



EXHIBIT 4-C

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

5 HARRIS COURT, BLDG. G
POST OFFICE BOX 85
MONTEREY, CA 93942-0085 • (831) 658-5600
FAX (831) 644-9560 • <http://www.mpwmd.dst.ca.us>

March 31, 2004

Kristina Berry
Acting Executive Officer
LAFCO of Monterey County
P.O. Box 1369
Salinas, CA 93902

SUBJECT: Proposed Detachment of the Tehama and Monterra Subdivisions from the Monterey Peninsula Water Management District (LAFCO File No. 04-02)

Dear Ms. Berry:

The Monterey Peninsula Water Management District (MPWMD or District) was formed to provide integrated management of water problems on the Monterey Peninsula. The State Legislature found in Water Code Appendix, Section 118-2 that "the water problems of the Monterey Peninsula area require integrated management." The Legislature also declared, "In this region of primarily scenic, cultural, and recreational resources, which are particularly sensitive to the threat of environmental degradation, such need cannot be effectively met on a piecemeal basis." Thus, the MPWMD was created by the Legislature to serve as the regional water resources manager, and was ratified by a vote of the electorate in June 1978.

This letter is written in response to the above-referenced notice dated March 19, 2004 and associated *Petition to Initiate Proceedings under the Cortese-Knoz-Hertzberg Act of 2000 for Detachment of Tehama and Monterra Subdivisions from the Monterey Peninsula Water Management District* (referred to herein as "Petition"). The notice was received in our office on March 23, 2004 and the comments are due on April 5, 2004. The MPWMD has two comments:

First, the District respectfully requests a time extension to at least April 30, 2004 to respond to the many inaccurate or incomplete assertions that are contained in the Petition. Less than two weeks to provide a comprehensive response is inadequate. Also, the MPWMD Board of Directors needs an opportunity to consider this matter; the earliest available meeting date is either April 19 or April 22, 2004. The Board may wish to take a formal position, and direct its staff and General Counsel accordingly.

Second, the District believes that the materials presented in the above-referenced Petition are incomplete and in several cases, inaccurate. An abbreviated list of these omissions and inaccuracies as well as MPWMD concerns is provided below. Please note that the following is

an initial response that can be amplified. Assuming a time extension is granted, the District will expand on each of the following issues:

- Assertions of duplication and inefficiency are made in the Petition. But no evidence or analysis, besides a listing of ordinances, is presented from representatives of other agencies that would be directly affected by the requested detachment. These include: California Department of Fish & Game (CDFG), California Public Utilities Commission, State Water Resources Control Board (SWRCB), State Department of Health Services, Monterey County Water Resources Agency, Monterey County Health Department (Division of Environmental Health), and potentially others.
- Statements from each of the above agencies should be solicited by LAFCO on what their current level of enforcement is, how much they depend on the District to carry out certain regulatory activities, and whether these agencies are able to allocate staff time and resources to perform current District regulatory duties if the Cañada Woods Water Distribution System (WDS) and Monterra WDS that currently serve the Tehama/Monterra Subdivisions were no longer regulated by the District.
- No information about the formal and informal agreements between MPWMD and Monterey County agencies regarding allocation of resources and responsibilities to implement water distribution and water conservation ordinances is provided.
- The SWRCB water rights permits (Permit Nos. 20831 and 20832) for the Carmel River diversions that would serve the Tehama subdivision are mentioned, but the Petition does not include the fact that the conditions of both the SWRCB permits assume District regulatory oversight and require compliance with all MPWMD laws. The water rights permits were issued based on signed stipulations between the permittee, MPWMD, CDFG, and California Native Plant Society.
- The Petition (on page B-1) states that the Subdivisions are served by a "distinct and independent source," which is certainly not true for the Carmel Valley Alluvial Aquifer, a major source of potable supply for the Tehama Subdivision via the Cañada Woods WDS. The Petition should include maps that graphically depict the Carmel Valley Alluvial Aquifer boundaries to demonstrate whether or not the water supply sources are indeed isolated. The SWRCB water rights permits clearly acknowledge the interrelationship between diversions to serve the Tehama Subdivision and other diversions from the Carmel River in light of the MPWMD Mitigation Program that addresses these issues in its function as the local manager of the water resources system.
- The Petition gives the impression that Tehama and Monterra water resources exist in a vacuum separated from other systems and would not affect surrounding wells or owners outside of the Tehama/Monterra service area. The Petition should provide information to demonstrate whether or not surrounding systems would be affected by Tehama/Monterra pumping. The Petition does not include estimates for full-build out water consumption or spatial models predicting proximity effects on surrounding wells and/or water systems.

There is no map, diagram or figure depicting the surrounding wells that may be affected by increased pumping from this aquifer.

- The Tehama/Monterra service area derives a significant quantity of water from parcels immediately adjacent to the Carmel River (the riparian corridor). No other agency besides MPWMD actively manages or has responsibility to manage the riparian corridor as an integrated whole as described in the MPWMD Mitigation Program.
- Currently, the District regulates the lower 14 miles of the Carmel River riparian corridor (Camp Stephani to the river mouth). Detachment of the Tehama system from the District would fragment the desired integrated management of the riparian corridor.
- The Petition does not recognize that removal of a significant portion of the lower Carmel River watershed from MPWMD's regulatory authority would adversely affect MPWMD's ability to carry out its State mandate to "preserve and protect" the Carmel River Basin (See Water Code Appendix 118-2).
- The Petition does not note the detachment could potentially cause importation and/or exportation of water to and from the District.
- The Petition does not disclose that the Cañada Woods WDS, which currently serves the Tehama area) is currently not in compliance with the MPWMD permit conditions of approval approved on July 21, 2003 (see the enclosed letter dated March 30, 2004). The Petition appears to be an attempt to remove the water systems serving Tehama/Monterra from regulation by MPWMD. The subject systems are regulated like all other similar water distribution systems within the District, and should not be afforded special treatment.

The MPWMD formally requests that the following MPWMD employees as well as its General Counsel be placed on the notice list for any hearing or other action, application or other correspondence relating to this matter. The Address for the MPWMD employees is shown on the letterhead (use PO Box 85, Monterey). The MPWMD employees to receive notices include:

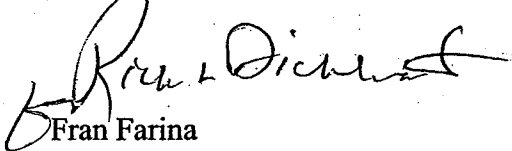
- Fran Farina, General Manager
- Henrietta Stern, Project Manager
- Andy Bell, District Engineer
- Joe Oliver, Water Resources Division Manager

The address for District Counsel is:

David C. Laredo
De Lay & Laredo
606 Forest Avenue
Pacific Grove, CA 93950

Thank you for your consideration of MPWMD's request for a time extension and our comments on the completeness of the subject Petition. Please contact me at 831/658-5650 if you have questions. I am out of the office until April 14, 2004, so please contact Acting General Manager Rick Dickhaut at 831/658-5614 or Henrietta Stern, Project Manager, at 831/658-5621, until my return. I look forward to hearing from you in the near future.

Sincerely,



Fran Farina
General Manager

Enclosure: March 30, 2004 letter re: Canada Woods WDS Permit Compliance

Cc: MPWMD Board of Directors
David C. Laredo, De Lay & Laredo
Curtis Weeks, MCWRA
Kevan Urquhart, CDFG
Laura Lawrence, MCHD
Steven Herrera, SWRCB
Fred Curry, CPUC
Betsy Lichti, DHS
Steven Leonard, Cal-Am



ENCLOSURE

**MONTEREY PENINSULA
WATER MANAGEMENT DISTRICT**

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March 30, 2004

Michael L. Waxer, Agent for Cañada Woods Water Company, LLC
Carmel Development Company
P.O. Box 450
Carmel, CA 93921

**SUBJECT: FOLLOW-UP ON MPWMD OCTOBER 30, 2003 NOTICE--
INCOMPLETE APPLICATION TO CREATE CAÑADA WOODS WATER
COMPANY NON-POTABLE AND RECLAIMED WATER DISTRIBUTION
SYSTEM (Multiple-Parcel Connection System)
MPWMD APPLICATION #20030930CWW**

Dear Mr. Waxer:

I am writing in regard to my letter to you dated October 30, 2003 (copy enclosed) in which I gave notice regarding completeness of the application to create the Cañada Woods Water Company Non-Potable and Reclaimed Water Distribution System.

To date, the Monterey Peninsula Water Management District (MPWMD) has not received the information specified on pages 2 and 3 of the enclosed letter under the heading "Completeness of Application."

You are advised that information responsive to the enclosed October 30, 2003 letter must be received at the MPWMD office not later than 5:00 PM on Friday April 30, 2004, or I will submit a recommendation to the MPWMD Board of Directors that the amended CWWDS permit be revoked.

This information is required as a condition of the amended Cañada Woods Water Distribution System (CWWDS) permit, which was approved by the MPWMD Board on July 21, 2003, subject to 27 conditions. Condition #19 of the amended CWWDS permit states as follows:

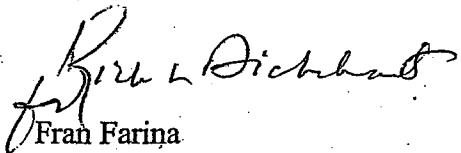
"On or before September 30, 2003, the Permittee shall file with MPWMD one or more complete applications for new or amended water distribution system permits to authorize existing and proposed production and use of sub-potable water from non-alluvial wells and the use of reclaimed water within the service area of the CWWDS and the Monterra Ranch Mutual Water Company Water Distribution System. These

Michael L. Waxer
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applications shall specify the sources, including non-alluvial wells and treated wastewater, production quantity, and purpose and location of use for each source and category of use. If this condition is not met, the Permit granted herein shall be subject to revocation.”

If you need additional clarification, please call Henrietta Stern at 658-5621. For technical questions, please contact Andy Bell at 658-5620.

Sincerely,



Fran Farina
General Manager

Enclosure

cc: MPWMD Board of Directors
Kris Berry, Acting Executive Officer, LAFCO of Monterey County
Steven Herrera, Chief, Water Rights Permitting Section, State Water Resources Control Board
Betsy S. Lichti, District Engineer, California Department of Health Services, Monterey
Laura Lawrence, Supervisor of Land Use Program, Monterey County Health Department, Environmental Health Division
Scott Hennessy, Director, Monterey County Planning and Building Inspection Department
Derinda Messenger, Lombardo & Gilles
David C. Laredo, MPWMD General Counsel
Henrietta Stern, MPWMD Project Manager
Andrew M. Bell, MPWMD District Engineer
Joe Oliver, MPWMD Water Resources Division Manager



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October 30, 2003

Michael L. Waxer, Agent for Cañada Woods Water Company, LLC
Carmel Development Company
P.O. Box 450
Carmel, CA 93921

**SUBJECT: NOTICE OF INCOMPLETE APPLICATION TO CREATE CAÑADA
WOODS WATER COMPANY NON-POTABLE AND RECLAIMED
WATER DISTRIBUTION SYSTEM (Multiple-Parcel Connection System)
MPWMD APPLICATION #20030930CWW**

Dear Mr. Waxer:

This letter addresses the completeness of the above-referenced application to create the Cañada Woods Water Company Non-Potable and Reclaimed Water Distribution System (herein referred to as CWNPRWDS) submitted to the Monterey Peninsula Water Management District (MPWMD or District) on September 30, 2003, along with a payment of \$2,450.

The submitted application and attachments to the application include:

- MPWMD Form IG96-5, Application for Water Distribution System Permit, including the Supplemental Questionnaire and Exhibits A-1, A-2, B, C, D, E, and F as described below;
- Exhibit A-1: List of parcels within proposed service area (Monterra and Tehama Subdivisions, including Monterra Ranch, Cañada Woods, Cañada Woods East, and Cañada Woods North);
- Exhibit A-2: Map showing service area and water distribution system facilities;
- Exhibit B: Response to Application Items 15, 16, and 19;
- Exhibit C: Data on wells: Dam Well, Water Tower Well, N Well, N-1 Well, High Well #1, and High Well #2;
- Exhibit D: Portion of Certified Final EIR for Cañada Woods North, Certified by Monterey County Board of Supervisors, December 17, 1996 (pages 4.4-12 through 4.4-20);
- Exhibit E: MPWMD Form IG96-12, Attorney Declaration of Competency in Water Rights Issues; and
- Exhibit F: List of environmental impact documents previously submitted to MPWMD (response to Supplemental Questionnaire, Question S1).

Existing Setting

An amendment to the Cañada Woods Water Distribution System (CWWDS) permit was approved by the MPWMD Board on July 21, 2003, subject to 27 conditions. Condition #19 of the amended permit states as follows:

“On or before September 30, 2003, the Permittee shall file with MPWMD one or more complete applications for new or amended water distribution system permits to authorize existing and proposed production and use of sub-potable water from non-alluvial wells and the use of reclaimed water within the service area of the CWWDS and the Monterra Ranch Mutual Water Company Water Distribution System. These applications shall specify the sources, including non-alluvial wells and treated wastewater, production quantity, and purpose and location of use for each source and category of use. If this condition is not met, the Permit granted herein shall be subject to revocation.”

The application for the CWNPRWDS is for a single water distribution system for production and use of sub-potable water from non-alluvial wells and the use of reclaimed water within the CWWDS and the Monterra Ranch service areas. This application was submitted to MPWMD on September 30, 2003.

Proposed System

The application proposes creating a water distribution system with the following characteristics:

- Multiple-connection system;
- Facilities as depicted in Applicant's Exhibit A-2, map showing service area and water distribution system facilities;
- Proposed uses: Irrigation/live-stock (subpotable)/construction;
- “The number of connections will vary as needed.” (portion of Applicant's response to Application Item 15, Number/Type of Structures [Connections] Served);
- “Expect Water use to vary from year to year.” (Applicant's response to Application Item 16, Water Production Anticipated).

Completeness of Application

The application materials are considered to be incomplete with respect to the following items:

Question 15. Number/Type of Structures (Connections) Served: Water distribution system permits include quantification of the maximum number of connections allowed. The response that “The number of connections will vary as needed” is inadequate. Please provide lists of the parcels currently receiving (1) subpotable water from non-alluvial wells and (2) reclaimed wastewater. Please also provide corresponding lists of parcels anticipated to receive subpotable water and reclaimed wastewater once the systems are in full operation.

Question 16. Water Production Anticipated: Water distribution system permits include quantification of the system capacity limit, the maximum amount of water allowed to be produced each year. The response, "Expect water use to vary from year to year," is inadequate. Please provide estimates of the maximum annual amounts of (1) subpotable water from non-alluvial wells and (2) reclaimed wastewater to be produced. Please use a timeline of at least 10 years to describe expected changes (either increases or decreases) in either category. Given that uncertainty exists on the exact quantities of water to be used, a reasonable range of water production values is acceptable.

Description of Existing and Proposed Facilities: Applicant's Exhibit A-2 is a map showing the service area and system facilities for the subpotable production and distribution system and the distribution system for reclaimed wastewater. Please provide a written narrative description for each portion of the system that includes the following information:

Subpotable Water From Non-alluvial Wells

- Description of water production facilities (listing of wells)
- Pipelines – diameters and lengths (tie to pipeline routes shown on Exhibit A-2)
- Storage facilities (listing and capacities)
- Lift stations/booster pumps (listing and horsepower rating)
- Description of how and where subpotable water from non-alluvial wells is used

Reclaimed Wastewater

- Brief statement as to source of water
- Pipelines – diameters and lengths (tie to pipeline routes shown on Exhibit A-2)
- Storage facilities (listing and capacities)
- Lift stations/booster pumps (listing and horsepower rating)
- Description of how and where reclaimed wastewater is used

Please note that as Findings and Conditions of Approval for the public hearing are developed, District staff may request additional information to better understand the application or to respond to potential questions from the public and/or District Board.

CEQA Compliance

The District Board must comply with the California Environmental Quality Act (CEQA) as well as MPWMD regulations. Staff will recommend that the Board consider existing environmental documentation adopted by the County of Monterey as adequate for the District, which is functioning as a responsible agency in this matter.

Hearing Date and Process

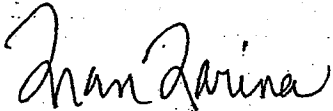
An application for a multiple-parcel connection system requires a hearing before the MPWMD Board of Directors. A hearing date will not be set until District staff has received adequate responses to the

Michael L. Waxer
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incomplete items noted above, completes the review of the many materials provided in the application, and develops rough draft Findings and Conditions of Approval. The actual hearing date will also be affected by the number and complexity of Board agenda items in the next few months. The hearing process is summarized as follows: (1) coordinate with applicant on hearing date and notice requirements; (2) comply with CEQA; (3) provide public notice at least 10 calendar days prior to hearing; (4) complete written staff analysis at least 5-7 days prior to hearing, including draft Findings and Conditions of Approval; (5) hold hearing, including brief presentation by staff, optional statements by applicant, and public comment; (6) determination by the MPWMD Board; and (7) follow-up paperwork and fee payment.

If you need additional clarification, please call Henrietta Stern at 658-5621. For technical questions, please contact Andy Bell at 658-5620.

Sincerely,



Fran Farina
General Manager

cc: MPWMD Board of Directors
Henrietta Stern, MPWMD Project Manager
Andy Bell, MPWMD District Engineer
Joe Oliver, MPWMD Water Resources Division Manager
David Laredo, MPWMD General Counsel