

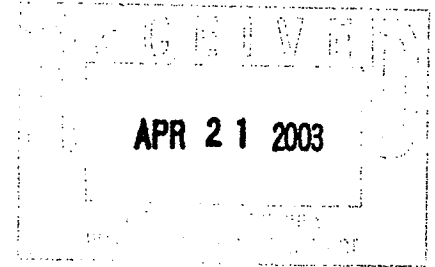


California-American Water Company

Monterey Division
50 Ragsdale Dr., Suite 100, P.O. Box 951 • Monterey, CA 93942-0951

April 17, 2003

Fran Farina, Esq.
Acting General Manager
Monterey Peninsula Water Management District
P.O. Box 85
Monterey, CA 93942-0085



Dear Ms. Farina:

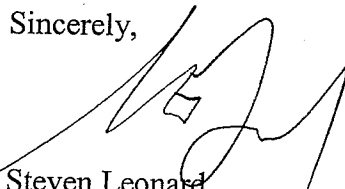
I have received your letter of April 7, 2003 requesting that Cal-Am rescind our application for the Carmel River Dam and Reservoir. You are correct that Cal-Am has modified our application before the CPUC to add the Coastal Water Project to our application for the dam and that we have not yet modified our current application before the Water Management District Board.

As you know, our modified application to the CPUC included a request for the CPUC to be the lead agency for the CWP Environmental Impact Report. That request is currently undergoing review by the CPUC staff. The MPWMD Board and the Monterey County Board of Supervisors have taken the position that each should be the lead agency for the CWP. Given those conflicts and uncertainty as to the ultimate lead agency and EIR timeline, it is as inappropriate for Cal-Am to modify its application before your Board as it is for your Board to take any of the actions suggested in your letter.

Cal-Am will take appropriate action on our application when the question of lead agency is determined. We believe it would be inappropriate for them to take any actions that could be construed as negative to Cal-Am's efforts to resolve the Monterey Peninsula water supply problems.

Thank you for your cooperation in this matter. I can be reached at 831 646-3214 if you have further questions.

Sincerely,


Steven Leonard
Vice President & Manager – Coastal Division

SL/ce

cc: J. Almond, Cal-Am
P. Lyman, Cal-Am
MPWMD Board