

EXHIBIT 19-B

ORDER

NOW, THEREFORE, IT IS ORDERED THAT as of the effective date of this Order,¹ Cal-Am shall cease and desist from the unauthorized diversion of water from the Carmel River in accordance with the following schedule and conditions.

1. Cal-Am shall diligently implement actions to terminate its unlawful diversions from the Carmel River and shall terminate all unlawful diversions from the river no later than December 31, 2020.²
2. Cal-Am shall not divert water from the Carmel River for new service connections or for any increased use of water at existing service addresses resulting from a change in zoning or use. Cal-Am may supply water from the river for new service connections or for any increased use at existing service addresses resulting from a change in zoning or use after October 20, 2009, provided that any such service had obtained all necessary written approvals required for project construction and connection to Cal-Am's water system prior to that date.³
3. Cal-Am shall adjust its diversions from the Carmel River in accordance with the following:
 - a. **Effective Diversion Limit.** The limits set forth in this Condition 3.a., as may be further reduced or increased pursuant to the terms and conditions of this Order, is referred to as the "Effective Diversion Limit."
 - (1) Immediate Reduction: Commencing on October 1, 2015 (Water Year 2015-2016), the Effective Diversion Limit shall be 8,671 afa.⁴
 - (2) Annual Diversion Limits:
 - i. **Water Year 2016-2017 Reduction.** Commencing on October 1, 2016 (Water Year 2016-2017) the Effective Diversion Limit shall be 8,310 afa,

¹ The effective date of this Order shall be the date of issuance. As of the effective date, this Order shall supersede the ordering provisions of State Water Board WRO 2009-0060. All other provisions of State Water Board WRO 2009-0060 and all other State Water Board orders concerning Cal-Am's diversions from the Carmel River shall remain in effect until terminated by law or action of the State Water Board.

² Cal-Am lawfully diverts 3,376 afa under a legal basis of water right.

³ Multiunit residential, commercial or industrial sites may currently be served by a single water meter. The installation of additional meters at an existing service will not be viewed as a new service connection provided that the additional metering does not result in an increase in water use.

⁴ Each water year runs from October 1 to September 30 of the following year.

and this Effective Diversion Limit shall be maintained through December 31, 2020 subject to the terms and conditions in this Order.

- ii. **Seaside Groundwater Basin Limitations.** The Effective Diversion Limit shall not apply to any exceedance that Cal-Am, the Monterey Peninsula Regional Water Authority and/or the Monterey Peninsula Water Management District (“MPWMD”) (collectively “Petitioners”) establish was necessary to meet reductions required by mitigation measures imposed pursuant to the Seaside Basin Watermaster’s Seawater Intrusion Response Plan or by the court pursuant to the Seaside Groundwater Basin Judgment in response to a detection of seawater intrusion within the Seaside Groundwater Basin.
- iii. **Carryover:** After October 1, 2015 if Cal-Am’s actual diversions during a given water year are less than the Effective Diversion Limit for that water year, Cal-Am shall be credited for the difference between the Effective Diversion Limit and Cal-Am’s actual diversions. Any such credit may be carried over to offset any exceedance of the Effective Diversion Limit in future water years, subject to the restriction in Paragraph 3.a.(2)(iv) below.
- iv. **Cap on Carryover:** Notwithstanding the provision on carryover in Paragraph 3.a.(2)(iii), in any water year the sum of (a) Cal-Am’s diversions of non-ASR⁵ water from the Carmel River and (b) water recovered from ASR storage shall not exceed the Effective Diversion Limit then in effect plus 750 afa.
- v. **Milestones:** For purposes of calculating a reduction to the Effective Diversion Limit, the following Milestones and Deadlines will apply:

	Milestone	Deadline
1. (WY 2016-2017)	Issuance of a Certificate of Public Convenience and Necessity to Construct the Monterey Peninsula Water Supply Project (“MPWSP”) by the California Public Utilities Commission.	September 30, 2017
2.(WY 2017-	Start of construction for any of the Cal-Am Components of the MPWSP ⁶ and/or the Pure Water	September 30, 2018

⁵ “ASR water” means Carmel River water diverted to underground Aquifer Storage and Recovery (“ASR”) storage pursuant to State Water Board Permits 20808A and 20808C, as discussed in Paragraph 3.a.(3) and Paragraph 3.c. of this order.

⁶ For purposes of this proposal the Cal-Am Components of the MPWSP include: source water production wells; desalination plant; brine disposal system; and transmission pipelines.

2018)	Monterey ⁷ project, meaning commencement of physical work after issuance of required regulatory permits and authorizations to begin work ⁸ .	
3.(WY 2018-2019)	(1) Drilling activity for at least one MPWSP source water production well ⁹ complete; (2) foundation and structural framing complete for MPWSP pretreatment, seawater reverse osmosis, and administration buildings at desalination plant; (3) excavation complete for MPWSP brine and backwash storage basins; and (4) 25% of MPWSP transmission pipelines installed based on total length ¹⁰ .	September 30, 2019
4.(WY 2019-2020)	(1) 50% of drilling activity complete for MPWSP source water production wells based on total number of wells required; (2) mechanical systems for MPWSP brine and backwash storage basins complete; (3) Construction of MPWSP filtered water tanks and finished water tanks complete; (4) 50% of MPWSP transmission pipelines installed based on total length, including 100% installation of the "Monterey Pipeline and other ASR related improvements" (See Footnote 9.)	September 30, 2020
5.(WY 2020 – 2021 and beyond)	Substantial completion of the Cal-Am Components of the MPWSP, meaning the Cal-Am Components are sufficiently complete and appropriately permitted to allow delivery of MPWSP produced potable water to Cal-Am's Monterey Main system, eliminating further Cal-Am diversions of Carmel River water without valid basis of right	December 31, 2020

vi. **Reductions to the Effective Diversion Limit Based on Missed**

Milestones: The following reductions to the Effective Diversion Limit shall apply if an applicable Milestone Deadline is not met:

Water Year	Milestone Missed	Reduction in Effective Diversion Limit	Date Reduction Assessed
Oct. 1, 2016– Sept. 30, 2017	1	1000 AFA	Oct. 1, 2017
Oct. 1, 2017– Sept. 30, 2018	2	1000 AFA	Oct. 1, 2018
Oct. 1, 2018–	3	1000 AFA	Oct. 1, 2019

⁷ The Pure Water Monterey project is a proposed advanced water recycling project, jointly developed by two public agencies – the MPWMD and the Monterey Regional Water Pollution Control Agency (MRWPCA).

⁸ Such work may include, among other things, any of the following: desalination plant site grading and preparation; electric utility installation; yard piping; subsurface excavation for structural foundations; transmission pipeline installation.

⁹ Not including the MPWSP Test Well completed in 2015.

¹⁰ For transmission pipeline installation Cal-Am will prioritize installation of the "Monterey Pipeline and other ASR related improvements," which will facilitate increased ASR diversion during high flows and other improved operations that will increase the amount of water in the Carmel River during dry months.

Sept. 30, 2019			
Oct. 1, 2019– Sept. 30, 2020	4	1000 AFA	Oct. 1, 2020
Oct. 1, 2020– Dec. 31, 2020	5	1000 AFA	Dec. 31, 2020

If a Milestone is not achieved by its Deadline but is subsequently achieved, the corresponding reduction to the Effective Diversion Limit shall be reversed on the first day of the Water Year following achievement of the Milestone. Once a Milestone has been achieved, any corresponding reduction will not be assessed in subsequent Water Years.

- vii. **Illustration:** The following table illustrates the effect of the reduction in the Effective Diversion Limit over the term of this order, and assumes no Deadlines have been met and no carryover credits have been applied under Paragraph 3.a.(2)(iii), and no additional water rights have been obtained pursuant to Paragraph 6. The result is an elimination of unauthorized diversions from the Carmel River on December 31, 2020.

Water Year	Effective Diversion Limit if Milestones Missed, No Credits Applied, No Additional Water Rights Obtained
Oct. 1, 2015– Sept. 30, 2016	8,671 AFA
Oct. 1, 2016– Sept. 30, 2017	8,310 AFA
Oct. 1, 2017– Sept. 30, 2018	7,310 AFA
Oct. 1, 2018– Sept. 30, 2019	6,310 AFA
Oct. 1, 2019– Sept. 30, 2020	5,310 AFA
Oct. 1, 2020– Dec. 31, 2020	4,310 AFA
Thereafter	3,376 AFA

- viii. **Joint Annual Report.** At least 120 days prior to each Milestone Deadline described in Condition 3.a.(2)(v), Petitioners shall submit a joint report to the Deputy Director, Division of Water Rights, describing progress towards that Milestone, whether Petitioners expect the Milestone to be achieved by its Deadline and, if not, whether the Milestone will be missed for reasons beyond Petitioners' control. The joint report will include a section that

evaluates the status of the threatened South-Central California Coast Steelhead Distinct Population Segment (“SCCC Steelhead DPS”) in the Carmel River. ***[NOTE: ADDITIONAL DESCRIPTION OF PROCEDURE FOR ADOPTING REPORT ON FISHERY STATUS, AND REPORT CONTENTS MAY BE ADDED PRIOR TO 11/12 MPRWA / 11/16 MPWMD BOARD MEETINGS]*** Within fifteen days of receiving the joint report by the Petitioners, the Deputy Director, Division of Water Rights shall submit a Staff Report to the State Water Board that attaches the joint report. Within 60 days of receipt of the Staff Report, the State Water Board shall receive, at a regularly scheduled meeting, written and oral reports from Petitioners, the Deputy Director, Division of Water Rights, and the public on progress towards Milestones. If Petitioners’ joint report indicates that a Milestone is likely to be missed, the State Water Board shall determine during that meeting whether the cause for delay is beyond or within Petitioners’ control. If the State Water Board determines that the cause is beyond Petitioners’ control, it may suspend any corresponding reductions under Condition 3.a.(2)(vi) until such time as the Petitioners can reasonably control progress towards the Milestone.

- (3) ASR Project: The amount of water diverted to underground storage under State Water Board Permits 20808A and 20808C as of May 31 of each year shall be included in Cal-Am’s annual production of Carmel River water that is subject to the Effective Diversion Limit, up to a maximum of 600 afa. On June 1 of each year, Cal-Am shall submit an operating plan to the Deputy Director for Water Rights specifying the quantity of water it intends to supply from the ASR Project for its customers after May 31 of each year. As described in Paragraph 4 below, after the first 600 afa have been recovered in a given Water Year, the Effective Diversion Limit for that Water Year shall be reduced by the amount of ASR water recovered in that Water Year.
- (4) Sand City Desalination Plant: Any volume of water that is produced by the Sand City Desalination Plant and not served to persons residing within the City of Sand City shall be subtracted from the Effective Diversion Limit for the Water Year in which it is produced.
- (5) Pebble Beach: Within 90 days following adoption of State Water Board Order WRO 2009-0060, the Pebble Beach Company certified, under penalty of perjury,

the total quantity of water annually used under its water entitlement from MPWMD (for the funding assurances provided for the construction and expansion of the CAWD-PBCSD wastewater reclamation project). This amount was 36.352 afa. Ten percent (10%) of the amount reported, or 3.635 afa was to be added to the Effective Diversion Limit to allow Cal-Am to divert water from the river to supply water for PBC water entitlements initiated in the 12 months following adoption of State Water Board Order WRO 2009-0060. Thereafter, PBC has annually submitted and shall continue to annually submit, on September 30, a report to the Deputy Director for Water Rights accounting for any additional water that is diverted from the Carmel River as the result of an increased use of its MPWMD water entitlement. Increased diversions from the river by Cal-Am to satisfy PBC entitlements from MPWMD shall be added to the Effective Diversion Limit, and are not subject to Paragraph 2 of this Order. Water Diverted from the river by Cal-Am for PBC entitlements can only be served to properties that have received a PBC entitlement from MPWMD and which are located in the Cal-Am's service area. After December 31, 2020, Cal-Am shall not illegally divert water from the river to supply the holders of PBC entitlements.

- (6) Supplemental Water Rights and Acquisitions: Provided Cal-Am is able to identify suitable and willing transacting parties, Cal-Am will exercise reasonable additional efforts to acquire supplemental Carmel River water rights at acceptable costs, and/or will pursue other Carmel River water acquisitions and water right changes in order to increase flows in the Carmel River and decrease Cal-Am's unauthorized Carmel River diversions ("Carmel River Flow Enhancement Program"). Cal-Am will use best efforts to implement the Carmel River Flow Enhancement Program to the extent it can negotiate acceptable agreements with water right holders and provided participation will not negatively affect the rights of potential participants. Such acquisitions or water right changes may include leases and purchases of water rights along the Carmel River on a temporary or permanent basis, and may include water right change approvals or permits (permanent or temporary) from the State Water Board to increase opportunities to increase lawful diversions or reduce unauthorized diversions during periods of lower flow on the Carmel River. Fifty percent of water available under any Carmel River water right that is acquired by Cal-Am after the effective date of this Order shall be dedicated to instream use, and the remaining fifty percent shall be used to increase the Effective Diversion Limit in

effect at the time a transaction is completed.

- (7) Malpaso Water Company: Water provided on an interim basis by the Malpaso Water Company LLC to Cal-Am under SWRCB License No. 13868A shall be added to the Effective Diversion Limit for the water year in which the water is provided to Cal-Am.
 - (8) Additional Conservation Measures: In consideration for this order modifying certain provisions of WRO 2009-0060, and subject to final approval from the California Department of Fish and Wildlife, the National Oceanic and Atmospheric Administration, and any other agencies with permitting jurisdiction, Cal-Am shall implement \$2.5 million in other projects on the Carmel River to improve fish passage and habitat. These include, in order of priority and estimated costs: additional spawning gravel injections below San Clemente Dam using excess gravel from the San Clemente Dam removal project or from Los Padres reservoir should there be an insufficient quantity or type at San Clemente Dam (\$0.2 million); improvements to the existing upstream fish passage ladder and trap at Los Padres Dam (\$0.2 million); installation of a fish screen at the lower outlet pipe on Los Padres Dam (\$0.8 million); a pit tagging program (\$0.8 million); and a through-reservoir survival study for Los Padres Reservoir (\$0.5 million). Should the higher priority projects exceed the estimated amounts, funding will be applied from the lower priority projects and utilized until the entire \$2.5 million is exhausted. Additionally, the estimated cost from the above projects may be used to supplement other related projects occurring on the Carmel River.
 - (9) Los Padres Fish Passage. Cal-Am has committed to install of downstream fish passage facilities at Los Padres Dam and will endeavor to do so before December 31, 2015. Cal-Am will also endeavor to remove the Old Carmel River Dam and the Sleepy Hollow Ford before September 30, 2017.
- b. Either Cal-Am or the MPWMD may petition the State Water Board Deputy Director for Water Rights for relief from reductions imposed under this Order. No relief shall be granted unless all of the following conditions are met: (1) Cal-Am continues the moratorium on new service connections pursuant to Water Code section 350, and any orders from the PUC prohibiting new connections pursuant to Public Utility Code section 2708, and the MPWMD continues a moratorium on new service connections under its authority; (2) the demand for potable water by Cal-Am

customers meets all applicable conservation standards and requirements; and (3) a showing is made that public health and safety will be threatened if relief is not granted. Any relief granted shall remain in effect only as long as a prohibition on new service connections remains in effect, and compliance with applicable conservation standards and requirements remains in effect.

- c. ASR Project water stored in the Seaside groundwater basin under State Water Board Permits 20808A and 20808C shall be used to mitigate the effect of Cal-Am's illegal diversions from the river. ASR water should be supplied to Cal-Am customers only during months when water is most needed in the river to preserve steelhead.
4. Cal-Am shall reduce its illegal diversions from the river at the same rate ASR water is recovered from the groundwater basin. After the first 600 af have been recovered in a given Water Year, the Effective Diversion Limit for that Water Year shall be reduced by the amount of ASR water recovered in that Water Year.
5. In State Water Board Order WRO 2009-0060, Cal-Am was required to implement one or more small projects that, when taken together, totaled not less than 500 afa to reduce unlawful diversions from the river. Cal-Am was required to identify to the Deputy Director for Water Rights within 90 days of State Water Board Order WRO 2009-0060 the projects that it would implement, and to implement those projects within 24 months of entry of State Water Board Order WRO 2009-0060. Cal-Am satisfied this requirement by completing ASR Well #3. To the maximum practicable extent, Cal-Am shall continue to operate this small project to reduce illegal diversions from the river during the months when surface flow in the river begins to go dry and through the months when surface flow in the river disappears below river mile 6.5.
6. Cal-Am shall continue to post quarterly reports on its website and file the quarterly reports with the Deputy Director for Water Rights. The quarterly reports shall include the following:
 - a. Monthly summaries of the quantity of water it diverts from the river.
 - b. Monthly summaries of the quantity of ASR project water diverted from the river under State Water Board Permits 20808A and 20808C and stored in the Seaside ground water basin. The monthly reporting shall also state the quantity of ASR water recovered from aquifer storage, and the current balance of water in storage.

- c. Monthly summaries of the quantity of water being produced by the Sand City desalination plant. The reporting shall identify new service connections within Sand City and thereafter report the quantity of water being delivered to the new connections. The monthly reports shall specify the quantity of water used to reduce diversions from the river during the reporting period.
 - d. Monthly summaries of the quantity of water saved by reducing system losses.
 - e. Monthly summaries of reductions in demand for potable water due to conservation actions such as increased water rates, MPWMD's retrofit program, efforts to reduce potable water for outdoor water use and demand reduction initiatives.
 - f. Monthly summaries identifying all new service connections. The report shall include the Cal-Am account number, the service address, the name of each authority granting any approval required for connecting to Cal-Am's system and the name of each authority granting any approval required before commencing construction; the issuer of the each approval and the date of each approval shall be separately listed for each service address.
 - g. Monthly summaries identifying existing service addresses that receive an increased supply of water due to a change in zoning or use. The report shall include Cal-Am account number, the service address and the name of each authority authorizing a change of use or of zoning and the date of such change.
 - h. Each quarterly report submitted by Cal-Am shall be certified under penalty of perjury and shall include the following declaration: *"I declare under penalty of perjury, under the laws of the State of California, that all statements contained in this report and any accompanying documents are true and correct, with full knowledge that all statements made in this report are subject to investigation and that any false or dishonest statement may be grounds for prosecution."*
7. Cal-Am shall file quarterly reports of its diversions under Paragraph 5 (small project) of this Order.
 8. The Deputy Director for Water Rights is authorized to modify the timing and the content of the reporting required by all of the provisions of this Order to more effectively carry out the intent of this Order.
 9. As of its effective date, this Order supersedes the ordering provisions of State Water Board Order WRO 2009-0060, but does not supersede or render moot any of the analysis or discussion contained in State Water Board Order WRO 2009-0060. Cal-Am shall comply with all requirements of State Water Board Order 95-10, except as modified

pursuant to State Water Board Order WRO 2009-0060 or this Order.

10. The Deputy Director for Water Rights is directed to closely monitor Cal-Am's compliance with Order 95-10 and this Order. Appropriate action shall be taken to insure compliance with these Orders including the issuance of additional cease and desist orders under Water Code section 1831, the imposition of administrative civil liability under Water Code section 1055, and referral to the Attorney General under Water Code section 1845 for injunctive relief and for civil liability. If additional enforcement action becomes necessary, the Deputy Director is directed to consider including in such actions all Cal-Am's violations of Water Code section 1052 since the adoption of Order 95-10.
11. The conditions of this Order and Order 95-10 shall remain in effect until (a) Cal-Am certifies, with supporting documentation, that it has obtained a permanent supply of water that has been substituted for the water illegally diverted from the Carmel River and (b) the Deputy Director for Water Rights concurs, in writing, with the certification.

CERTIFICATION

The undersigned Clerk to the Board does hereby certify that the foregoing is a full, true, and correct copy of an order duly and regularly adopted at a meeting of the State Water Resources Control Board held on [DATE].

AYE:

NAY:

ABSENT:

ABSTAIN:

Clerk to the Board