

EXHIBIT 18-C

Quarterly Water Supply Strategy and Budget Report California American Water Main Water Distribution System: January – March 2014

1. Management Objectives

The Monterey Peninsula Water Management District (District) desires to maximize the long-term production potential and protect the environmental quality of the Carmel River and Seaside Groundwater Basins. In addition, the District desires to maximize the amount of water that can be diverted from the Carmel River Basin and injected into the Seaside Groundwater Basin while complying with the instream flow requirements recommended by the National Marine Fisheries Service (NMFS) to protect the Carmel River steelhead population. To accomplish these goals, a water supply strategy and budget for production within California American Water's (Cal-Am's) Main and Laguna Seca Subarea water distribution systems is reviewed quarterly to determine the optimal strategy for operations, given the current hydrologic and system conditions, and legal constraints on the sources and amounts of water to be produced.

2. Quarterly Water Supply Strategy: January - March 2014

On December 17, 2013, staff from the District, Cal-Am, the California Department of Fish and Wildlife (CDFW), and the United States Fish and Wildlife Service (USFWS) met and discussed the proposed water supply strategy and related topics for the remainder of December 2013 and the January-March 2014 period. Currently, flow in the Carmel River is regulated by releases from Los Padres Reservoir (LPR). Neither San Clemente Reservoir (SCR) nor LPR have spilled yet, and LPR is at 37.6% of effective storage capacity, at only 667.7 AF as of January 20, 2014. The Los Padres Dam's notch flashboard has been removed in preparation for any potential higher flow periods that may allow smolt emigration. Flow in the Carmel River is continuous only to the upper end of DeDampierre Community Park, and the lagoon mouth has been closed since last summer. Rainfall and unimpaired runoff information for WY 2014 to date, through November 2013 was 0.74 inches and 263 AF, respectively. These values are 74% and 86% below the mean year to date through November of the Water Year.

Carmel River Basin Given these conditions, long-term weather models, and early season runoff to date, it was agreed that "dry year" inflows would be initially assumed to assess Cal-Am's operations during the January through March 2014 period. To meet customer demand, Cal-Am would operate its wells in the Lower Carmel Valley in a downstream-to-upstream sequence, as needed. For the quarterly budget, it was agreed that Cal-Am would produce no groundwater from its wells in the Upper Carmel Valley during January through March 2014. If sufficient flow in the Carmel River at the District's Don Juan Bridge gage in Garland Park, i.e., five consecutive days of 20 or more cubic feet per second (cfs), occurs to justify operations allowed under the less restrictive high-flow period, Cal-Am could operate these wells if needed. In addition, it was projected that Cal-Am would produce approximately 924, 954, and 1,112 AF of groundwater from its wells in the Lower Carmel Valley during January, February, and March

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2014, respectively.

Releases from Los Padres Reservoir are now averaging 3.29 CFS for January, while LPR very slowly recovers a small amount of storage at a rate of approximately 1.58 AF/day. As of January 20, 2014, LPR was at 1,012.52 feet of surface elevation, 27.26 feet below the spillway and it is not yet feasible to operate the Fish Ladder that serves the Trap and Truck, Fish Passage Facility, for the same reason. Flow levels in the Carmel River are providing inadequate downstream passage flows for juvenile steelhead below Esquiline Road/Robles del Rio Bridge, and there is no inflow into the lagoon, contributing to its marginal water quality and minimal volume. Flows for adult passage to date in WY 2014 have been inadequate, and will not likely recover without future storms generating significant rainfall. December flow at the Sleepy Hollow Weir [RM 12.69] and Don Juan Bridge in Garland Park [RM 10.78] averaged 3.19 and 1.97 cfs, respectively, which was not enough to re-water the reaches that dried last summer, nor to provide additional flow and habitat in the lower Carmel River for resident juvenile steelhead. Due to the depressed flows of this third year of drought, the District's Sleepy Hollow Steelhead Rearing Facility had to be shut down in September and the reared fish were released into the perennial reaches of the upper Carmel River. District staff began releasing juveniles from the facility on September 19 and finished on September 30, 2013.

Lastly, it was assumed that 230, 320, and 345 AF of groundwater would be diverted from the Carmel River Basin and injected into the Seaside Groundwater Basin during January, February, and March 2014, respectively. Because of the uncertainty in predicting future rainfall and runoff amounts, this assumption is subject to change in practice.

Seaside Groundwater Basin It was also agreed that, subject to rainfall and runoff conditions in the Carmel River Basin, Cal-Am would continue to produce water from the Coastal Subareas of the Seaside Basin during this period, if necessary to meet system demand and facilitate ASR diversions to storage. Cal-Am was projected to produce 100 AF of native groundwater from the Seaside Basin in each of the months of January, February, and March 2014, respectively. There was also a projected goal of producing an additional 25 AF of treated brackish groundwater from the Sand City Desalination Plant in each of these three months. It was also agreed that Cal-Am would attempt to produce only 8, 7, and 8 AF of groundwater from its wells in the Laguna Seca Subarea of the Seaside Basin for customers in the Ryan Ranch, Bishop, and Hidden Hills systems during January, February, and March 2014, respectively. It is recognized that, based on recent historical use, Cal-Am's actual production from the Laguna Seca Subarea during this period will likely exceed the proposed monthly targets, which are based on Cal-Am's allocation specified in the Seaside Basin Adjudication Decision. For example, in the January through March 2013 period, Cal-Am produced 19, 20, and 24 AF from the Laguna Seca Subarea to meet customer demand in the Ryan Ranch, Bishop, and Hidden Hills systems. In this context, the

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production targets represent the maximum monthly production that should occur so that Cal-Am remains within its adjudicated allocation for the Laguna Seca Subarea. Under the amended Seaside Basin Decision, Cal-Am is allowed to use production savings in the Coastal Subareas to offset over-production in the Laguna Seca Subarea. However, not much if any production savings are likely with the restrictions imposed on Carmel River diversions by the State Water Resources Control Board's Water Rights Order No. 2009-0060, and no such savings were available in the last Water Year, 2013.