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**BEFORE THE STATE WATER
RESOURCES CONTROL BOARD**

In the Matter of the State Water Resources)	Hearing Date: September 24, 2007
Control Board (State Water Board))	
Hearing to consider Monterey Peninsula)	Carmel River in Monterey County
Water Management District's (MPWMD))	
Petitions to Change Permits 7130B and)	
20808 (Applications 11674B and 27614))	

EXHIBIT HS-13

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

July 2007 Quarterly Update on Water Supply Project Efforts

ITEM: INFORMATIONAL ITEMS/STAFF REPORTS

24. QUARTERLY WATER SUPPLY PROJECT STATUS REPORT

Meeting Date:	July 16, 2007	Budgeted:	N/A
From:	David A. Berger General Manager	Program/ Line Item No.:	N/A
Prepared By:	Henrietta Stern	Cost Estimate:	N/A

General Counsel Approval: N/A
Committee Recommendation: N/A
CEQA Compliance: N/A

This is a quarterly report on Monterey Peninsula Water Management District water supply augmentation projects for the April through June 2007 period. The next quarterly report will be written in October 2007. Limited background information is provided herein. A detailed historical overview of previous action may be found in previous year's reports. Quarterly updates earlier in year 2007 were prepared for the January and April 2007 regular Board meetings. This information can be found on the District website at:

<http://www.mpwmd.dst.ca.us/asd/board/meetings/meeting.htm>.

Updated weekly information is also available in the General Manager's letter to the Board at:
<http://www.mpwmd.dst.ca.us/gmletters/gmletters.htm>.

For the past several years, the MPWMD Board has identified water supply goals and objectives each Fall for the coming Water Year (October 1 through September 30). At the September 25, 2006 Strategic Planning Workshop, three-year goals were set along with six-month objectives for the September 2006 through March 2007 period. The goals were refined and new six-month objectives were developed at the Board's April 19, 2007 strategic planning workshop; the strategic plan was formally adopted at the May 21, 2007 meeting. Current water supply goals and objectives for the period April 19 through September 30, 2007 are shown below. Original due dates and changed dates are shown in italics. The Board also adopted some objectives with later due dates, as noted below.

Goal: Determine and participate in long-term water supply solution(s)

- **LS1:** Continue participation in California Public Utilities Commission (CPUC) Coastal Water Project (CWP) process, including environmental review and Department of Ratepayer Advocates (DRA) processes (*ongoing*).
- **LS2:** Provide technical support or guidance to the Monterey Regional Water Pollution Control Agency (MRWPCA) for its Groundwater Replenishment Project in the Seaside Basin (*ongoing*).
- **LS3:** Present to the Board for consideration a Memorandum of Understanding (MOU) for participation in the Monterey Bay Regional Water Solutions Task Force to evaluate regional water supply solutions (*6/30/07*).
- **LS4:** Present to the Board the Community Advisory Committee Report on projects listed in

the matrix of water supply alternatives (9/30/07).

- **LS5:** [Future] Revise the matrix of water supply alternatives (using the quantified supply target) to incorporate results of the revised Bookman-Edmonston/GEI report evaluating desalination projects (November 2007).

Goal: Complete Aquifer Storage and Recovery (ASR) Phase 1 and Expanded ASR Project(s)

- **ASR1:** Secure State Water Resources Control Board (SWRCB) water rights permit for Phase 1 ASR Project (if not, team will prepare for water rights hearing) (5/31/07; now 10/31/07)
- **ASR2:** Complete Well #2 for Phase 1 ASR, including final facilities design and contractor selection (9/30/07).
- **ASR3:** Determine the feasibility of a dual-well injection test and report results to the General Manager (9/30/07).
- **ASR4:** Facilitate determination and schedule for completion of necessary infrastructure improvements to the California American Water (CAW) system to ensure they are in place to support Phase 1 ASR (9/30/07).
- **ASR5:** Confirm water storage rights with the Watermaster (9/30/07).
- **ASR-E1:** [Expanded Objective] Complete negotiations with CAW for joint ownership of water rights, to obtain future ASR and other water rights permits (6/30/07).
- **ASR-E2:** [Expanded Objective] Develop a project description and yield estimate for expanded ASR, and present to the Board (8/31/07).

The following paragraphs describe action on the 12 water supply objectives identified above in the April 1 through June 30, 2007 period. For clarity, background information is provided for certain objectives.

GOAL: DETERMINE AND PARTICIPATE IN LONG-TERM WATER SUPPLY SOLUTION(S)

Objective LS1: Continue Participation in CPUC Coastal Water Project Process, including Environmental Review and Department of Ratepayer Advocates Processes

Action in April-June 2007: MPWMD staff has participated in monthly CPUC/DRA meetings regarding water supply alternatives, and has assisted CPUC staff and consultants upon request.

Discussion/Background: District staff has met with and assisted CPUC staff and consultants since mid-2006 to help the CPUC better understand existing and future community needs, and how those needs may relate to the Coastal Water Project proposed by CAW as well as various potential alternatives. The CPUC issued a Notice of Preparation (NOP) of a Draft Environmental Impact Report (EIR) for the CWP on September 29, 2006, which will include information on alternative desalination facilities to the plant proposed at Moss Landing. Beginning in January 2007, the DRA began monthly meetings with a variety of agencies and public interest groups to review alternatives to the CWP to serve as a regional water supply project (or combination of projects) for northern Monterey County, including the Monterey Peninsula. The MPWMD Board at its January 25, 2007 meeting directed District staff to participate in this process. The MPWMD General Manager advises

the Board of CPUC action in his weekly letters and monthly reviews.

The primary components of the CWP are a 10 million-gallon-per-day (mgd) desalination project at Moss Landing, a conveyance pipeline to the Peninsula (with associated structures), and ASR producing a minimum of 1,300 AFY. The NOP identified alternative desalination site locations, intake and discharge operations, desalinated water conveyance systems, and project sizes. The District submitted comments on the NOP in November 2006 (see January 2007 report for details).

Objective LS2: Provide Technical Support or Guidance to MRWPCA for its Groundwater Replenishment Project in the Seaside Basin

Action in April-June 2007: MPWMD staff participated in a May 29, 2007 meeting with MRWPCA staff and consultants, and continues to participate in project coordination meetings since then. MPWMD staff also provides technical review of technical and planning documents prepared by MRWPCA.

Discussion/Background: The Groundwater Replenishment Project entails potential injection or percolation of highly purified recycled water in to the Seaside Groundwater Basin. It is modeled after a successful replenishment project in Orange County, California. Studies are underway to determine whether a similar type of project is feasible in the Seaside Basin east of General Jim Moore Boulevard. At its November 20, 2006 meeting, the MPWMD Board adopted Resolution No 2006-05 expressing support for the MRWPCA replenishment efforts. The resolution text may be viewed at: <http://www.mpwmd.dst.ca.us/asd/board/boardpacket/2006/20061120/04/item4.htm>.

Objective LS3: Present to the Board for Consideration an MOU for Participation in the Monterey Bay Regional Water Solutions Task Force to Evaluate Regional Water Supply Solutions

Action in April-June 2007: MPWMD staff presented, and the Board approved, at its meeting of June 18, 2007, a Draft MOU to form an inter-agency Task Force of local elected officials, which would be charged with developing a regional strategy for resolving the water supply needs of the Monterey Peninsula and North County, including the northern Salinas Valley. Action also included contribution of \$5,000 towards technical analyses that the Task Force will require.

Discussion/Background: District staff continues to coordinate with MRWPCA, Monterey County Water Resources Agency (MCWRA), Marina Coast Water District (MCWD) and other entities on regional water supply solution opportunities. The District General Manager continues to participate in Monterey County-led meetings of a Managers Working Group comprised of water/wastewater districts and cities from the Monterey Peninsula and north Monterey County, including the northern Salinas Valley, regarding a potential governance structure for a regional water supply planning entity currently known as the Monterey Bay Regional Water Authority (MBRWA). At its March 22, 2007 meeting, the District Board approved in concept a draft Memorandum of Understanding to Form the Monterey Bay Regional Water Solutions Task Force, and urged other entities to consider it as well and/or offer suggested changes. The MOU proposes to form a committee comprised of a

representative from the County Board of Supervisors, affected water district/agency governing boards, and city councils. Entities involved in the MBRWA will meet on July 23, 2007 to discuss adoption of the MOU. Additional information may be found at the MPWMD website at: <http://www.mpwmd.dst.ca.us/asd/board/boardpacket/2007/20070618/25/item25.htm>

Objective LS4: Present to the Board the Community Advisory Committee Report on Projects Listed in the Matrix of Water Supply Alternatives

Action in April-June 2007: MPWMD staff facilitated CAC meetings on April 23, May 29 and June 25, 2007; these meetings addressed the MPWMD Sand City Desalination Project, CAW's Coastal Water Project, and Pajaro/Sunny Mesa Community Service District's North Monterey County Desalination Project, respectively. The next meeting is scheduled for July 23, 2007 on Seawater Conversion Vessels (offshore desalination).

Discussion/Background: The Community Advisory Committee is envisioned as a means to expand public input on the decision-making process regarding proposed water supply projects. The CAC structure and charge were approved by the Board at its December 11, 2006 meeting. In brief, the 14-member ad hoc CAC is comprised of two representatives appointed by each Board member – one individual and one community group representative. The CAC is reviewing the seven water supply projects in the MPWMD Comparative Matrix and provides comments on merits or drawbacks of each. Notably, the Board does not seek consensus on a preferred project. The CAC will review projects from February through August 2007 and issue a report for consideration by the Board in September 2007. In February 2007, the CAC received a presentation by MPWMD staff on District ASR efforts. The March 2007 meeting included presentations by (a) the Marina Coast Water District on its Regional Urban Water Augmentation Project, a combination of local desalination and use of purified recycled water; and (2) Monterey Regional Water Pollution Control Agency on its Groundwater Replenishment Project. Materials associated with each CAC meeting to date may be found at the District website at:

<http://www.mpwmd.dst.ca.us/asd/board/committees/cac/2007/2007.htm>

For more information on the CAC itself, refer to the District website at:

<http://www.mpwmd.dst.ca.us/asd/board/boardpacket/2006/20061211/16/item16.htm>

Objective LS5: Revise the Matrix of Water Supply Alternatives (using the Quantified Supply Target) to Incorporate Results of the Revised Bookman-Edmonston/GEI Report Evaluating Desalination Projects

Action in April-June 2007: MPWMD staff helped Bookman-Edmonston/GEI Consultants prepare a draft report evaluating four desalination projects on the matrix; the B-E/GEI report is scheduled for receipt by the Board on its July 16, 2007 meeting. In June, District staff developed rough estimates of cost to complete the EIR for the 8,400 acre-feet per year MPWMD desalination project in Sand City. MPWMD staff will update the matrix in November 2007 based on input from the CAC, B-E/GEI Consultants, and other information received through October 2007.

Discussion/Background: Since Fall 2004, the District has prepared an annual Comparative Matrix of

Water Supply Alternatives spreadsheet to compare various projects for subjects such as cost and financing, implementation timeline, water yield, environmental review, and others. The most recent matrix was received by the Board at its October 16, 2006 meeting. The 2006 matrix featured three shore-based desalination projects and included preliminary information on the ship-based Seawater Conversion Vessels (SCV) technology. In addition, the 2006 matrix included information on the MPWMD ASR Project and two projects featuring purified recycled water. For background information on the 2004 and 2005 matrices, please refer to the District website at: <http://www.mpwmd.dst.ca.us/pae/matrix/matrix.htm>. To review the October 2006 matrix, visit: <http://www.mpwmd.dst.ca.us/asd/board/boardpacket/2006/20061016/13/item13.htm>.

As part of development of the October 2006 matrix, in February 2006 the District Board approved retaining a team of water supply engineering design experts led by Bookman-Edmonston/GEI Consultants to conduct an independent technical evaluation of three proposed desalination projects previously reviewed in the 2004 and 2005 matrices: (1) Coastal Water Project at Moss Landing proposed by CAW; (2) the Monterey Bay Regional Desalination Project at Moss Landing proposed by Pajaro/Sunny Mesa Community Services District; and (3) MPWMD desalination project proposed in the Sand City area. This effort culminated in a report presented to the Board at its June 29, 2006 special workshop. Copies of the full report are available at the District office, and presentation materials may be viewed at the District website at: <http://www.mpwmd.dst.ca.us/asd/board/boardpacket/2006/20060629/0629agenda.htm>.

At the June 2006 workshop, a number of questions and comments were posed by the Board and public. At its July 17, 2006 meeting, the Board determined it would defer action on amending the B-E/GEI contract and preparing a final report until after the September 25, 2006 Board Strategic Planning Workshop. A summary of comments by the Board, the public, and project proponents, including copies of written comments received was provided to the Board in a memorandum from the District Engineer dated September 12, 2006. At its October 16, 2006 meeting, the Board determined that it wished to add review of the offshore SCV technology to the scope of work. The Board approved a B-E/GEI contract amendment at its February 22, 2007 Board meeting to include formal responses to questions and more detailed information about the SCV technology. For more information about the B/E-GEI contract review in January 2007, please refer to the District website at: <http://www.mpwmd.dst.ca.us/asd/board/boardpacket/2007/20070222/17/item17.htm>

The 2007 matrix will address how well various projects meet the water supply targets adopted by the Board earlier in 2007. The targets were developed over a series of meetings in 2006 and 2007. A staff-recommended value of 12,500 AFY for existing needs was presented to the Board for its consideration at the November 20, 2006 meeting. Refer to the District website at: <http://www.mpwmd.dst.ca.us/asd/board/boardpacket/2006/20061120/12/item12.htm>

A special workshop was held on May 18, 2006 to address future water needs, based primarily on projections made by the Technical Advisory Committee (TAC), comprised of jurisdiction planning staff. The TAC evaluated water needs associated with various types of uses anticipated at "build-out," based on current General Plans. The TAC estimated that 4,545 AFY above existing needs would be required, as described in the District website at: <http://www.mpwmd.dst.ca.us/asd/board/boardpacket/2006/20060518/01/item1.htm>

No changes to the May 2006 estimate were proposed in November 2006.

The staff recommendation of 12,500 AFY for existing needs and 4,545 AFY for future needs was accepted by the Board in November 2006 to submit to the jurisdictions for comment with requested written comment by March 15, 2007. A special workshop of the jurisdictions' TAC and Policy Advisory Committee (PAC) was held on January 9, 2007, where District staff reviewed the development of its assumptions in detail, with emphasis on existing needs. The TAC at its January 23, 2007 meeting accepted the information on existing needs. The jurisdictions provided feedback in February and March 2007. Jurisdiction comments were reviewed and the Board approved the 12,500 AFY and 4,545 AFY yield targets at its meeting of April 16, 2007. Refer to the District website at: <http://www.mpwmd.dst.ca.us/asd/board/boardpacket/2007/20070416/14/item14.htm>

GOAL: COMPLETE ASR PHASE 1 AND EXPANDED ASR PROJECT(S)

ASR entails diverting excess water flows (typically in Winter/Spring) from the Carmel Valley Alluvial Aquifer through existing CAW facilities and injecting the water into the Seaside Groundwater Basin for later recovery in dry periods. The primary ASR water supply efforts at this time focus on: (1) continue testing of the existing full-scale Santa Margarita Test Injection Well (see "Other Water Supply Activities" below); and (2) pursue the permanent Phase 1 ASR Project at the Santa Margarita test site as well as future expanded ASR projects. The primary goal of the MPWMD Phase 1 project is better management of existing water resources to help reduce current impacts to the Carmel River, especially during the dry season. The project is viewed as being complementary to other larger, long-term water augmentation projects that are currently being explored by various entities. The project entails a maximum diversion of 2,400 acre-feet per year (AFY) from the Carmel River for injection, a maximum extraction of 2,000 AFY from the ASR wells in the Seaside Basin, and an average yield of about 920 AFY. The proposed operation of the Phase 1 ASR Project would result in reduced pumping of the Carmel River in the Summer/Fall and increased storage in the Seaside Basin, which are both considered to be environmentally beneficial.

On March 23, 2006, the District issued the Draft Environmental Impact Report and Environmental Assessment (EIR/EA) on the MPWMD Phase 1 ASR Project, including information on a CAW temporary pipeline associated with the ASR Project. On August 21, 2006, the MPWMD Board certified the Final EIR/EA, including responses to comments, adoption of formal Findings of Approval, and adoption of a Mitigation Monitoring Plan to address project impacts, with emphasis on comments submitted by California Department of Fish and Game (CDFG), and National Marine Fisheries Service (NMFS, also known as NOAA Fisheries). Notably, both CDFG and NMFS had previously filed water rights protests (see ASR1 below), so the EIR/EA responses and refinements were made with the intent to also resolve water rights concerns. Additional information on the Final EIR/EA is available on the District website at:

<http://www.mpwmd.dst.ca.us/asd/board/boardpacket/2006/20060821/10/item10.htm>

In Fall 2006, the certified EIR/EA was used a primary decision-making tool by several permitting entities. On September 19, 2006, the U.S. Army transmitted a signed Right-of-Entry permit, a key approval needed to construct the Phase 1 ASR Project. The City of Seaside Planning Commission

approved a Conditional Use Permit for the Phase 1 ASR well on October 11, 2006. The Monterey County Health Department issued a well construction permit on December 13, 2006.

Objective ASR1: Secure SWRCB Water Rights Permit for Phase 1 ASR Project (if not, Team Will Prepare for Water Rights Hearing)

Action in April-June 2007: MPWMD staff and General Counsel continued extensive water rights negotiations with the two agency protestants to the MPWMD permit application as well as CAW, our water rights partner. With lack of a settlement agreement in early May 2007, the District requested on May 18, 2007 that the SWRCB set a hearing date. Negotiations have continued despite the hearing request. In late June, the SWRCB issued formal notice of a Pre-Hearing Conference to be held on Tuesday, August 21, 2007 at 10:00 AM. The formal hearing will commence on Monday September 24, 2007 at 9:00 Am and will continue to the next day, if necessary. All meetings will be held in Sacramento. The original goal date for this objective was May 31, 2007 and has been changed to October 31, 2007.

Discussion/Background: Water rights for Phase 1 ASR are based on two Petitions for Change, originally submitted by the District to the SWRCB in October 2001 and revised in September 2003. The SWRCB noticed the District's Petitions on April 15, 2005. The District prepared formal responses to the National Marine Fisheries Service (NMFS, or NOAA Fisheries) and California Department of Fish & Game (CDFG) protests in mid-June and July 2005, respectively. Since then, the District has worked extensively with NOAA and CDFG to resolve water rights issues and also address CAW concerns [CAW and MPWMD had previously agreed to share water rights for the Phase 1 ASR Project]. These efforts have included extensive meetings, telephone conferences, computer modeling and formal correspondence. The SWRCB also hosted several meetings of all water rights participants. Despite these efforts, a mutually satisfactory resolution of agency and CAW concerns has not occurred as of this writing, and the target date for water rights approval has slipped by many months. The original goal for approval was December 2006; this was changed to May 31, 2007 and is now October 31, 2007. This delay is moot due to the critically dry streamflow conditions in Water Year 2007, which have presented minimal opportunity to use the water rights permit, had it been issued in time for winter rains.

Due to the delay for the long-term Phase 1 ASR permit, the District applied on November 28, 2006 for a temporary urgency permit to facilitate ASR testing with the existing test well (Well #1) in the 2007 winter season. The SWRCB issued the temporary permit on January 11, 2007, which expired on May 31, 2007. Notably, except for a few days, Carmel River flow did not meet minimum flow rates needed to divert water to the existing ASR well; approximately 12 acre-feet were diverted.

In related action, District staff continues to coordinate with SWRCB staff regarding water rights associated with the New Los Padres Reservoir Project (issued in 1995). The reservoir water rights are relevant as they are the basis for the Petitions for Change described in Objective ASR1 above. The District transmitted a July 2006 letter requesting an extension of time for the reservoir permits to maintain the water rights associated with them. Five objections were filed from entities including: CAW, CDFG, Carmel River Steelhead Association, Esselen Tribe of Monterey County and NMFS.

Copies of the objections were provided to the District in December 2006, and responses were provided. The parties have 180 days to come to agreement on terms and conditions for approval to extend the permit; outstanding issues become the subject of SWRCB decisions.

Objective ASR2: Complete Well #2 for Phase 1 ASR, including Final Facilities Design and Contractor Selection

Action in April-June 2007: During testing of the newly-drilled Well #2 earlier this year, the well casing was damaged. District staff and consultant efforts through mid-May focused on completing repairs and conducting video confirmation of the success of the repairs. District staff and consultants continued design of Phase 1 ASR support facilities in coordination with CAW. Current action is focused on developing final designs, facility layout and drawings for the new well pump and motor in addition to other facilities such as the electrical control system, chemical building, pipes and valving. Several concurrent efforts related to participation in a pooled bond program to finance the ASR project continue, including Board adoption of required resolutions at its June 18, 2007 meeting.

Discussion/Background: The Phase 1 ASR Project is comprised of the existing full-scale test well at the Santa Margarita site in addition to a new, second ASR well immediately adjacent to the site. The two wells would be operated in tandem. The District began construction mobilization for the second well the week of December 4, 2006, as scheduled. A temporary sound wall was constructed and drilling began in early January 2007. The well was completed in early February 2007 and formal production testing subsequently occurred. In early April, while preparations were being made for the final well inspection video, it was discovered that rock formation materials from the aquifer system had entered the well, indicating a continuing problem with the integrity of the well casing, apparently due to failure of pipe threads on the contractor's drill bit that allowed the well development pump to drop to the bottom of the well. Repair of the casing was completed in early May, and included a new bottom "swage" plate for the well, plus a concrete plug to ensure that the plate remains in place for the life of the well. The District was not be charged for the repair, which was conducted by the well drilling contractor, under supervision from the District's construction management consultant. A final acceptance video of the well construction was conducted in mid-May 2007.

On June 18, 2007, the Board adopted the required resolutions for participation in the California Statewide Communities Development Authority (CSCDA) Water/Wastewater pooled bond program to finance the District's Aquifer Storage & Recovery (ASR) Phase 1 Project. Subsequently, a tax law attorney with the bond counsel firm that represents the CSCDA program determined that the ASR project is not eligible for regular tax-exempt financing, due to the fact that (because it is a private for-profit entity) CAW uses in its distribution system water injected and recovered by the District-owned ASR wells. District staff is pursuing a financing alternative that would involve issuance of tax-exempt "private activity" bonds as part of the CSCDA's next pooled bond issue, which is anticipated for this fall. In order to issue this type of bond, the District must apply to the California Debt Limit Allocation Committee (CDLAC) for a small portion of the State of California's \$3 billion annual "ceiling" on qualified private activity tax exempt bonds. District staff is currently reviewing this application process with the CSCDA underwriter, bond counsel, District legal counsel, and a financial advisor that will be needed to help complete the CDLAC application process.

Objective ASR3: Determine the Feasibility of a Dual-Well Injection Test and Report Results to General Manager

Action in April-June 2007: MPWMD staff met with MCWD and MCWRA on June 5, 2007 to explore the potential for using water from the MCWD system for roughly two weeks to test the ASR project, particularly the use of Well #1 and the new Well #2 together. Additional meetings and coordination are underway with a goal for a test in Fall 2007. An alternative source to CAW's Carmel River or Seaside Basin wells is needed due to lack of supply this year and CAW operational constraints..

Discussion/Background: Typically, the Phase 1 ASR well testing would be based on waters from the Carmel River, as allowed by the water rights permits issued by the SWRCB, which consider the needs of the Carmel River steelhead. The lack of flow in the Carmel River this year, combined with the current operational constraints in the CAW system, has resulted in loss of the ability to test the Phase 1 ASR project. Thus, District staff has been working with MCWD and MCWRA staff to further develop plans for possible use of treated water from the MCWD distribution system to support a "dual-well" injection test at the ASR site in Fall 2007. As part of that effort, District staff has asked District General Counsel to clarify water storage rights and procedures contained in the Seaside Basin adjudication court decision, as they would potentially affect this proposal (see Objective ASR-5 below). District Counsel also will be drafting an agreement(s) for consideration by the respective entities' boards and CAW, in order to enable this proposal to proceed, which would define objectives and responsibilities regarding the planned injection testing using MCWD system water.

Objective ASR4: Facilitate Determination and Schedule for Completion of Necessary Infrastructure Improvements to the CAW System to Ensure They Are in Place to Support Phase 1 ASR

Action in April-June 2007: During a meeting on April 18, 2007, District staff and consultants coordinated with CAW staff and consultants regarding delivery of an adequate volume of treated water to the MPWMD Phase 1 ASR project site, as well as adequate supply for future ASR concepts (see also Objective ASR-E2). In addition, District staff conducted an extensive briefing of new CAW regional personnel on June 11, 2007, with follow-up communications and assistance.

Discussion/Background: In 2006, District staff worked closely with CAW to help obtain permits and other approvals to construct a temporary pipeline along the west side of General Jim Moore Boulevard. This pipeline is needed for existing CAW system operational flexibility as well as to provide water to enable full capacity of the Phase 1 ASR Project. CAW mobilized the temporary pipeline segments in December 2006, and the pipeline assembly was completed as of late March 2007. However, the District was advised by CAW consultants in April 2007 that additional CAW distribution facilities are needed to support diversion to both Phase 1 ASR wells in addition to existing CAW wells. The District and CAW staffs have met on several occasions to address current and future demands on the CAW system from a hydraulic and engineering perspective.

Objective ASR5: Confirm Water Storage Rights with the Watermaster

Action in April-June 2007: A draft memorandum on MPWMD and CAW's ability to store water injected into the Seaside Basin via the Phase 1 ASR project and potential future projects is being prepared by General Counsel. The memo will also review Watermaster and/or Court approvals that may be needed.

Discussion and Background: This objective relates to the fact that the Seaside Basin Watermaster is the Court-appointed entity with authority over storage and extraction rights of water in the Seaside Basin. See "Other Water Supply Activities" below for more information on the Watermaster and associated District staff efforts.

Objective ASR-E1: Complete Negotiations with CAW for Joint Ownership of Water Rights, to Obtain Future ASR and Other Water Rights Permits

Action in April-June 2007: No substantive discussions with CAW have taken place action due to emphasis on Phase 1 ASR water rights.

Discussion/Background: In late March 2006, the District and CAW finalized a Management and Operations Agreement (MOA) regarding ASR testing, mutual aid, cost-sharing, water rights and other issues. This agreement satisfied the State Department of Health Services requirement that the entities enter into a minimum 10-year agreement to operate the ASR facilities. It also includes provisions for sharing rights for the Phase 1 ASR project and to negotiate additional agreements for acquiring and sharing ownership of water rights for present and future potable water supplies for the Monterey Peninsula area. In 2007, efforts have focused on securing water rights for the Phase 1 ASR Project.

Objective ASR-E2: Develop a Project Description and Yield Estimate for Expanded ASR, and Present to the Board

Action in April-June 2007: District staff reviewed a CAW Technical Memorandum on a conceptual plan for expanded ASR. District staff continues to coordinate with assist CAW consultants and staff. For example, June 2007 efforts focused on CAW plans to construct a new ASR exploratory monitor well at the proposed "Bayonet" site in Seaside, which could expand the ASR project beyond the existing two wells. Exploratory well construction at this site is currently anticipated to begin in July.

Discussion/Background: As described above, efforts to date have focused on the Phase 1 ASR Project. However, meetings continue between District and CAW staff/consultants regarding future ASR phases. District staff has provided computer simulations for CAW consultant, ASR Systems, for their investigation of the ASR element of the proposed Coastal Water Project and potential expanded ASR projects. Meetings with CAW and its consultants will continue into July 2007 and beyond, and will be described in the next quarterly report.

OTHER WATER SUPPLY ACTIVITIES

Though not formally a part of the Strategic Plan objectives, the following water supply activities continued in the April through June 2007 period:

Conduct ASR Testing in 2007

Action in April-June 2007: District staff prepared several required reports on Water Year 2006 and 2007 Santa Margarita Test Injection Well (SMTIW) operations for the State Water Resources Control Board and Regional Water Quality Control Board. CAW contractors are equipping the SMTIW #1 with an onsite disinfection station in anticipation of having this well ready to deliver water to the CAW system during a required peak production period in Summer 2007. Rehabilitation work on the SMTIW #1, originally planned to be completed before the summer high demand season began, has been deferred until Fall 2007.

Discussion/Background: Since 1996, the District has evaluated the feasibility of ASR at greater levels of detail, including obtaining annual temporary water rights to divert water from the Carmel River Basin water and inject it into the Seaside Basin. In Water Years 1998 through 2007, the District has injected approximately 1,875 AF of excess winter flow from the Carmel River Basin into the Seaside Basin at two sites: the MPWMD Paso Robles Test Injection Well (located at Mission Memorial Park in Seaside) and the SMTIW #1, located on the former Fort Ord military base, just east of General Jim Moore Boulevard near Eucalyptus Avenue. During this period, 1,139 AF was recovered and delivered to the community via the CAW system as part of the test program.

Extremely limited testing has occurred in 2007 due to inadequate streamflow in the Carmel River, due to critically dry conditions. In Water Year 2007, a total of 11.85 AF were diverted and injected into the Seaside Basin at the SMTIW site in February and March 2007.

Participate in Seaside Basin Management as Part of Watermaster Board and as Consultant to the Watermaster

Action in April-June 2007: In June 2007, District staff delivered several database products to the Watermaster and its consultants under the District's Phase 1 contract on the Watermaster's Seaside Basin Monitoring and Management Program (SBMMP). This work is part of an effort to build a comprehensive groundwater resources database to support various Watermaster uses. The next major element of work for the District under this contract is to assist in preparing analyses, based on data that have been collected by the District and others, of the current status of seawater intrusion potential and tracking in the Seaside Basin. Beginning in July 2007, District staff will work with the consulting team headed by RBF Consulting to gather various sources of well data to facilitate development of the Watermaster's groundwater resources database. Also, staff has been assisting with the implementation of the seawater detection and tracking portion of the SBMMP.

Discussion/Background: The adjudication of the Seaside Basin also affects water project activities. Litigation filed by CAW on August 14, 2003 asserted CAW's water rights and requested a Court adjudication of the Seaside Basin. The District intervened and participated in all litigation activities. Judge Roger Randall rendered a Final Decision on March 27, 2006. The complex and lengthy Decision determined that the Seaside Basin is in overdraft; set a reduced "natural safe yield" and a

near-term “operating yield” allowed to be produced by the parties as they work toward a “physical solution” (including ASR and wastewater reclamation) to eliminate the overdraft.

A nine-member Watermaster Board was created to implement the Decision with continued oversight by the Court. The MPWMD holds one seat on the Watermaster with two out of 13 votes. The MPWMD Board selected Michelle Knight as its representative to the Watermaster Board. The Watermaster has held monthly meetings since its formal commencement on April 5, 2006. District staff have also participated on the Watermaster Technical Committee and contributed significantly to the Seaside Basin Monitoring and Management Program Plan that was submitted to the Court in late May 2006. District staff continued to contribute data and analysis as a Technical Committee member through 2006.

In addition, on November 15, 2006, the Watermaster selected the MPWMD/MCWRA team to carry out the project management function for the Seaside Basin Monitoring and Management Program. The firm of RBF Consulting was selected to implement the program (i.e., data collection, test well drilling, etc.). At its April 18, 2007 special meeting, the Watermaster approved agreements with MPWMD, MCWRA and RBF Consulting Engineers for Phase 1 of technical work needed to complete and implement the SBMMP required by the Basin adjudication court decision. The MPWMD agreement includes various SBMMP program management oversight tasks that are performed on an interim basis. Some of these tasks will be taken over by the Watermaster’s part-time Technical Program Manager, hired in June 2007, to facilitate completion of SBMMP tasks, among other assigned duties. The Watermaster also approved staff recommendations to increase its Administrative Fund Budget due to a higher-than-anticipated level of work in 2007 by its part-time Chief Executive Officer, as well as an adjustment in its SBMMP Budget to cover anticipated Phase 1 work by contract service providers and the Technical Program Manager.

Integrated Regional Planning

Action in April-June 2007: District staff continued to work with participating entities on the revised Draft Integrated Regional Water Management Plan, which is scheduled for staff presentation and initial public input to the Board in July 2007.

Discussion/Background: District staff led the effort to obtain \$497,000 of Proposition 50 grant funds to prepare an Integrated Regional Water Management Plan (IRWMP) for the Monterey Peninsula, Carmel Bay, and South Monterey Bay Area. Final approval of State Department of Water Resources (DWR) funding for preparation of the regional plan was made in early January 2006. Since then, District staff has worked closely with local public and non-profit partners to complete the IRWMP, including retaining specialized consultants for this type of work. A Draft Plan was completed in October 2006, and input was received from the partner entities. The revised Draft Plan is being presented to the MPWMD Board at the July 16, 2007 meeting. District staff proposes to circulate this document to other agencies and organizations and the public for review and comment. Completion of the IRWMP will position the region to receive funds to implement specific projects, such as the expanded MPWMD ASR Project.

Other Related Action

The following table summarizes other related District efforts relevant to overall water supply:

ACTIVITY	ACTION
<p>Seismic Retrofit and Sediment Removal from San Clemente Reservoir.</p>	<p>District staff participates in the EIR/EIS process on the seismic retrofit of San Clemente Dam. Potential removal of sediment from San Clemente Dam continues to be explored by CAW, California Department of Resources (DWR), and the U.S. Army Corps of Engineers (USCOE). District staff participates in technical meetings and provides technical expertise upon request. In late June 2006, District staff submitted extensive technical comments on the Draft EIR/EIS issued in April 2006. Current efforts focus on review of new concepts proposed in 2007 to address sedimentation and fish passage issues, and technical comments related to the pending Final EIR/EIS.</p>
<p>Implement and Refine Water Distribution System (WDS) Rules and Regulations.</p>	<p>Ordinance No. 122 refining the Water Distribution System (WDS) process became effective on September 14, 2005. The ordinance created a Pre-Application process for all new wells in the District along with an impact-based, multi-level permit process, based on the size, location and water use of affected parcels. Staff and consultants continued to refine Implementation Guidelines to accompany the ordinance. A total of 13 Applications and 38 Pre-Applications are currently at various stages in the permit process. In October 2006, the Board confirmed the administrative direction in WDS Memo #3, which addresses environmental review and permit protocol for applications that include wells located in the Carmel Valley Alluvial Aquifer (CVAA). The memo directs more rigorous review based on letters received from NMFS and CDFG on the cumulative impacts on water extractions from the Carmel River. Please refer to the District website at: http://www.mpwmd.dst.ca.us/asd/board/boardpacket/2006/20061016/12/item12.htm.</p>
<p>Review CEQA Documents for Other Projects</p>	<p>The District logs incoming CEQA notices and comments on selected documents prepared by other agencies for substantive projects within the District boundary that could potentially affect water supply, water quality or environmental resources managed by the District. Several projects are in process, including sites at downtown Monterey, Ryan Ranch, Bishop Ranch and Carmel Valley.</p>