

## EXHIBIT 17-C

### **Quarterly Water Supply Strategy and Budget Report California American Water Main Water Distribution System: July - September 2016**

#### 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) 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: July - September 2016

On June 14, 2016, staff from the District, California Department of Fish and Wildlife (CDFW), NMFS and Cal-Am, met and discussed the proposed water supply strategy and related topics for the July - September 2016 period. Staff from the United States Fish and Wildlife Service (USFWS) and the State Water Resources Control Board's, Division of Water Rights (SWRCB-DWR) participated in the meeting by conference call. Currently, flow in the Carmel River is not yet regulated by Los Padres Reservoir (LPR) storage releases, and LPR is still spilling. LPR is currently at ~103% of maximum effective storage capacity, i.e., 1,731 AF that occurs with the Los Padres Dam (LPD) spillway's notch flashboard removed, or ~101% of the 1,775 AF of storage capacity achieved when the notch's flashboard is in place. The LPD notch was closed on May 12, 2015, since that was such dry water year. It was placed into the notch about a month earlier than normal. Due to the installation of the new Smolt Emigration Facility at LPD, it is unlikely that the LPD notch flashboard will ever be removed in the future, so as to maximize any potential annual storage for allocation to sustaining minimum flows in the river over the summer and fall. Flow in the Carmel River is continuous to the lagoon at 3.50 CFS. Most of the tributaries from Cachagua Creek to the river mouth have begun to dewater and their pools are becoming isolated. Rainfall during Water Year (WY) 2016 through May at River Mile (RM) 18.61 (the prior San Clemente Dam site) in the upper watershed has totaled 22.25 inches or 106% of the long-term average to date of 20.80 inches at this site, and 105% of the long-term annual average of 21.12 inches. Further, unimpaired runoff at RM 18.61 for WY 2016 through May has totaled approximately 43,675 AF or about 67% of the long-term average to date for this site of 64,985 AF, and 65% of the long-term annual average of 67,407 AF, making this a "Below Normal" Water Year Type, to date. It is expected that the additional flows this coming quarter will bring WY 2016 barely up into the lower limits of a "Normal" WYT.

**Carmel River Basin** Given these conditions, and runoff to date appearing to be most similar to Water Year (WY) 2012 accelerated by 24 days, it was agreed that "Dry" year inflows

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analogous to WY 2012 would be initially assumed to assess Cal-Am's operations during the July through September 2016 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 attempt to produce no groundwater from its wells in the Upper Carmel Valley during July through September 2016. If sufficient flow in the Carmel River at the District's Don Juan Bridge gage in Garland Park, i.e., any day of 20 or more cubic feet per second (cfs), continues to occur to justify operations allowed under the less restrictive high-flow period, Cal-Am could operate these wells if needed. In addition, it is projected that Cal-Am would produce approximately 1,143, 912, and 761 AF of groundwater from its wells in the Lower Carmel Valley during July, August and September 2016, respectively, for customer service. **Table 1** included in this month's Staff Note is shows the initial minimum flows agreed to under the 2016 Low Flow Memorandum of Agreement (MOA), but due to the unpredictability of ongoing hydrology in this first post-drought year, the regulatory agencies intend to review the goals monthly through September 2016. This table will be revised and updated monthly with new flow and storage data, for each succeeding Board meeting through December 2016 as a formal part of the Annual Low Flow MOA process.

**Seaside Groundwater Basin** It was also agreed that, subject to rainfall and runoff conditions in the Carmel River, Cal-Am would continue production at 300, 321, and 350 AF of native groundwater each month in July, August, and September 2016, respectively, from the Coastal Subareas of the Seaside Basin, in addition to 25 AF per month from the Sand City Desalination Plant, and 150 AF per month of stored water from Water Project 1 and 2 (formerly Phase 1 & 2 ASR), during this period. This approach achieves maximum utilization of the native water available in the basin under the Seaside Basin Adjudication Decision and in compliance with SWRCB Orders 95-10 and 2002-0060. It was also agreed that only 6, 5, and 5 AF of groundwater would be budgeted from Cal-Am's wells in the Laguna Seca Subarea of the Seaside Basin for customers in the Ryan Ranch, Bishop, and Hidden Hills systems during July, August and September 2016, 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 July through September 2015 period, Cal-Am produced 33 AF each month from the Laguna Seca Subarea to meet customer demand in the Ryan Ranch, Bishop, and Hidden Hills systems. In this context, the 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 Adjudication Decision, Cal-Am is allowed to use production savings in the Coastal Subareas to offset over-production in the Laguna Seca Subarea.