct, of Cal Am, its directors, officers, employees, or agents in performing under this Agreement, but only to the extent such damages resulted from such negligent acts, errors, or omissions, or from such willful misconduct, of Cal Am or its directors, officers, agents and employees, such that Cal Am's indemnity obligation shall only apply to its percentage of fault multiplied by the total damages in issue.

(b) To the fullest extent permitted by law, Agency shall indemnify and hold harmless, but shall have no obligation to defend, Cal Am and its directors, officers, agents and employees from any claims, actions or liability for any damages or costs (including reasonable attorneys' fees and costs of defense) arising either from any injury to persons or property or from any violation of any law or regulation, which damages result from either the negligent acts, errors, or omissions, or the willful misconduct, of Agency, its directors, officers, employees, or agents in performing under this Agreement, but only to the extent such damages resulted from such negligent acts, errors, or omissions, or from such willful misconduct, of Agency or its directors, officers, agents and employees, such that Agency's indemnity obligation shall only apply to its percentage of fault multiplied by the total damages in issue. Notwithstanding the foregoing, the Parties acknowledge and agree that nothing in this Section 6.1(b) or otherwise contained in this Agreement constitutes or shall be asserted to constitute a waiver of any defense Agency possesses or may possess, including but not limited to any defense of sovereign or statutory immunity, to liability at law or in equity.

7. **Insurance.** The Parties will keep in full force and effect the insurance coverage described in Exhibit B.

8. **Assignment**. A Party may not assign its rights or obligations under this Agreement without the written consent of the other Party, which consent may not be unreasonably withheld.

9. **Dispute Resolution**

9.1 Scope of Article. This Article governs the resolution of all disputes that arise under this Agreement

9.2 Disputes. If a dispute arises concerning any controversy or claim arising out of or relating to this Agreement or the breach thereof, or relating to its application or interpretation, the aggrieved Party will notify the other Party of the dispute in writing within twenty (20) days after such dispute arises. If the Parties fail to resolve the dispute within sixty (60) days after delivery of such notice, each Party will promptly nominate a senior officer of its organization to meet at any mutually-agreed time and location to resolve the dispute. The Parties shall use their best efforts to reach a just and equitable solution satisfactory to both Parties. If the Parties are unable to resolve the dispute to their mutual satisfaction within sixty (60) days thereafter, the dispute will be subject to mediation, pursuant to Section 9.3. The time periods set forth in this Section 9.2 are subject to extension as agreed to by the Parties.

9.3 Mandatory Non-binding Mediation. If a dispute is not resolved pursuant to Section 9.2, the Parties agree to first endeavor to settle the dispute in an amicable manner,

using mandatory non-binding mediation initiated and conducted under the applicable rules of the American Arbitration Association in effect as of the Effective Date or other rules agreed to in writing by the Parties, before having recourse in a court of law. Each Party shall bear its own legal expenses, and the expenses of witnesses for either side shall be paid by the Party producing such witnesses. All expenses of the mediator, including required travel, and the cost of any proofs or expert advice produced at the direct request of the mediator, shall be borne equally by the Parties, unless they agree otherwise. Any resultant agreements from mediation shall be documented in writing. All mediation proceedings, results, and documentation, including without limitation any materials prepared or submitted or any positions taken by or on behalf of either Party, shall be confidential and inadmissible for any purpose in any legal proceeding (pursuant to California Evidence Codes sections 1115 through 1128), unless such admission is otherwise agreed upon in writing by the Parties. Mediators shall not be subject to any subpoena or liability, and their actions shall not be subject to discovery. The mediation shall be completed within sixty (60) days after selection of the mediator, unless the Parties agree to extend the mediation period.

9.4 Judicial Relief. If mediation pursuant to Section 9.3 does not resolve a dispute, either Party may seek relief in a court of competent jurisdiction.

9.5 Limitations on Damages. No Party shall be entitled to consequential damages, incidental damages, or punitive or exemplary damages from the other Party in any action or proceeding in connection with this Agreement.

9.6 Attorneys' Fees and Costs. In any action or proceeding to enforce a term or condition of this Agreement, in any disputes relating to the Agreement, and in any actions for breaches, defaults, or misrepresentations in connection with any the Agreement, a prevailing Party (as determined by a court of competent jurisdiction) shall be entitled to recover its reasonable costs and expenses, including without limitation reasonable attorneys' fees and costs.

10. **Termination**.

10.1 Termination for Non-Performance. A Party may terminate this Agreement if the other Party fails to perform a material provision of this Agreement as required herein, provided that the Party seeking termination shall provide prior written notice of its intention to terminate to the other Party, which notice shall fully describe how the other Party failed to perform a material provision of this Agreement, and provided further that the dispute has not been resolved by following the procedures set forth in Section 9 above. If the Parties are unable to resolve the dispute following the procedures set forth in Section 9, the Party seeking termination may provide a written notification of termination to the other Party, and such termination shall become effective thirty (30) days after the other Party has received such written notification. The procedures of this Section 10.1 shall not apply to terminations under Section 10.2 and 10.3 of this Agreement.

10.2 Termination for Failure of Conditions Precedent. Either Party may terminate this Agreement if, by January 1, 2025, Cal Am has not obtained any and all required CPUC approval of the matters described as conditions precedent in Sections 3.2(a), (b), (c) and (d) by providing a written notification of termination to the other Party, and such termination

shall become effective thirty (30) days after the other Party has received such written notification.

10.3 Termination Based on Regulatory Requirements. Either Party may terminate this Agreement if Cal Am is legally required by a regulatory agency, including the CPUC, or by a court, to make water deliveries to locations in the SRGB other than CSIP or CCSD by providing a written notification of termination to the other Party, and Agency may terminate this Agreement if at any time the CPUC approves a price for Return Water to be included in Cal Am's tariffs that exceeds CSIP customers' marginal avoided cost for groundwater pumping. Any termination under the preceding sentence shall be preceded by thirty (30) days' written notice, and such termination shall become effective thirty (30) days after the other Party has received such written notification. Cal Am's obligation to provide Return Water shall not be affected by such termination.

11. **Representatives; Notices**.

11.1 Authorized Representatives. Each Party will designate at least one individual officer or employee who will be its representative and will be authorized to act on behalf of the Party for all purposes in performing the provisions of this Agreement ("Representative"). The designation may be changed from time to time. The designation and changes to a designation must be made in a writing delivered to the other Party.

11.2 No Release. Each Party is responsible for the acts or omissions of its Representative(s). The designation of a Representative by a Party does not release the Party from responsibility for performance of its obligations under this Agreement.

11.3 Notice. All notifications, notices, demands, requests and other communications herein provided for or made pursuant hereto shall be in writing and shall be sent by: (i) registered or certified mail, return receipt requested, and the giving of such communication shall be deemed complete on the third (3rd) business day after the same is deposited in a United States Post Office with postage charges prepaid; (ii) reputable overnight delivery service, and the giving of such communication shall be deemed complete on the immediately succeeding business day after the same is deposited with such delivery service; or (iii) so long as a Party has notified the other Party by means of a method described in clauses (i) or (ii) above of such Party's email address for notification purposes, email transmission of notices to such Party are also permitted provided an original is also sent via one of the other permitted means and the giving of such communication shall be complete when such email is received if such email is received on a business day before 3:00 pm Pacific Time; otherwise, such communication shall be deemed complete the next business day. The date on which notifications, notices, demands, requests and other communications are deemed complete shall be the earliest date arising under subsections (i), (ii) or (iii) of this Section 11.3. All notifications, notices, demands, requests and other communications shall be sent to the Parties as follows:

To Agency:

David E. Chardavoyne

General Manager
Monterey County Water Resources Agency
893 Blanco Circle
Salinas, CA 93901

To Cal Am:

Eric J. Sabolsice
Director, Operations
Coastal Division
California-American Water Company
511 Forest Lodge Road, Suite 100
Pacific Grove, CA 93950

12. **Force Majeure**. If by reason of Force Majeure (defined below), a Party is rendered unable, wholly or in part, to carry out its obligations under this Agreement, and if such Party gives notice and reasonably describes the particulars of such Force Majeure in writing to the other Party as promptly as possible after the occurrence of the cause relied on, then the affected Party shall be excused from performance hereunder without liability, but only so far as and to the extent that it is affected by such Force Majeure; provided, however, such cause shall be remedied with all reasonable dispatch. Upon occurrence of the Force Majeure, the affected Party, in addition to notifying the other Party as provided above, shall as promptly as possible provide such Party a written description of the Force Majeure, the cause thereof (to the extent known), the date the Force Majeure began, its expected duration, and an estimate of the specific relief requested or to be requested by such Party. Furthermore, the Party affected by such Force Majeure shall use diligent efforts to reduce costs resulting from the occurrence of the Force Majeure, fulfill its performance obligations under this Agreement and otherwise mitigate the adverse effects of the Force Majeure. While the Force Majeure continues, the affected Party shall give the other Party regular updates of the information previously submitted. The affected Party shall also provide prompt written notice to the other Party of the cessation of the Force Majeure. Notwithstanding anything to the contrary contained herein, the occurrence of a Force Majeure shall not, however, (i) excuse or delay any obligation to pay monies previously accrued and owing to another Party under this Agreement, or for the Party to perform any obligation under this Agreement not affected by the occurrence of the Force Majeure; or (ii) excuse or delay Cal Am's obligation to comply with the Agency Act.

For purposes of this Section 12, "Force Majeure" means any act, event, condition or circumstance that (A) is beyond the reasonable control of a Party, (B) by itself or in combination with other acts, events, conditions or circumstances adversely affects, interferes with or delays a Party's ability to perform its obligations under this Agreement, expands the scope of a Party's obligations under this Agreement, or increases a Party's cost of performing its obligations under this Agreement, and (C) is not the direct result of the willful or negligent act, intentional misconduct, or breach of this Agreement by the affected Party.

13. **Other Provisions**.

13.1 Integration. This Agreement embodies the entire agreement between the Parties relating to the subject matter hereof and supersedes all prior agreements and understandings, written or oral, relating to such subject matter.

13.2 Successor and Assigns. This Agreement shall be binding upon, and shall inure to the benefit of and be enforceable by, the Parties hereto and their respective successors and assigns permitted hereunder.

13.3 Relationship of Parties. Each Party is an independent entity. This Agreement will not constitute any Party as the agent of the other Party. This Agreement will not constitute the Parties as partners or joint venturers (or as co-owners of a business entity) for common law purposes, federal, state or local income tax purposes, or otherwise.

13.4 Amendments or Waivers. No term or provision hereof or Exhibit hereto may be amended, changed, waived, discharged, terminated or replaced except by a writing executed by each of the Parties hereto.

13.5 No Waiver by Failure to Act. No failure, delay, forbearance or indulgence on the part of any Party in insisting upon the strict performance of any provision, or in exercising any option, right, power, privilege or remedy hereunder, shall operate or be construed as a waiver or relinquishment thereof, or as an acquiescence in any breach, nor shall any single or partial exercise of any option, right, power, privilege or remedy hereunder preclude any other or further exercise thereof or the exercise of any other option, right, power, privilege or remedy.

13.6 Controlling Law; Conflicts of Law. This Agreement shall be construed, governed and applied in accordance with the laws of the State of California, without regard to the conflicts of law principles thereof.

13.7 CEQA. This Agreement helps to define a stable and finite project description that will facilitate the CPUC's completion of CEQA review for the Project. The legal effectiveness of this Agreement is contingent on the completion of CEQA review and this Agreement does not irretrievably commit the Parties to carrying out any physical activities that would be required for Cal Am to meet the Annual Return Water Obligation or would otherwise be required for the Parties to comply with the terms of this Agreement. The Parties acknowledge and intend that the CPUC as lead agency and other responsible agencies under CEQA will retain full discretion with respect to deciding whether to approve water purchase or any other commitments necessary or convenient for Cal Am to meet the Annual Return Water Obligation, including discretion to modify commitments to avoid or reduce any significant adverse physical environmental effects (i) from Return Water activities that are within their jurisdiction, and (ii) from the Parties' compliance with other terms of this Agreement.

13.8 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any

such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

13.9 No Third Party Beneficiaries. Nothing in this Agreement, express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the Parties hereto; nothing in this Agreement is intended to relieve or discharge the obligation or liability of any third person to any Party; and, this Agreement does not create any duty, liability or standard of care to any person who is not a Party. However, this Section 13.9 is not intended to, and shall not, limit the right of Settlement Agreement Parties to meet and confer under Section 6 of the Settlement Agreement in response to any conflict that is noted or alleged to exist between the terms of this Agreement and the terms of the Settlement Agreement.

13.10 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, and such counterparts together shall constitute but one and the same instrument.

13.11 Consents and Approvals. Except as otherwise expressly set forth in this Agreement, all consents and approvals which may be given under this Agreement shall be in writing and shall not be unreasonably withheld or delayed unless otherwise expressly provided herein.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed and delivered in their name and on their behalf.

MONTEREY COUNTY WATER RESOURCES AGENCY

By: _____

Printed Name: _____

Title: _____

Approved as to Form:

By: _____

Printed Name: _____

Title: _____

CALIFORNIA-AMERICAN WATER COMPANY

By: _____

Printed Name: _____

Title: _____

EXHIBIT A

Depiction of Anticipated Location of Delivery Pipeline and Delivery Point

EXHIBIT B

INSURANCE REQUIREMENTS

Each Party to this Agreement shall initially provide information regarding and thereafter at all times maintain Commercial General Liability ("CGL") insurance, or be analogously self-insured or insured through a pooling arrangement, in the minimum amount of $1,000,000 per occurrence with an aggregate limit of $2,000,000. Subject to the immediately preceding sentence, each Party may change insurance and/or insurers, and if a Party does so, it shall provide notice to the other Party within seven (7) days of such change.

Cal Am declares that it currently has a CGL policy with limits of $2,000,000 per occurrence with an aggregate limit of $25,000,000 and a $2,000,000 deductible. Coverage is issued through Travelers Property Casualty Company of America.

The Agency declares that it is self-insured through the County of Monterey for acts and omissions that would be covered by a CGL policy issued by a private insurer. The limits of such self-insurance are $1,000,000 per occurrence with an aggregate limit of $2,000,000.

EXHIBIT C

SECTION 2.C. OF SETTLEMENT AGREEMENT

[TO BE PROVIDED UPON FINALIZATION OF SETTLEMENT AGREEMENT]

SETTLEMENT AGREEMENT ON MPWSP DESALINATION PLANT RETURN WATER

APPENDIX D

BASE RETURN WATER OBLIGATION METHODOLOGY

APPENDIX D

BASE RETURN WATER OBLIGATION METHODOLOGY

Example of Calculation of Percentage of Salinas Basin Water in Brackish Water using current Monterey Bay salinity levels (33,500 mg/L) and current and projected test well results (~31,076 mg/L → 31,950 mg/L)

$$(seawater\ salinity) \times (Percentage\ of\ seawater) + (inland\ water\ salinity) \times (Percentage\ of\ Salinas\ Basin\ water) = (brackish\ water\ salinity)$$

EXAMPLE #1

Assumed Data for Example #1 Purposes Only:
33,500 mg/L = Measured seawater TDS ("seawater salinity")[1]
500 mg/L = Measured Salinas Basin water TDS ("inland water salinity")[1]
31,076 mg/L = Measured Brackish Source Water TDS ("brackish water salinity")[1] (Test Well)

Unknowns:
Percentage of seawater = *x*
Percentage of Salinas Basin Water (inland water) = *y*
The sum of the percentage must equal 100% or 1. Therefore: *x+y=1* or *y=1-x*

$$33{,}500x + 500y = 31{,}076$$
$$33{,}500x + 500(1 - x) = 31{,}076$$
$$33{,}500x + 500 - 500x = 31{,}076$$
$$33{,}000x + 500 = 31{,}076$$
$$33{,}000x = 30{,}576$$
$$x = \frac{30{,}576}{33{,}000}$$
$$x = 0.926 \text{ or } 92.6\%$$

Thus,

$$y = 1 - x$$
$$y = 1 - 0.926$$
$$y = 0.074 \text{ or } 7.4\%$$

Therefore,

Percentage of seawater = 92.6% and Percentage of Salinas Basin water (inland water) = 7.4%

[1] TDS values for the seawater, Basin water, and Brackish Source water will be determined by analysis by an accredited laboratory, using appropriate methodology – **SM 2540C**

EXAMPLE #2

Assumed Data for Example #2 Purposes Only:
33,500 mg/L = Measured seawater TDS ("seawater salinity")[1]
500 mg/L = Measured Salinas Basin water TDS ("inland water salinity")[1]
31,950 mg/L = Measured Brackish Source Water TDS ("brackish water salinity")[1]

Unknowns:
Percentage of seawater = *x*
Percentage of Salinas Basin Water (inland water) = *y*
The sum of the percentage must equal 100% or 1. Therefore: *x+y=1* or *y=1-x*

$$33{,}500x + 500y = 31{,}950$$
$$33{,}500x + 500(1 - x) = 31{,}950$$
$$33{,}500x + 500 - 500x = 31{,}950$$
$$33{,}000x + 500 = 31{,}950$$
$$33{,}000x = 31{,}450$$
$$x = \frac{31{,}450}{33{,}000}$$
$$x = 0.953 \text{ or } 95.3\%$$

Thus,

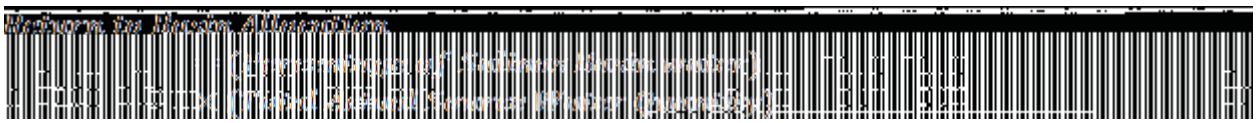
$$y = 1 - x$$
$$y = 1 - 0.953$$
$$y = 0.047 \text{ or } 4.7\%$$

Therefore,

Percentage of seawater = 95.3% and Percentage of Salinas Basin water (inland water) = 4.7%

[1] TDS values for the seawater, Basin water, and Brackish Source water will be determined by analysis by an accredited laboratory, using appropriate methodology – **SM 2540C**

Example of Calculation of Return to Basin Allocation:



EXAMPLE #1

Assumed Data for Example #1 Purposes Only:
26,992 AFY = Total Actual Source Water Quantity (i.e. 24.1 MGD)
92.6% = Percentage of Seawater = *x*
7.4% = Percentage of Salinas Basin water = *y*

Unknowns:
Return to Basin Allocation = z

So, substituting the equation with the assumed data for example#1:

$$z = (y) \times (26{,}992)$$
$$z = (0.074) \times (26{,}992) = 1{,}997 \text{ AFY}$$

EXAMPLE #2

Assumed Data for Example #2 Purposes Only:
26,992 AFY = Total Actual Source Water Quantity
95.3% = Percentage of Seawater = *x*
4.7% = Percentage of Salinas Basin water = *y*

Unknowns:
Return to Basin Allocation = z

So, substituting the equation with the assumed data for example#2:

$$z = (y) \times (26{,}992)$$
$$z = (0.047) \times (26{,}992) = 1{,}268 \text{ AFY}$$

SETTLEMENT AGREEMENT
ON MPWSP DESALINATION PLANT
RETURN WATER

APPENDIX E

PROPOSED TARIFF

CALIFORNIA-AMERICAN WATER COMPANY
1033 B Avenue, Suite 200
Coronado, CA 92118

C.P.U.C. Sheet No. _____

Cancelling _____

Schedule No. MO-XX
Monterey County District Tariff Area
MPWSP RETURN WATER

APPLICABILITY

Applicable to water provided pursuant to Return Water Purchase Agreements between California American Water and: (1) the Castroville Community Services District ("CCSD") and (2) the Monterey County Water Resources Agency ("MCWRA").

TERRITORY

The delivery point near the intersection of Nashua Road and Monte Road in Castroville.

RATES

Return Water:		
For CCSD, per acre-foot (see Special Condition 11)	$110	(I)
For MCWRA, per acre-foot (see Special Condition 13)	$102	|
Excess Water:		
For CCSD, per acre-foot (see Special Condition 12)	$580	(I)

SPECIAL CONDITIONS

1. The Castroville Seawater Intrusion Project ("CSIP") is a MCWRA project that provides recycled water and diverted Salinas River water for use in lieu of groundwater pumping for irrigated agricultural use in the Castroville area of the Salinas River Groundwater Basin ("SRGB").
2. California American Water will make available for delivery to CCSD and CSIP a volume of water ("Return Water") equal to the percentage of SRGB in the total source water produced from slant intake wells for the MPWSP ("Project Source Water Production"), as calculated on a water year basis ("Base Return Water Obligation"). ("MPWSP" refers to California American Water's Monterey Peninsula Water Supply Project.)
3. Upon start-up of the MPWSP, the first 175 acre-feet of Return Water delivered by California American Water ("Reserve Water") shall be delivered to CSIP.
4. California American Water has annual Return Water requirements ("Annual Return Water Obligation"). Beginning in the first full water year after the full amount of Reserve Water has been delivered to CSIP (the "Obligation Start Date") , the Annual Return Water Obligation in any given year shall be the sum of (a) the Base Return Water Obligation for that year, plus (b) any Return Water Shortfall (as defined in Special Condition 7) for the prior year, minus (c) any Return Water Surplus Shortfall (as defined in Special Condition 7) for the prior year. California American Water's Annual Return Water Obligation shall not begin until the "Obligation Start Date".

5. During the first three months after the Obligation Start Date, the Annual Return Water Obligation shall be 7% of total Project Source Water Production during that period. For the remainder of the water year after the first three months have passed, the Annual Return Water Obligation shall be the percentage of SRGB groundwater in the total Project Source Water Production calculated during the first three months after the Obligation Start Date.

6. The volume of any Return Water Shortfall for a given year shall be determined by subtracting the amount of Return Water made available by California American Water in that year from the amount of the Annual Return Water Obligation for that year. If the amount of Return Water made available by California American Water in that year equals or exceeds the Annual Return Water Obligation, the Return Water Shortfall for that year shall be equal to zero.

7. The volume of any Return Water Surplus for a given year shall be determined by subtracting the amount of the Annual Return Water Obligation for that year from the amount of Return Water provided by California American Water to CCSD and MCWRA in that year. If the amount of Annual Return Water Obligation in that year equals or exceeds the amount of Return Water provided by California American Water to CCSD and MCWRA, the Return Water Surplus for that year shall be equal to zero.

8. California American Water shall make available for delivery to CCSD 690 afa of Return Water ("CCSD Delivery Volume").

9. If the Annual Return Water Obligation is less than the CCSD Delivery Volume, California American Water shall make available for delivery potable water in an amount equal to the difference between the Annual Return Water Obligation for that year and the CCSD Delivery Volume ("Excess Water").

10. California American Water shall make available for delivery to CSIP any Annual Return Water Obligation in excess of the CCSD Delivery Volume, according to procedures agreed to in the Return Water Purchase Agreement by and between MCWRA and California American Water.

11. For Return Water made available for delivery to meet the Annual Return Water Obligation, CCSD shall pay a rate intended to represent its avoided cost to produce groundwater to meet customer demand, currently estimated to be $110 per acre-foot, which will be the rate as of the Obligation Start Date. CCSD plans to continue operation of its existing wells so they may be available in emergency circumstances. This continuing operation will enable CCSD to provide future updates to the avoided cost of pumping. If CCSD is unable to provide such updated avoided costs of pumping, then the percentage increase of PG&E's A-6 tariff for off-peak summer distribution rate (with a base of $0.07311 / kWh as of the tariff existing on March 24, 2016) will be used as the escalation factor for the increase in avoided cost of pumping in the future. After the Obligation Start Date, the rate will be reviewed annually and updated, if necessary, via a Tier 2 advice letter filing with the CPUC.

12. For any Excess Water California American Water makes available as described in Special Condition 9, CCSD shall pay a rate intended to represent the marginal operation and maintenance costs for the MPWSP to produce one acre-foot of potable water, currently estimated to be $580 per acre-foot, which will be the rate as of the Obligation Start Date. After the Obligation Start Date, the rate will be reviewed annually and updated, if necessary, via Tier 2 advice letter filing with the CPUC.

13. MCWRA shall pay a rate for Return Water intended to represent the CSIP customers'

marginal avoided cost for groundwater produced for use by the CSIP customers, currently estimated to be $102 per acre-foot, which will be the rate as of the Obligation Start Date. After the Obligation Start Date, the rate will be reviewed annually and updated, if necessary, via Tier 2 advice letter filing with the CPUC.

14. Upon termination of either or both Return Water Purchase Agreements in accordance with their terms, this tariff will cease to be effective as to the parties to the terminated Return Water Purchase Agreement.

SETTLEMENT AGREEMENT ON MPWSP DESALINATION PLANT RETURN WATER

APPENDIX F

PROJECT MARGINAL OPERATION AND MAINTEANCE COSTS CALCULATION

APPENDIX F

Project MARGINAL OPERATION AND MAINTENANCE COSTS CALCULATION

Calculation of the marginal cost of water at either the 6.4 MGD or 9.6 MGD desalination plant proposed as part of the Project. Items that are part of the cost computation include:

1. **Power Costs (PC):** related to the slant intake wells and the desalination plant. The costs shall be computed annually based on the sum of the power bills for the intake wells and the desalination plant including the high service pump station.

2. **Chemical Costs (CC):** related to the production the potable water. The costs shall be computed annually based on the sum of the chemical bills for the desalination plant.

3. **Membrane and Media Replacement Costs (MMRC):** related to production the potable water. The costs shall be computed annually based on the sum of the invoices for replacement membranes and media.

4. **Production Volume (AF):** related to the total amount of water produced from the desalination plant.

5. **Marginal Cost of Water:** Cost per acre-foot of water.

The formula for the marginal cost of water shall be:

$$\frac{PC + CC + MMRC}{AF} = \frac{\$}{AF} = Marginal\ Cost\ of\ Water$$

EXAMPLE #1 – First Years Cost - $580 / AF

Summary of Updated 6.4 MGD O&M Costs (Dec. 15, 2015)

Item	6.4 MGD MPWSP	AFY	Desal Plant Only	Cost per AF
Power	$4,580,000	7,168	$3,323,160	$463.6
Chemicals	$920,000	7,168	$750,871	$104.8
Membrane/Media Replacement	$90,000	7,168	$88,240	$12.3
R&R	$1,570,000		**Total**	**$580.7**
Purchased Recharge Water	$8,750,000			
Labor & Misc	$3,360,000			
Total	***$19,270,000***			