

SEASIDE GROUNDWATER BASIN WATERMASTER
REGULAR BOARD MEETING AGENDA
WEDNESDAY, FEBRUARY 3, 2010 2:00 P.M.
MONTEREY REGIONAL WATER POLLUTION CONTROL AGENCY
BOARD ROOM, 5 HARRIS COURT, BUILDING "D"
"RYAN RANCH"
MONTEREY, CALIFORNIA

WATERMASTER BOARD (CALENDAR YEARS—2008 & 2009)

City of Seaside – Mayor Ralph Rubio, Chair
Coastal Subarea Landowner – Director Paul Bruno, Vice Chair
Monterey Peninsula Water Management District – Director Judi Lehman, Secretary
City of Del Rey Oaks – Mayor Jerry Edelen
California American Water – Director Craig Anthony
Laguna Seca Subarea Landowner – Director Bob Costa
City of Monterey – Mayor Chuck Della Sala
City of Sand City – Mayor David Pendergrass
Monterey County/Monterey County Water Resources Agency -- Supervisor Dave Potter, District 5

I. CALL TO ORDER

II. ROLL CALL

III. MINUTES;

The minutes of the Special Board meeting of December 2, 2009 are attached to this agenda. The Board is requested to consider approving the minutes.

IV. CONSENT CALENDAR

- A.** Consider Approval of Summary for Payments made during December, 2009 totaling **\$64,183.88**
- B.** Consider Fiscal Year 2009 Financial Reports – Through December 31, 2009

V. INFORMATIONAL REPORTS (No Action Required)

- A.** Technical Advisory Committee (TAC) minutes of November 19, 2009

VI. ADJOURNMENT OF FINAL MEETING OF THE 2008 AND 2009 WATERMASTER BOARD OF DIRECTORS.

ITEM NO. III.

MINUTES

REGULAR MEETING
Seaside Groundwater Basin Watermaster
December 2, 2009

MINUTES

I. CALL TO ORDER

Chairman Rubio called the meeting to order at 2:00 p.m. in the Monterey Regional Water Pollution Control Agency Boardroom at 5 Harris Court, Building D, Monterey.

II. ROLL CALL

City of Seaside – Mayor Ralph Rubio, Chairman
Coastal Subarea Landowner – Director Paul Bruno, Vice Chair
City of Del Rey Oaks – Mayor Jerry Edelen
California American Water (“CAW”) – Director Craig Anthony
City of Sand City – Mayor David Pendergrass
Monterey Peninsula Water Management District (“MPWMD”) – Director Judi Lehman, Secretary
Laguna Seca Subarea Landowner – Gary Cursio, Alternate
City of Monterey – Mayor Charles “Chuck” Della Sala
Monterey County/Monterey County Water Resources Agency (“MCWRA”) – Supervisor David Potter (arriving at 2:18 p.m.)

Absent: None

III. APPROVAL OF MINUTES

It was approved by consensus of the board to accept the minutes of the Watermaster Regular Meeting of November 4, 2009, with a correction to the size of the stack of documents presented by Director Bruno under item XI second paragraph from 18 inches to 4 inches.

IV. REVIEW OF AGENDA

There were no changes to the agenda.

V. PUBLIC PARTICIPATION/ORAL COMMUNICATIONS

There were no questions or comments from the public.

VI. CONSENT CALENDAR

- A.** Consider Approval of Summary for Payments made during November 2009 totaling \$309,855.15.
- B.** Consider current year Financial Reports – Through November 30, 2009.
- C.** Consider approval of a budget transfer of \$3,000 from the Monitoring and Management – Operations Fund to the Monitoring and Management – Capital Fund to fund the installation of dataloggers in the recently installed monitoring well on former Fort Ord property.

Moved by Mayor Della Sala, seconded by Director Bruno, and unanimously carried, to approve the consent calendar as presented.

VII. ORAL PRESENTATION – None.

VIII. NEW BUSINESS

A. COMMITTEE REPORTS

1. TECHNICAL ADVISORY COMMITTEE

a) 2010 Professional Services Contracts

- (1) The board received and reviewed the submitted staff report by Mr. Robert Jaques, Watermaster Technical Program Manager, and copies of four professional services contracts: MPWMD Request for Services (“RFS”) No. 2010-01 covering normal Monitoring & Management Program tasks, including obtaining data from the newly constructed monitoring well, plus the new task of evaluating the coastal wells for cross-aquifer contamination potential; and MPWMD RFS No. 2010-02 covering services to obtain water quality and water level data from private producers that request Watermaster collect this data for them (the costs under this RFS are funded through monies collected from the requesting producers resulting in no net cost to the Watermaster for services performed under this RFS).

It was moved by Director Anthony, seconded by Director Bruno, and unanimously carried, to approve Watermaster Request for Services Nos. 2010-01 and 2010-02 contracting with Monterey Peninsula Water Management District for professional services for 2010.

- (2) HydroMetrics RFS No. 2010-01 covering general hydrogeologic consulting Services needed by the TAC from time-to-time to assist in such things as interpreting data and making basin management decisions; and HydroMetrics RFS No. 2010-02 covering preparation of the 2010 Seawater Intrusion Analysis Report.

It was moved by Director Lehman, seconded by Director Bruno, and unanimously carried, to approve Watermaster Request for Services Nos. 2010-01 and 2010-02 contracting with HydroMetrics LLC for professional services for 2010.

- B. The Board received and reviewed the submitted staff report and 2010 Declaration of Unavailability of Artificial Replenishment Water and pumping allocations for producers. The allocations presented were inclusive of the 10% reduction mandated by the Court. As indicated in the calculation sheet provided, the allocation for California American Water included 495.9 acre-feet of carryover credits from water year 2009; allocations for Graniterock Company and DBO Development also included carryover credits from water year 2009. Director Bruno noted that the Aquifer Storage and Recovery Project conveyance lines had been flushed recently with a credit against CAW production possibly pending for the approximately two acre-feet of water used.

Moved by Director Anthony, seconded by Director Bruno, and unanimously carried, to adopt for water year 2010 the presented Declaration regarding the Unavailability of Artificial Replenishment Water with listed water year 2010 production allocations, subject to review if and when artificial replenishment water becomes available during water year 2010.

IX. INFORMATIONAL REPORTS (No Action Required)

- A. Timeline Schedule of Milestone Dates (Critical date monitoring)
- B. Technical Advisory Committee (“TAC”) minutes of October 28, 2009.
- C. Appointments of Voting Members and Alternates to Watermaster Board for Administrative Year 2010 and 2011.

X. **DIRECTORS’ REPORTS**

There were no reports from directors.

XI. **EXECUTIVE OFFICER COMMENTS**

The Monterey Regional Water Pollution Control Agency had graciously offered use of the board room for Watermaster meetings through 2010; CEO Evans would be sending out a schedule of regular board and TAC meetings via email to all parties. The election of Watermaster board officers would be held at the next regular meeting. The Technical Advisory Committee regular meeting of December 9, 2009 most likely would be cancelled due to lack of an agenda. Staff and the TAC would begin determining the useable storage space of the Basin to establish storage agreements for presentation to the board. Chair Rubio requested that staff provide an outline of significant work and milestones expected to be accomplished during 2010.

XIII. **NEXT MEETING DATE – By consensus of the Board, it was determined that no regular meeting would be held in January, and that the next Regular Meeting would be held on Wednesday, February 3, 2009, at the Monterey Regional Water Pollution Control Agency (MRWPCA) Board meeting room at 5 Harris Court, Building "D" on Ryan Ranch in Monterey at 2:00 p.m.**

XIV. There being no further business, Chairman Rubio adjourned the meeting at 2:22 p.m.

ITEM NO. IV.

CONSENT CALENDAR

**SEASIDE GROUNDWATER BASIN
WATERMASTER**

TO: Board of Directors
FROM: Dewey D Evans, CEO
DATE: February 3, 2010
SUBJECT: Summary of Payments Authorized to be paid during the month of December, 2009.

PURPOSE:

To advise the Board of payments authorized to be paid during the month of December, 2009

RECOMMENDATIONS:

Consider approving the payment of bills submitted and authorized to be paid during the month of December, 2009

COMMENTS and FISCAL IMPACT:

DDEvans Consulting (Professional Services Agreement—CEO)—November 19, 2009 through December 31, 2009 worked on Watermaster business a total of 68.0 hours at \$100.00 per hour or **\$6,800.00**. Discussions and review of draft Basin storage agreements with Joe Oliver and Bob Jaques. Responded to a variety of telephone calls, meetings, email correspondence with a number of people regarding a wide variety of items involving the Seaside Basin. Discussions, review of documents and preparation of December 2nd Board meeting packet. Sent same to Board and all Interested Parties. Attended December 2nd Board meeting and took followed up actions where directed. Discussed with Laura Dadiw and worked on work plan for FY 2010. Scheduled and calendared Board and TAC meetings for remainder of FY2010 and sent scheduled of meetings to Board and Interested Parties. Coordinated well drilling payment to Martin Feeney. Received and reviewed SNG Oral arguments on Ecoresort. Paid and processed year end bills. Correspondence with Dave Berger of CalAm on credit for replenishment assessment document.

Robert “Bob” Jaques (Technical Program Manager)—November 19, 2009 through December 23, 2009 worked a total of 35.25 hours at \$100.00 per hour or **\$3,525.00**. Prepared TAC meeting packet, attended and transcribed minutes for meeting of November 19, 2009. Finalized contracts with consultants and MPWMD; prepared Board agenda transmittals for December 2, Board meeting. Prepared for and attended December 2nd Board meeting. Prepared and sent out TAC meeting cancellation notice for December 9th. Met with Joe Oliver and Dewey Evans regarding Basin storage issues. Worked on draft Basin storage declaration and agreement documents. Processed HydroMetrics RFSs for signature; begin drafting Storage and Recovery Agreements. Met with George Riley to answer questions about Watermaster issues.

Martin Feeney—One invoice was submitted and authorized for payment during the month of December, 2009 for **\$26,426.93**. The invoice was for 35 hours of hydrogeologic consulting services of Martin Feeney at \$150.00 per hour or \$5,250.00 plus \$21,176.93 of outside expenses relating to the drilling of the sentinel well, such as; Pueblo Water Resources charges for coordination of field activities, contractor oversight and hydrogeologic support, \$15,900.00; the cost of purchasing two data loggers, \$1,619.72; and other related costs, \$3,657.21.

Monterey Peninsula Water Management District (MPWMD)—Two invoices were submitted during the month of December and authorized for payment for the fourth quarter of Water Year 2008-2009, (July 1, 2009 through September 30, 2009) totaling **\$25,072.75**. The amounts billed include conducting ongoing data entry/database maintenance, site representation and selection, collect monthly water levels, quarterly water quality samples, perform seawater intrusion analysis, prepare response plan, etc. during the quarter ended September 30, 2009.

HydroMetrics Water Resources Inc.—Two invoices were submitted during the month of December and authorized for payment for the months of November and December, 2009 totaling **\$2,359.20**. The amounts billed included 13 hours of consulting time preparing for and attending TAC meetings during November and December, 2009.

Total payments authorized to be paid during December, 2009 totaled **\$64,183.88**

Seaside Groundwater Basin Watermaster
Budget vs. Actual Administrative Fund
 Fiscal Year (January 1 - December 31, 2009)
 Balance through December 31, 2009

	2009 Adopted Budget	Contract Amount	Year to Date Revenue / Expenses
Available Balances & Assessments			
Dedicated Reserve	25,000.00		25,000.00
FY 2008 (Rollover)	24,241.00		38,294.20
FY 2009 Assessments	108,759.00		93,097.70
Available	158,000.00		156,391.90
Expenses			
Contract Staff	108,000.00	108,000.00	83,975.00
Legal Advisor	25,000.00	-	-
Total Expenses	133,000.00	108,000.00	83,975.00
Total Available	25,000.00		
Dedicated Reserve	25,000.00		
Net Available	-		

Seaside Groundwater Basin Watermaster
Budget vs. Actual Monitoring & Management - Operations Fund
 Fiscal Year (January 1 - December 31, 2009)
 Balance through December 31, 2009

ITEM IV.B.
2/3/2010

	<u>2009 Adopted Budget</u>	<u>Contract Encumbrance</u>	<u>Year to Date Revenue/Expenses</u>
Available Balances & Assessments			
Monitoring & Management - Ops Fund	\$ 683,998.00	\$ -	\$ 636,118.14
FY 2008 Rollover	133,496.15	-	271,132.77
Total Available	\$ 817,494.15	\$ -	\$ 907,250.91
Appropriations & Expenses			
GENERAL			
Technical Project Manager	\$ 100,000.00	\$ 100,000.00	\$ 57,575.00
Contingency @ 20% (not including TPM)	45,273.00	\$ 45,273.00	-
Total General	\$ 145,273.00	\$ 145,273.00	\$ 57,575.00
CONSULTANTS (Hydrometrics)			
Program Administration	\$ 35,000.00	\$ 35,000.00	\$ -
Production/Lvl/Qty Monitoring	29,000.00	-	-
Basin Management (BMAP, Modeling)	305,000.00	301,700.00	333,431.89
Seawater Intrusion (Plan, Analysis)	37,000.00	35,960.00	22,256.70
Total Consultants	\$ 406,000.00	\$ 372,660.00	\$ 355,688.59
MPWMD			
Production/Lvl/Qty Monitoring	\$ 99,670.00	91,000.00	\$ 53,865.30
Basin Management	12,800.00	12,800.00	7,600.00
Seawater Intrusion	6,800.00	6,800.00	2,000.00
Direct Costs	-	5,840.00	18,847.25
Total MPWMD	\$ 119,270.00	\$ 116,440.00	\$ 82,312.55
OTHER			
Program Administration	\$ -	\$ -	\$ -
Production/Lvl/Qty Monitoring	2,645.00	-	-
Basin Management	4,600.00	1,447.50	1,447.50
Seawater Intrusion	6,210.00	1,447.50	1,447.50
Total MRWMD	\$ 13,455.00	\$ 2,895.00	\$ 2,895.00
Transfer Out to Capital Fund			47,199.00
Total Appropriations & Expenses	\$ 683,998.00	\$ 637,268.00	\$ 545,670.14
Total Available	133,496.15		

**Seaside Groundwater Basin Watermaster
Budget vs. Actual Monitoring and Management - Capital Fund
Fiscal Year (January 1 - December 31, 2009)
Balance through December 31, 2009**

ITEM IV.B.
2/3/2010

	2009 Adopted Budget	Contract Encumbrance	Year to Date Revenue / Expense
Available Balances and Assessments:			
Monitoring & Management Fund - Capital	\$ 225,000		\$ 209,250
FY 2007-2008 Rollover to 2009	-		16,877
Transfer in from Operations Fund	-		47,199
Subtotal	<u>225,000</u>		<u>273,326</u>
Appropriations & Expenses:			
Professional Services			
Project Management	-	-	-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>
Direct Costs			
Well Drilling -	225,000	275,199	267,827
Subtotal	<u>225,000</u>	<u>275,199</u>	<u>267,827</u>
Total Appropriations and Expenses	<u>\$ 225,000</u>	<u>\$ 275,199</u>	<u>\$ 267,827</u>
Total Available	<u>\$ -</u>		

Footnote 1 - Contract amounts with Martin Feeney total \$275,199.00 which includes the site location, design work, and installation of a monitoring well in the inland area of the former Fort Ord. Funding for the project consists of:

Cash in Fund - Rollover	\$ 16,877
Assessments collected FY 2009	209,250
Transfer In from M&M Operations Fund	47,199
Assessments owed by City of Seaside	
FY 2009 15,750	15,750
Total	<u>\$ 289,076</u>

Seaside Groundwater Basin Watermaster

Budget vs. Actual - Replenishment Fund

Water Year 2009 (October 1 - September 30) / Fiscal Year (January 1 - December 31, 2009)

Balance through December 31, 2009

Replenishment Fund		2006	2007	2008	2009	Totals Through WY 2009	2010 Adopted Budget (10/7/09)	Projected Totals Through WY 2010
Assessments:		WY 05/06	WY 06/07	WY 07/08	WY 08/09		WY 09/10	
Unit Cost:		\$1,132	\$1,132	\$2,485	\$3,040		\$2,780	
California American Water								
	Exceeding Natural Safe Yield Considering Alternative Producers	2,108,570	2,484,533	5,164,969	3,773,464	\$ 13,531,537	5,778,119	\$ 19,309,656
	Operating Yield Overproduction Replenishment	-	80,938	34,045	-	\$ 114,983	38,086	\$ 153,069
	Total California American	2,108,570	2,565,471	5,199,014	3,773,464	\$ 13,646,520	5,816,205	\$ 19,462,725
	CAW Credit Against Assessment	(465,648)		(12,305,924)	\$ (2,898,517)	\$ (12,771,572)	-	\$ (12,771,572)
	Balance	1,642,922	2,565,471	\$ (2,898,517)	\$ 874,948	-	-	\$ -
	CAW Unpaid Balance	\$ -	\$ -	\$ -	\$ 874,948	\$ 874,948	\$ 5,816,205	\$ 6,691,153
City of Seaside - Municipal								
	Exceeding Natural Safe Yield Considering Alternative Producers	169,200	173,739	385,642	399,211	\$ 1,127,792	431,428	\$ 1,559,220
	Operating Yield Overproduction Replenishment	50,487	340	16,898	66,090	\$ 133,815	18,904	\$ 152,719
	Total Municipal	219,687	174,079	402,540	465,300	\$ 1,261,606	450,332	\$ 1,711,939
City of Seaside - Golf Courses								
	Exceeding Natural Safe Yield - Alternative Producer	-	-	131,705	69,701	\$ 201,406	147,340	\$ 348,746
	Total City of Seaside*	219,687	174,079	534,245	535,001	1,463,012	597,672	2,060,685
	City of Seaside Paid Assessments	-	-	-	-	\$ -	-	-
	City of Seaside Unpaid Balance	\$ 219,687	\$ 174,079	\$ 534,245	\$ 535,001	\$ 1,463,012	\$ 597,672	\$ 2,060,685
Grand Total Replenishment Fund Balance		\$ 219,687	\$ 174,079	\$ 534,245	\$ 1,409,949	\$ 2,337,960	\$ 6,413,877	\$ 8,751,837
Total Replenishment Assessments		1,862,609	2,739,550	5,733,259	\$ 4,308,466	15,109,532	6,413,877	\$ 21,523,409
Total Replenishment Paid and Credited		(1,642,922)	(2,565,471)	(5,199,014)	(2,898,517)	(12,771,572)		(12,771,572)
MRWPCA GWRP Payment								(100,000)
Grand Total Replenishment Fund Balance		219,687	174,079	534,245	1,409,949	\$ 2,337,960	6,413,877	\$ 8,651,837.23

ITEM V.

**INFORMATIONAL
REPORTS**

(NO ACTION REQUIRED)

D-R-A-F-T
MINUTES

**Seaside Groundwater Basin Watermaster
Technical Advisory Committee Meeting
November 19, 2009**

Attendees: **TAC Members**
City of Seaside – Rick Riedl
California American Water – Tom Bunosky
City of Monterey – Norman Green
Laguna Seca Property Owners – Bob Costa
MPWMD – Joe Oliver
Public Member – John Fischer
MCWRA – No Representative
City of Del Rey Oaks – No Representative
City of Sand City – No Representative
Coastal Subarea Landowners – No Representative

Watermaster
Technical Program Manager - Robert Jaques
Watermaster CEO Assistant – Laura Dadiw

Consultants
HydroMetrics LLC - Derrick Williams (by telephone)
Martin Feeney Hydrogeologist - Martin Feeney

Others:
MPWMD – Jonathan Lear
MCWD – Brian True

The meeting was called to order at 1:42 p.m. (Start of meeting delayed waiting for members to arrive).

Note: Since neither Ms. Ingersoll, Mr. Sabolsice, nor Mr. Johnson were present (Chair and 1st and 2nd Vice-Chairs respectively), Mr. Bunosky chaired the meeting.

1. Administrative Matters:

A. Approve Minutes from October 14, 2009 Regular Meeting

On a motion by Mr. Oliver, second by Mr. Fischer, the minutes were unanimously approved as presented.

B. Approve Minutes from October 28, 2009 Special Meeting

Mr. Riedl commented that for all five of the Scenarios discussed under item 2.A on the October 28, 2009 TAC Agenda, he felt the predicted groundwater levels were unrealistically low, because the Scenarios all include pumping from wells that have not pumped for many years. He went on to recommend that new assumptions be made in this regard and that some of the Scenarios be re-run in 2010.

Mr. Riedl also questioned whether Scenario 5 had been characterized as being “not cost-effective” during Mr. Williams’ presentation at the October 28, 2009 TAC meeting. Mr. Williams responded confirming that he had made that statement, and that it was included in one of the PowerPoint presentation slides he had used.

Mr. Fischer asked Mr. Williams if he had heard from Paul Williams Associates (PWA) recently. Mr. Williams said he had not. Mr. Fischer commented that PWA is interested in the Groundwater Model, and that they may be contacting Mr. Williams with regard to the issues of sea level rising and coastal erosion impacts on southern Monterey Bay, as these issues may pertain to the Model.

Following these discussion, on a motion by Mr. Oliver, second by Mr. Fischer, the minutes were unanimously approved as presented.

C. Consider Request from HydroMetrics for Additional Funds for Performance of Work on the Groundwater Model

Mr. Jaques summarized the agenda packet material on this item. Mr. Riedl asked Mr. Williams to what portions of the work Tasks 4, 5, and 6 of his contract with the Watermaster pertained. Mr. Williams responded that these tasks pertained to the Regional Groundwater Model, not to the Protective Water Level Model.

Mr. Williams explained that HydroMetrics had needed to do more work on iterations of pumping, geology, and other data than he had anticipated. He explained that this situation was different than the earlier \$7,500 additional funding request earlier in the year to obtain data from MCWRA's consultants. He said that in this instance it had been difficult to predict a possible overrun. Mr. Williams noted that he had asked for a transfer of money from HydroMetrics' general hydrogeologic consulting RFS to the Groundwater Modeling RFS, but acknowledged that this would require Board action to amend these RFSs, as they are two separate RFSs.

Mr. Bunosky asked Mr. Williams how many iterations he had anticipated when he prepared his cost proposal for the contract. Mr. Williams said he felt only a few iterations would be needed, but more were necessary than HydroMetrics had anticipated.

Mr. Riedl asked what type of data had been found to be problematic. Mr. Williams responded that the Paso Robles formation bottom elevation, the top of the Monterey Shale formation, and the extent of the Aromas Sands were some of the problematic data which

required additional iterations. Mr. Williams went on to say that much interpolation of data was required, and some of the data sources were found to be in conflict, and these needed to be resolved. Mr. Riedl asked if there had been a problem with sewer and septic leakage recharge quantities. Mr. Williams responded that this had not been a problem, and that HydroMetrics had adequately budgeted for that part of the work.

Mr. Oliver asked Mr. Williams if he could break-out the overrun costs. Mr. Williams said he probably could try to pull this together, but that he would not know until he examined the time sheets. Mr. Oliver said he knew he had had numerous conversations with Ms. King of HydroMetrics on various data sets from various sources.

Mr. Bunosky asked when the cost overrun had occurred. Mr. Williams responded that the overrun had probably occurred in the August-September, 2009 time frame. He commented that the Tasks in the contract are relatively broad, and HydroMetrics felt they were spending more time on some of the work, but also thought they still would be able to come in on time and within the authorized budget. He said they did not track the costs closely enough to identify the overrun until it already occurred.

Mr. Riedl commented that the cost overrun had occurred before the Watermaster was notified, so there was no way for the Watermaster to take actions to avoid or reduce the overrun.

Mr. Bunosky asked Mr. Williams when the existence of the cost overrun had been communicated to the TAC. Mr. Williams said he did not see any cost overrun discussion included in the TAC meeting minutes. He then commented that he may only have discussed this issue with Mr. Oliver in separate conversations outside the TAC meetings, rather than at the TAC meetings themselves.

Mr. Green asked if all the work had been completed. Mr. Jaques responded that the final billing from HydroMetrics has not yet come in, but as of the last billing that the Watermaster had received, the cost authorization limit had not been reached. Mr. Jaques commented that he understood that all of the work of his contract had been completed with the exception of printing the required number of hard copies of the Groundwater Modeling Report itself.

Mr. Fisher asked Mr. Williams if any information from Mr. Feeney with regard to changes in the understanding of the Basin hydrology resulting from the drilling information obtained from the BLM monitoring well would add to the understanding of the potential need for additional work that Mr. Williams indicated HydroMetrics had had to perform. Mr. Feeney responded that the information obtained from the recent BLM monitoring well drilling had not been obtained until after the work of the Groundwater Modeling Report had largely been completed, and thus the new information should not have contributed to the cost overrun.

A motion was made by Mr. Riedl, second by Mr. Fisher, to deny the request due to lack of support and the lateness of the request being made. During discussion of the motion Mr. Fisher commented that there was no way to justify the increase since it was not supported by the meeting minutes as having been communicated earlier to TAC members. Mr. Green asked if it would be feasible to go "halfway" on the request.

Mr. Fisher asked Mr. Bunosky, since Seaside is a payer of Watermaster assessments and recommended denial of the request, how did CAW feel as another payer of Watermaster assessments. Mr. Bunosky said he did not feel the request was well-documented and was not submitted in time to allow the TAC and the Watermaster to mitigate the overrun. Mr. Bunosky said the request needed to be much better documented in order to be considered further, and that his position was that CAW concurred with Seaside in recommending denial of the request.

A vote on the motion was made with Mr. Oliver voting no, commenting that he would like to see the break-out of the cost overrun. Mr. Costa said he would like to abstain as yet not been following this matter closely and the past. All other TAC members voted yes, and the motion passed.

On a related matter Mr. Fisher commented that an abstention is the same as a "yes" vote. Mr. Jaques said he had never heard of that being the case in public meetings. Following some discussion there was consensus to check Robert's Rules on this matter. The Watermaster will do that and report its findings to the TAC.

2. Progress Reports

A. MPWMD

Mr. Oliver summarized the agenda packet material on this item. Mr. Jaques urged TAC members to provide input to him, Mr. Oliver and Ms. Dadiw regarding any suggested items for improvement in the Watermaster's Database.

B. HydroMetrics

Mr. Williams said that the work of his current contracts was substantially complete, and that he only needed to produce the hard copies of the Groundwater Model Report in December to complete all currently contracted work. Following brief discussion a deadline of November 30, 2009 was set for receipt of comments on the Groundwater Model Report. That deadline should enable Mr. Williams to produce the hard copies of the Groundwater Model Report on or about December 9, 2009, so Mr. Jaques can distribute them at the TAC meeting to be held on that date.

C. Martin Feeney

Mr. Feeney summarized the agenda packet material for this item. He said that dataloggers were installed today on the BLM monitoring well. He commented that the aquifers were found to be deeper at the BLM well site than had previously been thought. He said ground water levels were about 10 feet below mean sea level in the Paso Robles aquifer, but were about 12 feet above mean sea level in this Santa Margarita aquifer. Prior reports had

indicated that the Paso Robles water level would be about 50 feet above mean sea level, but that previous reports had not made any prediction with regard to water levels in the Santa Margarita aquifer. He said that these groundwater elevation values were subject refinement by field surveying of the well.

Mr. Feeney said that the groundwater model predicted a groundwater elevation of about 8 feet below mean sea level in the Paso Robles aquifer at this location, thus indicating that the Model was quite accurate at this location. Mr. Feeney commented that the Huffman well would now be completely dry, and that what it was operational it may have been in a perched aquifer, in an area which has since been dewatered, because the previously reported groundwater elevation at this location is no longer accurate. He said that the data obtained from the BLM well will be used along with other data to attempt to explain these findings. He said it will be interesting to see the impacts on the BLM monitoring well of CAW's well pumping from its production wells when the CAW pumping ceases in the winter.

Mr. Feeney said that he will prepare his report on the BLM well when all the data is in, probably by mid-December.

Mr. Feeney briefly discussed the geophysical log shown on page 27 of the agenda packet. He noted that the Paso Robles formation ranges from 300 to 700 feet below ground level, and the Santa Margarita formation ranges from 900 to 1,350 feet below ground level. He noted that 200 foot concrete seal had been installed between the two aquifers in the BLM monitoring well borehole. He said there was a very good clay seal layer between the two aquifers in this location, so using the nested well configuration should be very satisfactory. He will try to provide his report to Mr. Jaques in time to be handed out at the December 9th 2009 TAC meeting.

Mr. Bunosky asked Mr. Feeney: If the driller had not stopped at the depth they did and subsequently damaged their drilling equipment while trying to go deeper, who would have been responsible for the cost consequences of that action. Mr. Feeney said that if he directed the driller to continue drilling in spite of the driller's request to stop, it would have been the Watermaster's cost responsibility. Mr. Jaques clarified that it would not have been the Watermaster's responsibility unless Mr. Feeney had first notified the Watermaster of the situation, made a recommendation to cease drilling at that depth, and the Watermaster had directed Mr. Feeney to have the driller proceed in spite of that. Mr. Feeney concurred with this.

Mr. Riedl asked if the Monterey Shale elevation could be accurately predicted, even though the driller stopped short of hitting it. Mr. Feeney said yes, because the strata at this site matches well to other drill samples were the Monterey Shale was encountered. Several other questions were asked to Mr. Feeney and he responded to them.

Mr. Bunosky asked Mr. Oliver if CAW's Fitch monitoring well would be included in the Watermaster's Database. Mr. Oliver said he has already added it to the MPWMD database, so that information would be available for use in the Watermaster's analyses.

3. Proposed Initial Consultant Contracts for FY 2010

Mr. Jaques summarized the agenda packet materials for this item.

Mr. Oliver summarized his recommended changes to Attachment No. 3 to MPWMD RFS 2010-01. He reported that there would be some cost savings from the sample taking improvements which MPWMD has made to the monitoring well sampling methodology, and also applying this new approach to the Sentinel Wells along the coast. Mr. Bunosky complemented Mr. Oliver for his efforts to keep costs down. Mr. Riedl asked Mr. Oliver why there are labor costs included in the Supplies and Materials component of Attachment 3. Mr. Jaques explained that this is for the Database consultant's labor, not MPWMD's labor.

Mr. Williams reported that HydroMetrics RFS No. 2010-01 will not provide sufficient funds to cover hydrogeologic consulting services for the full year, but that it will be sufficient to cover a portion of that work in. The additional funds will be included in the other RFSs that will be issued to HydroMetrics for other work they will be doing in 2010.

Mr. Riedl asked if additional well sampling was included and Mr. Oliver responded that well SBWM-5 (the new BLM monitoring well) has been included, and that the ASR monitoring well data is paid for by others (CAW), so it goes into the Watermaster's Database at no additional cost to the Watermaster.

Mr. Riedl asked if some of the sampling could now be reduced, since sampling has been conducted for several years. Mr. Oliver and Mr. Feeney recommended against reducing the sampling program, because they felt the current sampling program is producing data that could be valuable under certain conditions.

On a motion by Mr. Fischer, second by Mr. Riedl, all four of the proposed consultant contracts were unanimously approved as presented, with the changes to the cost breakdown mentioned above for MPWMD RFS No. 2010-01 as described by Mr. Oliver.

4. Discuss Issues Pertaining to MPWMD ASR Injection

Mr. Jaques summarized the agenda packet materials for this item.

Mr. Oliver noted that in Water Year 2008 CAW did take a credit for ASR water, but that this was already reflected in CAW's production data that was reported to the Watermaster. This year (Water Year 2009) CAW initially forgot to take a credit, so it had to submit a revised figure. 182 acre feet of non-native water was injected into the Basin in Water Year 2009, so pumping this quantity out was not reported in the CAW production data.

Mr. Bunosky said that with the Coastal Water Project there will be much larger amounts of ASR and storage, so it would be a good idea to now proceed with developing storage agreements.

Mr. Oliver suggested that the approach could be straightforward by using the water rights permit language that was issued to MPWMD for its ASR wells.

There was discussion as to whether not legal counsel would be needed to draft of storage agreements. Mr. Bunosky felt that a number of scenarios should be considered when drafting such agreements.

There was consensus to recommend that the Board now develop a storage agreement template to, and that the TAC could offer to prepare a draft agreement for Board consideration. Mr. Riedl also suggested considering an "in-lieu" type of storage agreement. Mr. Jaques recommended preparing this as a TAC agenda topic for a future meeting, since the Decision does not appear to speak to the issue of having in-lieu recharge types of agreements. Mr. Jaques will agendize this for future TAC discussion, and Mr. Riedl agreed to prepare some agenda materials for that topic.

5. Update on Draft Environmental Impact Report for CAW Coastal Water Project

Mr. Jaques summarized the agenda packet materials on this item and Mr. True and Mr. Bunosky elaborated.

Mr. Bunosky referred to the Watermaster-CAW Replenishment Credit Repayment Agreement, the Cease and Desist Order requirement for CAW to develop 500 acre feet per year of "small water projects" to lower demand on the CAW system, increased levels of conservation, and a pending rate increase, all of which he anticipates will reduce CAW system demands, thereby freeing up water which might be available to the Seaside Basin. Mr. Bunosky expressed concern that seeking additional water at this point in time might delay the FEIR certification process. He suggested that if additional water is needed for the Seaside Basin this could be pursued as a future project separate from the CWP.

Mr. Jaques expressed concern that once the Coastal Water Project is approved by the Public Utilities Commission, there will still be a shortage of water for the Seaside Basin to bring groundwater levels up to protective levels, and thus the Basin will remain vulnerable to sea water intrusion.

There was much discussion on the subject. Mr. Green commented that in an emergency condition one could even consider bringing in a ship-mounted desalination plant to inject water into the Seaside Basin.

No action was taken and no direction was provided on this agenda item.

6. Status Report on City of Seaside Negotiations with MCWD to Obtain Golf Course Water

Mr. Riedl reported that Seaside and MCWD representatives met recently, but he had no information to report as an update on the subject. Mr. True said that the recent meeting between Seaside and MCWD was not to discuss the MCWD water supply to the golf courses, but to discuss other topics.

Mr. Jaques proposed discontinuing this as a regular agenda item, inasmuch as there has been little information for Mr. Riedl to provide to the TAC. It was agreed that Mr. Riedl will notify Mr. Jaques when and if he would like to provide an update to the TAC as a future agenda item.

7. Schedule

Mr. Jaques summarized the 2010 Schedule and several changes were made to the dates and durations of certain Tasks. Mr. Jaques will revise this into the final 2010 Schedule. With those revisions made, on a motion by Mr. Green, second by Mr. Oliver the 2010 Schedule was unanimously approved.

8. Other business

Mr. Riedl had some questions with regard to the desalination aspects of the Coastal Water Project, and Mr. Bunosky provided answers to them.

9. Set next meeting date

The next regular meeting will be held on Wednesday December 9, 2009 at 1:30 p.m. at the Seaside City Hall Portable Offices Building

The meeting adjourned at 4:48 p.m.

CONTINUED
SEASIDE GROUNDWATER BASIN WATERMASTER
REGULAR BOARD MEETING AGENDA
WEDNESDAY, FEBRUARY 3, 2010, 2:00 P.M.
MONTEREY REGIONAL WATER POLLUTION CONTROL AGENCY
BOARD ROOM, 5 HARRIS COURT, BUILDING "D"
"RYAN RANCH"
MONTEREY, CALIFORNIA

WATERMASTER BOARD (CALENDAR YEARS-2010 & 2011)

City of Seaside – Mayor Ralph Rubio
Coastal Subarea Landowner – Director Paul Bruno
Monterey Peninsula Water Management District – Director Judi Lehman
City of Del Rey Oaks – Mayor Jerry Edelen
California American Water – Director Craig Anthony
Laguna Seca Subarea Landowner – Director Bob Costa
City of Monterey – Mayor Chuck Della Sala
City of Sand City – Mayor David Pendergrass
Monterey County/Monterey County Water Resources Agency -- Supervisor Dave Potter, District 5

I. CALL TO ORDER (NEW BOARD OF DIRECTORS FOR CALENDAR YEARS 2010 AND 2011)

II. INTRODUCTION OF NEW MEMBERS OF THE BOARD OF DIRECTORS AND ROLL CALL

III. ELECTION AND APPOINTMENT OF OFFICERS FOR CALENDAR YEAR 2010

- A. Chairperson—(Must be member of the Board of Directors)
- B. Vice Chairperson—(Must be member of the Board of Directors)
- C. Secretary—(Need not be a member of the Board of Directors)
- D. Treasurer—(Need not be a member of the Board of Directors)

IV. REVIEW OF AGENDA

If there are any items that arose after the 72-hour posting deadline, a vote may be taken to add the item to the agenda pursuant to the requirements of Government Code Section 54954.2(b). (A 2/3-majority vote is required).

V. PUBLIC COMMUNICATIONS

Oral communications is on each meeting agenda in order to provide members of the public an opportunity to address the Watermaster on matters within its jurisdiction. Matters not appearing on the agenda will not receive action at this meeting but may be referred to the Watermaster Administrator or may be set for a future meeting. Presentations will be limited to three minutes or as otherwise established by the Watermaster. In order that the speaker may be identified in the minutes of the meeting, it is helpful if speakers would use the microphone and state their names. Oral communications are now open.

VI. CONSENT CALENDAR

- A. Consider Approval of Summary of Payments made during January, 2010 totaling **\$9,400.00**
- B. Consider Approval of Fiscal Year 2010 Financial Reports for January 1 through 31, 2010
- C. Bureau of Land Management, (BLM) Monitoring Well Construction Report
- D. Consider Approval of Modification to MPWMD Request for Service No. 2010-01 to Change Water Quality Sampling Frequency of New BLM Monitoring Well

VII. ORAL PRESENTATION

(None scheduled)

VIII. NEW BUSINESS

A. COMMITTEE REPORTS

1. TECHNICAL ADVISORY COMMITTEE (TAC)

- a). Consider Issuance of Declaration of Total Usable Storage Capacity of the Basin

2. BUDGET AND FINANCE COMMITTEE

- a). Consider California American Water's Request to Allow a Credit for Pre-Construction Costs Incurred in Calendar Year 2007 for Pursuing the Coastal Water Project amounting to \$3,741,714 to be used to offset the Watermaster Year 2008/2009 Overproduction Replenishment Assessment
- b). Consider Approving Report responding to Superior Court Minute Order dated January 6, 2010 concerns regarding the Watermaster's Annual 2009 Report to the Court

IX. INFORMATIONAL REPORTS (No Action Required)

- A. Timeline Schedule of Milestone Dates (Critical date monitoring)
- B. Work Plan for FY 2010
- C. Technical Advisory Committee (TAC) minutes of January 13, 2010
- D. Water Production Report for the First Quarter (October 1, 2009 through December 31, 2009) of Water Year 2009-2010

X. DIRECTOR'S REPORTS

XI. EXECUTIVE OFFICER COMMENTS

XII. NEXT REGULAR MEETING DATE –MARCH 3, 2010 (MRWPCA-Board Room) 2:00 P.M.

XIII. ADJOURNMENT

These agendas were forwarded via e-mail to the City Clerks of Seaside, Monterey, Sand City and Del Rey Oaks; the Clerk of the Monterey Board of Supervisors, the Clerk to the Monterey Peninsula Water Management District; the Clerk at the Monterey County Water Resources Agency, Monterey Regional Water Pollution Control Agency and the California American Water Company for posting on January 28, 2010 per the Ralph M. Brown Act, Government Code Section 54954.2(a).

ITEM NO. VI.

CONSENT CALENDAR

**SEASIDE GROUNDWATER BASIN
WATERMASTER**

TO: Board of Directors
FROM: Dewey D Evans, CEO
DATE: February 3, 2010
SUBJECT: Summary of Payments Authorized to be paid during the month of January, 2010.

PURPOSE:

To advise the Board of payments authorized to be paid during the month of January, 2010

RECOMMENDATIONS:

Consider approving the payment of bills submitted and authorized to be paid during the month of January, 2010

COMMENTS and FISCAL IMPACT:

DDEvans Consulting (Professional Services Agreement—CEO)—January 1, 2010 through January 25, 2010 worked on Watermaster business a total of 49.0 hours at \$100.00 per hour or **\$4,900.00**. Organized and prepared February 3, 2010 Watermaster Board of Director’s regular monthly meeting. Attended January 13th WM TAC meeting; prepared and attended January 14th WM Budget and Finance Committee meeting. Prepared and delivered billings to City of Seaside for payment. Received and deposited assessment checks for FY 2010. Received and forwarded copies of Superior Court Minute Order received on January 7, 2010 to Russ McGlothlin and Don Freeman. Discussed Court Order with Budget and Finance Committee and Russ McGlothlin. Received and reviewed water production reports for first quarter of WY 2009/2010 and sent same to Joe Oliver at MPWMD. Reviewed and commented on WM TAC meeting minutes from Bob Jaques.

Robert “Bob” Jaques (Technical Program Manager)—December 24, 2009 through January 22, 2010 worked a total of 45.0 hours at \$100.00 per hour or **\$4,500.00**. Planned, prepared, attended and participated on regular TAC meeting of January 13th. Reviewed and approved invoices received from Martin Feeney, HydroMetrics and MPWMD and forwarded approvals to CEO. Met with Keith Israel of MRWPCA to get update on supplemental water projects and GWRP status. Prepared and sent out draft TAC meeting minutes; worked on preparing amendment letter MPWMD for RFS No. 2010-01 regarding changing water quality sampling frequency for new BLM Well. Worked on preparing response to judge regarding reducing induction logging frequency for Sentinel wells.

Total payments authorized to be paid during October, 2009 totaled **\$9,400.00**

Seaside Groundwater Basin Watermaster
Budget vs. Actual Administrative Fund
 Fiscal Year (January 1 - December 31, 2010)
 Balance through January 31, 2010

	<u>2010 Adopted Budget</u>	<u>Contract Amount</u>	<u>Year to Date Revenue / Expenses</u>
Available Balances & Assessments			
Dedicated Reserve	25,000.00		25,000.00
FY 2008 (Rollover)	43,000.00		47,416.90
FY 2009 Assessments	82,000.00		48,792.00
Available	<u>150,000.00</u>		<u>121,208.90</u>
Expenses			
Contract Staff	100,000.00	100,000.00	4,900.00
Legal Advisor	25,000.00	-	-
Total Expenses	<u>125,000.00</u>	<u>100,000.00</u>	<u>4,900.00</u>
Total Available	25,000.00		
Dedicated Reserve	<u>25,000.00</u>		
Net Available	<u>-</u>		
Administrative Fund Assessments owed by City of Seaside			
FY 2009 (including 5% penalty)	16,444		
FY 2010 (including 5% penalty)	8,618		

Seaside Groundwater Basin Watermaster
Budget vs. Actual Monitoring & Management - Operations Fund
 Fiscal Year (January 1 - December 31, 2010)
 Balance through January 31, 2010

ITEM VI.B.
2/3/2010

	<u>2010 Adopted Budget</u>	<u>Contract Encumbrance</u>	<u>Year to Date Revenue/Expenses</u>
Available Balances & Assessments			
Monitoring & Management - Ops Fund	\$ 351,664.00	\$ -	\$ 327,047.52
FY 2009 Rollover	361,581.00	-	361,581.00
Total Available	\$ 713,245.00	\$ -	\$ 688,628.52
Appropriations & Expenses			
GENERAL			
Technical Project Manager	\$ 100,000.00	\$ 100,000.00	\$ 4,500.00
Contingency @ 20% (not including TPM)	41,944.00	41,944.00	-
Total General	\$ 141,944.00	\$ 141,944.00	\$ 4,500.00
CONSULTANTS (Hydrometrics)			
Program Administration	\$ 8,000.00		
Production/Lvl/Qty Monitoring	30,000.00	\$ 12,000.00	\$ 1,080.00
Basin Management (BMAP, Modeling)	50,000.00		
Seawater Intrusion (Plan, Analysis)	27,000.00	22,020.00	-
Total Consultants	\$ 115,000.00	\$ 34,020.00	\$ 1,080.00
MPWMD			
Production/Lvl/Qty Monitoring	\$ 91,120.00	74,780.00	\$ -
Basin Management	-	5,000.00	-
Seawater Intrusion	3,600.00	3,600.00	-
Direct Costs	-	-	-
Total MPWMD	\$ 94,720.00	\$ 83,380.00	\$ -
Transfer Out to Capital Fund			
			-
Total Appropriations & Expenses	\$ 351,664.00	\$ 259,344.00	\$ 5,580.00
Total Available	361,581.00		
Operations Fund Assessments owed by City of Seaside			
FY 2009 (including 5% penalty)	50,274		
FY 2010 (including 5% penalty)	25,847		

**Seaside Groundwater Basin Watermaster
 Budget vs. Actual Monitoring and Management - Capital Fund
 Fiscal Year (January 1 - December 31, 2010)
 Balance through January 31, 2010**

ITEM VI.B.
2/3/2010

	<u>2009 Adopted Budget</u>	<u>Contract Encumbrance</u>	<u>Year to Date Revenue / Expense</u>
Available Balances and Assessments:			
Monitoring & Management Fund - Capital	\$ -		\$ -
FY 2007-2008 Rollover to 2009	5,499		5,499
Transfer in from Operations Fund	-		-
Subtotal	<u>5,499</u>		<u>5,499</u>
Appropriations & Expenses:			
Professional Services			
Project Management	-	-	-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>
Direct Costs			
Well Drilling -	-	-	-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>
Total Appropriations and Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Available	<u>\$ -</u>		
Capital Fund Assessments owed by City of Seaside			
FY 2009 (including 5% penalty)	<u>16,538</u>		
Total	<u>\$ 16,538</u>		

Seaside Groundwater Basin Watermaster

Budget vs. Actual - Replenishment Fund

Water Year 2010 (October 1 - September 30) / Fiscal Year (January 1 - December 31, 2010)

Balance through January 31, 2010

Replenishment Fund		2006	2007	2008	2009	Totals Through WY 2009	2010 Adopted Budget (10/7/09)	Projected Totals Through WY 2010
Assessments:		WY 05/06	WY 06/07	WY 07/08	WY 08/09		WY 09/10	
Unit Cost:		\$1,132	\$1,132	\$2,485	\$3,040		\$2,780	
California American Water								
	Exceeding Natural Safe Yield Considering Alternative Producers	2,108,570	2,484,533	5,164,969	3,773,464	\$ 13,531,537	5,778,119	\$ 19,309,656
	Operating Yield Overproduction Replenishment	-	80,938	34,045	-	\$ 114,983	38,086	\$ 153,069
	Total California American	2,108,570	2,565,471	5,199,014	3,773,464	\$ 13,646,520	5,816,205	\$ 19,462,725
	CAW Credit Against Assessment	(465,648)		(12,305,924)	\$ (2,898,517)	\$ (12,771,572)	-	\$ (12,771,572)
	Balance	1,642,922	2,565,471	\$ (2,898,517)	\$ 874,948	-	-	\$ -
	CAW Unpaid Balance	\$ -	\$ -	\$ -	\$ 874,948	\$ 874,948	\$ 5,816,205	\$ 6,691,153
City of Seaside - Municipal								
	Exceeding Natural Safe Yield Considering Alternative Producers	169,200	173,739	385,642	399,211	\$ 1,127,792	431,428	\$ 1,559,220
	Operating Yield Overproduction Replenishment	50,487	340	16,898	66,090	\$ 133,815	18,904	\$ 152,719
	Total Municipal	219,687	174,079	402,540	465,300	\$ 1,261,606	450,332	\$ 1,711,939
City of Seaside - Golf Courses								
	Exceeding Natural Safe Yield - Alternative Producer	-	-	131,705	69,701	\$ 201,406	147,340	\$ 348,746
	Total City of Seaside*	219,687	174,079	534,245	535,001	1,463,012	597,672	2,060,685
	City of Seaside Paid Assessments	-	-	-	-	\$ -	-	-
	City of Seaside Unpaid Balance	\$ 219,687	\$ 174,079	\$ 534,245	\$ 535,001	\$ 1,463,012	\$ 597,672	\$ 2,060,685
Grand Total Replenishment Fund Balance		\$ 219,687	\$ 174,079	\$ 534,245	\$ 1,409,949	\$ 2,337,960	\$ 6,413,877	\$ 8,751,837
Total Replenishment Assessments		1,862,609	2,739,550	5,733,259	\$ 4,308,466	15,109,532	6,413,877	\$ 21,523,409
Total Replenishment Paid and Credited		(1,642,922)	(2,565,471)	(5,199,014)	(2,898,517)	(12,771,572)		(12,771,572)
MRWPCA GWRP Payment								(100,000)
Grand Total Replenishment Fund Balance		219,687	174,079	534,245	1,409,949	\$ 2,337,960	6,413,877	\$ 8,651,837.23

NOTE: California American Water credit against 2008/09 assessment submitted for board approval at this meeting

**SEASIDE GROUNDWATER BASIN
WATERMASTER**

TO: Board of Directors

FROM: Robert S. Jaques, Technical Program Manager
MODIFIED AND APPROVED BY: Dewey D. Evans, CEO

DATE: January 25, 2010

SUBJECT: BLM Monitoring Well Construction Report

RECOMMENDATIONS:

Accept the report describing construction of the new Watermaster monitoring well on the BLM site in the former Fort Ord.

BACKGROUND:

Martin Feeney recently completed construction of the Watermaster's new monitoring well the BLM site in the former Fort Ord. This well was constructed to fulfill one of the tasks in the Watermaster's 2009 Monitoring and Management Program. The purpose of the well is to provide a means of gathering additional information regarding the aquifers in this part of the Seaside Groundwater Basin, an area within which there are no other existing monitoring or production wells from which to obtain this information.

DISCUSSION:

Attached is the body of the report prepared by Mr. Martin Feeney, the Watermaster's consultant who constructed the new monitoring well, describing the construction of that well as well as Mr. Feeney's conclusions and recommendations from the performance of that work. The full report is lengthy, so only the body of it has been attached to this Agenda Item. However, the full report is posted on the Watermaster's website for review by any interested parties.

Some of the principle conclusions from this work are:

- The geologic, geophysical and hydrogeologic data from the new well have provided significant additional understanding of the hydrogeology of the inland portion of the Seaside Groundwater Basin, but also raise new questions.
- The adopted base of freshwater for the Seaside Basin, the Monterey Formation, is much deeper (approximately 450 feet) in this location than previously believed.
- The thickness of both the Santa Margarita Sandstone and Paso Robles Formation is much greater than previously thought in this location.
- The greater depth to the Monterey Formation and increased thickness of the overlying units at the subject location does not fit well into the existing understanding of subsurface structure of the inland portion of the Seaside Basin.
- It is likely that the deep aquifer at the site is impacted by pumping in the highly-confined Santa Margarita Sandstone from wells in Seaside proper. It is also likely that water levels will be influenced by injection operations in the Santa Margarita Sandstone.

Resolving the complexities that arise from the data resulting from the construction of this new monitoring well would require additional boreholes to be constructed in the inland area. However, resolving the geologic

complexities is relatively academic and is not particularly relevant to Basin management. Consequently, there currently is no reason to install additional boreholes in this area, in part because it would not be cost-effective to do so.

The new monitoring well has been added to the Watermaster's monitoring well network, and funds were included in the approved FY 2010 budget to collect data from this well for analysis in the Watermaster's ongoing Basin management program.

ATTACHMENT:

Body of the report prepared by Martin Feeney describing the construction of the new Watermaster monitoring well at the BLM site in the former Fort Ord. The full copy of the report including its appendices is posted on the Watermaster's website.

SEASIDE GROUNDWATER BASIN WATERMASTER
INLAND MONITORING WELL PROJECT
Construction of SBWM Monitoring Well #5
Summary of Operations

For
Seaside Groundwater Basin Watermaster



Prepared by

Martin B. Feeney PG, CHg
with assistance from Pueblo Water Resources, Inc.

January 2010

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CLOSURE 15

APPENDIX A - LITHOLOGIC AND GEOPHYSICAL LOGS ERROR! BOOKMARK NOT DEFINED.

APPENDIX B - WATER QUALITY DATA.....ERROR! BOOKMARK NOT DEFINED.

APPENDIX C - SUPPORTING DOCUMENTSERROR! BOOKMARK NOT DEFINED.

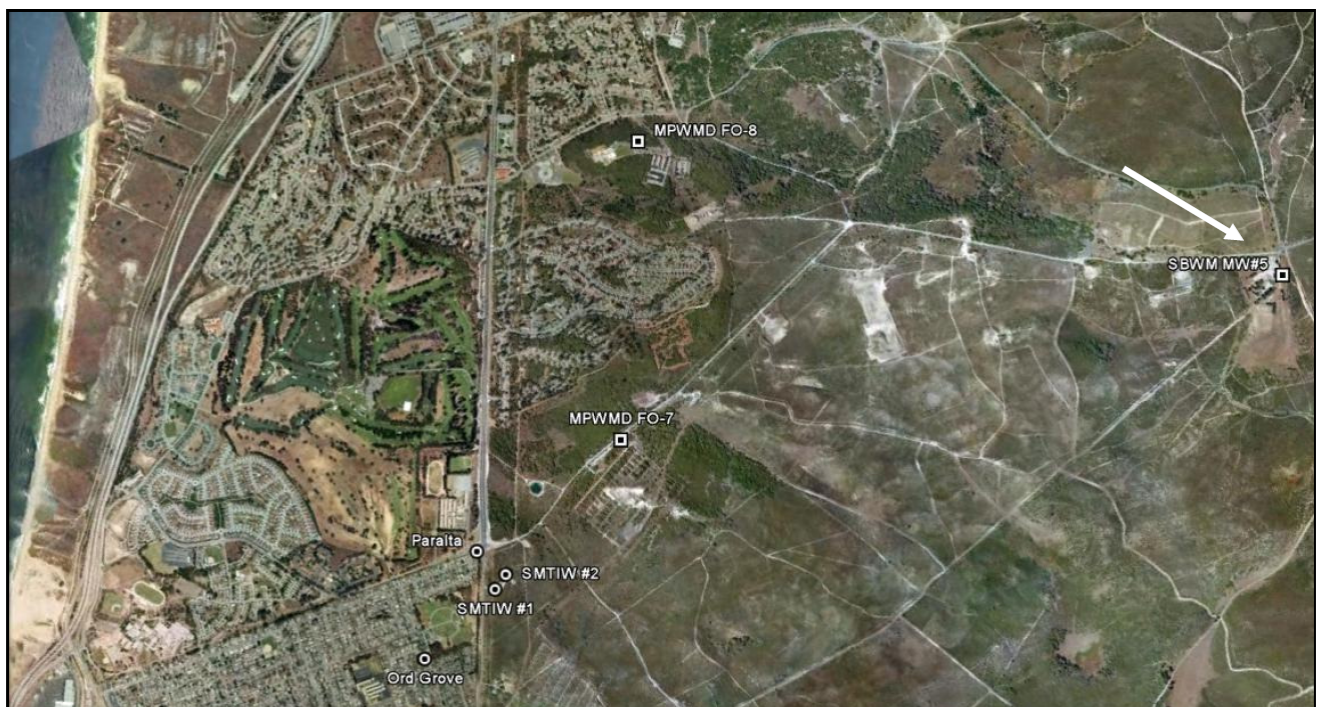
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INTRODUCTION

This report documents the installation of a deep dual-completion monitoring well in the inland portion of the Seaside Groundwater Basin. The well is located at the Bureau of Land Management (BLM) Fort Ord Office on Parker Flats Road on the former Fort Ord Military Reservation. The well was constructed by the Seaside Groundwater Basin Watermaster (Watermaster) as part of a court-ordered monitoring program for the Seaside Basin. The installation of the well is to provide additional understanding of the inland hydrogeology and provide for on-going water level and water quality data collection. The report provides a description of construction activities, summarizes hydrogeologic data collected, provides conclusions based on the data collected, and provides recommendation for the on-going monitoring of the well as it supplements the existing network of monitoring wells. The generalized location of the well site is shown on Figure 1.

Figure 1 - Location Map



SCOPE

The scope of work for this project was developed through discussion with Watermaster representatives and is documented in the scope of work prepared and authorized in June 2009. The work performed included:

- On-going support to Watermaster Technical Advisory Committee (TAC) and Watermaster Board throughout project duration.
- Permitting for the monitoring well construction project. This included: 1) Negotiation and meetings with Bureau of Land Management (BLM) personnel; 2) Acquisition of Well Construction Permits from Monterey County Environmental Health.
- Drilling of an exploratory borehole to the top of the Monterey Formation.
- Collection of lithologic and geophysical data from the borehole.

- Completion of borehole as two monitoring wells.
- Air-development of the wells.
- Collection and laboratory analysis of the water quality samples from the wells.
- Surveying of well location to establish wellhead elevation
- Acquisition and installation of continuous water level monitoring equipment (data loggers).
- Preparation of this report documenting construction of the wells and presenting our conclusions developed from the data collected and recommendations for future monitoring of the well.

BACKGROUND

Pursuant to the Seaside Groundwater Basin Watermaster's (Watermaster) **Monitoring and Management Program**, the Watermaster has installed an additional inland monitoring well to better understand the inland hydrogeology of the basin. This new well was constructed at the BLM site.

The BLM site was selected for the new inland well for several reasons. Firstly, the BLM site is located at the site of the original Camp Huffman on Fort Ord. There was a water well drilled at this location in 1912. This now-destroyed water well had been used by previous investigators for gradient control that was critical in the interpretations of the regional ground water flow regime. This well was destroyed in the early 1990's and re-establishment of this inland control for water level is considered critical to continued refinement of the understanding of the Seaside Basin. Secondly, the geologic structure and hydrostratigraphy of the inland portion of the basin is poorly understood and the drilling of a deep borehole at an inland location would provide valuable understanding. The location of the well on the BLM compound is shown on Figure 2.

This report documents the second attempt to construct a monitoring well at the subject site. The basis-of-design (included in Appendix C) for the subject well recommended the construction of a three-completion well cluster (three wells separated by 5 to 10 feet). Work on the well cluster began in mid-August 2009. The initial borehole was drilled to a depth of 1320 feet at which depth the drill rig suffered complete failure of the hydraulic system. Before the equipment could be repaired, the drill pipe had become stuck in the borehole. Efforts to free and remove the pipe failed and the drilling contractor had to resort to "shooting off" the pipe and abandoning the pipe and hole in place. While the hole was lost, lithologic and geophysical data were collected as part of drilling operations. The failure at the originally permitted site required that the Watermaster renegotiate with BLM for a new well site at the facility. As part of this negotiation, the Watermaster agreed to construct a nested well (two casings in single borehole) rather than the originally proposed well cluster. Fortunately, the lithologic and geophysical data from the first failed attempt documented significant hydrogeologic separation between the aquifer units which negated the previous concerns discussed in the basis-of-design document regarding whether a nested well could be constructed without leakage between the various aquifer units.

Figure 2 - Site Location Map

PROJECT COMPONENTS

PERMITTING

The permitting for the well construction and siting was relatively straight-forward. Permitting was limited to acquisition of a Right of Entry/License Agreement to construct and maintain a well-site on BLM land. This document was issued in July 2009. Subsequent to the receipt of the documents from BLM, the County of Monterey issued well construction permits in early August 2009.

WELL CONSTRUCTION

Bradley and Sons, Inc. of Del Rey, California was the Contractor for the drilling and well construction. Drilling was performed using an Ingersoll-Rand Top Head Drive (TH-60) drilling rig. The well was drilled by the direct rotary method, with a bentonite-based fluid. Fluid was circulated and conditioned in a system equipped with mechanical separators for solids. Well construction was performed in late October 2009.

Drilling

The pilot boring was 8.75 inches in diameter. Drill pipe lengths were twenty feet, and following advancement of each joint of pipe the fluid was circulated and cleaned to provide representative cutting samples and a balanced column of fluid. Cutting samples were collected throughout the pilot drilling and a lithologic log of the borehole was prepared. Representative cutting samples for each ten-foot depth interval were placed in labeled, compartmentalized sample trays.

The pilot boring was advanced to a depth of 1,338 feet where the material became very indurated slowing the rate of penetration. Based on the lithologic samples it was inferred that the bottom of the borehole was within 30 to 40 feet of the Monterey Formation. To reduce risk of damage to, or loss of, the drill string the decision was made to remove the drill string from the hole, inspect the drill string, and geophysically log the hole.

Geophysical logging was performed by Welenco, Inc. The geophysical logs include measurements of natural gamma radiation, spontaneous potential, short- and long-normal resistivities, and single point resistance. Review of the geophysical log and comparison of the geophysical log with proximate geophysical logs, confirmed the conclusion from the lithologic data – that the bottom of the borehole was within 30 to 40 feet of the top of the Monterey Formation. Based on this confirmation, and consideration of the risks associated with additional drilling, the borehole was terminated at the current depth.

The lithologic log, photographic documentation of the cutting samples, and geophysical logs for the boring are included in Appendix A.

Well Completion

Review of the lithologic and geophysical data allowed interpretation of the geologic conditions and the development of a completion plan for the well. The completion plan (total depth, placement of well screens, and annular seal depth) was developed for wells through consultation between project geologists (Martin Feeney PG, CHg and Mike Burke PG, CHg) and Mr. Joe Oliver PG, CHg of the Monterey Peninsula Water Management District.

Hydrostratigraphy. The geologic and geophysical data from this well revealed the expected sequence of geologic materials. The Dune/Aromas Sands, underlain, in turn, by the Paso Robles Formation, the Santa Margarita Sandstone and the Monterey Formation. However, the depth to the Monterey Formation was significantly deeper than had been inferred. Both the Santa Margarita Sandstone and the Paso Robles Formation are significantly thicker than where encountered at other locations in the Seaside Basin. The geologic interpretations are as follows:

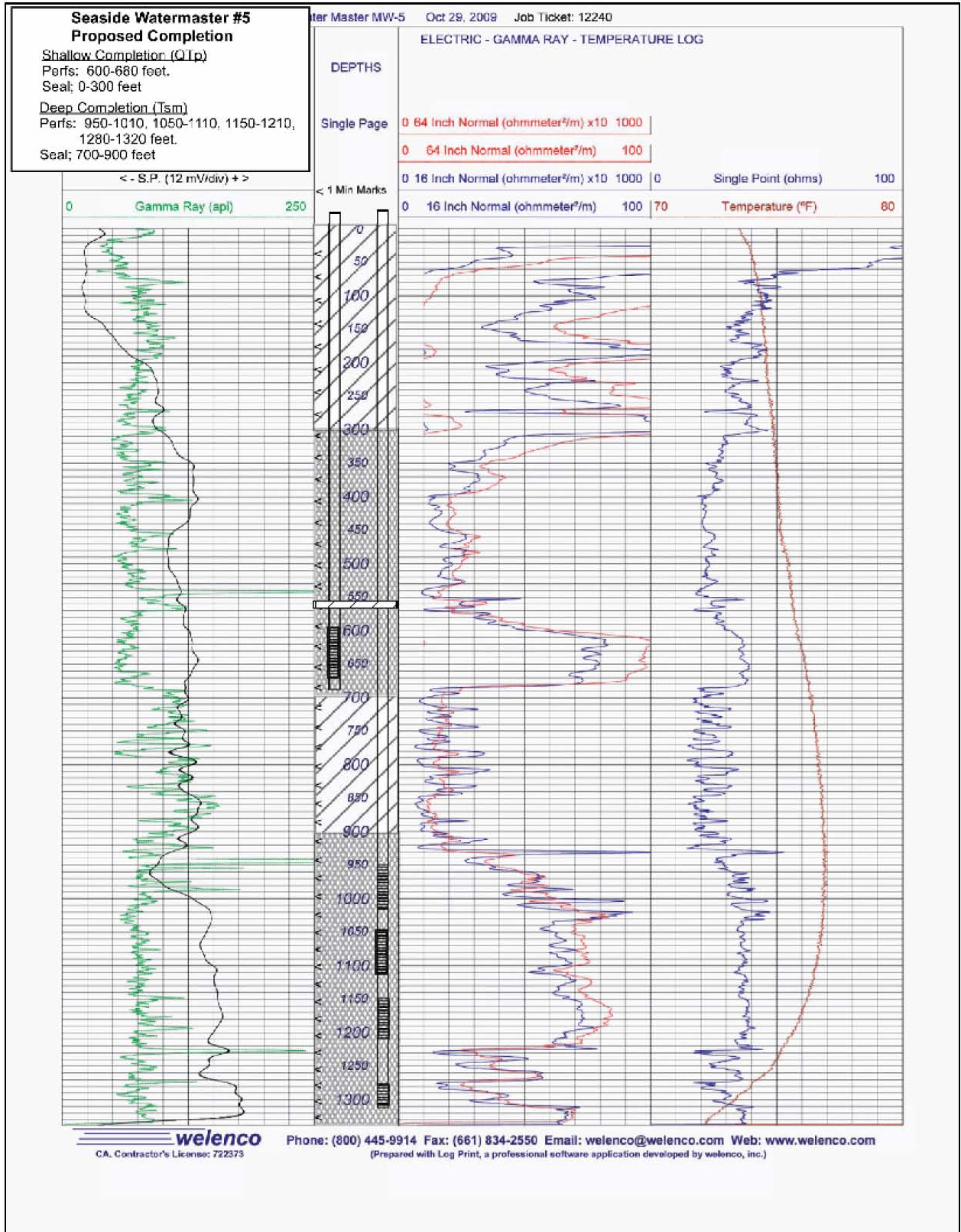
Geologic Unit	Depth to Top of Geologic Unit (feet)
Dune Sand Deposits	0
Aromas Sand	50
Paso Robles Formation	250
Santa Margarita Sandstone	900
Monterey Formation	1,360 ¹

¹ – Although the borehole only extended to a depth of 1,338 feet, the depth to the Monterey Formation can be projected from the geophysical log signature.

From the geologic interpretations, a well completion plan was developed. The details of the completion plan¹ are presented on the geophysical log are presented in Figure 3.

¹ The as-built well differs slightly from the completion plan. See Figure 4 for as-built details

Figure 3 - Geophysical Log/Well Completion



Well Construction

The first step in the well construction process was the reaming of the pilot bore to a diameter of 12-1/4 inches. Once the ream was complete, a temporary construction tremie was installed in the boring. The deeper casing was then installed, and centered in the boring using plastic centralizers. Centralizers were placed immediately above and below each screen zone, and at intervals of 80 feet within the upper blank section. Gravel pack was installed using the construction tremie, in lifts of approximately 60 feet, to the depth of the bottom of the first seal interval. The bottom seal consisted of benonite pellets and Holeplug™ and was also placed with the construction tremie. After the seal material was established to be at the top of the sealed interval, the second casing string was installed and gravel pack placed up to the bottom of the surface seal depth. An intermediate 10-foot isolation seal of bentonite pellets was installed from depth 560 to 570 feet in the upper gravel pack to isolate the perforated interval. A cement grout annular seal was placed from the top of the gravel pack to ground surface.

A schematic of the as-built well is presented as Figure 4.

Once the annular seal was complete and cured, the monitoring well was provided with a water-tight, flush-mounted, traffic-rated circular well vault set in place with concrete. A reference point elevation and coordinates were established for the well vault by Central Coast Surveyors.

Coordinates	N: 2120743.13 feet E: 5748971.05 feet
Ground Surface Elevation	398.44 feet, msl

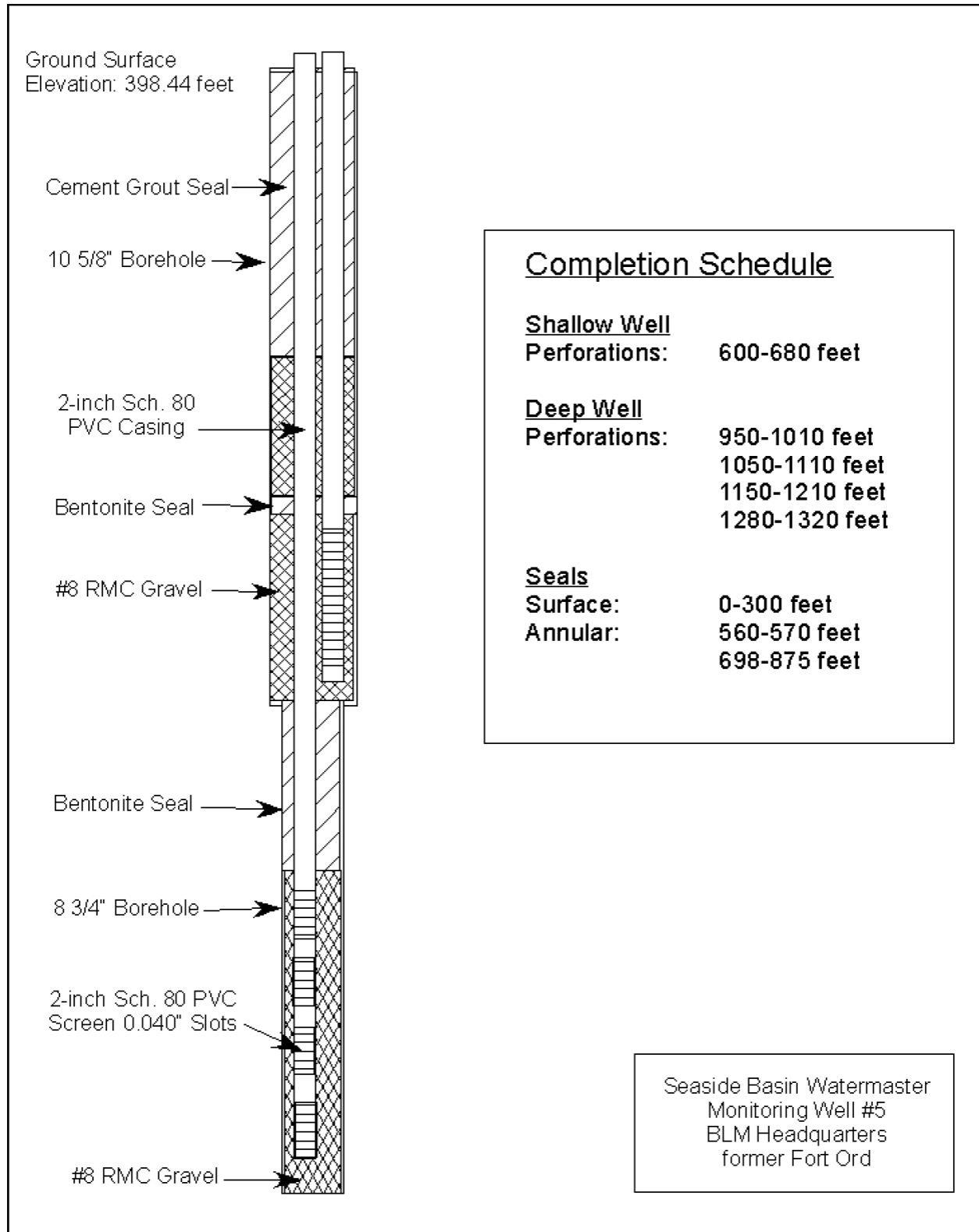
Datums: Horizontal: California State Plane Coordinate System, Zone IV
Vertical: NAVD 88

A summary of well construction details for the well is presented in Table 1.

Table 1 – Well Completion Summary

	SBWM-5 Shallow	SBWM-5 Deep
Casing Depth, ft.	690	1320
Screen Depths, ft.	600-680	950-1010 1050-1110 1150-1210 1280-1320
Annular Seal Depth, ft.	560-570, 0-300	698-875

Figure 4 – As-Built Well Schematic



Well Development

Well development was performed immediately following the construction of the well. Initial development was performed by airlifting, with the well casings serving as the eductor pipe. Final development was accomplished by airlifting through a 1-1/2 inch eductor pipe that was lowered to the total completed depth of each casing string. The purpose of the final development and the use of the eductor pipe was to develop the lower portions of the wells to ensure that the casings were clean and open through total depth in order to provide access to total casing depth for future geophysical monitoring, and to clear and clean all portions of the well screen for water quality sampling.

INITIAL DATA COLLECTION

Baseline Data Collection

The successful construction of the monitoring well allowed for the completion of baseline data collection. Lithologic and geophysical data were acquired through the drilling of the pilot borings. The completed monitoring wells provided for the collection of water quality data and water level data.

Water Level Data

Static water levels were measured in both of the wells on November 19, 2009. The reference point elevation established by Central Coast Surveyors was used to determine the water surface elevation in each well. Water level data are summarized in the Table 2.

Table 2 – Water Level Data Summary

	SBWM-5 Shallow	SBWM-5 Deep
Approx. Ground Surface Elevation, ft, (msl)	398.44	398.44
Depth to Water, ft.	387.2	410.1
Water Surface Elevation, ft. from MSL	11.24	-11.66

The water surface elevation in the Paso Robles Formation (shallow) well is approximately 11.2 feet above sea level whereas water surface elevation in the Santa Margarita Sandstone (deep) well is below sea level at - 11.7 feet, msl. The wells display more than 22 feet of head differential demonstrating the effectiveness of the annular seal.

Water Quality Data

Once airlift development was believed to be sufficiently complete, and water produced by airlifting was clear, water quality samples were collected. The samples likely represent a composite of groundwater produced from all sections of the well screen. Samples were delivered to the Monterey Bay Analytical Services laboratory in Monterey for analysis. Laboratory program consisted of general mineral analysis. Laboratory reports are included in Appendix B, and the data are summarized in Table 3.

Table 3 – Summary of Water Quality Data, Composite Samples

	SBWM-5 Shallow	SBWM-5 Deep
Sample Date	11/11/2009	11/11/2009
Specific Conductance, $\mu\text{mhos/cm}$	816	808
Total Dissolved Solids, mg/l	475	525
Calcium, mg/l	43	44
Magnesium, mg/l	16	10
Sodium, mg/l	100	119
Potassium, mg/l	3.5	4.2
Bicarbonate, mg/l (as HCO_3)	157	272
Sulfate, mg/l	33	64
Chloride, mg/l	157	76
Arsenic ($\mu\text{mg/l}$)	2	1

Water Quality Interpretation

Water quality data from the two completions have been presented graphically in two forms. Figure 5 presents the data as a Piper diagram whereas Figure 6 presents the data as Schoeller nomographs. Both presentations also utilize data from the Santa Margarita Test Injection Well (SMTIW #1) for comparison to the deep completion. Data from the injection well is from a period prior to injection. No proximate data were available for comparison with the shallow completion.

Figure 5 – Piper Diagram

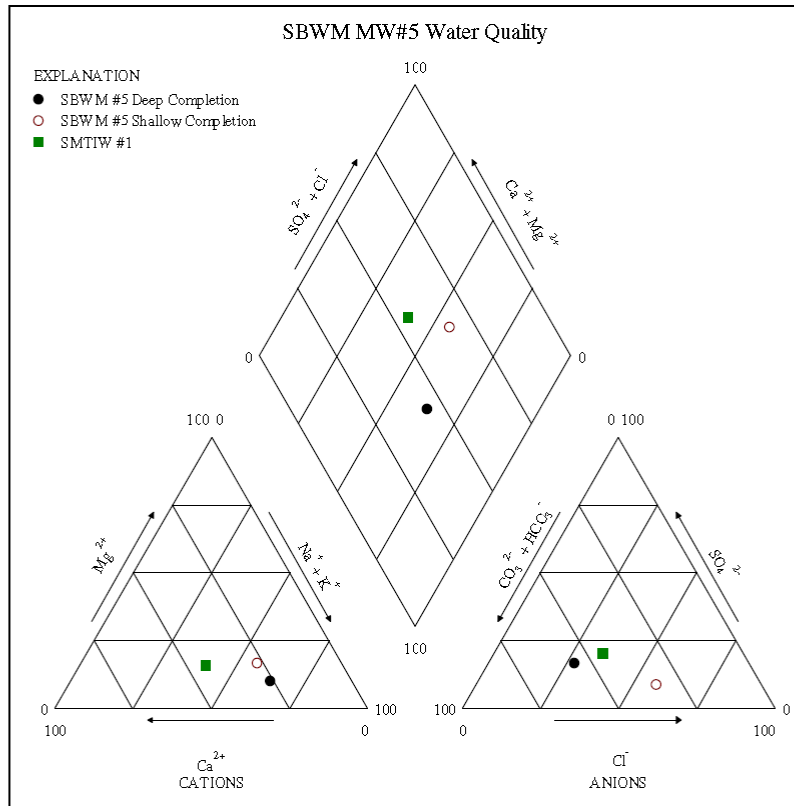
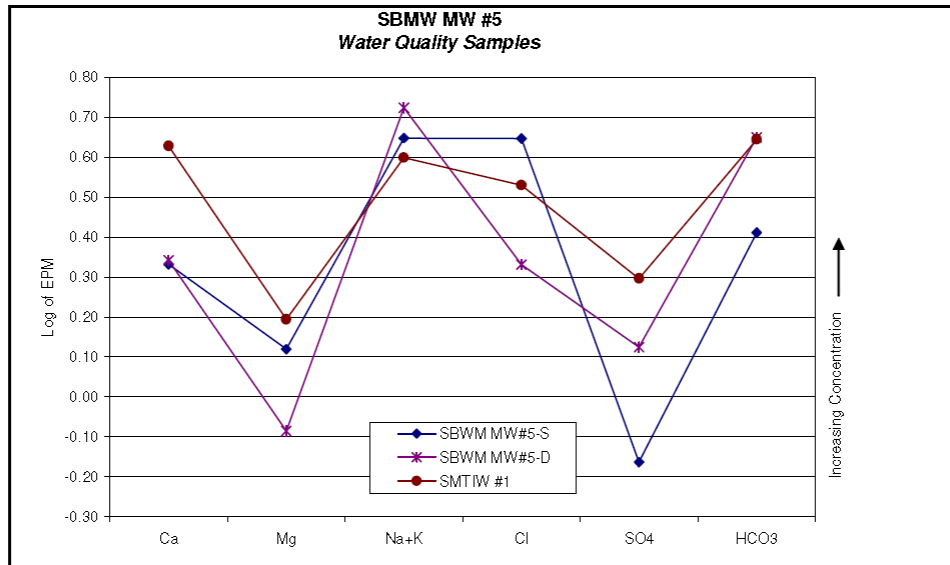


Figure 6 – Schoeller Nomographs



Water quality data from the well completions supplement and complement the geologic and geophysical data from the borehole. The water quality findings are as follows:

- The water quality data from both the wells are not completely comparable with other wells assigned to the same aquifer units in the Seaside area. In particular, the total dissolved solids concentration of the shallow completion is significantly higher than other wells in the Paso Robles Formation and the chloride ion concentration in the deep completion is low for the Santa Margarita Sandstone.
- As can be seen in both of the graphical presentations, the water chemistries have unique signatures relative to each other and the sample from the SMTIW #1. Direct comparison of the water quality with those in the Seaside area may be misleading as the new wells are a significant distance from other wells with water quality data. SMTIW #1 is over 2 miles from the new well.
- Previous experience has shown that initial water quality samples from newly constructed monitoring wells are sometimes not representative. Before additional analysis of the water quality data is undertaken, the wells, after water in the casings equilibrates with aquifer water, should be resampled.

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

The geologic, geophysical and hydrogeologic data from the new well have provided significant additional understanding of the hydrogeology of the inland portion of the Seaside Groundwater Basin. However, like any new set of data, the data also raise new questions.

- The most significant geologic finding was the greater depth to the Monterey Formation, the adopted base of freshwater for the Seaside Basin. Interpretation of existing data sources had placed the top of the Monterey Formation at an elevation of more than -500 feet msl, or about 900 feet below ground surface at the site. Based on data from the subject borehole, the Monterey Formation is interpreted to be at a depth of approximately 1,350 feet or an elevation of approximately -950 feet, msl.
- Overlying the Monterey Formation are materials that are tentatively assigned to the Santa Margarita Sandstone and Paso Robles Formation. However, the thickness of both these units is significantly thicker than have been encountered at other locations in the basin. In particular, the Santa Margarita Sandstone unit at the site is approximately 450 feet in thickness. This compares with typical thicknesses of 250 feet encountered at other locations.
- The greater depth to the Monterey Formation and increased thickness of the overlying units at the subject location does not fit well into the existing understanding of subsurface structure of the inland portion of the Seaside Basin. If it were deemed important to resolve the complexities arising from the new data, additional bore holes would need to be constructed in the inland area.
- While data from the subject borehole raises many questions about the inland hydrogeology that could only be answered with additional boreholes, the nature of many of these questions are academic and do not need to be answered to effectively manage the basin.
- The most relevant data for basin management are water level data. The water level data from the new wells, while surprising, was predicted by the recently completed groundwater model.
- The BLM site was selected for the subject well to re-establish water level data from a previously existing well that had been used by previous investigators of the Seaside Basin hydrogeology. The well, the so-called Camp Huffman Well, was relatively shallow extending to a depth of 485 feet or an elevation of about -90 feet, msl. Water level records from the old well are confusing. A water level from Army records in 1939 suggests a water surface elevation of 89 feet, msl. The 1982 USGS report suggests a value of 180 feet, msl. The shallow completion at the new well displays a water surface elevation of approximately 11 feet, msl. Comparing these historical values with the elevation from the shallow completion suggests: 1) The USGS value is erroneous, possibly due to a collapsed casing at the time of measurement, 2) Comparison with the old Army value suggests 78 feet of water decline in the shallow zone of the aquifer system. This value is not unreasonable, available records document 50 feet of water level decline in the City of Seaside since the 1950's.
- Water surface elevation in the deep monitor well at the subject site is -11 feet, msl. It is likely that the deep aquifer at the site is impacted by pumping in the highly-confined Santa Margarita Sandstone from wells in Seaside proper. It is also likely that water levels will be influenced by injection operations in the Santa Margarita Sandstone.
- Water quality data from the new wells documents slightly different water chemistries than are typical for similar wells in the Seaside Basin. However, there is a possibility that the water

quality data is not representative, because the water in the casing is not yet equilibrated with the aquifer water.

RECOMMENDATIONS

Additional Monitoring Wells:

- Use the data obtained from installing the well at the BLM site in conjunction with information provided by the recently completed Groundwater Model for the basin to manage the basin, rather than incurring the effort and expense of installing additional inland monitoring wells.
- Examine the possible need for additional inland monitoring wells each year in conjunction with information learned from preparing the Water Quality and Analytical Results and Seawater Intrusion Analysis Reports that are contained in each year's Watermaster Annual Report.

Data Collection:

- Collect water level data to allow characterization of both pumping and recharge stresses imposed by regional activities. To minimize disruption to BLM activities, the new monitoring wells were equipped with continuous water-level data loggers to record water level fluctuations. Continuous water level data collection will allow characterization of both pumping and recharge stresses imposed by regional activities. These data will assist in understanding: (1) the nature and degree of connectivity of this portion of the basin with the area of extraction and injection; (2) the regional gradients and groundwater flow directions; and (3) long-term trends in ground water levels.
- The wells should be resampled until water quality is established and confirmed. After water quality has been stabilized, additional periodic water quality sampling is not considered necessary. Given the location of the new wells, away from basin boundaries and other pumpers, changes to water quality are not to be expected. Changes in water quality, if any, will be extremely slow to emerge. If deemed important for compliance with monitoring requirements, wells could be sampled on a 5 year basis. This would provide for detection of changes, if any.

CLOSURE

This letter-report has been prepared for the exclusive use of the Seaside Groundwater Basin Watermaster for the specific application to the Inland Monitoring Well Project. This report documents the hydrogeologic conditions encountered at the time of construction and initial sampling. The report also documents the physical condition of the wells at the time of construction. Environmental changes, either naturally-occurring or artificially induced, may cause damage to the wells over time. This report expressly does not constitute a guarantee of future performance. The findings, conclusions, and recommendations presented were prepared in a manner consistent with that level of care and skill ordinarily exercised by members of the profession currently practicing under similar conditions in the fields of engineering geology and hydrogeology. No other warranty, express or implied, is made.

I appreciate the opportunity to be of service. Please call if you have any questions.

Sincerely,



Martin B. Feeney, PG, CEG, CHg
Attachments: Appendices A-C

**SEASIDE GROUNDWATER BASIN
WATERMASTER**

TO: Board of Directors

FROM: Robert S. Jaques, Technical Program Manager
MODIFIED AND APPROVED BY Dewey D Evans, CEO

DATE: February 3, 2010

SUBJECT: Consider Approval of Modification to MPWMD Request for Service No. 2010-01
to Change Water Quality Sampling Frequency of New BLM Monitoring Well

RECOMMENDATIONS:

It is recommended that the Board approve issuance of the attached letter to MPWMD authorizing them to collect and analyze two rather than four water quality samples from the new BLM site monitoring well under their RFS No. 2010-01, with no increase in cost.

BACKGROUND:

At the January 13, 2010 Watermaster TAC meeting a presentation describing the construction of the new monitoring well at the BLM site in the former Fort Ord was made by Mr. Martin Feeney. This well is designated as SBWM MW-5. Mr. Feeney noted that because the depths of the aquifers at this new monitoring well site are considerably deeper than previously thought, it will be more expensive to collect water quality samples from this well than it is to collect them from the other monitoring wells in the Basin.

Mr. Feeney also said during his presentation that, since the main purpose of installing SWBM MW-5 was to begin collecting water level not water quality data from this area of the Basin, once resampling of the well had been performed to confirm the water quality at this location, it would not be necessary to perform further water quality sampling at intervals more frequently than about once every five years.

DISCUSSION:

During the TAC discussions Mr. Oliver of MPWMD said that in this Fiscal Year's sampling budget, an amount was included to perform quarterly sampling on this well. However, because of the greater-than-anticipated depth of the well, he felt the sampling cost estimates were probably too low. However, he thought that there might be sufficient money in the approved budget to perform the two resampling events and still remain within budget. He also reported that he and his staff were looking into methods of minimizing the costs of performing water quality sampling on this new well.

The TAC approved having MPWMD change from quarterly water quality sampling and analysis of SBWM MW-5 to performing only two such events, as long as this change would not result in an increase in costs over the amount budgeted for this work in RFS No. 2010-01.

The attached letter formally authorizes this change to the water quality sampling and analysis frequency for SBWM MW-5 under Task I.2.b.3 of RFS No. 2010-01, with no increase in the Total Price of \$83,380 for this RFS as originally authorized.

ATTACHMENT:

Proposed Letter to be sent to MPWMD to Authorize the Modification to MPWMD Request for Service No. 2010-01 to Change Water Quality Sampling Frequency of New BLM Monitoring Well with No Increase in Cost

**Seaside Basin Watermaster
 2600 Garden Road
 Suite 228
 Monterey, CA 93940**

February 3, 2010

Mr. Joe Oliver
 Monterey Peninsula Water Management District
 P.O. Box 85
 Monterey, CA 93942-0085

Subject: Authorization to Change Sampling Frequency of New BLM Monitoring Well (SBWM MW-5) Under RFS No. 2010-01

Dear Mr. Oliver,

RFS No. 2010-01, issued by the Watermaster to MPWMD in January, 2010, includes Task I.2.b.3 to collect water quality samples from certain wells. Below is an excerpt of that Task from RFS No. 2010-01:

I. 2. b. 3.	Collect Quarterly Water Quality Samples	The monitoring wells from which water quality data is to be collected by PROFESSIONAL are listed under the heading “MONITORING TO BE PERFORMED BY PROFESSIONAL” in the column titled “Quality” in Table 2. PROFESSIONAL will visit each of the indicated wells at the frequencies shown in Table 2 in order to obtain the water quality samples, and will perform water quality analyses on these samples. The water quality constituents that will be measured in these analyses are: Specific Conductance (micromhos/cm), Total Alkalinity (as CaCO ₃), pH, Chloride, Sulfate, Ammonia Nitrogen (as NH ₃), Nitrate Nitrogen (as NO ₃), Total Organic Carbon, Calcium, Sodium, Magnesium, Potassium, Iron, Manganese, Orthophosphate, Total Dissolved Solids, Hardness (as CaCO ₃), Boron, Bromide, and Fluoride. This data may either come from water quality samples that are collected by the airlift method, by the positive displacement method during induction logging of these wells and/or other data gathering techniques, or combinations of these methods, at the discretion of PROFESSIONAL, and will be submitted to a State-certified analytical laboratory for analysis.
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Table 2 in RFS No. 2010-01 shows a quarterly water quality sampling frequency for SBWM MW-5, for both the shallow and deep aquifers.

At the January 13, 2010 Watermaster TAC meeting a presentation describing the construction of SBWM MW-5 was made by Mr. Feeney. In his presentation he noted that because the depths of the aquifers at this new monitoring well site are considerably deeper than previously thought, it will be more expensive to collect water quality samples from this well than it is to collect them from the other monitoring wells in the Basin. Mr. Feeney also said during his presentation that, since the main purpose of installing SWBM MW-5 was to begin collecting water level not water quality data from this area of the Basin, once resampling of the well had been performed to confirm the water quality at this location, it would not be necessary to perform further water quality sampling at intervals more frequently than about once every five years.

In the TAC discussion following Mr. Feeney's presentation the recommendation was made to perform only two water quality sampling events at SBWM MW-5 during 2010, one in April and one in July. You commented that you felt it would be possible to perform these two water quality sampling events, rather than the four quarterly sampling events listed in Table 2 of RFS No. 2010-01, within the budget amount allocated to SBMW MW-5 for water quality sampling and analysis under Task I.2.b.3 in Attachment 3 of RFS No. 2010-01.

The TAC approved having MPWMD change from quarterly water quality sampling and analysis of SBWM MW-5 to performing only two such events, as long as this change would not result in an increase in costs over the amount budgeted for this work in RFS No. 2010-01.

This letter formally authorizes this change to the water quality sampling and analysis frequency for SBWM MW-5 under Task I.2.b.3 of RFS No. 2010-01, with no increase in the Total Price of \$83,380 for this RFS as originally authorized.

Sincerely,

Robert Jaques
Technical Program Manager
Seaside Basin Watermaster
83 Via Encanto
Monterey, CA 93940

cc Dewey Evans, Watermaster Chief Executive Officer

ITEM. VIII.

NEW BUSINESS

ITEM VIII. A.

COMMITTEE REPORTS

ITEM NO. VIII. A. 1.

**TECHNICAL ADVISORY
COMMITTEE
(TAC)**

**SEASIDE GROUNDWATER BASIN
WATERMASTER**

TO: Board of Directors

FROM: Robert S. Jaques, Technical Program Manager
MODIFIED AND APPROVED BY: Dewey D. Evans, CEO

DATE: February 3, 2010

SUBJECT: Consider Issuance of Declaration of Total Usable Storage Space of the Basin

RECOMMENDATIONS:

It is recommended that the Board Declare the Total Usable Storage Space of the Basin, and also allocate this Storage Space amongst the Standard Producers, both as described in the Attachment to this Agenda Item.

BACKGROUND:

The Amended Decision of the Court which created the Watermaster calls for the Watermaster to formally declare what the Total Usable Storage Space in the Seaside Groundwater Basin ("Basin") is, and also how that storage space is to be allocated to the producers. Now that the Basin Management Action Plan has been completed, and its findings with regard to Basin storage space have essentially been confirmed by the groundwater modeling work completed in late 2009, it is appropriate for the Watermaster to make this declaration and to allocate the storage space.

DISCUSSION:

Attached is a Declaration for Board consideration, stating that the:

- Total Usable Storage Space in the Coastal and Northern Inland Subareas is 31,770 acre-feet.
- Total Usable Storage Space in the Laguna Seca Subarea is 20,260 acre-feet.
- Total Usable Storage Space in the entire Seaside Groundwater Basin is 52,030 acre-feet.

Pursuant to the Amended Decision, Alternative Producers do not receive a storage allocation, only Standard Producers receive such an allocation. The attached Declaration also states that the Total Usable Storage Space in the Basin will be allocated among the Standard Producers as follows:

<u>Producer</u>	<u>Useable Storage Allocation (acre-feet)</u>
<u>Coastal and Northern Inland Subareas</u>	
California American Water	28,784
City of Seaside (Municipal)	2,361
Granite Rock Company	222
DBO Development No. 27	403
<u>Laguna Seca Subarea</u>	
California American Water	20,260

The attached Declaration has been reviewed by the TAC and the TAC recommends that the Board adopt it.

The TAC has also developed a draft Storage and Recovery Agreement, as specified in the Amended Decision, and an application template to be used by Standard Producers who wish to use their allocated Storage Space. These

documents have been forwarded to the Chief Executive Officer with the TAC's recommendation that he circulate those draft documents amongst the Standard Producers for their review and possible edits, so that these documents can come to the Board for consideration and approval at a future Board meeting.

FISCAL IMPACT:

None

ATTACHMENT:

Declaration of Total Usable Storage Capacity of the Basin

NOTICE TO ALL SEASIDE GROUNDWATER PRODUCERS

Pursuant to Section III.3.L.3.j.xix of the Amended Decision Filed February 2, 2007 in the Superior Court of the State of California, in and for the County of Monterey, Case No. M66343 (the “Decision”), the Seaside Basin Watermaster hereby Declares that the Total Usable Storage Space in the Seaside Groundwater Basin (“Basin”) is as follows:

- Total Usable Storage Space in the Coastal and Northern Inland Subareas is 31,770 acre-feet.
- Total Usable Storage Space in the Laguna Seca Subarea is 20,260 acre-feet.
- Total Usable Storage Space in the entire Seaside Groundwater Basin is 52,030 acre-feet.

Pursuant to Section III.B.3.b of the Decision, Alternative Producers do not receive a storage allocation, only Standard Producers receive such an allocation. Pursuant to Section III.H.2 of the Decision, the Seaside Basin Watermaster further Declares that the Total Usable Storage Space in the Basin shall be allocated to the Standard Producers, who are identified in the Decision, as follows:

	Current Allocation (Using Table 1 of the Decision)		
Producer	Operating Yield Allocation Percentage (1)	Usable Storage Allocation Percentage (2)	Useable Storage Allocation (acre-feet)
Coastal and Northern Inland Subareas			
California American Water ⁽³⁾	77.55%	90.60%	28,784
City of Seaside (Municipal)	6.36%	7.43%	2,361
Granite Rock Company	0.60%	0.70%	222
DBO Development No. 27	1.09%	1.27%	403
SUBAREAS TOTAL	85.60%	100%	31,770
Laguna Seca Subarea			
California American Water ⁽³⁾	45.13%	100.00%	20,260
SUBAREA TOTAL	45.13%	100%	20,260
BASIN TOTAL		100%	52,030

Footnotes:

- (1) From Table 1 on page 19 of the Decision.
- (2) Calculated as each Standard Producer’s percentage of the total Standard Producers’ operating yield allocation percentages within each subarea.
- (3) CAW’s Usable Storage Allocation is subject to the provisions and requirements of Section III.H.3 of the Decision.

Pursuant to Section III.H.6 of the Decision, no Producer may store water in the Basin without first executing with the Watermaster a Storage and Recovery Agreement.

ITEM NO. VIII. A.2.

**BUDGET AND FINANCE
COMMITTEE**

**SEASIDE GROUNDWATER BASIN
WATERMASTER**

TO: Board of Directors

FROM: Dewey D. Evans, Watermaster CEO

DATE: February 3, 2010

SUBJECT: Extension of a credit to California American Water to offset the Replenishment Assessment Fees imposed by Watermaster for over pumping of the Seaside Basin and Related Conditional Agreement

PURPOSE:

To present a recommendation to the Board derived from the Budget/Finance Committee meeting held January 14, 2010 regarding California American Water (CAW) submission of a request for a replenishment assessment credit.

RECOMMENDATION:

The Budget/Finance Committee recommends the Board approve a credit to CAW of \$3,741,714 to offset the Replenishment Assessment fees imposed by Watermaster for over pumping of the Seaside Basin subject to the conditions of the Memorandum of Understanding (“MOU”) agreement between Watermaster and CAW entered into on January 29, 2009.

BACKGROUND:

Approximately one year ago, Watermaster approved a request from CAW for credit against its Replenishment Assessment fees for over pumping the Basin during water years (October 1 through September 30) 2005/06, 2006/07, and 2007/08 in the amount of \$12,305,924. An MOU between Watermaster and CAW was developed at that time that contained conditions of the extension of that credit and future credit approved by Watermaster to ensure replenishment of the Basin by water from CAW projects operational in the years ahead.

On December 18, 2009 CAW submitted to the Watermaster Board correspondence requesting a credit of replenishment fees assessed by Watermaster in the amount of \$3,741,714 for over pumping the basin during water year 2008/09. The Watermaster Budget/Finance Committee met on January 14, 2010, and reviewed the request and support documentation. The Committee voted unanimously to recommend to the Board that the CAW request for \$3,741,714 credit against the Replenishment Assessment fees for water year 2008/09 imposed by Watermaster be approved.

FISCAL IMPACT:

The initial credit that was approved to offset water years 2005/06 through 2007/08 Replenishment Assessments resulted in a current CAW credit balance in the Watermaster Replenishment Fund of (\$746,744) after water year 2008/09 assessments fees were applied. The currently requested credit, if approved, would result in a (\$4,488,458) credit balance to be applied against 2009/10 and future water year CAW assessments.

ATTACHMENTS:

California American Water Request for WY 2008/9 Replenishment Assessment Credit Memorandum of Understanding between Seaside Basin Watermaster and California American Water dated January 29, 2009.



511 Forest Lodge Road
Suite 100
Pacific Grove, CA 93950
www.amwater.com/caaw

P 831.646.3241
F 831.375.4367

December 18, 2009

Dewey Evans, Chief Executive Officer
Seaside Basin Watermaster
2600 Garden Road, Suite 228
Monterey, CA 93940

SUBJECT: CAW Request for WY 2008/9 Replenishment Assessment Credit

Dear Mr. Evans:

California American Water (CAW) hereby submits its formal claim for a Replenishment Credit in the amount of \$3,741,714, which we are requesting be applied to the Seaside Basin Watermaster Year 2008/9 Overproduction Replenishment Assessment against CAW that was transmitted by your November 4, 2009 letter to Craig Anthony. The basis of this Replenishment Credit request is California American Water's actual pre-construction cost incurred in calendar year 2007 for pursuing the Coastal Water Project, which is CAW's proposed replacement water supply to meet its legal obligations under the Seaside Groundwater Basin adjudication decision. The \$3,741,714 expenditure amount was audited and approved by the California Public Utilities Commission in its Decision 08-12-034, dated December 18, 2008 (copy attached). Also attached is a spreadsheet that breaks-down this CPUC-approved expenditure amount by category. Detailed documentation of vendor invoices, labor cost, and other expenses corresponding to and supporting this \$3,741,714 approved expenditure amount is available, if desired.

As you will likely recall, on December 3, 2008 the Seaside Basin Watermaster board approved an Agreement with California American Water related to this subject, which was subsequently entered into by both parties. Under paragraphs 1 and 2 (b) i. of that Agreement, the Watermaster "shall grant California American Water's request for a Replenishment Credit" for each Water year "based on expenditures for a water supply augmentation project such as the Coastal Water Project..." These referenced paragraphs of the Agreement provide for a non-discretionary approval of California American Water's Replenishment Credit claim. Thus, I am requesting that you provide to CAW an updated Replenishment Assessment Fund statement reflecting the \$3,741,714 credit; and we suggest that the Watermaster board subsequently be informed of your administrative action, in accordance with the referenced paragraphs of the Agreement.

Please let me know if you have any questions, or desire additional information, related to this subject.

Sincerely,



David A. Berger
Manager, Coastal Water Projects
CAW Engineering Department

Enclosure (2)

cc: Craig Anthony
Eric Sabolsice
Lori Girard

Summary of Costs Charged to CWP in 2007

**CALIFORNIA AMERICAN WATER COMPANY
COASTAL WATER PROJECT
EXHIBIT ON EXPENSES**

Line No.	Item	Vendor	2007
Engineering & Environmental			
1	Consulting, Engineering and PEA/EIR Technical Support	RBF Consulting	1,156,363.88
2	Design Engineering, Conveyance Facilities	Parsons Water & Infrastructure, Inc.	13,955.18
3	Design Engineering, ASR Facilities	ASR Systems, LLC	309,258.22
4	Environmental Impact Report	California Public Utilities Commission	338,066.19
5	ASR Monitoring & Test Wells Easement	US Treasurer/US Army Corp of Engineers	6,800.00
6	Subtotal Engineering		1,824,443.47
Pilot Plant, Construction			
7	Pilot Plant, Laboratory	Williams Scotsman Inc.	17,502.08
8	Pilot Plant, Electric Utility	Pacific Gas & Electric Co	740.62
9	Pilot Plant, Building Permit	Monterey County Building and Planning	4,998.61
10	Cost Estimating, Pilot Plant	Sierra Consulting Group, Inc.	5,130.00
11	Consulting, Pilot Plant	American Water Pridesa LLC	23,202.29
12	Pilot Plant Construction, Civil and Mechanical	Granite Construction Co	800,377.18
13	Pilot Plant Construction, Electrical	Darrel Varni Electrical Inc	266,760.43
14	ASR Monitoring & Test Wells	Bradley & Sons	51,774.00
15	Pilot Plant, Equipment, Materials and Supplies	Various	48,831.88
16	Subtotal Construction & PP Startup		1,219,317.09
Legal			
17	Legal, Environmental	Allen Matkins Leck Gamble & Mallory LLP	149,800.52
18	Legal, CPUC Matters	Steeffel, Levitt & Weiss, PC	238,786.75
19	Legal, Land Use	Johnson & Moncrief PLC	16,159.30
20	Subtotal Legal		404,746.57
Public Outreach & Consulting			
21	Consulting	Bob Nelson Associates	13,380.00
22	Subtotal Public Outreach		13,380.00
CAW Labor, Overhead and Miscellaneous Expense			
23	Company Labor & Overhead		145,828.19
24	Employee Pcard Expenses		9,271.21
25	Utility Plant Overhead		36,304.96
26	AWWSC Charges		140,716.13
27	Subtotal Labor, Expense, Miscellaneous		332,120.49
Miscellaneous Charges			
28	Waste Water Discharge Fee	State Water Resources Control Board	1,086.00
29	Pilot Plant Employee Relocation Expenses	NEI Global Relocation Co	10,495.68
30	Company Tax	2007 Sabrix Tax Account	402.87
31	Subtotal Miscellaneous Charges		11,984.55
32	2007 TOTAL EXPENDITURES		3,805,992.17
33	2007 TOTAL INTEREST		82,838.73
34	2007 GRAND TOTAL SUBMITTED TO CPUC FOR RECOVERY		3,888,830.90
35	2007 TOTAL CPUC RECOVERY ADJUSTMENTS		147,117.00
36	2007 TOTAL APPROVED RECOVERY		3,741,713.90

Note: Dollars shown above for each year reflect amounts paid to vendor during the year. Work associated with the dollar amounts may have been performed at an earlier date (ie. a January 2007 invoice, paid in 2007, may be for work done in December 2006).

Decision 08-12-034 December 18, 2008

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Californian-American Water Company (U201W) for an Order Authorizing (1) the Transfer of Already-Incurred Costs for its Long-Term Water Supply Solution for the Monterey District to Its Special Request 1 Surcharge Balancing Account; and (2) An Annual Review Process for the Transfer of Pre-Construction Costs to the Special Request 1 Surcharge Balancing Account.

Application 08-04-019
(Filed April 10, 2008)

DECISION APPROVING SETTLEMENT AGREEMENT

1. Summary

Today, we approve a comprehensive settlement agreement (Amended Settlement Agreement)¹ entered into by the California-American Water Company (Cal Am), the Division of Ratepayer Advocates (DRA) and the Monterey Peninsula Water Management District (MPWMD) (collectively "Settling Parties") for this proceeding.

Our approval of the Amended Settlement Agreement means that Cal Am is authorized to recover \$3,741,714, as compensation in full for all Coastal Water Project (Water Project) costs incurred through December 31, 2007. Cal Am will recover these costs from ratepayers through the Special Request 1 Surcharge (Surcharge 1) authorized by Decision (D.) 06-12-040. The Amended Settlement

Agreement adopted today does not affect Cal Am's ability to recover preconstruction costs incurred after December 31, 2007 and tracked in the memorandum account approved in D.03-09-022.

The Amended Settlement Agreement provides that:

1. Cal Am's requested recovery of \$3,888,831 is reduced by \$137,632, plus related interest of \$9,485 for disallowed costs.
2. Cal Am's Special Request 1 Surcharge Balancing Account (SRSBA) is reduced by \$185,893 for labor and labor related costs, which may be duplicative of authorized general rate case (GRC) expenses.
3. \$309,258.22 represents the full recovery of charges from ASR Systems, LLC (ASR Systems) for work performed through December 31, 2007.
4. Cal Am has provided DRA and MPWMD with certain identified vendor documents relating to the Water Project.
5. DRA and MPWMD have reviewed the vendor documents and determined that already-incurred costs Cal Am has sought for recovery are reasonable.
6. Cal Am will file a separate annual application to address preconstruction costs incurred for the Water Project, and other parties may serve responses or reports according to an agreed upon schedule.
7. Cal Am is required to file a justification for all costs associated with services rendered outside of the annual reporting period.²
8. Cal Am will file an annual application for preconstruction costs for 2008 and additional applications for preconstruction costs beyond 2008, if necessary.

¹ The Amended Settlement Agreement is attached as Attachment A.

² The annual reporting period is from January 1 to December 31.

9. Cal Am will provide with its annual applications certain documents³ regarding annual preconstruction costs.

Cal Am shall provide in its Class A Annual Report submitted by March 31 of each year an accounting for its Surcharge 1 including amounts collected from customers and total preconstruction costs charged for each reporting period.

2. Background

In D.06-12-040, the Commission authorized recovery of Water Project preconstruction costs incurred through 2005, and provided for review of Cal Am's engineering and environmental costs through 2005, and preconstruction costs for 2006 and 2007. In D.08-01-007⁴ the Commission authorized recovery of 2006 preconstruction costs by adopting a settlement agreement between Cal Am and DRA.

On April 10, 2008, Cal Am filed A.08-04-019 (Application) requesting approval of engineering and environmental costs, public outreach costs, legal fees and miscellaneous charges incurred in 2007, and interest related to these charges for the Water Project. Cal Am also requested that the Commission authorize transfer of \$3,888,830 of these costs from the authorized memorandum account to its SRSBA.

In A.08-04-019, Cal Am proposed to remove \$171,001 in labor and non-labor costs from the SRSBA, and also remove \$14,896 of interest. Cal Am also requested that the Commission implement an annual review process for Cal Am's preconstruction costs that would continue through the year in which the Commission issued a decision on a Certificate of Public Convenience and

³ Existing task order contracts will include a budget and a schedule.

⁴ Cal Am's Application (A.) 04-09-019.

Necessity. This proposal would not require Cal Am to file a new application each year for recovery of preconstruction costs; instead, Cal Am would submit annual reports to address the reasonableness of its preconstruction costs. The annual reports would be subject to review by the Commission and DRA. Cal Am proposed that the Commission would then approve the annual preconstruction costs included in the annual reports.⁵ Cal Am anticipates that the Water Project preconstruction costs will continue through 2009.⁶

MPWMD and DRA protested the Application on May 5 and May 16, 2008, respectively. Cal Am responded to these protests on May 27, 2008.

A prehearing conference (PHC) was held on June 9, 2008, and the Parties agreed to hold evidentiary hearings beginning August 27, 2008, followed by the filing of briefs in September and October 2008. At the PHC, Parties also agreed to meet in mediation in an attempt to resolve their disputes. An Assigned Commissioner's Ruling and Scoping Memo was issued on June 16, 2008.

On July 10, 2008, DRA served its Audit Report on California American Water Company's Coastal Water Project 2007 Preconstruction Costs,⁷ and on July 17, 2008, MPWMD served its testimony.⁸ On August 8, 2008, Cal Am served rebuttal testimony.⁹ Parties attended a mediation meeting on August 29, 2008, and on September 12, 2008, submitted a settlement agreement (the September Settlement Agreement).

⁵ Exhibit 3, pp.11-13.

⁶ *Id.*

⁷ *See*, Exhibit 6.

⁸ *See*, Exhibit 7.

⁹ *See*, Exhibits 4 and 5.

On September 29, 2008, an evidentiary hearing was held to review the September Settlement Agreement. At the hearing, the Assigned Administrative Law Judge (ALJ) asked how the September Settlement Agreement responded to D.06-12-040 and D.08-01-007, which requested DRA to determine whether Cal Am's 2007 preconstruction costs are reasonable. After some discussion, a representative for DRA stated that DRA found 2007 preconstruction costs reasonable.¹⁰

Following the evidentiary hearing, the ALJ requested that Parties modify the September Settlement Agreement for two issues.¹¹ First, parties were asked to delete the provision requesting that the Application remain open for the purposes of future preconstruction cost filings. Second, parties were asked to include a provision for reporting to the Commission the amounts included in the SRSBA, the amounts which have been collected from customers, and an estimate of when the SRSBA might be reduced to a zero balance.

On October 31, 2008, Settling Parties filed a Joint Motion for Adoption of Amended Settlement Agreement between the Settling Parties and a Motion to Waive Comment Period on Settlement Agreement.

3. Amended Settlement Agreement

The Settling Parties agree on all the disputed issues in the Application including:

3.1. Transfer of Preconstruction Costs to the SRSBA

1. Settling parties agree that the Commission should authorize Cal Am to transfer \$3,741,714 of 2007

¹⁰ TR 16.

¹¹ See, ALJ e-mail dated October 20, 2008 (ALJ e-mail file).

preconstruction costs incurred for the Water Project to the SRSBA.

2. Settling Parties agree that Cal Am's total request for recovery of \$3,888,831 should be reduced by \$137,632, plus associated interest of \$9,485, or a total reduction of \$147,117.
3. Settling Parties agree that \$309,258.22 represents Cal Am's full recovery of charges from ASR Systems, LLC (ASR Systems) for work that ASR Systems performed through December 31, 2007, and that Cal Am will not seek further recovery of any additional ASR System charges for services through December 31, 2007, for the Water Project.
4. Settling Parties agree that the Commission should authorize Cal Am to remove \$185,893 in labor, labor overhead and related costs incurred through December 31, 2006 for the Water Project that Cal Am identified as possibly duplicative of authorized GRC expenses.
5. Settling parties agree that Cal Am has provided certain preconstruction cost documents to DRA and MPWMD, and that DRA and MPWMD have found the already-incurred costs which Cal Am has sought for recovery are reasonable.

3.2. Annual Report Procedure an Reporting Requirements

1. Cal Am will file a separate annual application for pre-construction costs incurred for the Water Project to be recovered through Surcharge 1 that reflects costs incurred in the prior year from January 1 through December 31 (the Reporting Period).
2. DRA will submit its report on the reasonableness of Cal Am's costs on or before December 15 of each year. Intervenors may submit testimony 15 days after DRA submits its report. Cal Am may submit rebuttal

testimony no later than 45 days after DRA submits its report.

3. Cal Am must justify all costs for services rendered outside of the Reporting Period. Absent such justification costs for services rendered outside of the Reporting Period will not be recoverable by Cal Am.
4. Cal Am will file an application for recovery of 2008 and beyond pre-construction costs eligible for Surcharge 1 recovery.
5. Cal Am shall provide certain contract and other documents with its applications.
6. Cal Am shall provide a budget and schedule with each task order contract.
7. Cal Am shall provide in its Class A Annual Report submitted by March 31 of each year an accounting for its Surcharge 1 including amounts collected from customers and total pre-construction costs charged for each reporting period.

4. Discussion

Settling Parties urge the Commission to adopt the Settlement Agreement pursuant to Rule 12.1(d)¹² and find that it is “reasonable in light of the whole record, consistent with the law, and in the public interest.”

4.1. The Amended Settlement Agreement is Reasonable in Light of the Whole Record

The Amended Settlement Agreement was reached after opposing parties were able to assess the strengths and weaknesses of their respective cases. The Amended Settlement Agreement represents a reasonable resolution of the dispute between Cal Am, DRA and MPWMD regarding Water Project

¹² All references to Rules are to the Commission’s Rules of Practice and Procedure unless otherwise noted.

preconstruction costs. The Settling Parties have agreed to reduce Cal Am's request by \$137,632 in disallowances, plus \$9,485 in related interest. Settling Parties have also removed from Cal Am's SRSBA \$185,893 in labor and related costs incurred through December 31, 2006, that may be duplicative of GRC expenses. Furthermore, as the Settling Parties point out DRA reviewed the extensive amount of documents reflecting Cal Am's 2007 costs and found them reasonable. Finally, Settling Parties have agreed on the full recovery of charges from ASR Systems for services through December 31, 2007, for the Water Project thus resolving an additional dispute.

The Amended Settlement Agreement also addresses Cal Am's production of documentation supporting preconstruction costs in this proceeding, and Cal Am's inclusion of documentation supporting preconstruction costs in future applications for Water Project preconstruction costs. Production of these documents will reasonably assist parties in assessing Water Project costs and increase efficiency.

In addition, the Amended Settlement Agreement proposes a schedule for the filing of future applications and the submittal of reports and testimony by other parties. This schedule is a reasonable provision for resolving future applications as it provides a timeline for certain events and actions by Cal Am and other parties.

Finally, the Amended Settlement Agreement proposes a method to report an accounting of the preconstruction amounts collected from ratepayers, and the status of the SRSBA. This reporting method is a reasonable approach to provide information to the Commission and others regarding Water Project preconstruction costs.

4.2. The Settlement Agreement is Consistent with the Law

Settling Parties contend that the 2007 preconstruction costs set forth in the Amended Settlement Agreement were reasonably and properly incurred in the pursuit of a long-term water supply solution to satisfy directives to Cal Am contained in State Water Resources Control Board Order 95-10.

The Amended Settlement Agreement also complies with Commission decisions addressing Water Project preconstruction costs. Furthermore, as required by the Commission's Rules, Settling Parties properly noticed and held a settlement meeting, assisted by an ALJ mediator, on August 29, 2008.

4.3. The Amended Settlement Agreement is in the Public Interest

Settling Parties agree that resolving this matter is in the public interest because it will avoid potentially costly litigation. Should the proceeding continue to full evidentiary hearings and litigation on the merits to address the costs incurred by Cal Am for the Water Project through 2007, all parties would need to invest additional time and resources.

The public interest is further served since the Amended Settlement Agreement proposes a reasonable schedule for future applications to address Water Project preconstruction costs. This element reduces the procedural uncertainty of future applications and increases the efficiency of staff resources.

Also, the Amended Settlement Agreement is in the public interest because it will provide Cal Am with customer contributions useful for establishing a reliable water service, and will mitigate the rate impact of a long-term water supply solution on Monterey District customers.

Finally, we note that the Settling Parties comprise all of the active parties in A.08-04-019, and we do not know of any parties who contest the

Amended Settlement Agreement. Thus, the Amended Settlement Agreement commands the unanimous sponsorship of all active parties in this proceeding, who fairly represent the interests affected by the Amended Settlement Agreement. We find that the evidentiary record contains sufficient information for us to judge the reasonableness of the Amended Settlement Agreement and for us to discharge any future regulatory obligations with respect to this matter. Thus, the proposed Amended Settlement Agreement is consistent with the criteria for all-party settlements set forth in D.92-12-019 (46 CPUC2d 538).

5. Proposed Schedule for Future Applications

The Amended Settlement Agreement which we adopt proposes that DRA's report be submitted on or before December 15 of each year, or approximately 9 months after the filing of a Cal Am application.¹³ In adopting this provision, we note that Pub. Util. Code § 1701.5(a) requires that the Commission resolve ratesetting matters within 18 months of the issuing of a scoping memo. In order that the scoping memo in a future proceeding consider any recommendations in DRA's report, the scoping memo for a future application under this provision will not be issued prior to the submitting of DRA's report. Consequently, Commission resolution of a future application may not be completed until significantly after the filing of an application.

6. Conclusion

For all of the foregoing reasons, we grant the Settling Parties' Motion and adopt the Amended Settlement Agreement as proposed.

¹³ See, Attachment A, Section III (B.), p. 3.

7. Comments on Proposed Decision

Rule 14.6(b) provides that comments may be waived in proceedings where all the parties to the proceeding so stipulate. As Settling Parties, who comprise all the parties to this proceeding, have so stipulated and as we are adopting the Amended Settlement Agreement as proposed by Settling Parties, comments are waived.

8. Assignment of Proceeding

John A. Bohn is the assigned Commissioner and Bruce DeBerry is the assigned ALJ in this proceeding.

Findings of Fact

1. D.06-12-040 authorizes Cal Am to recover preconstruction costs for the Water Project through the Surcharge 1 commencing January 1, 2007.
2. As detailed in the Amended Settlement Agreement, Settling Parties agree that Cal Am should be allowed to recover \$3,741,714 in 2007 preconstruction costs, and this amount constitutes the entirety of Cal Am's preconstruction costs through December 31, 2007.
3. Settling Parties agree that \$309,258.22 represents the full recovery of ASR System charges for work performed through December 31, 2007.
4. Cal Am has provided certain vendor identified Water Project documents to DRA and MPWMD.
5. DRA has determined that the already incurred 2007 preconstruction costs are reasonable.
6. Nothing in the Amended Settlement Agreement affects Cal Am's ability to recover preconstruction costs incurred for the Water Project after December 31, 2007, and tracked in the memorandum account approved in D.03-09-022.

Conclusions of Law

1. Cal Am should be authorized to recover \$3,741,714, as compensation in full for all Water Project preconstruction costs incurred through December 31, 2007. These costs should be recovered from ratepayers through the Surcharge 1 authorized by D.06-12-040.
2. The Amended Settlement Agreement between Cal Am, DRA and MPWMD is reasonable, consistent with the law, and in the public interest and should be approved.
3. This decision should be effective today so that the Amended Settlement Agreement may be implemented expeditiously.
4. A.08-04-019 should be closed.

O R D E R

Therefore, **IT IS ORDERED** that:

1. The Amended Settlement Agreement between California-American Water Company (Cal Am), the Division of Ratepayer Advocates (DRA), and the Monterey Peninsula Water Management District (MPWMD), attached to this decision as Attachment A, is approved without modification.
2. Cal Am is authorized to recover \$3,741,714, as compensation in full for all Coastal Water Project (Water Project) preconstruction costs incurred through December 31, 2007, using the Special Request 1 Surcharge (Surcharge 1) authorized by Decision (D.) 06-12-040.
3. Cal Am is authorized to transfer \$3,741,714 of costs incurred for the Water Project through December 31, 2007 from the authorized memorandum account to the Surcharge 1 cost recovery balancing account (SRSBA).

4. Cal Am shall remove \$185,893 in labor, labor overhead and related costs incurred through December 31, 2007, from its SRSBA.

5. Cal Am shall provide to DRA and MPWMD vendor documents to the extent that such documents exist as agreed to in the Amended Settlement Agreement.

6. Cal Am shall continue the annual reporting process adopted in D.06-12-040. Cal Am may file annual applications to address preconstruction costs according to the agreed upon schedule as detailed in the Amended Settlement Agreement. These annual applications shall include the documentation agreed upon in the Amended Settlement Agreement, and a budget and schedule for each existing task order contract.

7. Cal Am shall provide in a separate section of its annual applications justification for recovery of any preconstruction costs which occur outside of the annual reporting period (January 1 to December 31 yearly).

8. Cal Am shall provide in its Class A Annual Report to the Commission an accounting of the amounts collected from customers and the total costs charged to the memorandum account for its Surcharge 1 as detailed in the Amended Settlement Agreement.

A.08-04-019 ALJ/BMD/avs

9. Application 08-04-019 is closed.

This order is effective today.

Dated December 18, 2008, at San Francisco, California.

MICHAEL R. PEEVEY
President
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners

AGREEMENT

Watermaster and CAW agree as follows:

1. At the end of each Water Year, Watermaster shall determine the Replenishment Assessments in accord with Section III.L.3.j.iii of the Decision. Within 40 days of CAW's receipt of Watermaster's notice of Replenishment Assessment against CAW for the preceding Water Year, CAW shall provide Watermaster any claim for a Replenishment Credit pursuant to Section III.M.1.d of the Decision. Such claim shall be based upon expenditures for a water supply augmentation project (such as the Coastal Water Project and/or other projects that produce water that can be used to replenish the Seaside Basin (hereinafter "Project(s)")) that CAW contends has or will result in replenishment of the Basin.

2. Watermaster agrees that the Project will result in replenishment of the Basin, and therefore:

(a) Watermaster hereby grants CAW's current request for a Replenishment Credit in the amount of \$12,305,924.00. Such Credit shall be immediately applied to CAW's Replenishment Assessments for Fiscal 2006 (Water Year 05/06), Fiscal Year 2007 (Water Year 06/07) and Fiscal Year 2008 (Water Year 07/08), which total \$10,166,640, subject to the condition that, upon completion and implementation of a water supply augmentation Project, CAW shall provide Watermaster, at no cost to Watermaster, and on a schedule that is Feasible either (1) water for Artificial Replenishment through direct replenishment and/or (2) cause in-lieu replenishment of the Basin by forbearing to produce water to which CAW is entitled as CAW's share of the Native Safe Yield, in an amount equal to CAW's total acre feet of Over-Production for the Water Years 05-06, 06-07, and 07-08, which total is 6,390.1 acre feet. Future CAW requests for Replenishment Credit shall be granted subject to the same conditions set forth in this Section 2 (a).

(b) In future Water years Watermaster shall address future requests by CAW for a Replenishment Credit as follows:

- i. For years in which Watermaster declares that water for Artificial Replenishment is not available, Watermaster shall grant CAW's request for a Replenishment Credit for that Water year, subject to CAW's obligation to provide future Artificial Replenishment as set forth in Section 2(a) herein.
- ii. For years in which Watermaster declares that water for Artificial Replenishment is available from sources other than a CAW water supply augmentation Project, Watermaster shall have the option of either: (i) requiring CAW to pay all or part of CAW's Replenishment Assessment for that Water Year for the purpose of providing Watermaster with funds to obtain Artificial Replenishment in sufficient quantities to replenish that quantity of Over-Production for which CAW pays a Replenishment Assessment; or (ii) granting CAW's request for a Replenishment Credit subject to CAW's obligation to provide future Artificial Replenishment as provided for in section 2(a) herein. . If Watermaster is unable to purchase Replenishment Water equal to CAW's total Over-Production for that Water Year,

the Watermaster shall grant CAW a Replenishment Credit for the balance of CAW's Over-Production for that Water year, subject to CAW's obligation to provide future Artificial Replenishment as set forth in Section 2(a) herein.

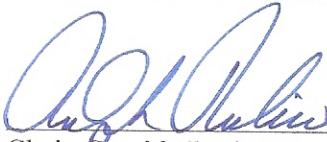
3. The sum of the acre feet of water to be provided to Watermaster for replenishment either by direct replenishment and/or in-lieu replenishment for each Water Year shall equal the number of acre feet for which CAW is assessed a Replenishment Assessment for the Water Year at issue. In no event shall the total amount of direct replenishment and/or forbearance by CAW be greater than the cumulative total of acre feet of CAW's Over-Production for all Water Years for which CAW is granted Replenishment Credits.

4. Upon completion and implementation of the Project(s), at any stage in CAW's direct replenishment and/or in-lieu replenishment pursuant to conditions set by Watermaster upon granting of Replenishment Credits, CAW shall have the right to request that the Court determine that, based upon principles of the physical solution set forth in the Decision, the Basin has been replenished in an amount sufficient to prevent seawater intrusion or the Basin has been protected by alternative seawater intrusion preventive measures. Upon such determination by the Court, CAW's obligations under conditions set by Watermaster upon granting of Replenishment Credits and any obligation under this Memorandum of Understanding to provide direct replenishment water and/or in-lieu replenishment at no cost to Watermaster shall be deemed fully satisfied.

5. All terms used in this Memorandum of Understanding that are defined terms in the Decision shall be defined herein as set forth in Section III.A of the Decision.


IN WITNESS WHEREOF the Parties hereby agree to the full performance of the terms set forth herein.

SEASIDE BASIN WATERMASTER



Chair, Seaside Basin Watermaster
Date: January 21, 2009

CALIFORNIA AMERICAN WATER



President, California American Water
Date: 1-29-2009

**SEASIDE GROUNDWATER BASIN
WATERMASTER**

TO: Board of Directors
FROM: Dewey D. Evans, CEO
DATE: February 3, 2010
SUBJECT: Report responding to Superior Court Minute Order dated January 6, 2010
concerns regarding the Watermaster's 2009 Annual Report to the Court

PURPOSE:

To respond to the concerns of the Superior Court's Minute Order dated January 6, 2010 regarding the Watermaster's 2009 Annual Report

RECOMMENDATION:

Consider approving the attached "Draft Report to the Court," and that it be sent through proper legal channels to the Court and Judge Randall prior to the February 5, 2010 deadline. The responses to the first two concerns were prepared by the Watermaster staff and has not been reviewed by legal counsel.

DISCUSSION:

The Court reviewed the Watermaster's 2009 Annual Report and expressed the concerns contained in the attachment to this Agenda item. He directed the Watermaster to provide responses to these questions by February 5, 2010. The Budget & Finance Committee met and a decision was made that the first two concerns would be responded to by a separate pleading by the City of Seaside directly to the Court. The third concern was discussed by the Technical Advisory Committee and they prepared the response to the Court.

ATTACHMENTS:

- 1) Superior Court Minute Order dated January 6, 2010 with three areas of concern
- 2) Draft Report to the Court addressing the three areas of concern
- 3) City of Seaside's Draft Response to the January 6, 2010 Minute Order

**SUPERIOR COURT OF CALIFORNIA
COUNTY OF MONTEREY**

Date: **JAN 06 2010**

Hon. Roger D. Randall

, Judge
, Bailiff

Erika D. Catania

, Deputy Clerk
, Court Reporter

California American Water,

vs.

City of Seaside; City of Monterey; City of Sand City; City of Del Rey Oaks; Security National Guaranty, Inc.; Granite Rock Company, Inc; D.B.O. Development Company No. 27, Inc.; Muriel E. Calabrese 1987 Trust; Alderwoods Group (California), Inc.; Pasadera Country Club, LLC; Laguna Seca Resort, Inc.; Bishop McIntosh & McIntosh, a general partnership; The York School, Inc.; County of Monterey; and does 1 through 1,000, inclusive
Defendants.

Monterey Peninsula Water Management District,

Intervenor,

Monterey County Water Resources Agency,

Intervenor,

And Related Cross-Actions.

No. M66343

Minute Order re: 2009 Annual report of the Water Master

The Court has received and read the 2009 Annual Report of the Water Master. In doing so, the following matters are of concern to it:

- a) The Report, Section F, Page 3, references the MOU between City of Seaside and SGBW regarding proposed in lieu replenishment assessments. The MOU is attached as Attachment 3. The MOU, paragraph 4, appears ambiguous to the court, in that it can be read to allow a stay of enforcement of replenishment assessments in advance of the securing of replenishment water for the golf courses, and to stay enforcement of any replenishment assessment after such replenishment water is obtained, even though the assessment might accrue beyond 200AF. If this is the intent of the parties, it is not acceptable to the court, since it would tend to reduce the funds available to secure additional water resources for the basin.
- b) Concerning the question raised by Cal Am and City of Seaside regarding Double RA on Operating Yield Overproduction, there is no ambiguity in the use of the term "additional Water Master

Replenishment Assessment” in Amended Decision III.L.j.iii. The OYO assessment is to be assessed *in addition to* the base assessment for production in excess of NSY, which applies to all production exceeding NSY. The additional assessment, of course, only impacts that portion of usage exceeding the Operating Yield allotment.

- c) The Report, Paragraph J, proposes to reduce monitoring of sentinel wells, but provides no basis for such a reduction. This reduction is not acceptable absent a basis presented to the court for such a significant reduction.

The Water Master is directed to respond to the court’s concerns regarding these matters within thirty (30) days of the mailing of this minute order.

Draft Report to the Court

The Seaside Basin Watermaster submits the following report in response to the Minute Order of the Court dated January 6, 2010.

The Court's Order in part directs that the Watermaster provide written responses to three concerns pertaining to the Watermaster's 2009 Annual Report. Each of the concerns is shown in boldface *italics*. The responses immediately follow each of the listed concerns.

Concern 1 - The MOU between the City of Seaside and SGBW regarding the proposed in lieu replenishment assessments. The Report, Section F, Page 3, references the MOU between the City of Seaside and SGBW regarding proposed in lieu replenishment assessments. The MOU is attached as Attachment 3. The MOU, paragraph 4, it appears ambiguous to the court, in that it can be read to allow a stay of enforcement of replenishment assessments in advance of the securing of replenishment water for the golf courses, and to stay enforcement of any replenishment assessment after such replenishment water is obtained, even though the assessment might accrue beyond 200 AF. If this is the intent of the parties, it is not acceptable to the court, since it would tend to reduce the funds available to secure additional water resources for the basin.

Response: The City of Seaside has prepared a response to the first two concerns raised by the Court with respect to the Watermaster's 2009 Annual Report, per the January 6, 2010 Minute Order, asking that the Court reconsider its concerns and concur with the position adopted by the Watermaster. The Watermaster fully intends to abide with whatever the final decision is from the Court and will make whatever changes are necessary to assure the Court's orders are carried out.

Concern 2 - The question raised by Cal Am and City of Seaside regarding Double RA on Operating Yield Overproduction. Concerning the question raised by Cal Am and City of Seaside regarding Double RA on Operating Yield over Production, there is no ambiguity in the use of the term "additional Watermaster replenishment assessment" in Amended Decision III.L.j.iii. The OY0 assessment is to be assessed in addition to the base assessment for production in excess of NSY, which applies to all production exceeding NSY. The additional assessment, of course, only impacts that portion of usage exceeding the Operating Yield allotment.

Response: The City of Seaside has prepared a response to the first two concerns raised by the Court with respect to the Watermaster's 2009 Annual Report, per the January 6, 2010 Minute Order, asking that the Court reconsider its concerns and concur with the position adopted by the Watermaster. The Watermaster fully intends to abide with whatever the final decision is from the Court and will make whatever changes are necessary to assure the Court's orders are carried out.

Concern 3 - Reduced monitoring of Sentinel Wells. The Report, Paragraph J., proposes to reduce monitoring of sentinel wells, but provides no basis for such a reduction. This reduction is not acceptable absent a basis presented to the court for such a significant reduction.

Response: The only reduction being proposed is in the frequency of performing induction logging of the Sentinel wells. All other monitoring of these wells would continue to be performed as in the past. The reduction is being proposed for two reasons: (1) The data obtained from induction logging over the past two years indicates that quarterly induction logging is unnecessary and that semi-annual induction logging will be

adequate, and (2) Induction logging is costly to perform, with each event costing approximately \$7,000.

Quarterly geophysical (induction) logging has been performed by the Watermaster at the four Watermaster Sentinel wells since they were installed in 2007. The induction logging results have shown very little variations and no trends since this monitoring began, indicating that the coastal water quality conditions are not changing at this sample frequency. Because over two years of conducting this logging on a quarterly basis, at a cost of approximately \$7,000 per logging event for the four Sentinel wells, has shown no trends or variations in the shapes of the induction log curves, the issue of whether or not it was necessary to continue performing induction logging on a quarterly basis was posed to the Watermaster's hydrogeologic consultants, and was discussed with the Watermaster's Technical Advisory Committee.

These consultants are all registered Professional Geologists and/or Certified Hydrogeologists. Their conclusions and recommendations on this matter are presented in two of the reports prepared for the Watermaster in 2009 through contracts with these consultants. The pertinent findings of these reports are discussed below.

WATER YEAR (WY) 2009 SEAWATER INTRUSION ANALYSIS REPORT

The WY 2009 Seawater Intrusion Analysis Report (SIAR) was prepared for the Watermaster under contract with HydroMetrics LLC. The principal members of HydroMetrics' staff who prepared the SIAR were Derrik Williams, PG⁽¹⁾, CHg⁽¹⁾ and Georgina King, PG, CHg.

Martin Feeney, PG, CHg, prepared a report describing the construction of the four Coastal Sentinel wells in 2007. The WY 2009 SIAR (page 38) contains the following summary of the baseline induction logs for each of the wells, taken from Martin Feeney's report:

“SBWM-1—The upper 50 feet of this well shows very high conductivities. This signature is present in all of the wells and is the result of the 50-foot steel conductor casing. However, because the water table is below the conductor casing at all locations, the steel casing does not interfere with data collection within the saturated sediments below. Below the conductor casing in SBWM-1, the sediment materials are dry to a depth of approximately 115 feet. Below this depth, there is approximately 10 feet of sand containing fresh water. Below 125 feet and extending to approximately 350 – 400 feet is sand containing saline water with conductivities measuring as high as 10,000 μ mhos/cm. This saline water is contained within the Dune /Beach Sand Deposits and the Aromas Sand. Below this depth, conductivities are relatively low with the exception of the thick marine clay between approximately 600 -700 feet. The other conductive zones also correlate with clay zones.

⁽¹⁾ PG designates registered by the State as a Professional Geologist; CHg designates certified by the State as a Hydrogeologist.

SBWM-2— As in SBWM-1 there is a thin layer of fresh water overlying a zone of saline water to approximately 130 feet within the Beach/Dune Sands and Aromas

Sand. Below this depth, the materials become increasingly clayey, complicating the interpretation. Below this depth, there are no obvious zones of anomalous conductivity; that is, the zones that are more conductive correlate with clay zones.

SBWM-3— In SBWM-3 saline water extends to a depth of approximately 100 feet within the Dune/Beach Sand and Aromas Deposits. Below 100 feet, the materials become clay and conductivities rapidly decline. Again, below the shallow saline water in the sand deposits, all zones of increased conductivity correlate with clay zones.

SBWM-4— As with the other wells, the induction log reveals a thin layer of fresh water overlying saline water with the Dune Sands/Beach Deposits to a depth of approximately 100 feet. Below this depth the materials become clay and there are no additional zones of increased conductivity uncorrelated with clay zones.

The WY 2009 SIAR continues with the following (page 39):

The salinity changes shown in the baseline induction logs are only relative to one another, and as such do not allow for a direct measurement of TDS or chloride concentrations in the aquifer. They do, however, provide a means to determine changes in salinity over time. In general, the Dune Sands and Aromas Formation show slightly increasing salinity, with no detectable changes to the lower aquifers where production wells extract groundwater. This indicates that there is no seawater intrusion into these deeper aquifers”.

As reported in the Watermaster’s 2007 Annual Report, Paragraph J, Mr. Feeney’s 2007 report also contained the recommendation that “The new Sentinel Wells should be induction logged quarterly, and water quality samples should be collected as part of the induction logging activity using the same down-hole equipment. In subsequent years, it may be feasible to reduce the sampling frequency if a good correlation between the induction logging data and the sampling data is found to exist.”

The WY 2009 SIAR also discussed the eight down-hole induction logging events that have been carried out in the Sentinel wells since they were constructed in October 2007. The logs from these events were included in the WY 2009 SIAR (page 40) and are also included at the end of this Response. As can be seen from examining these logs, there are nearly identical plots, i.e. the plots are virtually superimposed on each other, for the data from each of the logging events at each well. These logs substantiate the following excerpts from the Recommendations contained in the WY 2009 SIAR (page 55):

“SEMI-ANNUAL WATER QUALITY SAMPLING IN WELL SBWM-4

It is recommended that semi-annual samples continue to be collected at sentinel well SBWM-4 because chloride concentrations from a depth of 900 feet below surface were greater than 250 mg/L.

REDUCE FREQUENCY OF INDUCTION LOGGING IN SENTINEL WELLS

Induction logging in the four sentinel wells has shown very little variation in salinity. Currently logging takes place quarterly. This could be reduced to semi-annually or annually.”

WATER YEAR 2009 GROUNDWATER QUALITY AND LEVEL DATA

The “*Report of Water Year 2009, Groundwater-Quality and Groundwater-Level Data Collected for the Seaside Groundwater Basin Watermaster,*” dated November 2, 2009 and contained in Attachment 8 to the Watermaster’s 2009 Annual Report, was prepared for the Watermaster through a contract with the Monterey Peninsula Water Management District (MPWMD) by Joe Oliver, PG, CHg, Jonathan Lear, PG, CHg, and Tom Lindberg, all of whom are hydrologists on the staff of the MPWMD.

One of the Conclusions contained in this report (page 7) is that the chemical data from WY 2009 for the MPWMD dedicated coastal monitor wells do not show significant changes relative to previous samplings, and are not indicative of seawater intrusion into the basin at the locations and depths of these monitor wells. This conclusion is supported by the WY 2009 SIAR as discussed above.

One of the Recommendations contained in this report (page 8) is that “*Given that the geophysical and water-quality data that have been collected since the installation of the Watermaster’s coastal Sentinel Wells in 2007 have not shown any emerging trends or significant variations since this monitoring began, it is recommended that the frequency of induction logging at these sites can be reduced from quarterly to semi-annually without unduly compromising the utility of the monitoring program.*”

REVIEW AND ACTIONS TAKEN BY THE WATERMASTER

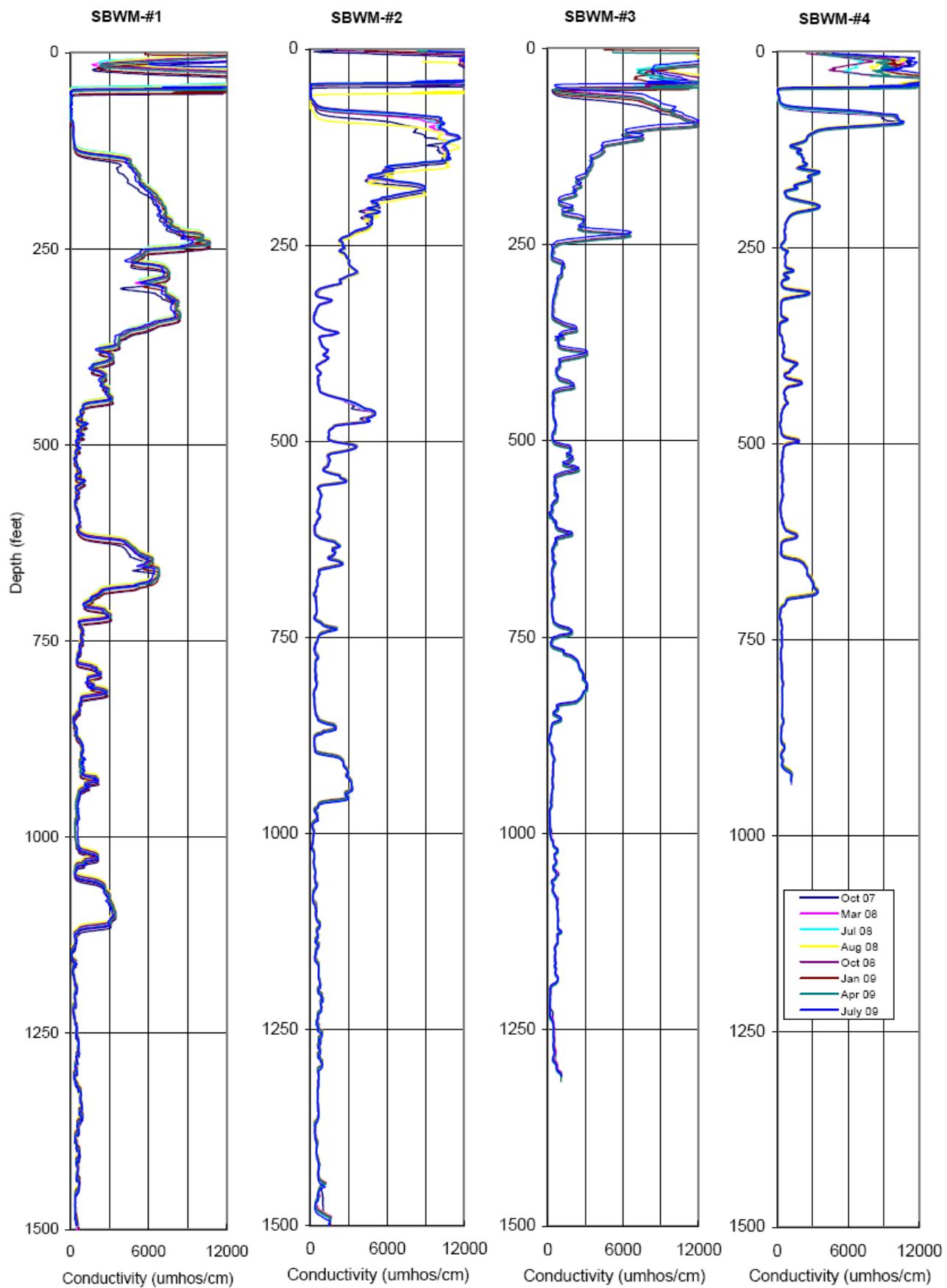
The reports referenced above were discussed by these consultants (Mr. Williams, Ms. King, Mr. Oliver, Mr. Lear, and Mr. Feeney) with the Watermaster’s TAC. There was unanimous agreement among the TAC members and its consultants that beginning in Water Year 2010 the Watermaster could reduce the frequency of induction logging the Sentinel wells from quarterly to semi-annually. The Watermaster Board approved the TAC’s recommendation, and consequently the Scope of Work for the 2010 Monitoring and Management Program, and the budget to support the work of that program, reflects this reduced frequency of induction logging. This resulted in a cost-savings of approximately \$14,000 for FY 2010.

Reducing the induction logging frequency from quarterly to semi-annually is more conservative than a reduction to an annual frequency, justification for which may be provided by the additional groundwater modeling work that will be performed during WY 2010. That modeling work is expected to produce results supporting the belief there is no direct hydraulic connection of the main aquifer unit (Santa Margarita Sandstone) to the ocean at the ocean/continental slope interface offshore. However, until that additional modeling work is completed, which would serve as justification for a further reduction in the frequency of induction logging, the switch to semi-annual (as opposed to annual) is a more protective and prudent approach for the Watermaster to take in its ongoing monitoring and management of the Basin. The frequency of water sample collection from the Sentinel Wells would remain the same, i.e. on an annual basis, except that SBWM MW-4 would be sampled semi-annually, as recommended in the WY 2009

SIAR. These samples are analyzed for water quality and provide additional information useful in preparing each year's Seawater Intrusion Analysis Report.

In summary the Watermaster feels that ample monitoring data is being gathered for sound Basin management and that this data, including the reduced frequency of induction logging, will be fully sufficient to detect any indications of seawater intrusion.

Induction Logging Results from 2007 Through 2009



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Attorneys for Defendant, CITY OF SEASIDE

Comment [DDE1]:

**SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF MONTEREY**

CALIFORNIA AMERICAN WATER,

Plaintiff,

vs.

CITY OF SEASIDE, et al.,

Defendants.

Case No. M66343

Assigned for All Purposes to the
Honorable Roger D. Randall (Ret.)

**CITY OF SEASIDE'S RESPONSE TO
JANUARY 6, 2010 MINUTE ORDER RE
ANNUAL REPORT OF WATERMASTER**

MONTEREY PENINSULA WATER
MANAGEMENT DISTRICT,

Intervenor,

MONTEREY COUNTY WATER
RESOURCES AGENCY,

Intervenor,

AND RELATED CROSS-ACTION.

I. INTRODUCTION

The City of Seaside (the "City") submits the following response to the first two concerns raised by the Court respecting Watermaster's 2009 Annual Report, as set forth in the Court's January 6, 2010 Minute Order. The first concern pertains to the appropriate calculation of the Replenishment Assessment ("RA") applicable to Operating Yield Over-Production. The second

concern pertains to the Memorandum of Understanding (“MOU”) between the City and Watermaster respective of an in-lieu replenishment program proposed by the City involving its Blackhorse and Bayonet Golf Courses. For the reasons discussed herein, we respectfully request that the Court reconsider its Minute Order, and that it concur with the position adopted by Watermaster respective of both of these matters.

II. CALCULATION OF REPLENISHMENT ASSESSMENT UPON OPERATING YIELD OVER-PRODUCTION

A. Summary of Issues and Watermaster Position

The Amended Decision (“Decision”) provides separate definitions for *Over-Production* and *Operating Yield Over-Production* (“OYO”). “Over-Production” is defined as production in excess of a producer’s Base Water Right as applied to an initially assumed Native Safe Yield (“NSY”) of 3,000 afy. (Decision, III.A.21, p. 14.) OYO is defined as production in excess of a producer’s Operating Yield allocation. (Decision, III.A.21, 22, p. 14.) As discussed in the Annual Report, in calculating the appropriate RA, the question arose as to whether the phrase “*additional Watermaster Replenishment Assessment*” as applied to OYO, at Section III.L.J.iii of the Decision, meant that the OYO RA is to be *another* RA, but which is separate and distinct from the RA applied to standard Over-Production, or meant a *duplicative* RA applied to OYO.¹ Watermaster interpreted the Decision to mean the former; that the “*additional*” RA applicable to OYO was a separate and distinct form of RA. However, the Court’s January 6, 2010 Minute Order reversed this interpretation, instructing that the RA applied to OYO is to be applied *in addition* to the base assessment for *all* production in excess NSY, hence resulting in a double RA on OYO. The City respectfully urges the court to reconsider this conclusion for the following reasons.

1. A Double RA Upon OYO is Inconsistent with the Purpose of the RA

The purpose of the RA is to secure non-native water supplies to replenish each acre-foot of

¹ Another way to pose the question is as follows: does the RA applicable to the “standard” Over-Production (i.e., production between a SPA producer’s share of the NSY and its Operating Yield allocation) end where OYO begins, or does the standard Over-production continue, subject to an RA, and overlap with OYO and the RA applicable thereto, thereby resulting in a double RA on OYO?

production in excess of NSY. (See Decision, III.L.j.iii, p. 33 [providing that the RA is to be assessed on a “per acre-foot basis on each acre foot” of Over-Production]; see also definition of Over-Production, Decision, III.A.21, p. 14 [defining Over-Production in the Basin-wide context as all production in excess of the NSY].).) If the Judgment were interpreted to require a double RA on OYO, more replenishment revenue would be generated than is required to replenish the cumulative production in excess of the NSY.

OYO is not allowed by the Decision’s terms unless replenishment supplies are available to replenish the excess production. (Decision, III.L.j.iii, p. 3.) Because replenishment water is not presently available, the City acknowledges that its OYO is in violation of the Judgment. As discussed below, the City is taking aggressive steps to eliminate such violation. However, the purpose of the RA is not to punish for Over-Production or OYO, but to provide a mechanism to acquire replacement water on an acre-foot by acre-foot basis to offset water pumped in excess of NSY.

2. An Interpretation Resulting in a Double RA on OYO Would Likely Preclude Pragmatic Use of the Basin

OYO is separately provided for in the Decision as a distinct form of over-production that is authorized once replenishment water becomes available. In future years when replenishment supplies are available, OYO may become a valuable component of efficient water management strategies in which the Basin is used to store, treat, and deliver new water supplies, including desalinated water and treated recycled water. For example, efficient water supply strategies may involve delivery of replenishment water to the Basin where it is stored, treated (by virtue of percolation through the Basin’s strata), and subsequently recovered by water users engaging in OYO, who pay the replenishment assessment, which in turn funds the replenishment water supply. Such a strategy could be implemented as a means to avoid construction of unnecessary delivery, treatment, and storage infrastructure. As a result, the community could lower the costs of the proposed Coastal Water Project, and potentially make greater beneficial use of treated recycled water. However, imposition of a double RA on OYO would render such desirable water management opportunities cost prohibitive by making it twice as expensive to undertake them, and

thereby discourage pragmatic use of the Basin in the future.²

3. The City Has Applied Best Efforts to Mitigate and Eliminate its OYO

The City has made diligent efforts to reduce water consumption and eliminate its exposure to OYO RA liability. With respect to consumption within its municipal system, the City established a water conservation program that is consistent with similar regulations imposed by the Monterey Peninsula Water Management District on customers served by the California American Water Company, and has increased its tiered water rates (as much as ___ percent) to incentives conservation and eliminate recurrence of OYO (Corpuz Decl. at ¶ ___, at ¶ ___). The City is also aggressively pursuing an agreement with the lessee of the City's Bayonet and Blackhorse Golf Courses to reduce the amount of water used for irrigation. In addition to these efforts, the City purchased 10 acre-feet of surplus Carryover Credits from the Granite Rock Company to offset a portion of its OYO. (See Annual Report, p.2, ¶ 4.) We would welcome the opportunity to further discuss the City's efforts to mitigate its water demands with the Court at a hearing if the Court desires.

4. A Double RA on OYO Would Further Impair the City's Financial Challenges

While we appreciate that the City's economic hardship is not a valid grounds to support one interpretation of the Decision over another, we hope the Court will appreciate the significant burden the imposition of a double RA liability on the City would cause. The recent economic downturn has adversely affected the City and its municipal tax revenues. Since 2007, the City has lost 30% of its tax revenue and has been forced to eliminate approximately 30 City staff positions. (Corpuz Decl. at ¶ __hereto, at ¶ ___.) The State of California has also taken approximately ___ percent of the City's redevelopment funding revenue. (Corpuz Decl. at ¶ ___, at ¶ ___.) Imposition of a double RA liability on the City's historical OYO will exacerbate the City's financial troubles.

² If desired by the Court, counsel will also produce (and request judicial notice to be taken of) decisions entered in other groundwater basins that similarly allow for production in excess of the native safe yield subject to a uniform (i.e., single) replenishment assessment, which allows for the more dynamic and efficient water management strategies discussed herein.

III. THE CITY'S IN-LIEU REPLENISHMENT PROGRAM

A. Summary of Issues, MOU, and Concerns

The City's RA liability presents a financial predicament for the City. As a point of reference, the accrued RA liability amounts to roughly ___ percent of the City's annual budget and equates to the annual salary of roughly 30 City staff positions. (Corpuz Decl. at ¶ __.) However, the proposed in-lieu replenishment program involving the City's golf courses presents a solution whereby the City's RA liability would be "exchanged" for comparable replenishment water. The City is completing negotiations with Marina Coast Water District ("MCWD") to obtain water supplies—initially derived from Salinas Basin groundwater and later reclaimed water—for use on the City's golf courses in lieu of groundwater production from the Basin. The offset groundwater production will be provided to Watermaster as in-lieu replenishment in exchange for a credit against the City's RA liability. Watermaster unanimously approved the MOU at its November 4, 2009 Board meeting after considerable discussion. (See Declaration of Dewey Evans, attached hereto.)

In its January 6, 2010 Minute Order, the Court expressed concerns with Paragraph 4 of the MOU, which provides for a stay of enforcement of the City's RA liability so long as the City commences in-lieu replenishment under the program of at least 200 acre-feet within one year (i.e., before November 4, 2010) and maintains in lieu replenishment of at least 200 acre-feet annually thereafter during the five year term of the MOU. The Court expressed specific concerns citing the risk that the stay of enforcement would reduce funds available to Watermaster to secure replenishment supplies. For the following reasons, the City urges the Court to endorse the MOU as a prudent and practical measure that will not reduce funds available to secure replenishment supplies.

B. The MOU Will Not Deprive the Basin of Replenishment Water

The one-year start-up period and 200 acre-foot minimum replenishment threshold set forth in Paragraph 4 are designed to foster sufficient time to finalize agreements to arrange for delivery of surface water supplies to the golf courses and to ensure that *at least* a minimum amount of in lieu replenishment is generated annually. The City is nearing completion of negotiations so the program can be implemented, and it anticipates to be able to establish in-lieu replenishment of 400 acre-feet

or more each year. (Corpuz Decl., p. 2.) The 200 acre-foot threshold was established only as a bare minimum. More importantly, any potential stay of enforcement is limited to the five-year term of the MOU. (See MOU, Paragraph 1.) Thus, if the full extent of the City's accrued RA liability is not offset, the remaining RA liability will be due when the MOU expires in November of 2014. Of course, if the City is unable to commence the in-lieu program by November, 2010, its full RA liability will be due at that time.

Other than this proposed in-lieu replenishment program, it is unlikely that any meaningful amount of replenishment water will be available for purchase by Watermaster prior to 2014. (Evans Decl. ¶ 1.) Thus, collection of Seaside's accrued liability would only increase the amount of replenishment funds held in reserve by Watermaster. Likewise, temporary suspension of the City's accrued RA liability (that which it is not able to offset if any at all) until 2014 will not impair the amount of replenishment water that Watermaster will be able to purchase after 2014 when replenishment supplies do become available. In sum, this is the only program likely to provide replenishment water in the near term, and it should not deprive Watermaster of funds to procure other replenishment sources when they do become available. Therefore, we respectfully urge this Court to allow the MOU to proceed as written. Of course, the City welcomes further discussion with the Court regarding how it would like the City and Watermaster to proceed as to this matter.

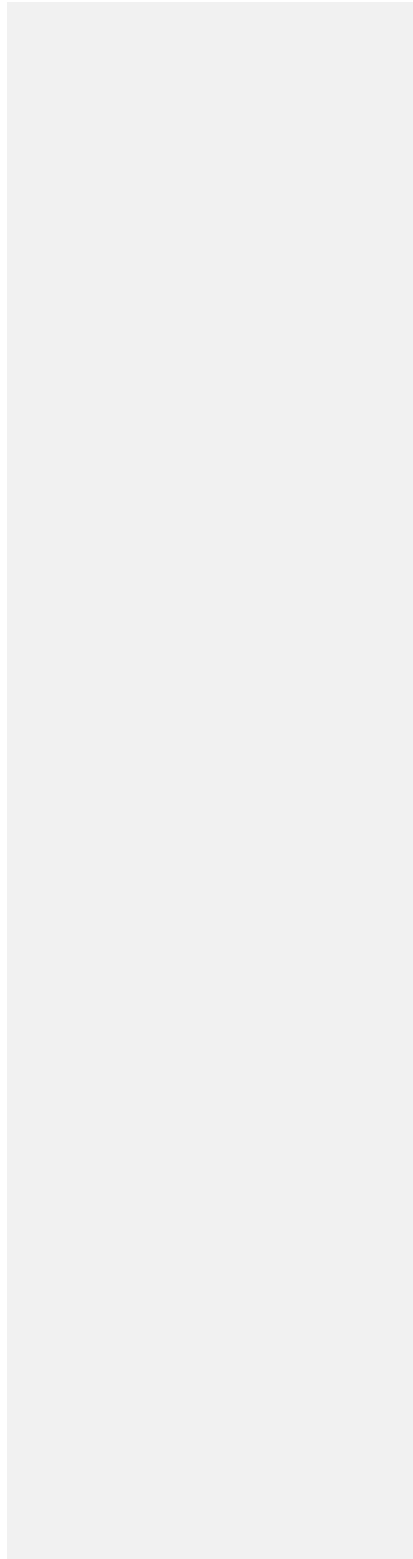
IV. CONCLUSION

For the foregoing reasons, the City respectfully requests that the Court concur with and adopt the positions taken by Watermaster respective of the calculation of RA on OYO and the MOU regarding the proposed in-lieu replenishment program. The City would also appreciate the opportunity to further discuss these matters with the Court at a hearing if the Court so desires.

Dated: January ___, 2010

BROWNSTEIN HYATT FARBER SCHRECK,
LLP

By: _____
RUSSELL M. MCGLOTHLIN
RYAN C. DRAKE
Attorneys for Defendant, CITY OF SEASIDE



ITEM IX.

**INFORMATIONAL
REPORTS**

(NO ACTION REQUIRED)

SEASIDE GROUNDWATER BASIN WATERMASTER CRITICAL MILESTONE DATES

ITEM IX.A. 2/3/10

ANNUAL MILESTONES	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016		
Each Producer is authorized to Produce its Production Allocation within the designated Subarea in each of the first three Water Years. Alternative Producers may change to Standard Production by March 27, 2009 by filing a declaraton with the Court and with the other parties.	27-Mar-06	30-Sep-07	APA to SPA election amended to in perpetuity 12/12/2009										
Commencing with the fourth Water Year and Triennially thereafter, the Operating Yield for both Subareas will be decreased by 10% until the Operating Yield is equivalent to the Natural Safe Yield unless by recharge or reclaimed water use results in a decrease in production of Native Water as required by the decision.					75% of the Operating Yield of 5,600 decreased 10% Jan 1, 2009	Operating yield could decrease 10% every three years on October 1st until it is the equivalent of Natural Safe Yield			1-Oct	1-Oct	1-Oct		
Each Water Year by November 15th, the Watermaster will determine and levy a Replenishment Assessment on each Standard Producer, with payment due from Producer 40 days after the levy is mailed	15-Nov		15-Nov	15-Nov	15-Nov	15-Nov	15-Nov	15-Nov	15-Nov	15-Nov	15-Nov		
After the close of each Water Year, the Watermaster will determine and levy a Replenishment Assessment against all Producers that incurred Operating Yield Over Production during the Water Year, with payment due from Producer by January 15th	15-Nov		30-Nov	30-Nov	30-Nov	30-Nov	30-Nov	30-Nov	30-Nov	30-Nov	30-Nov		
California American Water to submit annually to Watermaster any augmentation to water supply for possible credit toward Replenishment Assessment	Annually	15-Nov	CAW Credit Request Granted (signed MOU) January 15, 2009		15-Nov	15-Nov	15-Nov	15-Nov	15-Nov	15-Nov	15-Nov		
Water level monitoring - monthly data collection from all members for inclusion in the consolidated database.	Reported Annually	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly		
Water quality monitoring - yearly data collection from all members for inclusion in consolidated database	Reported Annually	15-Nov	28-Feb & 15-Nov	15-Nov	15-Nov	15-Nov	15-Nov	15-Nov	15-Nov	15-Nov	15-Nov		
Summary report of water resources data to all members/parties Reported the 15th each quarter month:	Quarterly	Jan, Apr, Jul, Oct 15th	Jan, Apr, Jul, Oct 15th	Jan, Apr, Jul, Oct 15th	Jan, Apr, Jul, Oct 15th	Jan, Apr, Jul, Oct 15th	Jan, Apr, Jul, Oct 15th	Jan, Apr, Jul, Oct 15th	Jan, Apr, Jul, Oct 15th	Jan, Apr, Jul, Oct 15th	Jan, Apr, Jul, Oct 15th		
Annual Report to Court	15-Jan	15-Nov	15-Nov	15-Nov	15-Nov	15-Nov	15-Nov	15-Nov	15-Nov	15-Nov	15-Nov		
ADMINISTRATIVE MILESTONES	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016		
Adjudication ordered by Court and filed	27-Mar-06												
Board Directors Terms	7-Nov												
Budget (Administrative) Adopted/distributed					15-Jan-09	15-Jan	15-Jan	15-Jan	15-Jan	15-Jan	15-Jan		
Budget (Operations) Adopted/distributed					15-Jan-09	15-Jan	15-Jan	15-Jan	15-Jan	15-Jan	15-Jan		
Budget (Replenishment) Adopted/distributed					15-Jan-09	15-Jan	15-Jan	15-Jan	15-Jan	15-Jan	15-Jan		
Administrative Assessments	15-Jan-06	15-Jan-07	15-Jan-08	15-Jan-09	15-Jan-09	15-Jan-11	15-Jan-12	15-Jan-13	15-Jan-14	15-Jan-15	15-Jan-16		
Operations Assessments	15-Jan-07	15-Jan-07	15-Jan-08	15-Jan-09	15-Jan-09	15-Jan-11	15-Jan-12	15-Jan-13	15-Jan-14	15-Jan-15	15-Jan-16		
Capital Assessments	15-Jan-07	15-Jan-07	NONE	15-Jan-09	NONE	15-Jan-11	15-Jan-12	15-Jan-13	15-Jan-14	15-Jan-15	15-Jan-16		
Replenishment Assessments				15-Jan-09	CAW credit req	15-Jan-12	15-Jan-13	15-Jan-14	15-Jan-15	15-Jan-16	15-Jan-17		
Annual Report to Court	15-Nov-06	15-Nov-07	15-Nov-08	15-Nov-09	15-Nov	15-Nov	15-Nov	15-Nov	15-Nov	15-Nov	15-Nov		
Answers to Judge's Questions re: Annual Report		30-Jan-09	28-Feb-08	1-Feb-09	Due Feb 5, 2010								
Declaration of Replenishment Water Availability	Feb-06	Dec-06	Dec-07	18 Mar	2-Dec-09	1-Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15		
MONTHLY MILESTONES	2006-10	Jan 10	Feb 10	Mar 10	Apr 10	May 10	Jun 10	Jul 10	Aug 10	Sep 10	Oct 10	Nov 10	Dec 10
Board Directors Terms													
Fiscal Year tentative budgets distribution to all parties													
Operating Yield of 5,600 decreased 10% ; Declaration of Replenishment Water Available	Due by December		To TAC 11-Mar-09	18-Mar-09									
Administrative Assessments			2009 & 10 Seaside Not Recvd										
Operations Assessments			2009 & 10 Seaside Not Recvd										
Capital Assessments			2009 Seaside Not Recvd, CAW credit req										
Replenishment Assessments			2009 & 10 Seaside Not Recvd										
Develop Repl Assessment Unit Cost													
SPECIAL ISSUES	2006-09	Jan 10	Feb 10	Mar 10	Apr 10	May 10	Jun 10	Jul 10	Aug 10	Sep 10	Oct 10	Nov 10	Dec 10
Cal-Am CWP/Alternative Projects EIR	ALJ & Commission FEIR Proceedings												
SWRCB Cease Desist Order California American Water	Stay Issued												
Watermaster Board Regular Meeting Schedule	6-Jan cancellec		3-Feb	3-Mar	7-Apr	5-May	2-Jun	7-Jul	4-Aug	1-Sep	6-Oct	3-Nov	1-Dec
SUMMARY PROJECT SCHEDULE (See detailed project schedule for more information)				Monitoring and Management Program 2010									
Program Administration, Database Management				1/1/10 - 12/31/10								Complete =	
Coastal Wells Cross-Aquifer Contamination Potential Evaluation				2/1/10 - 7/7/10								Yet to be completed =	
Enhanced Groundwater Model: Protective Water Levels & Basin Scenarios (Hydrometrics)				1/13/10 - 8/4/10								Scheduled for Board or TAC meeting =	
Production Water Level & Water Quality Monitoring (Hydrometrics, MPWMD)				1/1/10 - 12/31/10								Imminent Critical Deadline =	
Refine/Update BMAP (Hydrometrics)				6/9/10 - 11/3/10									
Seawater Intrusion Analysis (Hydrometrics)				10/6/10 - 11/3/10									

Revised January 27, 2010

Seaside Groundwater Basin Watermaster												
Work Schedule 2010												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Prepare for Monthly Board Meetings		2/3	3/3	4/7	5/5	6/2	7/7	8/4	9/1	10/6	11/3	12/1
Attend Monthly TAC Meetings	1/13	2/10	3/10	4/14	5/12	6/9	7/14	8/11	9/8	10/13	11/10	12/8
Quarterly Water Production Reports	1/15			4/15			7/15			10/15		
Develop Basin Storage Capacity Declaration												
Develop Storage Allocation Agreements												
Data Base Enhancement Review												
Data Base Production Data Entry												
Coordinate Annual Report											11/12	
Develop Administrative Budget												
Review All Budgets and Present to Board										10/6		
Administrative, Operations, and Capital Assessments												12/1
Replenishment Assessment Calculations, Assessments												12/1
Declaration of Replenishment Water Availability												12/1

D-R-A-F-T
MINUTES

**Seaside Groundwater Basin Watermaster
Technical Advisory Committee Meeting
January 13, 2010**

Attendees: TAC Members

City of Seaside – Rick Riedl
California American Water – Eric Sabolsice
City of Monterey – Norman Green
Laguna Seca Property Owners – No Representative
MPWMD – Joe Oliver
Public Member – John Fischer
MCWRA – Rob Johnson
City of Del Rey Oaks – No Representative
City of Sand City – No Representative
Coastal Subarea Landowners – No Representative

Watermaster

Technical Program Manager - Robert Jaques
Chief Executive Officer – Dewey Evans

Consultants

HydroMetrics LLC – Georgina King (by telephone)
Martin Feeney Hydrogeologist - Martin Feeney (by telephone)

Others:

California American Water – Craig Anthony
MPWMD – Jonathan Lear
MCWD – Brian True

The meeting was called to order at 1:43 p.m. (Start of meeting delayed because telephone conferencing equipment needed to be reprogrammed).

1. Administrative Matters:

A. Approve Minutes from November 19, 2009 Meeting

Mr. Fischer requested an edit to Section 1, third from the last paragraph, on page 5 of today's meeting agenda packet, asking that the language in the first sentence be revised to read as follows: "Mr. Fischer asked Mr. Bunosky how CAW felt with regard to this situation?"

There was a brief discussion by Mr. Fischer regarding the issue of how an abstention vote was to be counted. Mr. Sabolsice asked Mr. Fischer if the language in the minutes was accurate, and Mr. Fischer said he was satisfied with the language as contained in the draft minutes.

Mr. Riedl asked if he had agreed to prepare agenda material on the topic having to do with having an in-lieu type of storage agreement, as noted on page 7 of the draft minutes. Following discussion he said he accepted the language on this item in the draft minutes as presented.

With Mr. Fischer's requested edit included, on a motion by Mr. Riedl, second by Mr. Oliver, the minutes were approved unanimously.

2. BLM Monitoring Well Construction Report

Mr. Jaques summarized the agenda packet materials on this item, and Mr. Feeney augmented that summarization.

Mr. Feeney explained that the initial water quality sampling data included in his BLM Well Report showed different water quality characteristics than other samples from the same aquifer. He acknowledged that the data might be correct, but recommended that resampling be done until repeating water quality data is obtained to ensure the data is representative of current water quality in that location. Mr. Feeney and Mr. Oliver recommended resampling the new BLM monitoring well one or two times later this calendar year in order to obtain stabilized water quality data. Mr. Oliver went on to recommend that repeat sampling be done in April and again in July.

Mr. Feeney noted that the purpose of installing the new well was mainly to obtain water level information, not water quality information. Since there are no pumping stresses in this area of the basin, and it is far inland from where seawater intrusion might occur, Mr. Oliver and Mr. Feeney recommended that once stabilized water quality data is obtained no additional sampling needed to be done any more frequently than about once every five years. The purpose of periodically sampling this well would be to confirm that no significant water quality changes were occurring,

Mr. Feeney said that due to its greater depth, the new well may be much more expensive the sample than other wells. Mr. Oliver said that he and Mr. Lear were looking into methods of minimizing the costs of performing water quality sampling on this new well.

Mr. Oliver said that in this Fiscal Year's sampling budget, an amount was included to perform quarterly sampling on this well. However, because of the greater-than-anticipated depth of the well, he felt the sampling cost estimates were probably too low. However, he felt that there might be sufficient money in the approved budget to perform the two resampling events discussed above and still remain within budget.

It was agreed that the new BLM well will be designated Seaside Basin Watermaster-Monitoring Well No. 5.

Mr. Fischer asked what would happen if the water quality resampling results did not show consistent/repeatable data. Mr. Oliver and Mr. Feeney said it was highly unlikely that this would occur. However, if this did occur, it was agreed that the issue would be brought back to the TAC for further discussion and a decision made at that time as to what to do.

Mr. Riedl asked when the next water level data measurements would be made. Mr. Feeney responded that continuous monitoring dataloggers had been installed in the well, so data is already being recorded continuously on an hourly basis.

Mr. Oliver said that last year in order to save time and money the first and second quarter water level and water quality data had been combined and used to produce a single report. He recommended following the same procedure this year. Following brief discussion there was TAC concurrence with having MPWMD again this year combine the first and second quarter water level and water quality sampling results into a single report.

Mr. Jaques was authorized by the TAC to amend the existing MPWMD Request for Service (RFS) for monitoring services to change from quarterly water quality sampling of the new BLM Site Well to two water quality sampling events during the current Fiscal Year, on the condition that this can be done within the currently approved budget amount for this work. Only if the cost will exceed the current budgeted amount would the matter would be brought back for further discussion by the TAC.

Mr. Anthony asked about seeing the revised Conclusions and Recommendations sections of Mr. Feeney's BLM Well Report before it goes to the Board and ultimately to the Court. Mr. Jaques proposed emailing the revised body of the Report to the TAC for their review, after Mr. Feeney has made the requested edits. If the edited version of the Report was deemed acceptable to the TAC members, it would be considered to be approved and would not come back to the TAC for further discussion. However, if the edited version resulted in any TAC member asking for further discussion, the Report would be brought back to the TAC for further discussion.

Mr. Jaques asked how many members of TAC wished to receive a hard copy of the final Report, and following this it was concluded that Mr. Feeney would provide Mr. Jaques 5 hard copies so a copy could be provided to each TAC member who expressed an interest in receiving one. A PDF copy of the final Report will also be provided to all TAC members.

Mr. Oliver questioned the U.S. G. S. elevation data mentioned in Mr. Feeney's Report on page 23 of today's agenda packet. Mr. Feeney concurred that there was an error which he will correct in the final version of the Report.

Mr. Riedl asked that the term "dewatering", which appears on page 23 of the agenda packet, be replaced with wording indicating that this refers to a decline in water level.

3. Preliminary Discussion of Possible Modeling Scenarios to be Performed in 2010

Mr. Jaques summarized the background information on this agenda item and provided a brief introduction to it. Ms. King then took over in leading the discussion.

Management Objectives: Ms. King summarized the materials on this topic on pages 47 and 48 of the agenda packet, including such objectives as raising coastal well water levels, creating a pumping trough along the coast, and storing of groundwater. She noted that other objectives could also be established. She said that HydroMetrics feels having management objectives will provide a target against which to evaluate the results from the modeling scenarios.

Mr. Jaques summarized his thoughts and concerns on this as presented on page 48 of the agenda packet.

Mr. Sabolsice said that he felt having management objectives would be helpful in seeing how scenarios tie-in to meeting those objectives.

Ms. King said if reaching protective water levels were the only objective, then it would be very easy to proceed. However she noted that there might be other objectives as well.

Mr. Riedl said he concurred with Ms. King's thoughts, but supported Mr. Jaques' recommendations in order to be more cost-efficient in performing this work and not get into policy issues.

Mr. Sabolsice said he would like to see whether the scenarios that are modeled meet the Watermaster's management objectives. Ms. King said she concurred, but that it could take several months to develop and get Board approval of management objectives.

Mr. Fischer said he was not sure whether the effort and cost to develop management objectives would be beneficial, noting that he felt he needed more information to come to a conclusion on that subject.

Mr. Lear said that drawing on his prior experience in the Watsonville area, he felt it would be helpful to have a clear agreement on what the management objectives are that the Watermaster would like to achieve.

Mr. Oliver said it may be simple to select some management objectives, such as preventing seawater intrusion and providing protective water levels.

Mr. Jaques said he felt achieving protective water levels and preventing seawater intrusion would be the objectives of greatest importance to the Board, and that these could potentially be used as the "management objectives" to guide the selection and evaluation of modeling scenarios.

Mr. Riedl commented that he felt some of the assumptions in the 2009 scenario modeling work were overly conservative.

Mr. Jaques proposed that the TAC consider adopting the following two management objectives:
(1) Reaching protective water levels at each of the coastal well sites used when the preliminary protective water levels were determined by HydroMetrics in the work they performed in 2009, and
(2) Protecting the entire Seaside Groundwater Basin against seawater intrusion. Ms. King suggested adding a third objective of showing that an increase in groundwater level was being achieved.

Mr. True proposed a fourth objective pertaining to determining whether if water is put into the basin in sufficient quantities to raise groundwater levels above protective water levels, could this "excess" water be used as stored water. Mr. Anthony pointed out that only the Standard Producers identified in the Court Decision for the Seaside basin have storage rights, and that therefore he did not feel this would be an appropriate management objective.

There was consensus to have Mr. Jaques further define the three proposed management objectives and put them on the next TAC meeting agenda for further discussion and potential finalization of the management objectives.

Modeling Scenarios: Ms. King and Mr. Jaques summarized each of the three potential scenarios described on pages 49 to 51 of the agenda packet.

Scenario 1: With regard to further refining the usable storage capacity of the basin, there was consensus that this did not need to be done at this time.

Mr. Riedl noted that for aquifer storage and recovery projects, time might be an issue of concern with regard to how long water could be left stored in the basin before being recovered.

Scenario 2: With regard to impacts on the Laguna Seca subarea, Mr. Riedl asked if the previously performed modeling work by HydroMetrics had used actual historical pumping data or whether it had used the pumping amounts allocated by the Court Decision, taking into account the Court-imposed 10 percent triennial pumping reductions as applicable. The answer to this question was not available during the TAC discussion, so Ms. King said she would look into this and report on her findings at the next TAC meeting.

Mr. Riedl said he had previously proposed a scenario to see the effects on the basin if the Seaside Municipal Wells did not reduce their pumping levels by the Court-required 10 percent triennial amounts. Ms. King and Mr. Oliver said their recollections were that the prior discussion on this scenario was with regard to a scenario in which no pumpers (not just Seaside Municipal) reduced their pumping. They went on to say that the TAC previously felt that this was not a worthwhile scenario to pursue, because it would be in direct conflict with the requirements of the Court Decision.

There was some discussion as to whether the Watermaster should pay to have the proposed Laguna Seca impacts scenario performed, or whether the Laguna Seca well owners should pay the Watermaster to have HydroMetrics perform modeling of this scenario.

Scenario 3: With regard to selection of a "likely scenario," Mr. Jaques recommended using the Phase 1 Regional Water Supply Project, as defined in the now-certified Coastal Water Project Final EIR, as the likely scenario. Following discussion there was consensus to select this as one of the recommended scenarios.

Mr. Riedl proposed a fourth scenario to re-run the Baseline scenario using actual historical pumping data rather than the Court-allocated pumping amounts. There was some confusion over exactly what the parameters of this scenario would be. After much discussion it was agreed that Mr. Riedl would provide a description of his proposed scenario to Mr. Jaques, so it could be included in the agenda packet material for further discussion by the TAC at its next meeting.

4. Preliminary Discussion of Possible Refinements to Protective Water Levels to be Performed in 2010

Ms. King Mr. Jaques summarized the agenda packet materials on this item. Following discussion on the subject there was consensus to do one initial model run based on achieving 90 percent protective water levels in order to see the results, and to at that point decide whether or not to model even lower percentages.

5. Draft Watermaster Declaration of Total Usable Storage Capacity of the Basin

Mr. Jaques summarized the agenda packet materials on this item.

Following discussion of this topic, on a motion by Mr. Johnson, second by Mr. Riedl, the proposed Declaration of Total Usable Storage Capacity of the Basin was unanimously approved as presented.

6. Draft Storage and Recovery Agreement Template

Mr. Jaques summarized the agenda packet materials on this item.

There was discussion with regard to requiring the applicant to provide a copy of their permits to introduce water into the Seaside Basin from the State of California Department of Public Health, the Regional Water Quality Control Board, and potentially other applicable regulatory agencies.

Mr. Sabolsice felt there were some Secondary Drinking Water Standards that might warrant being "relaxed" when issuing storage agreements, if the basin water quality at the proposed injection location was already exceeding those standards. There was further discussion about making other revisions to the Water Quality section, and also adding a "Notifications" section.

Mr. Jaques will incorporate these revisions and email the revised documents to the TAC for their approval. Once consensus is reached on the revisions, the Draft Storage and Recovery Agreement template and the Agreement application form will be forwarded by Mr. Jaques to the Chief Executive Officer for further processing. Mr. Jaques' recommendation will be that these drafts be promulgated to all of the affected Standard Producers to solicit their comments, including those from their respective legal counsels, so that further revisions if necessary can be made before the documents are presented to the full Board for consideration and approval.

7. Schedule

There were no questions or discussion regarding the Schedule, other than Mr. Jaques noting that discussion of revisions to the Database had been rescheduled from January to February 2010 due to the size of the TAC's January meeting agenda.

Other business

Mr. Jaques briefly summarized the recently-received Judge's comments on the 2009 Annual Report.

8. Set next meeting date

The next regular meeting was set for Wednesday, February 10, 2010 at 1:30 p.m. at the City of Seaside City Hall – Portable Buildings Conference Room

The meeting adjourned at 5:06 p.m.

2010 WATER YEAR

Seaside Groundwater Basin Watermaster

Reported Quarterly and Annual Water Production (in Acre Feet) From the Seaside Groundwater Basin For All Producers Included in the Seaside Basin Adjudication

(All Values in Acre-Feet ([AF]))

Producer	Type	Quarters				Annual To-Date Reported Total	Base Operating Yield Allocation	Carry Over from 2008/09
		Oct-Dec 2009	Jan-Mar 2010	Apr-Jun 2010	Jul-Sep 2010			
<u>Coastal Subareas</u>								
CAW (Coastal Subareas)	SPA	888.3				888.3	3,086.6	495.90
Seaside (Municipal)	SPA	69.7				69.7	253.1	-
Granite Rock Company	SPA	Exempt	Exempt	Exempt	Exempt	0.0	23.9	90.8
DBO Development No. 27	SPA	Exempt	Exempt	Exempt	Exempt	0.0	43.3	192.6
City of Seaside (Golf Courses)	APA	62.8				62.8	540.0	-
Sand City	APA	0.1				0.1	9.0	-
Security National Guaranty	APA	-				0.0	149.0	-
Cypress Pacific Investors*	APA	Exempt	Exempt	Exempt	Exempt	0.0	14.0	-
Alderwoods Group (Mission Memorial)	APA	2.3				2.3	31.0	-
Coastal Subarea Totals		1,023.3	0.0	0.0	0.0	1,023.3	4,149.9	779.3
<i>Previous Year Totals (2008)</i>		<i>1,128.4</i>	<i>111.3</i>	<i>912.8</i>	<i>1,361.5</i>	<i>3,514.0</i>	<i>4,265.2</i>	
<u>Laguna Seca Subareas</u>								
CAW (Inland Subareas)	SPA	215.8				215.8	246.1	-
Pasadera Country Club	APA	14.8				14.8	251.0	-
Laguna Seca/Bishop	APA	19.1				19.1	320.0	-
York School	APA	4.2				4.2	32.0	-
Laguna Seca Park (County)	APA	1.3				1.3	41.0	-
Laguna Seca Subarea Totals		255.2	0.0	0.0	0.0	255.2	890.1	-
<i>Previous Year Totals (2008)</i>		<i>186.3</i>	<i>93.0</i>	<i>366.3</i>	<i>415.1</i>	<i>1,060.7</i>	<i>914.8</i>	
Total Pumped Per Quarter		1,278.4	0.0	0.0	0.0			
Seaside Basin Production Totals =						1,278.4	5,040.0	
Total Production by Alternative Producers =						104.5		
Total Production by Standard Producers =						1,173.8		

*Referred to as "M.E. Calabrese 1987 Trust" in Decision

Notes:

1. The Water Year (WY) begins October 1 and ends September 30 of the following calendar year. For example, WY 2010 began on October 1, 2009, and ends on September 30, 2010.
2. "Type" refers to water right as described in Seaside Basin Adjudication decision as amended, signed February 9, 2007 (Monterey County Superior Court Case No. M66343).
3. Values shown in the table are based on reports to the Watermaster as received by MPWMD by **January 15, 2010**.
4. All values are rounded to the nearest tenth of an acre-foot. Where required, reported data were converted to acre-feet utilizing the relationships: 325,851 gallons = 43,560 cubic feet = 1 acre-foot.
5. "Base Operating Yield Allocation" values are based on Seaside Basin Adjudication decision. These values are consistent with the Watermaster Producer Allocations Water Year 2010 (see Attachment 2 of Item VIII.B. in 11/4/2009 Board packet).
6. Any minor discrepancies in totals are attributable to rounding. CAW = California American Water.
7. Graniterock Company, DBO Development No. 27, and Cypress Pacific Investors wells have been determined by the Watermaster to be inactive production wells and are thus not required to report production figures.

ITEM NO. X.

**DIRECTOR'S
REPORTS**

ITEM NO. XI.

**EXECUTIVE OFFICER
COMMENTS**