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CALIFORNIA AMERICAN WATER

7  
8 IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA  
9 IN AND FOR THE COUNTY OF MONTEREY

10  
11 CALIFORNIA AMERICAN WATER, )  
 )  
12 Plaintiff, )

13 vs. )

14 CITY OF SEASIDE; CITY OF )  
MONTEREY; CITY OF SAND CITY; )  
15 CITY OF DEL REY OAKS; SECURITY )  
NATIONAL GUARANTY, INC.; GRANITE )  
16 ROCK COMPANY, INC.; D.B.O. )  
DEVELOPMENT COMPANY NO. 27, )  
17 INC.; MURIEL E. CALABRESE 1987 )  
TRUST; ALDERWOODS GROUP )  
18 (CALIFORNIA), INC.; PASADERA )  
COUNTRY CLUB, LLC; LAGUNA SECA )  
19 RESORT, INC; BISHOP MC INTOSH & )  
MC INTOSH, a general partnership; THE )  
20 YORK SCHOOL, INC.; and DOES 1 )  
through 1,000, Inclusive, )

21 Defendants. )

22 \_\_\_\_\_ )  
MONTEREY PENINSULA WATER )  
23 MANAGEMENT DISTRICT, )

24 Intervenor. )

25 \_\_\_\_\_ )  
MONTEREY COUNTY WATER )  
26 RESOURCES AGENCY, )

27 Intervenor. )

28 \_\_\_\_\_ )  
AND RELATED CROSS-ACTIONS )

//

Case No. M66343

**NOTICE OF THE  
2006 ANNUAL REPORT**

(Assigned to Hon. Roger D. Randall, Ret.)

1 NOTICE IS HEREBY GIVEN that California American Water, on behalf of the Seaside  
2 Groundwater Basin Watermaster Committee, is respectfully submitting for the Court's  
3 consideration the attached 2006 Annual Report as required by Section III.L.3.x. of the Decision  
4 issued by the Court on March 27, 2006.

5 Respectfully submitted,

6 SOMACH, SIMMONS & DUNN

7  
8 Dated: February 14, 2007

9   
10 By Sandra K. Dunn

11 Attorneys for California American Water  
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PROOF OF SERVICE

I am employed in the County of Sacramento; my business address is Hall of Justice Building, 813 Sixth Street, Third Floor, Sacramento, California; I am over the age of 18 years and not a party to the foregoing action.

On February 14, 2007, I served a true and correct copy of

**NOTICE OF 2006 ANNUAL REPORT**

(by mail) on all parties in said action listed below, in accordance with Code of Civil Procedure §1013a(3), by placing a true copy thereof enclosed in a sealed envelope in a designated area for outgoing mail, addressed as set forth below. At Somach, Simmons & Dunn, mail placed in that designated area is given the correct amount of postage and is deposited that same day, in the ordinary course of business, in a United States mailbox in the City of Sacramento, California.


SEE ATTACHED SERVICE LIST

(by e-mail) to the persons at the email addresses set forth on the attached E-Mail Service List.

(by personal delivery) by personally delivering a true copy thereof to the person and at the address set forth below:

(by facsimile transmission) to the person at the address and phone number set forth below:

I declare under penalty of perjury that the foregoing is true and correct under the laws of the State of California. Executed on February 14, 2007, at Sacramento, California.

  
\_\_\_\_\_  
Susan Bentley



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**SEASIDE GROUNDWATER BASIN  
WATERMASTER**

**ANNUAL REPORT – 2006**

Integral to the Superior Court Decision (Decision) rendered by Judge Roger D. Randall on March 27, 2006 is the requirement to file of an Annual Report. The recent ruling of the Court requires that the Annual Report be prepared and filed with the Court and mailed to all the parties on or before the 15<sup>th</sup> day of November every year for the preceding Water Year. This 2006 Annual Report is being filed on or before February 15, 2007, consistent with the prior provisions of the Decision. This Annual Report addresses the specific Watermaster functions set forth in Section III. L. 3. x. of the Decision.

**A. Groundwater Extractions**

The schedule summarizing the 2006 Water Year (WY 2006) groundwater production from all the producers allocated a Production Allocation in the Seaside Groundwater Basin is provided in Attachment 1, "Seaside Groundwater Basin Watermaster, Reported Quarterly and Annual Water Production From the Seaside Groundwater Basin for all Producers Included in the Seaside Basin Adjudication During Water Year 2006." For the purposes of this Annual Report the Water Year is defined as beginning October 1, 2005 and ending on September 30, 2006. As the schedule indicates, some of the producers have not yet reported the results for each of the quarters for WY 2006, but all producers have reported their annual pumping quantities either to the Watermaster or to the Monterey Peninsula Water Management District. The Watermaster will continue to actively pursue and emphasize the importance of submitting quarterly reports on a timely and routine basis. The quarterly information submitted from the producers was used in the Report, when available. If the producers were only able to submit annual information that production figure was used and for those producers that have not yet submitted any information the annual production submitted to the Monterey Peninsula Water Management District is indicated.

**B. Groundwater Storage**

Except for the Seaside Basin ASR testing program, described further herein, there has been no reported groundwater storage into the Seaside Basin for WY 2006. Monterey Peninsula Water Management District (MPWMD) in cooperation with California American Water (CAW) operated the Seaside Basin Aquifer Storage and Recovery (ASR) testing program during WY 2006. 411 acre-feet of water was diverted by CAW from Carmel River sources during periods of flow in excess of NOAA-Fisheries' recommended flows, transported through existing CAW distribution system for injection and storage in the Seaside Basin at MPWMD's Santa Margarita Injection Well No. 1 located on former Fort Ord property. Injection testing by MPWMD and CAW under this program since 1998 has served as a pilot for the MPWMD's Phase 1 ASR Project, which received approval for construction by MPWMD in 2006. This project includes a second



ASR well at the existing site. This well is currently under construction and is expected to be operational in March 2007. MPWMD and CAW are currently seeking approval from the SWRCB of a jointly-held water right from the Carmel River for the Phase 1 ASR Project.

Based upon production reported for WY 2006, the following Standard Producers are entitled to a Carryover Credit in accordance with the Decision, Section III. H. 5. for WY 2007:

California American Water (Coastal)	140 acre-feet
DBO Development	49 acre-feet
Granite Rock	27 acre-feet

**C. Amount of Artificial Replenishment, if any, performed by Watermaster**

No Artificial Replenishment of water was performed by the Watermaster for the WY 2006.

**D. Leases or sales of Production Allocation**

There have been no water leases or sales during the WY 2006.

**E. Use of imported, reclaimed, or desalinated Water as a source of Water for Storage or as a water supply for lands overlying the Seaside Basin**

No imported, reclaimed or desalinated water use (either direct or for storage in the groundwater basin) has been reported to the Watermaster during the WY 2006.

**F. Violations of the Decision and any corrective actions taken**

Section III. D. of the Decision enjoins all Producers from any Over-Production beyond the Operating Yield in any Water Year in which the Watermaster declares that Artificial Replenishment is not available or possible. Section III. L. 3. j. iii. requires that the Watermaster declare the unavailability of Artificial Replenishment prior to the beginning of the Water Year so that the Producers are informed of the prohibition against pumping in excess of the Operating Yield.

Because the Court's Decision was not issued until late March 2006, midway through the Water Year, no declaration was made by the Watermaster regarding the unavailability of Artificial Replenishment for WY 2006. Accordingly, no producer was informed of a prohibition on pumping in excess of the Operating Yield.

Total pumping for WY 2006 did not exceed the Operating Yield for the Seaside Basin; however, the City of Seaside reported an annual pumping quantity that exceeds its Standard Production by 45 acre-feet. The Watermaster has assessed the City of Seaside a

Replenishment Assessment for the Operating Yield Over Production, as further described in Section H, below.

The Watermaster intends to make its declaration regarding the availability of Artificial Replenishment for WY 2007 at its March 2007 meeting.

**G. Watermaster administrative costs**

The total Administrative costs for Fiscal Year 2006 amounted to \$41,148.93. This included the total cost of setting up an office and paying a part time administrator and some part time staff to take and transcribe minutes of the Watermaster Board meetings for a period of five months. "Fiscal Year 2006 Administrative Fund Report" is provided as Attachment 2.

**H. Replenishment Assessments**

A Replenishment Assessment of \$1,132 per acre-feet was established by the Watermaster. Based upon the reported production for WY 2006, CAW's Replenishment Assessment is \$2,106,652 for production over the natural safe yield. City of Seaside's Replenishment Assessment for production over the natural safe yield is \$168,668 and its Replenishment Assessment for Operating Yield Over Production is \$50,940. A summary of the calculations for Replenishment Assessment is provided for in Attachment 3.

**I. All components of the Watermaster budget**

In Fiscal Year 2006 and 2007, the Watermaster established three separate funds: Administrative Fund; Monitoring & Management-Operations; and Monitoring and Management-Capital Fund. Copies of both Fiscal year 2006 and 2007 adopted budgets are provided for the Court's review as Attachments 4A, 4B, 4C for Fiscal Year 2006 and 5A, 5B and 5C for Fiscal Year 2007. The executive officer provides monthly financial status reports to the Watermaster Board on all financial activities for each month with year to date totals.

**J. Water Quality Monitoring**

Water quality data collected in the fall of 2006 by the Monterey Peninsula Water Management District does not indicate evidence of seawater intrusion at the locations monitored in and near the coastal area of the Seaside Groundwater Basin. A copy of Results of Ground Water Quality Samples Collected in Fall 2006 from MPWMD Monitor Wells in and Near the Seaside Groundwater Basin is provided for the Court's review as Attachment 6.

**K. Recommendations**

The Seaside Basin Watermaster Board has taken an aggressive approach to meet all of the Court's established deadline dates. This point has been made clear to all participants,

chosen administrative staff, consultants, and the public. At the Watermaster Board meeting held on January 31, 2007, the Board adopted a workplan pertaining to the location and construction of additional water quality monitoring wells. Seawater Sentinel Monitoring Wells Workplan is provided as Attachment 7. It is expected that initial data from the wells constructed would be available by the summer of 2008. Many variables are associated with the construction of the wells, but the Watermaster Board is actively working very hard to adhere to the Court's order. Information from MPWMD's existing monitoring program will continue to be utilized to detect any seawater intrusion and will be supplemented by the additional wells, when constructed.



# **ATTACHMENT 1**

**Seaside Groundwater Basin Watermaster**

**Reported Quarterly and Annual Water Production From the Seaside Groundwater Basin  
For All Producers Included in the Seaside Basin Adjudication During Water Year 2006  
(All Values in Acre-Feet)**

Producer	Quarters				Water Year 2006
	Oct 05-Dec 05	Jan 06-Mar 06	Apr 06-Jun 06	Jul 06-Sep 06	
Security National Guaranty	---	2.1	2.1	2.1	8.1
M.E. Calabrese 1987 Trust	---	0.0	0.0	0.0	0.0
Sand City	---	---	---	---	0.5
Alderwoods Group	---	---	---	---	21.9
Pasadera Country Club	---	---	---	---	150.9
Laguna Seca/Bishop	---	1.5	80.6	148.4	264.7
York School	---	---	---	---	29.5
Granite Rock Company	---	---	---	---	0.0
DBO Development No. 27	0.0	0.0	0.0	0.0	0.0
Seaside (Municipal)	---	---	---	---	332.0
Seaside (Golf)	---	---	---	---	464.7
Cal-Am (Coastal Subareas)	---	51.0	641.0	1,422.0	3,264.1
Cal-Am (Inland Subareas)	---	63.0	118.0	159.0	445.9
Laguna Seca Park (County)	6.4	4.5	10.9	16.0	37.8
<b>Total</b>					<b>5,020.1</b>

Notes:

1. The water year begins October 1 and ends September 30 of the following calendar year. For example, WY 2006 began on October 1, 2005, and ended on September 30, 2006.
2. For the first reporting year, i.e., Water Year (WY) 2006, annual production values from the Monterey Peninsula Water Management District's *Well Reporting Program* were used for all producers. For the producers who submitted reports to the Watermaster for all quarters in WY 2006, i.e., DBO Development No. 27 and Laguna Seca County Park, the annual values are the same as reported to the District. For the producers who did not submit reports for all quarters in WY 2006, the quarterly production that was reported to the Watermaster is shown and the annual production reported to the District is shown.
3. Values shown in the table are based on reports received by the Watermaster by February 7, 2007.
4. All values are rounded to the nearest tenth of an acre-foot.

# **ATTACHMENT 2**



**Seaside Groundwater Basin Watermaster  
Budget vs. Actual  
Administrative Fund  
January through December 2006**

	<u>Expenses</u>	<u>Budget</u>	<u>Variance</u>	<u>% of Budget</u>
<b>Assessment</b>				
Administrative Fund	100,000.00	77,800.00	22,200.00	128.54%
<b>Total Assessment</b>	<u>100,000.00</u>	<u>77,800.00</u>	<u>22,200.00</u>	<u>128.54%</u>
PRA processing fee	15.40			
<b>Total Assessment</b>	<u>100,015.40</u>	<u>77,800.00</u>	<u>22,215.40</u>	<u>128.55%</u>
<b>Expense</b>				
<b>Administrative</b>				
Computer Maint. & Supplies	489.97	1,000.00	-510.03	49.0%
Contract Staff	26,685.00	35,000.00	-8,315.00	76.24%
Employee Benefits	0.00	800.00	-800.00	0.0%
Equip. Maint. & Rental	0.00	500.00	-500.00	0.0%
Furniture and Equipment	8,783.78	10,000.00	-1,216.22	87.84%
Legal Notice	0.00	1,000.00	-1,000.00	0.0%
<b>Meetings, Travel &amp; Membership</b>				
Publications & Memberships	34.16	500.00	-465.84	6.83%
Travel, Conf. & Meetings	0.00	1,000.00	-1,000.00	0.0%
<b>Total Meetings, Travel &amp; Membership</b>	<u>34.16</u>	<u>1,500.00</u>	<u>-1,465.84</u>	<u>2.28%</u>
Mileage Reimbursement	0.00	500.00	-500.00	0.0%
<b>Office Consumables &amp; Other</b>				
Insurance	0.00	500.00	-500.00	0.0%
Office Supplies, Postage	745.07	500.00	245.07	149.01%
Printing	92.86	1,000.00	-907.14	9.29%
<b>Total Office Consumables &amp; Other</b>	<u>837.93</u>	<u>2,000.00</u>	<u>-1,162.07</u>	<u>41.9%</u>
Office Rental	1,680.00	3,000.00	-1,320.00	56.0%
Part-time	0.00	2,000.00	-2,000.00	0.0%
Professional Services	2,362.50	20,000.00	-17,637.50	11.81%
Utilities	275.59	500.00	-224.41	55.12%
<b>Total Administrative</b>	<u>41,148.93</u>	<u>77,800.00</u>	<u>-36,651.07</u>	<u>52.89%</u>
<b>Total Expense</b>	<u>41,148.93</u>	<u>77,800.00</u>	<u>-36,651.07</u>	<u>52.89%</u>
<b>Rollover to 2007</b>	<u>58,866.47</u>	<u>0.00</u>	<u>58,866.47</u>	<u>100.0%</u>

# **ATTACHMENT 3**

## Replenishment Assessments

Using the Basin-wide methodology approved by the Court on January 12, 2007, and as shown in detail on the spreadsheet attached hereto, Watermaster calculated the Water Year 2006 Replenishment Assessments as follows:

Natural Safe Yield: 3000 acre-feet

Cumulative Alternative Production Allocations: 978 acre-feet

Natural Safe Yield Available to Standard Producers: 2022 (3000 minus 978)

Standard Producers' Allocation of Natural Safe Yield:

California American – 1848 acre-feet (91.38 percent)

Seaside Municipal – 138 acre-feet (6.81 percent)

DBO – 23 acre-feet (1.16 percent)

Granite Rock – 13 acre-feet (.64 percent)

Standard Producers' Natural Yield Overproduction:

California American – 1861 acre-feet

Seaside Municipal – 194 acre-feet

DBO – 0

Granite Rock – 0

Natural Yield Over Production Replenishment Assessments:

California American – \$2,106,652 (1861 acre-feet of Over Production multiplied by the \$1132 per acre-foot replenishment assessment approved by Watermaster)

Seaside Municipal - \$168,668 (149 acre-feet of Over Production multiplied by the \$1132 per acre-foot replenishment assessment approved by Watermaster)

Operating Yield Over Production Replenishment Assessment:

The City of Seaside produced 45 acre-feet in excess of its Standard Production Allocation. Watermaster is imposing an additional replenishment assessment on this Over Production.

Seaside Municipal - \$50,940

Total Water Year 2006 Replenishment Assessments: \$2,326,260.



# **ATTACHMENT 4**

**SEASIDE GROUNDWATER BASIN WATERMASTER**  
**PROPOSED ADMINISTRATIVE BUDGET**

<b>Salary-Contract Staff</b>	Part-time Director (20 hours per week @ \$75 per hour) 21 weeks	\$35,000
<b>Salary-Part-time</b>	Part-time Admin. Asst. (16 hrs. per mo. @\$23 per hr.) 5 months. Take & transcribe minutes, assist in preparing Board agenda, etc.	2,000
<b>Employee Benefits</b>	Retirement, health, dental, vision, etc.	800
<b>Office Supplies, Postage</b>	General office, admin. Supplies and postage	500
<b>Printing</b>	Copies, brochures, maps, enlargements, etc.	1,000
<b>Insurance</b>	Workers Comp., liability and property insurance	500
<b>Legal Notices</b>	Newspaper and legal notices	1,000
<b>Publications &amp; Memberships</b>	Water and related misc. publications and memberships (details unknown at this time).	500
<b>Travel, Conferences &amp; Meetings</b>	Water related for Board and Admin. Staff	1,000
<b>Mileage Reimbursement</b>	Reimbursement for staff	500
<b>Computer Maintenance/Supplies</b>	Maintenance services, printer ink, paper, etc.	1,000
<b>Equipment Maintenance/Rental</b>	Misc. office and postage machines	500
<b>Office Rental</b>	Est. 400psf @\$1.50 per psf per month for five months.	3,000
<b>Utilities</b>	Office-power, gas, phones, water, waste, etc.	500
<b>Professional Services</b>	Legal counsel, audit, special studies, fees. Etc.	<u>20,000</u>
	<b>Sub Total</b>	<b>\$67,800</b>
<b>Furniture &amp; Equipment</b>	Est. office set-up costs for desk, chairs, locking file cabinets, computer, fax, copier, recorder, etc.	<u>10,000</u>
	<b>Total</b>	<b>\$77,800</b>
<b>Reserve</b>	To allow for unexpected and unanticipated expenses incurred during the year. All reserve funds will be used only with the approval of the Board and will be evaluated each year at the time of budget adoption.	<u>22,200</u>
	<b>Total</b>	<b><u>\$100,000</u></b>