

## EXHIBIT 14-C

### **Quarterly Water Supply Strategy and Budget Report California American Water Main Water Distribution System: October - December 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. Similarly, during the low-flow season, the District desires to recover most or all of the water that was previously injected into the Seaside Groundwater Basin, as well as a seasonally balanced amount of California American Water's (Cal-Am) full allocation of Seaside native groundwater. By meeting customer demand with as much as feasible of these two groundwater sources, Cal-Am will be able to maximally reduce its diversion from its Carmel River sources during the low-flow season. To accomplish these goals, a water supply strategy and budget for production within the 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.

#### 2. Quarterly Water Supply Strategy: October - December 2015

On September 08, 2016, staff from the District, Cal-Am, the California Department of Fish and Wildlife (CDFW), and National Marine Fisheries Service (NMFS) met and discussed the proposed water supply strategy and related topics for the remainder of September 2016, and the October through December 2016 period. Currently, flow in the Carmel River is regulated by releases from storage at Los Padres Reservoir, though there was 2.6 cubic feet per second (cfs) of surface flow coming into the reservoir on September 1, 2016. The intent under the original 2016 CDFW/Cal-Am/District Low Flow MOA was to sustain 6.5 cfs or more of flow the Below Los Padres Dam Gage at River Mile (RM) 24.70 through November 2016, return to un-supplemented flows, i.e., run-of-the- river conditions, estimated then to potentially be as much as 11.9 cfs.

Due to the removal of San Clemente Dam as a part of the San Clemente Dam Reroute Project (SCDRRP), the interagency signatories to the 2015 Low Flow MOA agreed to permanently shift the flow target compliance point from its historic location at the MPWMD Sleepy Hollow Weir Gage (SHW) at RM 17.64 to the MPWMD Below Los Padres Gage (BLP) at RM 24.70. Flow in the Carmel River is continuous from the headwaters to the vicinity of the Mid-Valley Safeway, just above Cal-Am's Begonia Well (RM ~7.85). The river is intermittent and mostly dry for the rest of the way to the Lagoon. Rainfall during Water Year (WY) 2016 to date through the end of August at San Clemente Dam in the upper watershed has totaled 22.25 inches or 106% of the long-term average at this site. However, unimpaired runoff at San Clemente Dam for WY 2016 to date through the end of August has totaled approximately 44,784 acre-feet (AF) or only about 67% of the long-term average for this site. The flow conditions through August 2016 categorize near to the bottom of a "Below Normal" Water Year.

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**Carmel River Basin:** Given these conditions, it was agreed that it would be appropriate to use historic “Below Normal” inflow conditions to assess Cal-Am’s operations during the October through December 2016 period. Thereafter, the rainfall-to-date through November 2015 will be used to select a Water Year Type for the following quarter, so as to more accurately assess Cal-Am’s operations and set monthly production targets for Cal-Am’s systems from January through September 2017.

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 approximately 0 AF of groundwater for this quarter’s months of October through December 2016, from its wells in the Upper Carmel Valley. These amounts are consistent with the interagency Low Flow Season MOA and Cal-Am management’s intent to minimize production in the Upper Carmel Valley at all times. However, production could legally be higher under Cal-Am’s existing State water rights, and the interagency Low Flow Season MOA, if the requisite minimum flow triggers are exceeded for five consecutive days.

Cal-Am will also be able to produce 24 AF in December for its customers under its recently acquired Table 13 Water Rights, identified for future approval in SWRCB Water Rights Order 95-10.

In addition, it was agreed that Cal-Am would produce approximately 446, 281, and 588 AF of groundwater from its wells in the Lower Carmel Valley during October, November, and December 2016, respectively.

Lastly, it was assumed that 145 AF of the total of 588 AF water planned to be diverted from the Carmel River Basin in December would be injected into the Seaside Groundwater, if flows are sufficient to allow diversions, since the diversion season for the Aquifer Storage and Recovery (ASR) projects ended May 31, and resumes on December 1, 2016. The remainder of the long-term average diversions of 920 AF and 1050 AF per WY for ASR Phases 1 and 2 respectively will be addressed in the Quarterly Water Budgets for January to May, 2017. If the minimum bypass flows defined in the joint MPWMD/Cal-Am Water Right for ASR Phase 1 and 2 are sufficient for any significant length of time after December 1, diversion to storage may begin.

**Table 1** shows actual releases to date and projected monthly releases below Los Padres and San Clemente Reservoirs for the September through December 2016 period.

**Seaside Groundwater Basin:** It was also agreed that Cal-Am would produce 350, 350, and 100 AF of Seaside native groundwater in October, November, and December 2016, respectively, in order to better avoid having any unutilized carry-over water at the end of WY 2017. A total of 459 AF of the 759 AF of water injected for storage in WY 2016 by ASR Phases 1 and 2 was recovered in the last quarter of WY 2016, and the remainder will be recovered at 150 AF per

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month in the first two months of this first quarter of WY 2017. The total amount of ASR storage recovered in WY 2017 will depend the aforementioned remainder amount from WY 2016, combined with any future ability to divert to storage for ASR in WY 2017. There is also a goal of producing an additional 25 AF of treated brackish groundwater from the Sand City Desalination Plant in each of these three months. If the Sand City Desalination Plant cannot make its monthly production targets, any of that amount of water that is needed to meet customer demand will be produced from a combination of Cal-Am wells in Seaside or the Lower Subunits of the Carmel Valley Aquifer.

It was also agreed that Cal-Am should produce only 5, 3, and 3 AF per month 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 October, November, and December 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 October, November, and December 2015 period, Cal-Am actually produced 32, 23, and 20 AF 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. Accordingly, actual production beyond these production targets will be subject to a replenishment assessment by the Seaside Basin Watermaster.