



EXHIBIT 18-E

**CONDITIONS OF APPROVAL for
APPLICATION TO AMEND CALIFORNIA AMERICAN
WATER DISTRIBUTION SYSTEM – TRANSFER OF D.B.O.
WATER RIGHTS IN SEASIDE BASIN**

**Donor Parcel: APN 011-011-051, California and Playa Avenues, Sand City
Service area: Unspecified Parcels in Seaside Groundwater Basin
Application #WDS-20150922DBO, Permit #M15-07-L3**

**Permittee: California-American Water Company, a California Corporation
Permitted System: California American Water, “CAW/DBO Amendment”
Donor Parcel Owner: D.B.O. Development No. 30, a California Limited Liability
Company (DBO)**

**Adopted by MPWMD Board on November ____, 2015 Pursuant to Rule 22-D
Preparation Date: November ____, 2015**

Permitted System (Required by MPWMD Rules)

1. The California American Water Company (CAW) Water Distribution System (Permitted System) is authorized by the Monterey Peninsula Water Management District (MPWMD or District) under Permit #M15-07-L3 to receive a portion of the water rights associated with the “Donor Parcel,” identified as Assessor's Parcel Number (APN) 011-011-051, owned by D.B.O. Development No. 30, a California limited liability company (DBO). The Donor Parcel is located at California and Playa Avenues, Sand City. This action is referred to herein as the “CAW/DBO Amendment.” A total of at least 15.0 Acre-Feet per Year (AFY) of “Standard Production Allocation” water rights were specified for DBO by the Seaside Basin Adjudication Judgment of March 27, 2006, Monterey County Superior Court Case #M66343, as amended (“Adjudication Decision”); this amount already accounts for the triennial 10% reductions through year 2021 and other formulas specified in the Adjudication Decision. The CAW/DBO Amendment entails transfer of up to 15.0 AFY production to CAW as allowed by the Seaside Basin Watermaster to be used for future water service to unspecified recipient properties to be designated by DBO (“Recipient Parcels”). [Rule 22-D-1-a]
2. The Permittee is authorized by MPWMD under this Permit to provide Potable water service to the Recipient Parcels, which must be located in the Seaside Groundwater

Basin, as defined in MPWMD Rule 11. [Rule 22-D-1-b]

3. The CAW System Capacity (“production limit”) for allowed extractions from the Seaside Basin Coastal Subareas shall be increased by **up to 15.0 AFY** over the quantity specified in the Adjudication Decision (and any previously approved water right transfers) in order to serve the Recipient Parcels. An Expansion Capacity Limit (Connections) is not set. For the purposes of Water Permits issued by MPWMD for development projects on the Recipient Parcels, a combined estimate of **13.95 AFY CAW metered sales (customer consumption) shall be used**, based on a system loss factor of seven percent (7%), and in accordance with the protocol specified by MPWMD Rules & Regulations, as amended by MPWMD Ordinance No. 166 (Create Rule 23.8). The District shall separately track Permit issuance associated with the 13.95 AFY provided by the CAW/DBO Amendment. For the purpose of MPWMD’s Expanded Water Conservation and Standby Rationing Program, up to 15.0 AFY will be added to CAW’s recognized production allotment in the Coastal Subareas, based on the Donor Parcel Owner’s (DBO’s) adjudicated water rights specified in the Adjudication Decision referenced above, so long as CAW and the Donor Parcel Owner have a valid agreement for CAW’s use of water rights associated with the Donor Parcel. [Rule 22-D-1]
4. The source of water for the CAW/DBO Amendment is solely Groundwater extracted by CAW Wells in the Coastal Subareas of Seaside Groundwater Basin. Water for the Recipient Parcels shall be delivered through CAW’s Water Distribution System (WDS). [Rule 22-C-3]

Additional Mandatory Conditions of Approval (Required by MPWMD Rules)

5. Precedent to use of this Permit, Donor Parcel Owner shall inform Owners of Recipient Parcels that they shall also first obtain and comply with any required approval from the local Jurisdiction in which the Recipient Parcels are located. The Seaside Basin Watermaster confirmed in a letter dated October 19, 2015 that CAW may deliver water to the Recipient Parcels using up to 15.0 AFY Standard Production Allocation water rights held by the Donor Parcel Owner (DBO). The State Water Resources Control Board (SWRCB), Division of Water Rights, confirmed on February 5, 2009 that the one-for-one replacement requirement in Order No. WR 95-10 does not apply to this type of transfer so long as CAW water supply for the project is derived from the Seaside Basin and not the Carmel River Basin. [Rule 22-D-1-c; Rule 22-D-3]
6. Permittee and Donor Parcel Owner (DBO) shall execute an Indemnification Agreement, provided separately, which holds the District harmless and promises to defend the District from any claims, demands, or expenses of any nature or kind arising from or in any way related to the District approval of the Permitted System or the adequacy of the system water supply. This Permit is not valid until the Indemnification Agreement is signed by the Permittee, Donor Parcel Owner and MPWMD. The Indemnification

Agreement must be signed within 60 days of the preparation date shown (see top of page 1) for this Permit to remain valid. [Rule 22-D-1-d]

7. Permittee shall comply with District rules relating to water Well registration, metering and annual reporting of production (MPWMD Rules 52 and 54). It is noted that no Wells exist on the Donor Parcel. A Well on Parcel APN 011-011-043, which is associated with DBO's water rights, serves as an MPWMD Monitor Well. [Rule 22-D-1-e; Rule 22-D-2]
8. Permittee shall report production by the Water Meter Method (MPWMD Rule 56) for the Wells designated in Condition #4. [Rule 22-D-1-e; Rule 22-D-2]
9. The Donor Parcel and Recipient Parcel Owners shall comply with all MPWMD water conservation rules that pertain to CAW customers, as applicable, (e.g., commercial, hotel, residential, landscape). Current ordinances specify maximum water use rates for fixtures and require new development to install drought-resistant landscapes, and drip irrigation, where appropriate. Contact with the District Permit and Conservation Office at 831/658-5601 is recommended during project planning. [Rule 22-D-1-f]
10. No new Connections to the Permitted System may be set until a Water Permit has been secured from MPWMD for each Connection in accordance with MPWMD regulations governing issuance of Water Permits. Connection Capacity Fees shall be calculated based on water demand estimates using the District's water demand methodology at the time of the application. [Rule 22-D-1-g]
11. Any intensification or expansion on the Donor Parcel or Recipient Parcels within the Permitted System shall require a new application and Permit pursuant to MPWMD Rules 23 and 24. [Rule 22-D-1-k]
12. Any new facilities, expansion of service area boundaries, changed conditions regarding water service by other entities, increase in the production limit set in Condition #3, or other changes described in MPWMD Rule 22-E shall require a Permit to amend the Permitted System. [Rule 22-E]
13. No permanent intertie between the Permitted System and any other water system intended to provide service to the Recipient Parcels shall be allowed without amending this WDS Permit pursuant to Rule 22-E. The Recipient Parcels may receive non-CAW trucked-in water, as allowed by MPWMD and the Monterey County Health Department, in a non-fire emergency, system failure or similar short-term critical event that prevents CAW from serving the Parcels. The term "short-term" is defined as less than or equal to 120 days. The Permittee may apply in writing to the MPWMD Board of Directors for extensions to the 120-day time limit, each to be approved by the Board upon a finding of good cause, and each to be limited to a period of 120 days. Use of trucked-in water shall be guided by MPWMD Rule 173, provided however, that the number of trucks used to

transport water shall be minimized to the extent practicable. The Recipient Parcels are within the CAW Service Area and may receive CAW water for emergency fire service. [Rule 22-D-1-h]

14. A back-flow protection device to prevent contamination of the CAW system is not required as the Recipient Parcels will be served by CAW. However, if use of non-CAW Wells on the Recipient Parcels is contemplated, CAW and the Parcel owners must take appropriate action to ensure that the CAW system would not be contaminated. [Rule 22-D-1-h]
15. Because the Permitted System is a regulated Public Utility that provides water to nearly 40,000 customers, compliance with California Title 22 drinking water standards is already required and regulated by the SWRCB Division of Drinking Water. [Rule 22-C-2]
16. Permittee is not required to carry out specific mitigation measures by MPWMD above and beyond those already required by the Superior Court in the Seaside Basin Adjudication Decision or the Seaside Basin Watermaster. [Rule 22-D-1-i]
17. Permittee is required to provide an agreement with the Donor Parcel Owner regarding water service to the Recipient Parcels within 60 days of the preparation date (see top of page 1) for this Permit to remain valid. Permittee has provided an executed *Agreement Regarding Front-Loading Delivery of Water* (“Front-Loading Agreement”) between CAW and DBO (dated September 24, 2015) regarding use of 15.0 AFY of Standard Production Allocation water rights as already reduced per the formulas in the Adjudication Decision. The Front-Loading Agreement satisfies this requirement. [Rule 22-D-1-j]
18. Upon District approval of this Permit, Permittee shall pay to the District the invoiced cost for MPWMD staff, attorney and consultant time spent to process the Permit subsequent to the application date, if required. [Rule 60] The initial application fee paid by Permittee is compared to total costs. The Permittee will be provided documentation to support the invoiced amount. This Permit is not valid until payment for the invoiced amount is received by MPWMD. The payment must be received within 60 days of the preparation date (see top of page 1) for this Permit to remain valid. [Rule 22-D-1-l]
19. Upon finalization of these conditions, the Permittee and Donor Parcel Owner shall sign and notarize an Acceptance of Permit Conditions Form associated with the approval of the Permitted System. By signing the form, Permittee acknowledges that Permittee understands and accepts these conditions as a binding part of the Permit approval, and agrees to carry them out faithfully. The Acceptance Form must be received by MPWMD within 60 days of the preparation date (see top of page 1) for this Permit to remain valid. [Rule 22-D-1-m]

20. Permittee and/or Donor Parcel Owner shall disclose to any future owner, successors and assigns of the CAW water system or the Donor Parcel described in Condition #1 (including owners of any future subdivided lot) the requirements for the Permitted System associated with this Permit. MPWMD shall be advised in a timely manner of any changes in system ownership, system name, or other substantive changes to the system to facilitate accurate record-keeping. [Rule 22-D-2]
21. Given the unique nature of the CAW/DBO Amendment, and the fact that the CAW system infrastructure is already in place in the Coastal Areas of the Seaside Groundwater Basin, this Permit does not include deadlines associated with the construction of new water facilities needed to serve future Recipient Parcels. [Rule 22-D-4]
22. Permittee shall execute a Notice of Agreement and shall ensure that the Donor Parcel Owner shall execute a Deed Restriction prepared by MPWMD regarding the limitation on water use as set forth in these conditions. Permittee shall pay all fees associated with preparation, review and recording of the Deed Restriction. The Notice of Agreement and Deed Restriction must be signed and notarized by the Permittee and Donor Parcel Owner, respectively, and accepted by the Monterey County Recorder for processing within 60 days of the preparation date (see top of page 1) for this Permit to remain valid. [Rule 22-D-1-n]
23. Upon notice to the Permittee and/or Donor Parcel Owner (or designated representatives) in writing, e-mail or by telephone, reasonable access shall be given to MPWMD staff or its designated representative to inspect and document Water-Gathering Facilities and Water-Measuring Devices, obtain hydrogeologic data, and take readings from Water Measuring Devices. [Rule 22-D-1-o]
24. The Permit granted herein is subject to revocation in the event Permittee and/or Donor Parcel Owner do not fully comply with each and every condition set forth in this Permit, pursuant to Rule 20.4, Permit Rule Non-Compliance. [Rule 22-D-1-p]

Other Standard Conditions of Approval

25. Nothing in this Permit shall be construed to grant or confirm any water right.
26. This Permit does not authorize any act that results in the taking of a threatened or endangered species or any act which is now prohibited, or becomes prohibited in the future, under either the California Endangered Species Act (Fish and Game Code Sections 2050 to 2097) or the federal Endangered Species Act (16 U.S.C.A. Sections 1531 to 1544). If a “take” will result from any act authorized under this Permit, the Permittee shall obtain authorization for an incidental take prior to construction or operation of the project. Permittee shall be responsible for meeting all requirements of the applicable Endangered Species Act for the project authorized under this Permit.

Special Conditions of Approval

27. The Donor Parcel Owner (and successors) shall give notice to MPWMD and provide copies to MPWMD of any correspondence by the Watermaster regarding future transfers of water rights.
28. CAW shall provide to the District a copy of any quarterly report to the State Water Resources Control Board, which may include information about service to the Recipient Parcels identified in Condition #1. Notice of a designated link to the CAW website is acceptable. If a website link is not available in the future, electronic or hard copies are acceptable.
29. A standard condition of approval for any Water Permit issued to the Owners of the Recipient Parcels is a voluntary binding agreement (“Notice and Deed Restriction”) to provide public access to water use data, upon request by MPWMD. Permittee shall provide to MPWMD any information authorized to be released in accordance with a Notice and Deed Restriction executed and recorded by a Recipient Parcel Owner.
30. CAW shall implement water accounting methods to track CAW production sources to ensure: (a) only water from Wells in the Coastal Subareas of the Seaside Basin Wells serve the Recipient Parcels identified in Condition #1; and (b) no Carmel River Basin water is produced by CAW to serve the Recipient Parcels, consistent with the May 11, 2009 Court Order and the executed Front-Loading Agreement. The MPWMD General Manager retains the right to review and approve these methods.
31. The Donor Parcel Owner shall ensure that the Well on APN 011-011-043 remains an inactive Monitor Well available for use by the District and Watermaster.

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