SEASIDE GROUNDWATER BASIN WATERMASTER

REGULAR BOARD MEETING AGENDA
WEDNESDAY, FEBRUARY 1, 2012 - 2:00 P.M.
MEETING LOCATION
MONTEREY REGIONAL WATER POLLUTION CONTROL AGENCY
BOARD ROOM, 5 HARRIS COURT, BUILDING "D"
"RYAN RANCH"
MONTEREY, CALIFORNIA

WATERMASTER BOARD: (FOR CALENDAR YEAR – 2010 & 2011)
Coastal Subarea Landowner – Director Paul Bruno, Chair
City of Sand City – Mayor David Pendergrass, Vice Chair
California American Water – Director Craig Anthony
City of Seaside – Mayor Felix Bachofner
Monterey Peninsula Water Management District – Director Bob Brower
Laguna Seca Subarea Landowner – Director Bob Costa
City of Monterey – Mayor Chuck Della Sala
City of Del Rey Oaks – Mayor Jerry Edelen
Monterey County/Monterey County Water Resources Agency – Supervisor Dave Potter, District 5

I. CALL TO ORDER

II ROLL CALL

III. MINUTES

The minutes of the Special Board meeting of November 30, 2011 are attached to this agenda. The Board is requested to consider approving the minutes.

IV. REVIEW OF AGENDA

If there are any items that arose after the 72-hour posting deadline, a vote may be taken to add the item to the agenda pursuant to the requirements of Government Code Section 54954.2(b). (A 2/3-majority vote is required).

V. PUBLIC COMMUNICATIONS

Oral communications is on each meeting agenda in order to provide members of the public an opportunity to address the Watermaster on matters within its jurisdiction. Matters not appearing on the agenda will not receive action at this meeting but may be referred to the Watermaster Administrator or may be set for a future meeting. Presentations will be limited to three minutes or as otherwise established by the Watermaster. In order that the speaker may be identified in the minutes of the meeting, it is helpful if speakers would use the microphone and state their names. Oral communications are now open.

VI. CONSENT CALENDAR

A. Consider Approval of Summary for Payments made during December, 2011 totaling **$69,653.12**
B. Consider Final Fiscal Year 2011 Financial Reports covering January 1 through December 31, 2011

VII. INFORMATIONAL REPORTS (No action Required)

A. Discussion/Consider Assessing Replenishment Assessments for WY 2011 Over Production

VIII. ADJOURNMENT OF FINAL MEETING OF THE 2010 AND 2011 WATERMASTER BOARD OF DIRECTORS

This agenda was forwarded via e-mail to the City Clerks of Seaside, Monterey, Sand City and Del Rey Oaks; the Clerk of the Monterey Board of Supervisors, the Clerk to the Monterey Peninsula Water Management District; the Clerk at the Monterey County Water Resources Agency, Monterey Regional Water Pollution Control Agency and the California American Water Company for posting on January 27, 2012 per the Ralph M. Brown Act, Government Code Section 54954.2(a).

ITEM NO. III.

MINUTES

ITEM III
2/1/2012

SPECIAL MEETING
Seaside Groundwater Basin Watermaster
November 30, 2011

DRAFT MINUTES

I. **CALL TO ORDER**
Chairman Bruno called the meeting to order at 2:00 p.m. in the Monterey Regional Water Pollution Control Agency Boardroom at 5 Harris Court, Building D, Monterey.

II. **ROLL CALL**
Coastal Subarea Landowner – Director Paul Bruno, Chair
City of Sand City – Mayor David Pendergrass, Vice Chair
California American Water ("CAW") – Director Craig Anthony
City of Seaside – Mayor Felix Bachofner
City of Del Rey Oaks – Mayor Jerry Edelen
Laguna Seca Subarea Landowner – Bob Costa
City of Monterey – Mayor Charles "Chuck" Della Sala
Monterey County/Monterey County Water Resources Agency ("MCWRA") – Supervisor Dave Potter
Monterey Peninsula Water Management District ("MPWMD") – Director Bob Brower

Absent: None

III. **APPROVAL OF MINUTES**

Moved by Supervisor Potter, seconded by Mayor Edelen, and unanimously carried to approve the minutes of the Watermaster Regular Meeting held October 5, 2011.

IV. **REVIEW OF AGENDA**
There were no requested changes to the agenda.

V. **PUBLIC PARTICIPATION/ORAL COMMUNICATIONS**
Item IX.A.1.a). should read SIAR for Water Year 2011, not Fiscal Year 2011.

VI. **CONSENT CALENDAR**
A. Consider approval of Summary for Payments made October and November 2011 totaling $32,257.50.
B. Consider approving Professional Service Contracts for fiscal year 2012:
MPWMD RFS No. 2012-01 for $66,930 covering normal Basin Management & Monitoring Program (M&MP) tasks as in preceding years;
MPWMD RFS No. 2012-02 for $4,140 for continuing M&MP monitoring work;
Hydrometrics RFS No. 2012-01 for $12,000 for providing general hydrogeological consulting services;
Hydrometrics RFS No. 2012-02 for $22,090 to prepare the 2012 Seawater Intrusion Analysis Report.

Moved by Supervisor Potter, seconded by Mayor Edelen, and unanimously carried, to approve the consent calendar as presented.

VII. **ORAL PRESENTATION**
None scheduled.

VIII. **OLD BUSINESS:** None

IX. **NEW BUSINESS**

A. COMMITTEE REPORTS

1. TECHNICAL ADVISORY COMMITTEEE (TAC)
a). Consider approving the Seawater Intrusion Analysis Report for Water Year 2011.

Mr. Jaques gave an overview of the report and answered director inquiries.

Moved by Mayor Bachofner, seconded by Mayor Edelen, and unanimously carried, to approve the Seawater Intrusion Analysis Report for Water Year 2011 as presented.

B. Consider approving the Watermaster Annual Report for Water Year 2011 due to be filed with the Court on or before December 15, 2011.

CEO Evans gave an overview of the highlights of the report, stating that CAW legal counsel submitted non-substantive changes that staff made to the final report today that are not in the report provided. Joe Oliver, MPWMD, clarified a correction was made under Item E.: The CAW/MPWMD ASR Program occurred in WY2011 with **1,117.5** acre-feet of water injected into the Basin as Stored Water Credits and **1,110.5** acre-feet extracted; instead of the noted 1,047.9 and 1,040.9 respectively in the report provided in the agenda packet.

Director Bruno noted that there was no mechanism in the Decision for the Landowner parties to have appointed alternates; remove alternate designations for those parties under Item D. and replace with N/A.

Moved by Mayor Edelen, seconded by Supervisor Potter, and unanimously carried, to approve the Watermaster Annual Report for Water Year 2011 with the proposed changes to Item D. and E. and the non-substantive changes per CAW counsel.

Mayor Bachofner requested that documents such as the annual report have a page number at the foot of each page in the format page __ of ___ and that the page number correspond with the page number indicated at the top of the electronic version of the document.

C. Consider approving the Watermaster 2012 Declaration Regarding the Unavailability of Artificial Replenishment Water. There were no questions or comments from the public or directors.

Moved by Mayor Della Sala, seconded by Director Costa, and unanimously carried, to approve the Watermaster 2012 Declaration Regarding the Unavailability of Artificial Replenishment Water.

D. Consider Replenishment Assessment calculations by Watermaster for Water Year 2011 Over-production.

CEO Evans requested the item be deferred to the January 2012 meeting due to questions from City of Seaside staff that Watermaster needed time to address.

Moved by Supervisor Potter, seconded by Mayor Edelen, and unanimously carried, to continue the item to the January 4, 2012 Watermaster Regular Meeting.

X. **INFORMATIONAL REPORTS** (No Action Required)

A. Technical Advisory Committee (TAC) minutes from November 9, 2011 meeting.
B. Water Production Report for Fourth Quarter Water Year 2010-11 (July 1 through September 30, 2011) and for the entire Water Year 2011.
C. Establish Board and TAC meeting dates for Calendar Year 2012.

CEO Evans noted that the full 2011 Water Quality and Water Level Report could be found on the Watermaster web site at seasidebasinwatermaster.org. Mayor Bachofner noted that on page 11 of the Water Quality Report the legend titles for rainfall and cumulative rainfall were reversed.

XI. **DIRECTORS' REPORTS**
Mayor Bachofner expressed his concern that there was no consistency between agencies with respect to agenda and meeting packet formats. He stated he would be conducting a file naming convention presentation to municipal clerks at the end of December in an attempt to standardize formatting.

Director Bruno reminded the board of the holiday party to be held at his home on December 8th.

XII. **EXECUTIVE OFFICER COMMENTS**
The Board concurred to cancel the December 7, 2011 regular board meeting. The TAC had cancelled the December 14 meeting. The appointment of voting and alternate members to the board would be taken up at the January 4, 2012 meeting.

XIII. **NEXT MEETING DATE – It was agreed that the next meeting would be a Regular Meeting held on Wednesday, January 4, 2012, at the Monterey Regional Water Pollution Control Agency (MRWPCA) Board meeting room at 5 Harris Court, Building "D" on Ryan Ranch in Monterey at 2:00 p.m.**

XIV. There being no further business, Chairman Bruno adjourned the meeting at 2:37 p.m.

ITEM NO. VI.

CONSENT CALENDAR

ITEM VI.A.
2/1/2012

SEASIDE GROUNDWATER BASIN
WATERMASTER

TO: Board of Directors

FROM: Dewey D Evans, CEO

DATE: February 1, 2012

SUBJECT: Summary of Payments Authorized to be paid during the month of December, 2011

PURPOSE:

To advise the Board of payments authorized to be paid during the month of December, 2011

RECOMMENDATIONS:

Consider approving the payment of bills submitted and authorized to be paid during the month of December, 2011.

COMMENTS and FISCAL IMPACT:

DDEvans Consulting (Professional Services Agreement—CEO—November 17, 2011 through December 24, 2011 worked on Watermaster business a total of 71.0 hours at $100.00 per hour or **$7,100.00.** Responded to telephone inquiries, e-mail, and other correspondence as needed regarding the Seaside Basin. Updated e-mail file addresses; paid monthly bills. Prepared and sent out November 30 Special Board meeting agenda notice. Prepared and sent out Special Board meeting packet for November 30th. Attended and followed up on November 30th meeting results. Sent out Board meeting cancellation notice for December 7, 2011 regular meeting. Worked closely with staff on Annual Report to the Court which was successfully filed prior to the December 15 Court imposed deadline. Sent out notice of Annual Report filing to Board and other interested parties. Met with City of Seaside engineer regarding replenishment assessments for over production. Preparing January 4, 2012 agendas for Board consideration. Sent out request for Board meeting agenda items and sent out notice to water producers regarding the need for monthly and quarterly reports.

Robert "Bob" Jaques (Technical Program Manager)—November 17, 2011 through December 9, 2011 worked on Watermaster business a total of 24 hours at $100.00 per hour or **$2,400.00.** Emails and telecons on variety of TAC issues including preparing agenda and agenda packet reports. Spent time preparing the Annual Report for the court imposed December 15th deadline for filing. Prepared for and attended the November 30 Special Board meeting. Processed RFS for MPWMD and HydroMetrics for FY 2012 work. Met with City of Seaside official regarding the replenishment assessment questions.

HydroMetrics Water Resources Inc.— Invoice of **$6,631.91** for work done compiling water level data, updating piper diagrams, compiling water quality data for WM Annual Report and preparing 2011 SIAR report per agreed upon RFS.

Monterey Peninsula Water Management District (MPWMD)—Four invoices were submitted for payment covering the last six months of calendar year 2011 July 1 through December 31) totaling $**53,521.21.** The amount billed include performing water level and water quality data collection for specified wells with the Seaside Basin and for performing certain tasks contained within the Watermaster's Monitoring and Management Plan for 2011. The fourth invoice was for work authorized for implementation of improvements to be made to the Watermaster's Database under RFS No. 2011-04.

Total for December, 2011 **$69,653.12**

Seaside Groundwater Basin Watermaster

Budget vs. Actual Administrative Fund

Fiscal Year (January 1 - December 31, 2011)
Balance through December 31, 2011

	2011 Adopted Budget	Contract Amount	Year to Date Revenue / Expenses
Available Balances & Assessments			
Dedicated Reserve	25,000.00		25,000.00
FY (Rollover)	60,000.00		66,125.00
FY Assessments	45,000.00		38,520.00
Available	**130,000.00**		**129,645.00**
Expenses			
Contract Staff	80,000.00	80,000.00	55,050.00
Legal Advisor	25,000.00	-	-
Total Expenses	**105,000.00**	**80,000.00**	**55,050.00**
Total Available	25,000.00		
Dedicated Reserve	25,000.00		
Net Available	**-**		

Administrative Fund Assessments owed by City of Seaside

FY 2011 (including 5% penalty)	6,804

Seaside Groundwater Basin Watermaster

Budget vs. Actual Monitoring & Management - Operations Fund

Fiscal Year (January 1 - December 31, 2011)
Balance through December 31, 2011

	2011 Adopted Budget	Contract Encumbrance	Year to Date Revenue/Expenses
Available Balances & Assessments			
Monitoring & Management - Ops Fund	$ 360,040.00	$ -	$ 331,236.80
FY 2010 Rollover	236,010.00	-	274,717.00
Total Available	**$ 596,050.00**	**$ -**	**$ 605,953.80**
Appropriations & Expenses			
GENERAL			
Technical Project Manager	$ 100,000.00	$ 100,000.00	$ 30,400.00
Contingency @ 20% (not including TPM)	43,340.00	$ 43,340.00	-
Total General	**$ 143,340.00**	**$ 143,340.00**	**$ 30,400.00**
CONSULTANTS (Hydrometrics)			
Program Administration	$ 8,250.00		
Production/Lvl/Qlty Monitoring	4,150.00	$ 12,000.00	$ 17,459.41
Basin Management Action Plan	85,000.00		
Seawater Intrusion Contingency Plan	27,800.00	22,020.00	-
Total Consultants	**$ 125,200.00**	**$ 34,020.00**	**$ 17,459.41**
MPWMD			
Production/Lvl/Qlty Monitoring	$ 87,800.00	77,410.00	$ 74,760.75
Basin Management	-	4,140.00	2,337.50
Seawater Intrusion	3,700.00	3,600.00	-
Direct Costs	-	-	-
Total MPWMD	**$ 91,500.00**	**$ 85,150.00**	**$ 77,098.25**
CENTRAL COAST SURVEYORS			
Survey reference points at water wells	$ -	8,000.00	$ 8,000.00
Transfer Out to Capital Fund			-
Total Appropriations & Expenses	**$ 360,040.00**	**$ 262,510.00**	**$ 132,957.66**
Total Available	**236,010.00**		

Operations Fund Assessments owed by City of Seaside
FY 2011 (including 5% penalty) 26,463

Seaside Groundwater Basin Watermaster VI.B

Replenishment Fund 2/1/2012

Water Year 2011 (October 1 - September 30) / Fiscal Year (January 1 - December 31, 2011)

January 1 - December 31, 2011

Replenishment Fund	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**Totals Through WY 2011**	**Proposed Budget 2012**	**Projected Totals Through WY 2012**
Assessments:	WY 05/06	WY 06/07	WY 07/08	WY 08/09	WY 09/10	WY 10/11		WY 11/12	
Unit Cost:	$1,132	$1,132	$2,485	$3,040	$2,780	$2,780		$2,780	
California American Water Balance Forward	**$ -**	**$ 1,641,004**	**$ 4,206,475**	**$ (2,900,435)**	**$ (2,868,685)**	**$ (3,850,964)**		**$ (663,111)**	
Exceeding Natural Safe Yield Considering Alternative Producers	2,106,652	2,484,533	5,164,969	3,773,464	4,112,933	3,187,854	$ 20,830,405	3,319,320	$ 24,149,725
Operating Yield Overproduction Replenishment	-	80,938	34,045	-	-	-	114,983	-	114,983
Total California American	**$ 2,106,652**	**$ 2,565,471**	**$ 5,199,014**	**$ 3,773,464**	**$ 4,112,933**	**$ 3,187,854**	**$ 20,945,388**	**$ 3,319,320**	**$ 24,264,708**
CAW Credit Against Assessment	(465,648)		(12,305,924)	$ (3,741,714)	(5,095,213)	-	(21,608,499)	-	(21,608,499)
CAW Unpaid Balance	***$ 1,641,004***	***$ 4,206,475***	***$ (2,900,435)***	***$ (2,868,685)***	***$ (3,850,964)***	***$ (663,111)***	***$ (663,111)***	***$ 2,656,209***	***$ 2,656,209***
City of Seaside Balance Forward	**$ -**	**$ 230,671**	**$ 413,454**	**$ 1,106,116**	**$ 1,737,569**	**$ 1,179,678**		**$ 178,155**	
City of Seaside Municipal	**332.0 AF**	**287.7 AF**	**294.3 AF**	**293.4 AF**	**282.9 AF**	**240.7 AF**			
Exceeding Natural Safe Yield Considering Alternative Producers	169,200	173,739	385,642	399,211	231,961	141,335	$ 1,501,088	369,175	$ 1,870,263
Operating Yield Overproduction Replenishment	50,487	340	16,898	66,090	82,761	-	216,575	56,786	273,361
Total Municipal	219,687	174,079	402,540	465,300	314,721	141,335	1,717,663	425,961	2,143,624
City of Seaside - Golf Courses									
Exceeding Natural Safe Yield - Alternative Producer	-	-	131,705	69,701	-	-	201,406	-	201,406
Operating Yield Overproduction Replenishment	-	-	131,705	69,701	-	-	201,406	-	201,406
Total Golf Courses	-	-	263,410	139,402	-	-	402,812	-	402,812
Total City of Seaside*	**$ 219,687**	**$ 174,079**	**$ 665,950**	**$ 604,702**	**$ 314,721**	**$ 141,335**	**$ 2,120,475**	**$ 425,961**	**$ 2,546,436**
City of Seaside Late Payment 5%	10,984	8,704	26,712	26,750	15,737		88,887		88,887
In-lieu Credit Against Assessment	-		-	$ -	(888,349)	(1,142,858)	(2,031,207)	-	(2,031,207)
City of Seaside Unpaid Balance	***$ 230,671***	***$ 413,454***	***$ 1,106,116***	***$ 1,737,569***	***$ 1,179,678***	***$ 178,155***	***$ 178,155***	***$ 604,116***	***$ 604,116***
Total Replenishment Fund Balance	**$ 1,871,675**	**$ 4,619,929**	**$ (1,794,319)**	**$ (1,131,116)**	**$ (2,671,287)**	**$ (484,956)**	**$ (484,956)**	**$ 3,260,325**	**$ 3,260,325**
Replenishment Fund Balance Forward	-	**$ 1,871,675**	**$ 4,619,929**	**$ (1,794,319)**	**$ (1,131,116)**	**$ (2,671,287)**		**$ 657,902**	
Total Replenishment Assessments	2,337,323	2,748,254	5,891,676	4,404,917	4,443,391	3,329,189	23,154,750	3,745,281	**26,900,031**
Total Replenishment Paid and/or Credited	(465,648)	-	(12,305,924)	(3,741,714)	(5,983,562)	-	(22,496,848)	-	**(22,496,848)**
Grand Total Replenishment Fund Balance	**$ 1,871,675**	**$ 4,619,929**	**$ (1,794,319)**	**$ (1,131,116)**	**$ (2,671,287)**	**$ 657,902**	**657,902**	**$ 4,403,183**	**$ 4,403,183**

ITEM VII.

INFORMATIONAL REPORTS

(NO ACTION REQUIRED)

SEASIDE GROUNDWATER BASIN
WATERMASTER

TO: Board of Directors

FROM: Laura Dadiw

Through Dewey D Evans, CEO

DATE: February 1, 2012

SUBJECT: Watermaster Replenishment Assessments for Water Year 2011

PURPOSE:
To notify all Seaside Groundwater Basin Producers that the Watermaster has calculated Replenishment Assessments for Water Year 2011

RECOMMENDATION:
Informational only, no action required.

DISCUSSION:
Each year Watermaster determines and levies a Replenishment Assessment against all Producers that incurred Natural Safe Yield and/or Operating Yield Over-production during the Water Year, with payment due from Producers 40 days after the mailing of a statement for the assessment by Watermaster.

The Standard Producers California American Water ("CAW") and City of Seaside are the two parties being levied Replenishment Assessments for Natural Safe Overproduction in Water Year 2011. Neither party exceeded Operating Yield allocations for the water year.

During Watery Year 2011, CAW exceeded its Natural Safe Yield allocation of 2,269.33 acre-feet by 1,146.71 acre-feet, and is being assessed the $2,780 per acre-foot Replenishment Assessment Unit Charge as approved by the Watermaster Board at the October 5, 2011 regular board meeting, for a total assessment of $3,187,853.80. The City of Seaside exceeded its Natural Safe Yield allocation of 189.84 acre-feet by 50.84 acre-feet, and is being assessed the $2,780 per acre-foot unit cost for a total assessment of $141,335.20. CAW sold to the City of Seaside 16.26 acre-feet of water that was factored into each party's allocations and assessments. The City of Seaside In-lieu Replenishment Project is in progress and use of non-native water for that project during Water Year 2011 is credited against the total Replenishment Assessment owed to Watermaster by the City of Seaside (see Replenishment Assessment Financial Report in the Consent Item of this meeting packet).

ATTACHMENTS
1) Watermaster 2011 Replenishment Assessments worksheet

SEASIDE GROUNDWATER BASIN WATERMASTER
2011 REPLENISHMENT ASSESSMENTS

ITEM VII. A. Calendar Year 2010 & 2011

2/1/2012

CALCULATION OF REPLENISHMENT ASSESSMENTS WY 2011

Using the Basin-wide methodology approved by the Court on January 12, 2007, and as shown in detail on the spreadsheet contained in this attachement, Watermaster calculated the Water Year 2011 Replenisment Assessments as follows:

	2011 Replenishment Assessment Unit Charge =					$2,780.00			
	2011 NSY Available to Standard Producers =					2,505.20	AF (3,000 AF NSY - 494.8 APA 2010 Production)		
Standard Producers	**WY 2011 Production (AF)**	**% of NSY Available**	**Volume of NSY Available (AF)**	**NSY Overproduction (AF)**	**NSY Overproduction Assessment**	**Operating Yield Available (AF)**	**Operating Yield Overproduction (AF)**	**Operating Yield Overproduction Assessment**	**Total Assessment**
California American Water	3,416.04	91.23%	2,269.33	1,146.71	$ 3,187,853.80	3,431.62	0.00	$ -	$ 3,187,853.80
Seaside (Municipal)	240.68	6.93%	189.84	50.84	$ 141,335.20	269.36	0.00	$ -	$ 141,335.20
Granite Rock	0.00	0.65%	16.36	0.00	$ -	138.56	0.00	$ -	$ -
D.B.O. Development No. 27	0.00	1.18%	29.67	0.00	$ -	279.17	0.00	$ -	$ -
Total Production	**3,656.72**	**100.00%**	**2,505.20**	**1,197.55**	**$ 3,329,189.00**	**4,118.71**	**0.00**	**$ -**	**$ 3,329,189.00**
Alternative Producers	**WY 2010 Production (AF)**	**% of NSY Available**	**Volume of NSY Available (AF)**	**NSY Overproduction (AF)**	**NSY Overproduction Assessment**	**Operating Yield Available (AF)**	**Oeprating Yield Overproduction (AF)**	**Operating Yield Overproduction Assessment**	**Total Assessment**
City of Seaside (Golf Courses)	0.01	N/A	540.00	0.00	$ -	540.00	0.00	$ -	$0
Total Production	**0.01**	**N/A**	**540.00**	**0.00**	**-**	**540.00**	**0.00**	**$ -**	**$0**
Total Seaside Standard OP				**50.84**	**$ 141,335.20**				
Total Seaside OY OP							**0.00**	**$ -**	
Total Seaside Golf Course OP				**0.00**	**$ -**		**0.00**	**$ -**	**$ 141,335.20**

SEASIDE GROUNDWATER BASIN WATERMASTER

REGULAR BOARD MEETING AGENDA
WEDNESDAY, FEBRUARY 1, 2012 - 2:00 P.M.
MEETING LOCATION
MONTEREY REGIONAL WATER POLLUTION CONTROL AGENCY
BOARD ROOM, 5 HARRIS COURT, BUILDING "D"
"RYAN RANCH"
MONTEREY, CALIFORNIA

WATERMASTER BOARD (FOR CALENDAR YEARS – 2012-2013)
Coastal Subarea Landowner – Director Paul Bruno, Chair
City of Sand City – Mayor David Pendergrass, Vice Chair
California American Water – Director Eric Sabolsice
City of Seaside – Mayor Felix Bachofner
Monterey Peninsula Water Management District – Director Bob Brower
Laguna Seca Subarea Landowner – Director Bob Costa
City of Monterey – Mayor Chuck Della Sala
City of Del Rey Oaks – Mayor Jerry Edelen
Monterey County/Monterey County Water Resources Agency – Supervisor Dave Potter, District 5

I. CALL TO ORDER (NEW BOARD OF DIRECTORS FOR CALENDAR YEARS 2012 AND 2013)

II ROLL CALL AND INTRODUCTION OF NEW MEMBERS OF THE BOARD OF DIRECTORS

III. ELECTION AND APPOINTMENT OF OFFICERS FOR CALENDAR YEAR 2012

A. Chairperson—(Must be member of the Board of Directors)
B. Vice Chairperson—(Must be member of the Board of Directors)
C. Secretary—(Need not be a member of the Board of Directors)
D. Treasurer—(Need not be a member of the Board of Directors)

IV. REVIEW OF AGENDA

If there are any items that arose after the 72-hour posting deadline, a vote may be taken to add the item to the agenda pursuant to the requirements of Government Code Section 54954.2(b). (A 2/3-majority vote is required).

V. PUBLIC COMMUNICATIONS

Oral communications is on each meeting agenda in order to provide members of the public an opportunity to address the Watermaster on matters within its jurisdiction. Matters not appearing on the agenda will not receive action at this meeting but may be referred to the Watermaster Administrator or may be set for a future meeting. Presentations will be limited to three minutes or as otherwise established by the Watermaster. In order that the speaker may be identified in the minutes of the meeting, it is helpful if speakers would use the microphone and state their names. Oral communications are now open.

VI. CONSENT CALENDAR

A. Consider Approval of Summary for Payments made during January, 2012 totaling **$6,600.00**

VII. ORAL PRESENTATION

None Scheduled

VIII. OLD BUSINESS

None

IX. NEW BUSINESS

A. Discussion/Consider Appointment of Members and designating a Chair for the Budget and Finance Committee

B. COMMITTEE REPORTS

1. BUDGET AND FINANCE COMMITTEE

a). Discussion/Consider Approval of California American Water's Request to Allow a Credit for actual expenditures incurred in calendar year 2009 for pursuing the Coastal Water Project amounting to $5,425,799 to be used to offset the Watermaster Year 2010/2011 Overproduction Replenishment Assessment.

b). Discussion/Consider Approving the Memorandum of Understanding (MOU) Between the Monterey Peninsula Water Management District, The Marina Coast Water District, the City of Seaside and the Seaside Groundwater Basin Watermaster Regarding Water Used for Irrigation of Golf Courses.

X. INFORMATIONAL REPORTS (No Action Required)

A. Timeline Schedule of Milestone Dates (Critical date monitoring)

XI. DIRECTOR'S REPORTS

XII. EXECUTIVE OFFICER COMMENTS

XIII. NEXT REGULAR MEETING DATE—MARCH 7, 2012 (MRWPCA-Board Room) 2:00 P.M.

XIV. ADJOURNMENT

This agenda was forwarded via e-mail to the City Clerks of Seaside, Monterey, Sand City and Del Rey Oaks; the Clerk of the Monterey Board of Supervisors, the Clerk to the Monterey Peninsula Water Management District; the Clerk at the Monterey County Water Resources Agency, Monterey Regional Water Pollution Control Agency and the California American Water Company for posting on January 27, 2012 per the Ralph M. Brown Act, Government Code Section 54954.2(a).

ITEM II.
2/1/2012

SEASIDE GROUNDWATER BASIN
WATERMASTER

TO: Board of Directors

FROM: Dewey D Evans, CEO

DATE: February 1, 2012

SUBJECT: Appointments of Voting Members and Alternates to Watermaster Board for Fiscal Years 2012 and 2013

PURPOSE:

To inform the current Board members and interested parties as to the Watermaster Board members and Alternates appointments for the next two Fiscal Years: 2012 and 2013 (January through December)

RECOMMENDATION:

None-Informational only

DISCUSSION:

To comply with the Court Decision "Sections L. 1.through 3."and the Watermaster adopted Rules and Regulations "section 4.0" it is required that "the Public Agency Parties, groups of Landowner Parties and CalAm shall each appoint or reappoint one Member in November of every second year, to sit on the Watermaster Board for a two (2) year term commencing with the first regular meeting of the Watermaster in January of the following year." "In addition to appointing a Member, CalAm and the Public Agency Parties may also appoint an alternate Member in the same manner and for the same terms as provided for Members. Each Member representing a group of Landowner Parties may act as an alternate for the Member representing the other group of Landowner Parties. A duly appointed Alternate Member may exercise all of the rights of a Member at a meeting of the Watermaster Board where the Member for whom the Alternate Member sits, is absent."

There are Special Rules for the Appointment of Members of Landowner Groups which are described in Section 4.5 of the Watermaster adopted Rules and Regulations.

The following appointments and/or reappointments have been made to Watermaster Board for the next two Fiscal Years beginning with the first regular meeting in Fiscal Year 2012:

MEMBER PARTY	MEMBER	ALTERNATE
California American Water	Eric Sabolsice	Brian Bruce
City of Del Rey Oaks	Jerry Edelen	Kristin Clark
City of Monterey	“Chuck” Della Sala	Libby Downey
City of Sand City	Dave Pendergrass	Steve Matarazzo
City of Seaside	Felix Bachofner	Dennis Alexander
County of Monterey (MCWRA)	Dave Potter	Rob Johnson
MPWMD	Robert S. Brower	Judi Lehman
Coastal Sub Area Landowner	Paul Bruno	
Laguna Seca Sub Area Landowner	Bob Costa	

ITEM NO. VI.

CONSENT CALENDAR

ITEM VI.A.
2/1/2012

SEASIDE GROUNDWATER BASIN
WATERMASTER

TO: Board of Directors

FROM: Dewey D Evans, CEO

DATE: February 1, 2012

SUBJECT: Summary of Payments Authorized to be paid during the period for the month of January, 2012

PURPOSE:

To advise the Board of payments authorized to be paid during the month of January, 2012.

RECOMMENDATIONS:

Consider approving the payment of bills submitted and authorized to be paid during the month of January, 2012.

COMMENTS and FISCAL IMPACT:

DDEvans Consulting (Professional Services Agreement—CEO)—December 26, 2011 through January 20, 2012 worked on Watermaster business a total of 47.5 hours at $100.00 per hour or **$4,750.00.** Responded to telephone inquiries, e-mail, and other correspondence as needed regarding the Seaside Basin. Sent out January 4, 2012 meeting cancellation notice. Worked on general year end cleanup of financial and other matters. Prepared two agendas for February 1, 2012 regular Board meeting; one for closing out fiscal year 2011 matters and the second agenda for fiscal year 2012 matters. Discussions with Lori Girard of Cal Am on replenishment assessment invoice. Worked on agenda packets for February 1, 2012 regular Board meeting. Received and reviewed TAC meeting agenda packet. Discussions with Laura and Bob J. on replenishment assessment invoices for Cal Am and the City of Seaside. Followed up with Tim Miller and Lori Girard on Sierra Club letter. Attended TAC meeting. Met with Joe Oliver, Bob J. and Laura on Sierra Club letter. Sent out notices for Budget and Finance Committee meeting.

Robert "Bob" Jaques (Technical Program Manager)—January 4, 2012 through January 23, 2012 worked on Watermaster business a total of 18.5 hours at $100.00 per hour or **$1,850.00**. Worked on preparing TAC meeting agenda materials, attended TAC meeting of January 11, 2012 and did follow-up work. Had follow up meeting with Joe Oliver, Laura and Dewey on Sierra Club letter and database information. Prepared and emailed out TAC meeting minutes. Prepared meeting materials for database meeting and sent out to attendees.

Total for January, 2012 **$6,600.00**

ITEM. IX.

NEW BUSINESS

ITEM IX.A.
2/1/2012

SEASIDE GROUNDWATER BASIN WATERMASTER

TO: Board of Directors

FROM: Dewey D Evans, CEO

DATE: February 1, 2014

SUBJECT: Discussion/Consider Appointment of Members and Designating a Chair for the Budget and Finance Committee

- -

RECOMMENDATIONS:

The staff recommends that the composition of the Budget and Finance Committee remain the same as it has in the past with four members one from each of the following: California American Water, City of Sand City, City of Seaside and Coastal Subarea Landowner Group.

DISCUSSION:

The Budget and Finance Committee membership has in the past been made up of four members one from each of the following: California American Water, City of Sand City, City of Seaside and Coastal Subarea Landowner Group. The decision to include these four entities was determined by the original Board of Directors in the early part of 2006 shortly after the initial February 22, 2006 meeting after the creation of the Watermaster by the Superior Court. No reason was given for the selection process, but; logically it makes a lot of sense since these entities are the ones paying the assessments each year for the Administration and the Monitoring and Management Programs of the Watermaster. With the recent resignation of the Chair, Mr. Ray Corpuz, City Manager of the City of Seaside and the changes taking place at California American Water with the recent departure of the General Manager Mr. Craig Anthony, the Watermaster finds itself with only two of the four members of the Committee left. The two existing members of the committee are: Mr. Paul Bruno from the Coastal Subarea Landowner Group and Mr. Steve Matarazzo from the City of Sand City – California American Water and the City of Seaside need committee representatives. Appointment of the position of Chair of the Budget and Finance Committee is a requirement of the Board adopted Rules and Regulations.

ITEM IX. B.

COMMITTEE REPORTS

ITEM NO. IX.B.1.

BUDGET AND FINANCE COMMITTEE

SEASIDE GROUNDWATER BASIN WATERMASTER

TO: Board of Directors

FROM: Laura Dadiw, Staff
Approved by: Dewey D Evans, CEO

DATE: February 1, 2012

SUBJECT: California American Water Request for Credit against Replenishment Assessment

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RECOMMENDATIONS:
The Watermaster Budget & Finance Committee recommends approving California American Water's request to allow a credit for actual expenditures incurred in calendar year 2009 for pursuing the Coastal Water Project amounting to $5,425,799 to be used to offset the Watermaster Year 2010/2011 Over-production Replenishment Assessment.

DISCUSSION:
In January of 2009, California American Water and the Seaside Basin Watermaster (Watermaster) entered into a Memorandum of Understanding (MOU) in order to establish a process for implementing Section III.M.1.d of the Amended Decision. This Section authorizes California American Water to receive Replenishment Credits for water supply augmentation expenditures it contends has or will result in replenishment of the Basin.

In summary, the MOU provides that a claim for Replenishment Credits provided by California American Water shall be based upon expenditures for a water supply augmentation project that California American Water contends has or will result in Basin replenishment. The MOU further provides that the Watermaster shall grant California American Water's requests for Replenishment Credits for years in which the Watermaster declares that water for Artificial Replenishment is not available. The granting of the request is subject to California American Water's obligation to provide future Artificial Replenishment in an amount equal to the number of acre feet of Over-production for which California American Water receives Replenishment Credits. A copy of the MOU is attached.

California American Water has timely submitted its request for Replenishment Credits for Water Year 2011 which includes a detailed list of expenditures for a water supply augmentation project California American Water contends will result in replenishment of the Basin. The expenditures requested were approved by the California Public Utilities Commission (PUC) as reasonably incurred. A copy of California American Water's request, including the decision of the PUC approving the expenditures, is attached.

Additionally, the Watermaster declared in December 2010 that water for Artificial Replenishment was not available for Water Year 2011.

California American Water representatives will be available at the January 25, 2012 Budget & Finance meeting to address any questions the committee may have regarding the request for Replenishment Credits.

ATTACHMENT: CAW Request for Credit Correspondence with expense listing and PUC approval.

CALIFORNIA
AMERICAN WATER

511 Forest Lodge Road
Suite 100
Pacific Grove, CA 93950
www.amwater.com/caaw

P 831.646.3241
F 831.375.4367

January 13, 2012

Dewey Evans, Chief Executive Officer
Seaside Groundwater Basin Watermaster
2600 Garden Road, Suite 228
Monterey, CA 93940

SUBJECT: Request for Replenishment Assessment Credit

Dear Mr. Evans:

California American Water hereby submits its formal request for a Replenishment Credit in the amount of $5,425,799. We are requesting this credit be applied to the Seaside Basin Watermaster Year 2011 Overproduction Replenishment Assessment against California American Water that was transmitted by your January 10, 2012 invoice to California American Water.

The basis for this Replenishment Credit request is California American Water's actual expenditures incurred in calendar year 2009 for pursuing the Coastal Water Project. The $5,425,799 expenditure amount was approved by the California Public Utilities Commission ("CPUC") in its Decision 11-03-008, dated March 10, 2011 (copy attached). Also attached is a spreadsheet that breaks down this CPUC-approved expenditure amount by category. Detailed documentation of vendor invoices, labor costs, and other expenses corresponding to and supporting this $5,425,799 approved expenditure amount is available, if desired.

As you will likely recall, in January of 2009 the Seaside Basin Watermaster and California American Water executed a Memorandum of Understanding regarding Replenishment Credits ("MOU"). In accordance with the MOU, California American Water is submitting this request within 40 days of our receipt of the Watermaster's notice of the amount of the Replenishment Assessment. Additionally, the MOU provides that the Watermaster "shall grant" California American Water's request for a Replenishment Credit for years in which Artificial Replenishment Water is not available for purchase. Thus, we are requesting that you place California American Water's request on the agenda for approval at the next Watermaster meeting.

Sincerely,

John Kilpatrick
Project Delivery Manager

Enclosures (2)

cc: Eric Sabolsice
Lori Girard

Summary of CPUC Approved Costs Charged to CWP in 2009

CALIFORNIA AMERICAN WATER COMPANY
COASTAL WATER PROJECT
EXHIBIT ON 2009 EXPENSES

Line No.	Item	Vendor	2009
	Engineering & Environmental		
1	Consulting, Engineering and PEA/EIR Technical Support	RBF Consulting	1,048,389.44
2	Design Engineering, Conveyance Facilities	Parsons Water & Infastructure, Inc.	36,975.33
3	Design Engineering, ASR Facilities	ASR Systems, LLC	182,626.43
4	Environmental Impact Report	California Public Utilities Commission	1,080,324.03
5	Desalination Study	RMC Water & Environmental	109,201.73
6	**Subtotal Engineering**		**2,457,516.96**
7	***Excluded from recovery***		***0.00***
8	**Final Subtotal**		**2,457,516.96**
	Pilot Plant, O & M		
9	Pilot Plant, Laboratory	Williams Scotsman Inc.	15,985.69
10	Pilot Plant, Electric Utility	Pacific Gas & Electric Co	41,170.97
11	Consulting, Pilot Plant	American Water Pridesa LLC	627,274.78
12	Pilot Plant Construction, Mechanical & Electrical	Granite Construction, Darrel Varni Electric, L S & G Electric, Monterey Penisula Engineering	71,144.22
13	Pilot Plant Consultant Support	MWH Americas, Inc	131,468.04
14	Consulting, Water Quality Testing	Test America	629,670.70
15	Pilot Plant, Materials and Supplies	Various	358,268.65
16	**Subtotal Construction & PP Startup**		**1,874,983.05**
17	***Excluded from recovery***		***0.00***
18	**Final Subtotal**		**1,874,983.05**
	Legal		
19	Legal, Environmental	Allen Matkins Leck Gamble & Mallory LLP	120,254.01
20	Legal, CPUC Matters	Manatt, Phelps & Phillips LLP	352,572.37
21	**Subtotal Legal**		**472,826.38**
22	***Excluded from recovery***		***0.00***
23	**Final Subtotal**		**472,826.38**
	Public Outreach & Consulting		
24	Consulting	Bob Nelson Associates	25,941.18
25	**Subtotal Public Outreach**		**25,941.18**
26	***Excluded from recovery***		***0.00***
27	**Final Subtotal**		**25,941.18**
	CAW Labor, Overhead and Miscellaneous Expense		
28	Company Labor & Overhead		480,837.25
29	Employee Expenses		32,525.47
30	P-Card Expenditures		26,336.51
31	Utility Plant Overhead		23,752.26
32	Reclassed Charges		(20,996.86)
33	AFUDC		28,280.41
34	AWWSC Charges		10,101.86
35	**Subtotal Labor, Expense, Miscellaneous**		**580,836.90**
36	***Excluded from recovery***		***(16,435.27)***
37	**Final Subtotal**		**564,401.63**
	Miscellaneous Charges		
38	California Coastal Commission (Permit)		1,000.00
39	Monterey County Health Department (Permit)		747.00
40	Marina Coast Water District		(17,883.75)
41	Backtrack Employment Screening		207.00
42	First Advantage OHS		57.00
43	CIO Partners of Atlanta		22,500.00
44	NEI Global Relocation		22,091.77
	DRA Recommended Reduction to Line 44		**(6,421.00)**
45	Company Tax	2009 Sabrix Tax Account	983.97
46	**Subtotal Miscellaneous Charges**		**23,281.99**
47	***Excluded from recovery***		***0.00***
48	**Final Subtotal**		**23,281.99**
49	**GRAND TOTAL BEFORE EXCLUSION**		**5,435,386.46**
50	**GRAND TOTAL EXCLUDED**	(see Box A below for additional details)	(16,435.27)
	GRAND TOTAL INTEREST		6,848.69
51	**GRAND TOTAL APPROVED**		**5,425,799.87**

Please note that the Final Subtotals reflected above do not include the specific costs from vendors that California American Water removed from its recovery request. A summary of these vendors and associated costs are reflected below: N/A

Note: Dollars shown above for each year reflect amounts paid to vendor during the year. Work associated with the dollar amounts may have been performed at an earlier date (ie. a January 2009 invoice, paid in 2009, may be for work done in 2008).

		Box A	
	Company Labor Exclusions		
52	Company Labor & OH		16,435.27
53	**Subtotal Exclusions**	*Subtotal*	*16,435.27*

Decision 11-03-008 March 10, 2011

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of California-American Water Company (U210W) for an Order Authorizing the Transfer of Costs Incurred in 2009 for Its Long-Term Water Supply Solution for the Monterey District to Its Special Request 1 Surcharge Balancing Account.	Application 10-04-004 (Filed April 1, 2010)

DECISION APPROVING SETTLEMENT AGREEMENT

1. Summary

By today's decision, we approve a Settlement Agreement entered into by the California-American Water Company (Cal-Am) and the Division of Ratepayer Advocates. We find that the Settlement Agreement is reasonable in light of the whole record, consistent with the law, and in the public interest, consistent with the requirements of Rule 12.1(d) of the Commission's Rules of Practice and Procedure.

Our approval of the Settlement Agreement authorizes Cal-Am to recover $5,425,799.87 for all Coastal Water Project costs incurred through December 31, 2009. This amount reflects disallowances totaling $6,421. Cal-Am will recover these costs from ratepayers through the Special Request 1 Surcharge Balancing Account authorized in Decision (D.) 06-12-040. The Settlement Agreement adopted today does not affect Cal-Am's ability to recover preconstruction costs incurred after December 31, 2009 and tracked in the memorandum account approved in D.03-09-022.

2. Background

Decision (D.) 03-09-022 authorized California-American Water Company (Cal-Am) to establish a memorandum account to record costs associated with preliminary engineering studies, environmental studies, analysis of necessary permitting requirements, and development of cost estimates for the Coastal Water Project. D.06-12-040 authorized the Special Request 1 Surcharge Balancing Account to allow recovery of prudently incurred preconstruction costs.

On April 1, 2010, Cal-Am filed Application (A.) 10-04-004 requesting authorization to transfer a total of $5,432,220.87 in preconstruction costs for the Coastal Water Project that have been tracked in the authorized memorandum accounts to its Special Request 1 Surcharge Balancing Account for recovery from its ratepayers. On October 29, 2010, the Division of Ratepayer Advocates (DRA) served its Audit Report on California American Water Company's Coastal Water Project 2009 Preconstruction Costs, recommending that Cal-Am's request be reduced by $6,421 in total employee relocation expense and by $316,228 in legal fees that DRA contends were not justified with sufficient evidence. Cal-Am served its rebuttal testimony on November 19, 2010. Settlement negotiations ensued in December and the parties filed a motion for approval of the instant Settlement Agreement on January 12, 2011. The Administrative Law Judge (ALJ) received the exhibits into the record by ruling issued on February 1, 2011.

The instant application is related to A.04-09-019, the Coastal Water Project. In A.04-09-019, Cal-Am applied for a certificate of public convenience and necessity (CPCN) to construct and operate a desalination plant and associated facilities proposed to address long-term water supply problems on the Monterey Peninsula. As the Commission recently discussed in D.10-12-016, the water supply deficit on the Monterey Peninsula is long-standing. Cal-Am has

been subject to an order by the State Water Resources Control Board (SWRCB) since 1995 to cease diverting water from the Carmel River and to find an alternative supply of 10,730 acre-feet per year (afy) of water.[1] In 2006, the Monterey County Superior Court established physical limitations to various users' water allocations to reduce the drawdown of the Seaside Basin aquifer and to prevent additional seawater intrusion. Cal-Am's allocation from the Seaside Basin will be reduced over time. Also, in 2006, the Monterey Peninsula Water Management District updated the total demand in Cal-Am's service territory. The replacement water supply required to meet the updated demand is 12,500 afy, as further discussed in D.10-12-016. On October 20, 2009, the SWRCB issued Order WR 2009-0060, a Cease and Desist Order that requires Cal-Am to take additional measures to reduce its diversions from the Carmel River and to terminate all such diversions no later than December 31, 2016. The proposed project and the alternatives studied in the Final Environmental Impact Report (FEIR) are known as the Coastal Water Project. The Commission certified the FEIR in D.09-12-017. By D.10-12-016, the Commission approved a Settlement Agreement and Water Purchase Agreement related to the Regional Desalination Project which resolves Phase 2 of A.04-09-019. D.10-12-016 also issued a CPCN for the Cal-Am facilities related to the Regional Project.[2]

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[1] Order WR 95-10.

[2] On January 3, 2011, DRA timely filed an application for rehearing of D.10-12-016, and Cal-Am, the Marina Coast Water District, and the Monterey County Water Resources Agency timely filed a response on January 18, 2011. This decision in no way prejudges the Commission's determinations in that application for rehearing.

3. Settlement Agreement

The Settling Parties agree on all of the disputed issues in the Application including:

1. Settling Parties agree that the Commission should authorize Cal-Am to transfer $5,425,799.87 in preconstruction costs incurred for the Coastal Water Project for services rendered through 2009 to the Special Request 1 Surcharge Balancing Account.
2. Settling Parties agree that Cal-Am's total request for recovery should be reduced by $6,421. This is a reasonable adjustment because one of the employees for whom certain relocation expenses were incurred spent 85.6% of his time on the Coastal Water Project in 2009.
3. Settling Parties agree that for future applications for transfer of preconstruction costs to the Special Request 1 Surcharge Balancing Account, Cal-Am will provide DRA with copies of legal invoices for which Cal-Am is seeking recovery. These invoices will be provided as confidential work papers and do not constitute a waiver of any privilege. DRA will appropriately protect the confidential material and will evaluate the invoices solely for the purpose of considering the reasonableness of legal costs for which the invoices are provided. DRA will return or destroy all invoices and copies, including electronic copies, at the conclusion of each proceeding. Any redaction will be limited to entries reflecting legal strategy and attorney-client communications.

4. The Settlement Agreement is in the Public Interest, Consistent with the Law and Reasonable in Light of the Whole Record

The Settlement Agreement was reached after DRA conducted a thorough review and audit of the 2009 preconstruction costs. The agreement represents a reasonable resolution of the relatively narrow dispute between Cal-Am and DRA regarding the Coastal Water Project preconstruction costs. DRA reviewed the

documents reflecting Cal-Am's 2009 costs and found most of them to be reasonable, and the parties have now agreed upon a reasonable process regarding substantiation of legal expenditures.

We concur that the agreed-upon 2009 preconstruction costs were reasonably and properly incurred in the pursuit of a long-term water supply solution on the Monterey Peninsula. We find that the Settlement Agreement also complies with our prior decisions addressing the Coastal Water Project preconstruction costs. As stated in D.10-08-008, Cal-Am ratepayers are responsible for preconstruction costs of $18.15 million incurred in 2006 through 2008. With the approval granted in today's decision, Cal-Am ratepayers will be paying for a total of $23.58 million in preconstruction costs incurred from 2006 through 2009. While there was a great deal of activity in Phase 2 of A.04-09-019 in 2010, we would expect that certain preconstruction costs would be reduced in 2011 and future years. In these future applications, Cal-Am should carefully demonstrate and substantiate the need for additional ongoing preconstruction costs.

The proposed Settlement Agreement is in the public interest both because the agreed-upon costs are reasonable and because it will avoid potentially costly litigation. It is certainly preferable that parties develop their own mutually-agreeable solution regarding the relatively minor disputed amounts. There is no need for the Commission or the parties to invest further time and resources in litigation. For all of the foregoing reasons, we grant the Settling Parties' Motion and adopt the Settlement Agreement as proposed.

5. Categorization and Need for Hearings

In Resolution ALJ 176-3251 dated April 8, 2010, the Commission preliminary categorized this application as Ratesetting and preliminarily

determined that hearings were necessary. Given the uncontested Settlement Agreement, a public hearing is not necessary.

6. Comments on Proposed Decision

As a result of the Settlement Agreement, this matter is uncontested. Pursuant to Pub. Util. Code § 311(g)(2) and Rule 14.6(c)(2), comments on the proposed decision of the ALJ are waived.

7. Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and Angela K. Minkin is the assigned ALJ in this proceeding.

Findings of Fact

1. As detailed in the Settlement Agreement, we find that Cal-Am should be allowed to recover $5,425,799.87 in 2009 preconstruction costs, and this amount constitutes the entirety of Cal-Am's preconstruction costs incurred for services rendered through December 31, 2009, for which recovery has not been previously authorized.

2. $5,425,799.87 should be transferred from the Coastal Water Project Memorandum Account to the Special Request 1 Surcharge Balancing Account for recovery from Cal-Am's ratepayers.

3. Cal-Am's ratepayers have been responsible for $18.15 million in preconstruction costs incurred from 2006 through 2008. As a result of today's decision, ratepayers are now responsible for an additional $5.43 million in preconstruction costs incurred in 2009, for a total of $23.58 million.

Conclusions of Law

1. The Settlement Agreement between Cal-Am and DRA is reasonable in light of the whole record, consistent with the law, and in the public interest and should be approved.

2. This decision should be effective today so that the Settlement Agreement may be implemented expeditiously.

3. A.10-04-004 should be closed.

O R D E R

Therefore, **IT IS ORDERED** that:

1. The Settlement Agreement between California-American Water Company and the Division of Ratepayer Advocates is approved without modification.

2. California-American Water Company is authorized to transfer $5,425,799.87 of costs incurred for the Coastal Water Project for services rendered through December 31, 2009 from the Coastal Water Project Memorandum Account to the Special Request 1 Surcharge Balancing Account.

3. Hearings are no longer necessary.

4. Application 10-04-004 is closed.

This order is effective today.

Dated March 10, 2011, at San Francisco, California.

MICHAEL R. PEEVEY
President
TIMOTHY ALAN SIMON
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
Commissioners

[Approved by Watermaster Board on 10/23/08 with Redline Showing Changes Requested by the Board]

MEMORANDUM OF UNDERSTANDING BETWEEN SEASIDE BASIN WATERMASTER AND CALIFORNIA AMERICAN WATER

This Memorandum of Understanding between the Seaside Basin Watermaster (Watermaster) and California American Water (CAW) is entered into pursuant to a motion passsed by Watermaster on December 3, 2008 with respect to the following:

RECITALS

A. The Amended Decision in Case No. M66343 filed February 9, 2007 (Decision) provides that Standard Producers that exceed their allocation of Natural Safe Yield are subject to a Replenishment Assessment for each acre foot of Over-Production for each Water Year. Under Section III.M1.d of the Decision, CAW has the right to claim a credit against its Replenishment Assessment (Replenishment Credit) for costs incurred for water supply augmentation that has or will result in replenishment of the Basin.

B. Wastermaster has calculated the Replenishment Assessments for CAW for Fiscal Year 2006 (Water Year 05/06), Fiscal Year 2007 (Water Year 06/07) and Fiscal Year 2008 (Water Year 07/08) in the total amount of $10,166,640. Pursuant to Section III.M.1.d of the Decision, CAW applied for a Replenishment Credit for expenditures totaling $12,305,924.00 that CAW has made through calendar year 2006 for water supply augmentation associated with pre-construction expenses for the Coastal Water Project. The request was made on March 5, 2008 and supplemented with further information on May 2, 2008.

C. Watermaster approved CAW's request for a Replenishment Credit in the amount of $12,305,924.00, subject to conditions set forth in the motion which provide that CAW will ensure replenishment of the Basin with water from the Coastal Water Project, or a comparable alternative project, at no cost to Watermaster, in an amount equivalent to the quantity of water that CAW has overproduced, and thus incurred a Replenishment Assessment obligation for Fiscal Years 2006, 2007 and 2008.

D. Watermaster and CAW desire to enter into this Memorandum of Understanding regarding future CAW requests pursuant to Section III.M.1.d of the Decision for Replenishment Credits against future Replenishment Assessment obligations.

AGREEMENT

Watermaster and CAW agree as follows:

1. At the end of each Water Year, Watermaster shall determine the Replenishment Assessments in accord with Section III.L.3.j.iii of the Decision. Within 40 days of CAW's receipt of Watermaster's notice of Replenishment Assessment against CAW for the preceding Water Year, CAW shall provide Watermaster any claim for a Replenishment Credit pursuant to Section III.M.1.d of the Decision. Such claim shall be based upon expenditures for a water supply augmentation project (such as the Coastal Water Project and/or other projects that produce water that can be used to replenish the Seaside Basin (hereinafter "Project(s)")) that CAW contends has or will result in replenishment of the Basin.

2. Watermaster agrees that the Project will result in replenishment of the Basin, and therefore:

(a) Watermaster hereby grants CAW's current request for a Replenishment Credit in the amount of $12,305,924.00. Such Credit shall be immediately applied to CAW's Replenishment Assessments for Fiscal 2006 (Water Year 05/06), Fiscal Year 2007 (Water Year 06/07) and Fiscal Year 2008 (Water Year 07/08), which total $10,166,640, subject to the condition that, upon completion and implementation of a water supply augmentation Project, CAW shall provide Watermaster, at no cost to Watermaster, and on a schedule that is Feasible either (1) water for Artificial Replenishment through direct replenishment and/or (2) cause in-lieu replenishment of the Basin by forbearing to produce water to which CAW is entitled as CAW's share of the Native Safe Yield, in an amount equal to CAW's total acre feet of Over-Production for the Water Years 05-06, 06-07, and 07-08, which total is 6,390.1acre feet. Future CAW requests for Replenishment Credit shall be granted subject to the same conditions set forth in this Section 2 (a).

(b) In future Water years Watermaster shall address future requests by CAW for a Replenishment Credit as follows:

i. For years in which Watermaster declares that water for Artificial Replenishment is not available, Watermaster shall grant CAW's request for a Replenishment Credit for that Water year, subject to CAW's obligation to provide future Artificial Replenishment as set forth in Section 2(a) herein.

ii. For years in which Watermaster declares that water for Artificial Replenishment is available from sources other than a CAW water supply augmentation Project, Watermaster shall have the option of either: (i) requiring CAW to pay all or part of CAW's Replenishment Assessment for that Water Year for the purpose of providing Watermaster with funds to obtain Artificial Replenishment in sufficient quantities to replenish that quantity of Over-Production for which CAW pays a Replenishment Assessment; or (ii) granting CAW's request for a Replenishment Credit subject to CAW's obligation to provide future Artificial Replenishment as provided for in section 2(a) herein. . If Watermaster is unable to purchase Replenishment Water equal to CAW's total Over-Production for that Water Year,

the Watermaster shall grant CAW a Replenishment Credit for the balance of CAW's Over-Production for that Water year, subject to CAW's obligation to provide future Artificial Replenishment as set forth in Section 2(a) herein.

3. The sum of the acre feet of water to be provided to Watermaster for replenishment either by direct replenishment and/or in-lieu replenishment for each Water Year shall equal the number of acre feet for which CAW is assessed a Replenishment Assessment for the Water Year at issue. In no event shall the total amount of direct replenishment and/or forbearance by CAW be greater than the cumulative total of acre feet of CAW's Over-Production for all Water Years for which CAW is granted Replenishment Credits.

4. Upon completion and implementation of the Project(s), at any stage in CAW's direct replenishment and/or in-lieu replenishment pursuant to conditions set by Watermaster upon granting of Replenishment Credits, CAW shall have the right to request that the Court determine that, based upon principles of the physical solution set forth in the Decision, the Basin has been replenished in an amount sufficient to prevent seawater intrusion or the Basin has been protected by alternative seawater intrusion preventive measures. Upon such determination by the Court, CAW's obligations under conditions set by Watermaster upon granting of Replenishment Credits and any obligation under this Memorandum of Understanding to provide direct replenishment water and/or in-lieu replenishment at no cost to Watermaster shall be deemed fully satisfied.

5. All terms used in this Memorandum of Understanding that are defined terms in the Decision shall be defined herein as set forth in Section III.A of the Decision.

IN WITNESS WHEREOF the Parties hereby agree to the full performance of the terms set forth herein.

SEASIDE BASIN WATERMASTER	CALIFORNIA AMERICAN WATER
Chair, Seaside Basin Watermaster	President, California American Water
Date: January 21, 2009	Date: 1-29-2009

SEASIDE GROUNDWATER BASIN WATERMASTER

TO: Board of Directors

FROM: Laura Dadiw, Staff
Approved by: Dewey D Evans, CEO

DATE: February 1, 2012

SUBJECT: Four-party Memorandum of Understanding ("MOU") Regarding 68.8 Acre-feet of Non-native Water Injected Into the Seaside Groundwater Basin

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RECOMMENDATIONS:
The Watermaster Budget / Finance Committee recommends approving the MOU between the Monterey Peninsula Water Management District, the Marina Coast Water District, the City of Seaside, and the Seaside Basin Watermaster regarding water used for irrigation of golf courses.

DISCUSSION:
From January 8 through January 21, 2009, Marina Coast Water District (MCWD) provided 68.8 acre-feet (AF) of groundwater from its wells in the Salinas Groundwater Basin to Monterey Peninsula Water Management District (MPWMD) for well injection testing of its Phase 1 ASR Project. The "loan" of the water was agreed to by MPWMD, MCWD and Monterey County Water Resources Agency in a Coordination Agreement dated March 19, 2008. MPWMD is now required to return the "loaned" water to MCWD.

Per the terms of the proposed four-party MOU, the right to return of the 68.8 AF of water loaned to MPWMD by MCWD for ASR injection and storage testing in January of 2009 would be assigned to the City of Seaside. Watermaster would treat the assignment as a delivery by MCWD to the City of 68.8 AF of imported water form MCWD's Salinas Groundwater Basin for the City's Golf course irrigation in Water Year 2010 as part of the In Lieu Replenishment Program. The assignment would allow the City of Seaside to receive a credit against Replenishment Assessment from Watermaster in the amount of 68.8 AF x $2,780 = $191,264 for Water Year 2010.

ATTACHMENT:
Four-party Memorandum of Understanding
Letter of explanation of loan repayment via MOU to James Heitzman (MCWD) from Darby Fuerst (MPWMD) dated May 9, 2011

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

January 9, 2012

Dewey D. Evans
Seaside Groundwater Basin Watermaster
2600 Garden Road Suite 228
Monterey, CA 93940

In January 2009, the Monterey Peninsula Water Management District (MPWMD) conducted a dual-well injection test at its Phase 1 Aquifer Storage and Recovery (ASR) site on General Jim Moore Boulevard in Seaside. The quantity of water used for this testing, 68.8 acre-feet (AF), was provided from the Marina Coast Water District (MCWD) system, as adequate instantaneous rate of water delivery for the testing was not available from the California American Water system at that time. A Memorandum of Understanding (MOU) between the MPWMD, MCWD, the City of Seaside (Seaside), and the Seaside Basin Watermaster (Watermaster) has been developed (attached) as a means for this loaned water to be returned and accounted for as an offset to native Seaside Basin water pumped by the City of Seaside for golf course irrigation. The MOU has been approved by MPWMD, MCWD and Seaside, and is before the Seaside Basin Watermaster for final approval.

This MOU builds on several other related existing agreements. The first agreement (Coordination Agreement) was between MPWMD, MCWD and Monterey County Water Resources Agency, and allowed for the use of MCWD water for injection testing. That agreement called for the return of the ASR testing water to MCWD within 12 months upon demand. The second agreement (Transfer Agreement) was between Seaside and MCWD, and allowed provision of 2,500 AF of water from MCWD for use on the Seaside golf courses in exchange for approximately 21 acres of former Fort Ord land to MCWD. This water could be from MCWD's Salinas Basin wells or from treated recycled water; in either case the water supplied would have the effect of reducing the production of native Seaside Basin water. The third agreement (In-Lieu Agreement) was between Seaside and the Watermaster, and formalized the mechanism by which the water provided to Seaside from MCWD would offset Seaside's Replenishment Assessment liability to the Watermaster.

The plan under the MOU is for the return of the 68.8 AF of loaned water through credits assigned by the Watermaster with respect to Seaside's In-Lieu replenishment program. This would occur by the Watermaster allowing 68.8 AF of groundwater pumped for the Seaside golf courses in Water Year 2010 to be treated as imported water delivered by MCWD. In this regard, the MOU allows for the <u>indirect</u> return of the loaned water via the Seaside golf course irrigation, versus the <u>direct</u> return of this water from MPWMD to the MCWD system, which would entail additional logistical and cost considerations.

Please add this document to your February board meeting agenda for approval. Once signed, please return one original of the signed document to each of the parties. Thank you.

Sincerely yours,

David J. Stoldt
General Manager

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5 Harris Court, Building G, Monterey, CA 93940 • P.O. Box 85, Monterey, CA 93942-0085
831-658-5600 • Fax 831-644-9960 • http://www.mpwmd.net

MEMORANDUM OF UNDERSTANDING BETWEEN THE MONTEREY PENINSULA WATER MANAGEMENT DISTRICT, THE MARINA COAST WATER DISTRICT, THE CITY OF SEASIDE, AND THE SEASIDE BASIN WATERMASTER REGARDING WATER USED FOR IRRIGATION OF GOLF COURSES

This Memorandum of Understanding is entered into between the Monterey Peninsula Water Management District ("MPWMD"), the Marina Coast Water District ("MCWD"), the City of Seaside ("City") and the Seaside Basin Watermaster ("Watermaster") (individually "Party," collectively "Parties") with respect to the following:

RECITALS

1. The amended decision ("Decision") entered in the lawsuit, *California American Water v. City of Seaside et al., Monterey County Superior Co*urt (Case No. M66343) governs the groundwater production within the Seaside Groundwater Basin ("Basin").

2. Under the Decision the City received an allocation of 540 acre feet ("AF") of Alternative Production Allocation in relation to the City-owned Blackhorse and Bayonet Golf Courses ("Golf Courses").

3. The Decision obligated the Watermaster to procure new sources of water for replenishment of the Basin to offset any cumulative over production.

4. The Decision provided that any party that exceeded its allocation of Natural Safe Yield and/or its allocation of Operating Yield was subject to a Replenishment Assessment for each acre foot of over production during each Water Year.

5. In April 2010, the City owed certain sums to the Watermaster for previously accrued Replenishment Assessments.

6. In an agreement between MCWD and the City executed effective April 1, 2010 (the "City-MCWD April 2010 Agreement") in consideration of the City's transfer to MCWD of certain land, MCWD agreed to supply water to the City to irrigate the City's two golf courses located on the former Fort Ord in lieu of the City producing Seaside Basin groundwater to irrigate the golf courses. MCWD agreed to supply 2,500 acre-feet of the water to the City in consideration of land to the City.

7. In April 2010, the City and the Watermaster entered into a Memorandum of Understanding to memorialize the terms of an in lieu replenishment program ("In Lieu Replenishment Program") in accordance with the City-MCWD April 2010 Agreement.

8. Separately, in March of 2008, the MPWMD, MCWD and the Monterey County Water Resources Agency ("MCWRA") entered into a Coordination Agreement for Aquifer Storage and Recover (ASR) Injection Testing (the "Coordination Agreement"). Pursuant to the agreement, MCWD loaned MPWMD water from MCWD's existing Salinas Groundwater Basin wells (i.e., imported water from a separate groundwater basin) to the MPWMD for aquifer storage and recovery testing done by the MPWMD at its Santa Margarita test well site. The total amount loaned for the testing was 68.8 AF, and the testing was done in January of 2009. The water used for testing was not produced from the Seaside Basin, but was produced from another groundwater basin.

9. MPWMD desires to facilitate the return of 68.8 AF of water loaned by MCWD to MPWMD.

10. Physical return of the 68.8 AF of loaned water is difficult because of infrastructure limitations.

11. However, a full and fair "return" of the 68.8 AF of loaned water can be made through credits assigned by Watermaster to the City with respect to the City's In Lieu Replenishment Program. This can occur by Watermaster treating 68.8 AF of groundwater produced by the City's Golf Course wells between October 2009 and April 2010 (before commencement of the In Lieu Replenishment Program) as imported water delivered by MCWD to the City (the 68.8 AF of loaned water is imported water stored in the Basin through the ASR injection), thereby increasing the City's in lieu replenishment credit under the In Lieu Replenishment Program by 68.8 AF and giving credit to MCWD against the 2,500 acre-feet of water to be provided to the City without cost to the City.

12. MCWD is willing to become a party to this Memorandum of Understanding as an accommodation to the City, MPWMD, and the Watermaster.

13. The Parties desire to effectuate this return of loaned water and crediting of in lieu replenishment credits, as set forth herein.

AGREEMENT

The Parties agree as follows:

1. Repayment and Assignment of Loaned Water. MCWD hereby assigns to the City MCWD's right under the Coordination Agreement to have MPWMD return the 68.8 AF of water loaned to MPWMD by MCWD for ASR injection and storage testing in January of 2009. The Watermaster will treat this assignment as delivery by MCWD to the City of 68.8 AF of water loaned to MPWMD by MCWD for ASR injection and storage testing in January 2009. The

Watermaster will treat this assignment as a delivery by MCWD to the City of 68.8 AF of imported water in accordance with the City-MCWD April 2010 Agreement for the City's Golf Course irrigation in Water Year 2010 as part of the In Lieu Replenishment Program.

2. Credit to City. This assignment shall increase the monetary credit to the City in an amount attributable to an additional 68.8 AF of in lieu replenishment in Water Year 2010 pursuant the accounting methods set forth in Section 3.2 of the MOU that the City and Watermaster entered into in April 2010.

3. Commensurate Reduction in Basin Pumping by City. The amount of native groundwater pumped by City under its Alternative Production Allocation in the first nine months of Water Year 2010 shall be deemed reduced by 68.8 AF -- from 100.6 AF to 31.8 AF.

4. Satisfaction of Water Loan. Pursuant to the provisions above, the Parties agree that MPWMD's obligation to return the water loaned to it by MCWD is hereby satisfied.

5. Credit to MCWD from City. The City shall credit MCWD 68.8 AF against MCWD's obligation under Section 3.2 of the City-MCWD April 2010 Agreement.

6. Approval of Watermaster Board. The approval of the Seaside Basin Watermaster Board shall be a condition precedent to this Memorandum of Understanding taking effect.

7. No Effect on Existing Water Rights. The Parties agree that no provision of this Memorandum of Understanding shall have any force or effect, directly or indirectly, on water rights of any nature held by a Party. No water right of any kind, including but not limited to prescriptive water rights, nor any claim thereto, shall arise or be created in favor of or against any Party or other person, directly or indirectly, nor shall any water right be lost as a result of this Memorandum of Understanding

8. Defense and Indemnity of MCWD. MPWMD will defend and indemnify MCWD against any and all liability, claims, damages, demands, costs and action arising from the approval, execution and performance of this Memorandum of Understanding. MPWMD shall reimburse MCWD's costs, including attorney fees, incurred in connection with the negotiation, review, approval and execution of this Memorandum of Understanding.

9. Remedies. This Agreement shall be specifically enforceable; damages are not an adequate remedy for a failure to perform pursuant to its terms and conditions.

10. Arbitration. In the case of any disagreement, difference, or controversy arising between any of the Parties with respect to any matter in relation to or arising out of or under this Memorandum of Understanding, whether as to the construction or operation thereof, or the respective rights and liabilities of the Parties, and all Parties cannot mutually agree as to the resolution thereof, then such disagreement, difference or controversy shall be determined by arbitration by and under the arbitration rules of JAMS or by such other arbitrator and under such

other rules as the Parties may agree, provided that the arbitrator shall be a former judge of the Superior Court or the Court of Appeal. Any arbitration hearing shall be noticed and open to the public. The submission to arbitration in accordance with the requirements of this section of any and all agreements, differences, or controversies that may arise hereunder is made a condition precedent to the institution of any action or appeal at law or in equity with respect to the controversy involved. The award by the arbitrators shall have the same force and effect and may be filed and entered, as a judgment of the Superior Court of the State of California, and shall be subject to appellate review upon the same terms and conditions as law permits for judgments of Superior Courts. A "Prevailing Party" shall be determined in the Arbitration, and the Prevailing Party shall be entitled to reasonable attorneys' fees and costs incurred, and accrued interest on any unpaid balance that may be due. Costs shall include the cost of any expert employed in the preparation or presentation of any evidence. All costs incurred and reasonable attorneys' fees shall be considered costs recoverable in that proceeding and be included in any award.

11. Litigation. In the event any of the Parties to this Memorandum of Understanding brings a judicial or arbitration proceeding to enforce or interpret any provision of its terms, then, and in that event, the Prevailing Party shall be entitled to recover reasonable attorneys' fees and related expenses and costs, including but not limited to court costs, expert witness fees and expenses, and accountant fees and expenses. Costs shall include the cost of any expert employed in the preparation or presentation of any evidence, whether or not any such witness or accountant shall be called to testify. Recovery of these fees and costs shall be as additional costs awarded to the Prevailing Party, and shall not require initiation of a separate legal proceeding.

12. Notices. Notices regarding this Memorandum of Understanding shall be given to the Parties at the following addresses:

Monterey Peninsula Water Management District
Attn: General Manager
P. O. Box 85
Monterey, CA 93942

Marina Coast Water District
Attn: General Manager
11 Reservation Road
Marina, CA 93933

City of Seaside
Attn: City Manager
440 Harcourt Avenue
Seaside, CA 93955

Seaside Basin Watermaster
Attn: Chief Executive Officer
2600 Garden Road - Suite 228
Monterey, CA 93940

13. Entire Agreement. This document represents the entire Memorandum of Understanding between the Parties, and supersedes any prior written or oral negotiations and representations between the Parties with regard to the matters described herein.

14. Severability. If any provision, or any portion thereof, contained in this Memorandum of Understanding is held unconstitutional, invalid, unenforceable, or contrary to

public policy, the remainder of this Memorandum of Understanding, or portion thereof, shall be deemed severable, shall not be affected and shall remain in full force and effect.

15. Mutuality. This Memorandum of Understanding is the product of negotiation and preparation by and among the Parties. All sides have reviewed and have had the opportunity to revise this Memorandum of Understanding. The Parties waive the provisions of Section 1654 of the Civil Code of California and any other rule of construction to the effect that ambiguities are to be resolved against the drafting Party, and the Parties warrant and agree that the language of this Memorandum of Understanding shall neither be construed against or in favor of any Party.

16. Waiver. A Party's failure to insist on the strict performance of any provision of this Memorandum of Understanding or to exercise any right, power, or remedy upon a breach of this Memorandum of Understanding shall not constitute a waiver of any provision of this Memorandum of Understanding. Neither shall such action or inaction limit the Party's right to later enforce any provision or exercise any right to the fullest extent allowed under this Memorandum of Understanding. A waiver of any covenant, term or condition contained in this Memorandum of Understanding shall not be construed as a waiver of any subsequent breach of the same covenant, term or condition. The consent, authorization or approval by a Party of any act shall not be deemed to waive or render unnecessary the consent, authorization or approval of any subsequent similar act.

17. Amendment. This Memorandum of Understanding shall be amended or modified only by an instrument in writing duly approved and signed by each party hereto. Any waiver of any terms or conditions must be in writing and signed by the Parties.

18. Effective Date. This Memorandum of Understanding shall take effect on _____day of _____, 2012, subject to the qualification described in paragraph 6 of this Memorandum of Understanding.

IN WITNESS WHEREOF the Parties hereto execute this Memorandum of Understanding pursuant to the terms set forth herein.

MONTEREY PENINSULA WATER
MANAGEMENT DISTRICT

David J. Stoldt, General Manager

Date: 1-11-12

MARINA COAST WATER DISTRICT

James Heitzman, General Manager

Date: 1/10/12

CITY OF SEASIDE

Ray Corpuz, City Manager

Date: 1/12/11

SEASIDE BASIN WATERMASTER

Dewey Evans, Chief Executive Officer

Date: _____

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

May 9, 2011

James Heitzman, General Manager
Marina Coast Water District
11 Reservation Road
Marina, CA 93933

Subject: **Coordination Agreement between Monterey Peninsula Water Management District (MPWMD), Marina Coast Water District (MCWD), and Monterey County Water Resources Agency (MCWRA) for Aquifer Storage and Recovery (ASR) Injection Testing**

Dear Jim:

As we have discussed, this letter is to propose a plan by which the Monterey Peninsula Water Management District (MPWMD) will repay Marina Coast Water District (MCWD) the quantity of water that MCWD supplied MPWMD for Aquifer Storage and Recovery (ASR) injection testing in January 2009. Specifically, MCWD provided 68.8 acre-feet (AF) of groundwater from its wells in the Salinas Groundwater Basin to MPWMD for dual-well injection testing at MPWMD's Phase 1 ASR Project site during the January 8 through January 21, 2009 period. This water "loan" was agreed to by MPWMD, MCWD and Monterey County Water Resources Agency (MCWRA) and is described in a Coordination Agreement for ASR Injection Testing (Coordination Agreement) that was executed on March 19, 2008 (**Enclosure 1**). Under the Coordination Agreement, as amended, MPWMD is required to return all water supplied by MCWD for ASR testing to MCWD within 12 months upon demand.

Proposed Plan: The proposed plan is based on a suggestion that you made in 2009, i.e., we let the City of Seaside (City or Seaside), which pumps native groundwater from the Seaside Groundwater Basin for irrigation on the Blackhorse and Bayonet golf courses, pump the injected water for use on the golf courses and you bill Seaside for the water. Thus, rather than directly supplying water to Seaside for the golf courses, MCWD would <u>indirectly</u> supply water to Seaside, via the water provided to MPWMD and injected into the Seaside Groundwater Basin in January 2009. In this instance, the water pumped by Seaside for the golf courses would be injected water and would not count against the Seaside's adjudicated production allocation for the golf courses.

Related Agreements: The proposed plan also builds on two other recently-approved agreements:

(1) Land Transfer and Water Service Agreement between Seaside and MCWD (Transfer Agreement), and

(2) Memorandum of Understanding between the Seaside Basin Watermaster (Watermaster) and Seaside for an in-lieu replenishment program (In-Lieu Agreement).

The Transfer Agreement, which was executed on April 1, 2010, provides Seaside with a total of 2,500 AF of water from MCWD for use on the golf courses at no cost in exchange for approximately 21.15 acres of land within the former Ford Ord to MCWD. As specified in the agreement, water for Seaside's golf courses could come from MCWD's wells in the Salinas Groundwater Basin or from recycled water suitable for golf course irrigation, when it becomes available. A copy of the Transfer Agreement is enclosed (**Enclosure 2**). The In-Lieu Agreement, which was executed on April 7, 2010, formalized Seaside's desire to engage in the In-Lieu Program utilizing the water provided by MCWD under the Transfer Agreement and established the mechanism by which Seaside would receive a monetary credit from the Watermaster against its Replenishment Assessment liability. The monetary credit would be calculated on an annual basis as the amount of all MCWD deliveries to Seaside's golf courses for irrigation in acre-feet multiplied by the amount of the current Replenishment Assessment per acre-foot. A copy of the In-Lieu Agreement is enclosed (**Enclosure 3**).

Draft MOU: A draft Memorandum of Understanding (MOU) between MPWMD, MCWD, Seaside, and the Watermaster is enclosed for your review (**Enclosure 4**). The basic plan is summarized in the draft MOU (Recital No. 11):

> *However, a full and fair "return" of the 68.8 AF of loaned water can be made through credits assigned by the Watermaster to the City with respect to the City's In Lieu Replenishment Program. This can occur by Watermaster treating 68.8 AF of groundwater produced by the City's Golf Course wells between October 2009 and April 2010 (before commencement of the In Lieu Replenishment Program) as imported water delivered by MCWD to the City (the 68.8 AF of loaned water is imported water stored in the Basin through the ASR injection), thereby increasing the City's in lieu replenishment credit under the In Lieu Replenishment Program by 68.8 AF and giving credit to MCWD against the 2,500 acre-feet of water to be provided to the City without cost to the City.*

Specific conditions regarding:

(1) repayment and assignment of the loaned water,
(2) credit to the City,
(3) commensurate reduction in basin pumping by the City,
(4) satisfaction of the water loan, and
(5) credit to MCWD from the City

are described in the draft MOU. Notably, Agreement Item No. 4, *Satisfaction of Water Loan*, addresses MPWMD's obligation to return the water loaned to it by MCWD and indicates that the parties agree that the obligation is satisfied, pursuant to the provisions in the MOU.

Next Steps: Please note that approval by the Watermaster is a condition precedent to the MOU taking effect. Please review the proposed plan and draft MOU with Curtis and let me know if the MOU is acceptable. Once I hear from you, I will contact the Watermaster to schedule a date at which the Watermaster Board can consider approval of the MOU.

If you have any questions regarding the proposed plan or MOU, please let me know. Thank you for your cooperation in this matter.

Sincerely,

Darby Fuerst

Darby Fuerst,
General Manager

Enclosures

cc: Curtis Weeks, MCWRA General Manager
Ray Corpuz, Seaside City Manager
Dewey Evans, Seaside Basin Watermaster Chief Executive Officer

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ITEM X.

INFORMATIONAL REPORTS

(NO ACTION REQUIRED)

SEASIDE GROUNDWATER BASIN WATERMASTER CRITICAL MILESTONE DATES

X.A. Calendar Year 2012 - 2013

ANNUAL MILESTONES Water Years	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2/1/2012	
Alternative Producers may change to Standard Production by March 27, 2009 *(see amendment at right)* by filing a declaraton with the Court and with the other parties.	27-Mar-06	30-Sep-07	APA to SPA election amended to in-perpetuity 12/12/2009										
Commencing with the fourth Water Year and Triennially thereafter, the Operating Yield for both Subareas will be decreased by 10% until the Operating Yield is equivalent to the Natural Safe Yield unless by recharge or reclaimed water use results in a decrease in production of Native Water as required by the decision.				75% of the Operating Yield of 5,600 decreased 10% Jan 1, 2009; and 100% of 5,600 acre feet decreased 10/1/09			100% of the Operating Yield of 5,040 decreased another 10% of 5,600 on Oct 1, 2011			1-Oct	1-Oct		
After the close of each Water Year, the Watermaster will determine and levy a Replenishment Assessment against all Producers that incurred Operating Yield Over Production during the Water Year, with payment due from Producer 40 days after the mailing of a statement for the assessment by Watermaster.		15-Nov		30-Nov	30-Nov	23-Jan	30-Nov	30-Nov	30-Nov	30-Nov	30-Nov		
California American Water to submit annually to Watermaster any augmentation to water supply for possible credit toward Replenishment Assessment	**Annually**	15-Nov	CAW Credit Request Granted (signed MOU) January 15, 2009		CAW Credit Req Granted 2/3/10	CAW Credit Req Granted 2/2/11	1-Feb	15-Nov	15-Nov	15-Nov	15-Nov		
Water level monitoring - monthly data collection *from all members for inclusion in the consolidated database.*	**Reported Annually**	**Monthly**	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly		
Water quality monitoring - yearly data collection *from all members for inclusinon in consolidated database*	**Reported Annually**	15-Nov	28-Feb & 15-Nov	15-Nov	15-Nov	15-Nov	15-Nov	15-Nov	15-Nov	15-Nov	15-Nov		
Summary report of water resources data *to all members/parties* Reported the 15th each quarter month:	**Quarterly**		Jan, Apr, Jul, Oct 15th	Jan, Apr, Jul, Oct 15th	Jan, Apr, Jul, Oct 15th	Jan, Apr, Jul, Oct 15th	Jan, Apr, Jul, Oct 15th	Jan, Apr, Jul, Oct 15th	Jan, Apr, Jul, Oct 15th	Jan, Apr, Jul, Oct 15th	Jan, Apr, Jul, Oct 15th		
Annual Report to Court	**15-Jan**	15-Nov	15-Nov	15-Nov	23-Dec	8-Dec							

ADMINISTRATIVE MILESTONES Calendar Years	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Adjudicaton ordered by Court and filed	27-Mar-06										
Board Directors Terms		**7-Nov**					1-Feb-12	1-Feb-12			
Budget (Administrative) Adopted / distributed					15-Jan-10	15-Jan	15-Jan	15-Jan	15-Jan	15-Jan	15-Jan
Budget (Operations) Adopted/distributed					15-Jan-10	15-Jan	15-Jan	15-Jan	15-Jan	15-Jan	15-Jan
Budget (Replenishment) Adopted / distributed					15-Jan-10	15-Jan	15-Jan	15-Jan	15-Jan	15-Jan	15-Jan
Administrative Assessments	15-Jan-06	15-Jan-07	15-Jan-08	15-Jan-09	15-Jan-10	15-Jan-11	**NONE**	15-Jan-13	15-Jan-14	15-Jan-15	15-Jan-16
Operations Assessments	15-Jan-07	15-Jan-07	15-Jan-08	15-Jan-09	15-Jan-10	15-Jan-11	**NONE**	15-Jan-13	15-Jan-14	15-Jan-15	15-Jan-16
Capital Assessments	15-Jan-07	15-Jan-07	**NONE**	15-Jan-09	**NONE**	NONE	**NONE**	15-Jan-13	15-Jan-14	15-Jan-15	15-Jan-16
Replenishment Assessments	CAW credit	CAW credit	CAW credit	CAW credit	CAW credit	23-Jan-12	1-Feb-12	15-Jan-14	15-Jan-15	15-Jan-16	15-Jan-17
Annual Report to Court	15-Nov-06	15-Nov-07	15-Nov-08	15-Nov-09	23-Dec-10	8-Dec-11	15-Dec	15-Dec	15-Dec	15-Dec	15-Dec
Answers to Judge's Questions re: Annual Report		30-Jan-09	28-Feb-08	1-Feb-09	5-Feb-10	None	Waiting				
Declaration of Replenishment Water Availability	Feb-06	Dec-06	Dec-07	18 Mar	2-Dec-09	1-Dec-10	30-Nov-11	Dec-12	Dec-13	Dec-14	Dec-15

MONTHLY MILESTONES	2006-11	Jan 12	Feb 12	Mar 12	Apr 12	May 12	Jun 12	Jul 12	Aug 12	Sep 12	Oct 12	Nov 12	Dec 12
Fiscal Year tentative budgets distribution to all parties													
Operating Yield of 5,600 decreased 10% ; Declaration of Replenishment Water Available	18-Mar-09												
Administrative Assessments		2011 City of Seaside Not Recvd											
Operations Assessments		2011 City of Seaside Not Recvd											
Capital Assessments		2009 City of Seaside Not Recvd											
Replenishment Assessments		Seaside In-Lieu Offset in progress											
Develop Repl Assessment Unit Cost		$2,780 - Same as last yr											

SPECIAL ISSUES	2006-10	Jan 12	Feb 12	Mar 12	Apr 12	May 12	Jun 12	Jul 12	Aug 12	Sep 12	Oct 12	Nov 12	Dec 12
Cal-Am CWP/Alternative Projects EIR		CAW drops out of Regional Project											
SWRCB Cease Desist Order California American Water		In Effect											
Storage and Recovery Application and Agreement Development		Templates Approved; CAW on file with Watermaster											
Watermaster Board Regular Meeting Schedule 2012		1-Jan - cncl'd	1-Feb	7-Mar	4-Apr	2-May	6-Jun	11-Jul	1-Aug	5-Sep	3-Oct	7-Nov	5-Dec

SUMMARY PROJECT SCHEDULE (See detailed project schedule for more information)	*Monitoring and Management Program 2011*
Program Administration, Database Management (MPWMD)	1/1/12 - 12/31/12
Coastal Wells Cross-Aquifer Contamination Potential Evaluation (MPWMD)	Not yet scheduled for 2012
Production Water Level & Water Quality Monitoring (Hydrometrics, MPWMD)	1/1/12 - 12/31/12
Refine/Update BMAP (Hydrometrics)	1/1/12 - 12/31/12
Seawater Intrusion Analysis (Hydrometrics)	10/6/12-11/2/12

Complete =
Yet to be completed =
Scheduled for Board or TAC meeting =
Imminent Critical Deadline =

Revised January 23, 2012

ITEM NO. XI.

DIRECTOR'S REPORTS

ITEM NO. XII.

EXECUTIVE OFFICER COMMENTS