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**BEFORE THE STATE WATER
RESOURCES CONTROL BOARD**

In the Matter of the State Water Resources)
Control Board (State Water Board))
Hearing to Determine whether to Adopt a)
Draft Cease & Desist Order against)
California American Water Regarding its)
Diversion of Water from the Carmel River)
in Monterey County under Order WR 95-10)
_____)

Hearing Date: June 19, 2008

Carmel River in Monterey County

EXHIBIT DF-4

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

Water Supply Strategy and Budget

ITEM: PUBLIC HEARINGS

14. CONSIDER ADOPTION OF APRIL THROUGH JUNE 2008 QUARTERLY WATER SUPPLY STRATEGY AND BUDGET

Meeting Date:	March 17, 2008	Budgeted:	N/A
From:	David A. Berger, General Manager	Program/ Line Item No.:	N/A
Prepared By:	Darby Fuerst	Cost Estimate:	N/A

General Counsel Approval: N/A

Committee Recommendation: N/A

CEQA Compliance: Notice of Exemption, CEQA, Article 19, Section 15301 (Class 1)

ESA Compliance: Consistent with the September 2001 and June 2006 Conservation Agreements between the National Marine Fisheries Service and California American Water to minimize take of listed steelhead in the Carmel River and Consistent with SWRCB WR Order Nos. 95-10, 98-04, and 2002-02.

SUMMARY: The Board will accept public comment and take action on the April through June 2008 Quarterly Water Supply Strategy and Budget for the California American Water (CAW) main Water Distribution System (WDS). The proposed budget, which is included as **Exhibit 14-A**, shows the monthly production, by source of supply, that is required to meet projected customer demand in CAW's main system during the April through June 2008 period. The proposed strategy and budget is designed to maximize the long-term production potential and protect the environmental quality of the Seaside Groundwater and Carmel River Basins.

Exhibit 14-A shows the anticipated production by CAW for each production source and the actual production values for the water year to date through the end of February 2008. Please note that the anticipated production values assume that CAW annual main system production will not exceed 14,789 acre-feet (AF), including 3,504 AF from the Coastal Subareas of the Seaside Groundwater Basin and 11,285 AF from the Carmel River Basin. The total from the Carmel River Basin is consistent with State Water Resources Control Board (SWRCB) Order No. 95-10 and the total from the Seaside Groundwater Basin is consistent with the Seaside Basin adjudication decision. For the purpose of this budget, it is assumed that near-normal inflow conditions will occur and water from the Carmel River Basin will be diverted and injected into the Seaside Groundwater Basin during the April through May 2008 period.

It should be noted that, because of the uncertainty associated with predicting rainfall and runoff for the upcoming quarter, the anticipated monthly production may change. For example, if the rainfall and runoff amounts in the Carmel River Basin are greater than projected and streamflow in the Carmel River exceeds the instream flow requirements specified by National Marine Fisheries Service (NMFS), a greater portion of the "excess" water will be diverted by CAW for injection into the Seaside Groundwater Basin as part of the Phase 1 ASR Project. The amount of water diverted from

the Carmel River that is treated and delivered for injection will also depend on customer demand and the condition of CAW's wells in the Carmel Valley at that time.

RECOMMENDATION: The Board should receive public input, close the Public Hearing, and discuss the proposed quarterly water supply budget. District staff recommends adoption of the proposed budget. The budget is described in greater detail in **Exhibit 14-B**, Quarterly Water Supply Strategy Report: April – June 2008.

BACKGROUND: The Quarterly Water Supply Strategy and Budget pertains to production within CAW's main WDS for the three-month period of April, May, and June 2008. Staff from the District, CAW, California Department of Fish and Game (CDFG), and NMFS cooperatively developed this strategy on March 5, 2008. Based on the assumption that near-normal inflows will continue during the April through June 2008 period and that the "low-flow" restrictions on CAW's operations in the Upper Carmel Valley (UCV) will be in effect in June 2008, it was agreed that CAW would produce no more than 60, 60, and 30 AF in April, May, and June from its wells in the UCV, respectively. In addition, it was agreed that CAW would produce approximately 0, 445, and 445 AF in April, May, and June from its wells in the Coastal Subareas of the Seaside Groundwater Basin during this period, respectively.

It was also agreed that CAW would not divert any water from San Clemente Reservoir through the Carmel Valley Filter Plant during this quarter. The remainder of the water needed to meet projected customer demand would be provided by CAW's wells in the LCV. Specifically, it was agreed that CAW would produce 1,184, 933, and 1,016 AF from its LCV wells in April, May, and June, respectively. CAW will operate its wells in the LCV in a downstream-to-upstream order to meet customer and ASR demand. If actual inflows are more or less than projected for the budget period, the group will reconvene and adjust the diversion and release rates accordingly.

Rule 101, Section B of the District Rules and Regulations requires that a Public Hearing be held at the time of determination of the District water supply management strategy. Notice of this Public Hearing has been published in The Herald. Adoption of the quarterly water supply strategy and budget is categorically exempt from the California Environmental Quality Act (CEQA) requirements as per Article 19, Section 15301 (Class 1). A Notice of Exemption will be filed with the Monterey County Clerk's office, pending Board action on this item.

EXHIBITS

14-A Quarterly Water Supply Strategy and Budget: April - June 2008

14-B Quarterly Water Supply Strategy and Budget Report: April - June 2008

EXHIBIT 14-A

**California American Water Main Distribution System
Quarterly Water Supply Strategy and Budget: April - June 2008**

Proposed Production Values by Source in Acre-Feet

SOURCE/USE	MONTH			YEAR-TO-DATE	
	Apr-08	May-08	Jun-08	Oct-07 - Feb-08	Percent
Source					
San Clemente Reservoir	0	0	0	0	0.0%
Carmel Valley Aquifer					
Upper Subunits	60	60	30	183	3.7%
Lower Subunits	1,184	933	1,016	3,423	70.1%
Seaside Groundwater Basin					
Coastal Subareas	0	445	445	1,275	26.1%
Phase 1 ASR Recovery	0	0	0	0	0.0%
Use					
Customer Service	1,144	1,388	1,491	4,855	
Phase 1 ASR Storage	100	50	0	26	
Total	1,244	1,438	1,491	4,881	100.0%

Notes:

1. The budget reflects "near-normal" year inflow conditions and assumes that the monthly inflows at the San Clemente Dam site during the March-June 2008 period will approximate the flows that occurred in WY 1997, i.e., 5,600, 2,950, 1,450, and 790 AF during the March through June 1997 period.
2. The annual budget period corresponds to the Water Year, which begins on October 1 and ends on September 30 of the following Calendar Year.
3. Total monthly production for "Customer Service" in CAW's main system was calculated by multiplying total annual production (14,789 AF) times the average percentage of annual production for April, May, and June (7.74%, 9.38%, and 10.06%, respectively). The annual production total was based on the assumption that production from the Coastal Subareas of the Seaside Groundwater Basin would not exceed 3,504 AF and production from Carmel River sources would not exceed 11,285 AF in WY 2008. The average production percentages were based on monthly production data for customer service from 1986 to 2006.
4. Anticipated production for "Phase 1 ASR Storage" is based on an average diversion rate of approximately 1,000 gallons per minute (gpm) or 4.4 AF per day from CAW's sources in the Carmel River Basin. "Total" monthly CAW "use" includes water for customer service and water for injection into the Seaside Groundwater Basin.
5. No surface water diversions from San Clemente Reservoir are assumed for this period based on concerns regarding water quality (elevated turbidity) and lowered water levels required by the Division of Dam Safety as part of the San Clemente Reservoir Drawdown Project.
6. The monthly production amounts for the "Phase 1 ASR Recovery" will be determined by the Quarterly Water Supply and Budget Group in May or June 2008.
7. Because of the uncertainty associated with predicting rainfall and runoff for the April-June 2008 period, the projected production values may change.

EXHIBIT 14-B

Quarterly Water Supply Strategy and Budget Report California American Water Main Water Distribution System: April – June 2008

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 the California American Water (CAW) main water distribution system is reviewed quarterly to determine the optimal strategy for operations, given the current hydrologic and system conditions.

2. Quarterly Water Supply Strategy: April - June 2008

On March 5, 2008, staff from the District, CAW, the California Department of Fish and Game (CDFG), and NMFS met and discussed the proposed water supply strategy and related topics for the remainder of March 2008 and the April-June 2008 period. Currently, flow in the Carmel River is unregulated, with CAW's San Clemente and Los Padres Reservoir full and spilling. Rainfall during Water Year 2008 to date at San Clemente Dam in the upper watershed has totaled 19.1 inches or 122% of the long-term average at this site. At this time, inflow conditions in the Carmel River Basin are projected to be near normal for the water year.

Carmel River Basin Given these conditions, it was agreed that CAW would:

1. divert no surface water from its San Clemente Reservoir during the April through June,
2. divert approximately 60 AF of groundwater from its wells in the Upper Carmel Valley in April and May and 30 AF of groundwater from its wells in the Upper Carmel Valley in June, when low-flow conditions are projected,
3. divert in a downstream-to-upstream sequence, as needed, approximately 1,180, 930, and 1,020 AF of groundwater from its wells in the Lower Carmel Valley during April, May, and June 2008, respectively.

Seaside Groundwater Basin It was also agreed that CAW would:

1. pump no naturally-occurring water from the Coastal Subareas of the Seaside Basin in April, and
2. pump 445 AF of naturally-occurring water from the Coastal Subareas of the Seaside Basin in May and June.