



EXHIBIT 9-H

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

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June 10, 2003

Steve Leonard
General Manager
Cal-Am Water Company
PO Box 981
Monterey, Ca 93942-0951

**SUBJECT: REIMBURSEMENT FOR COSTS ASSOCIATED WITH WATER
SUPPLY PROJECT EIR**

Dear Steve,

This letter is written for two purposes: (1) to request payment to Monterey Peninsula Water Management District (MPWMD) of outstanding invoices associated with California-American Water Company's (Cal-Am) application to amend its water distribution system to construct the Carmel River Dam; and (2) clarify how future payments should be structured in light of Cal-Am's testimony on rate-making issues to the California Public Utilities Commission (CPUC) on May 14, 2003.

Outstanding Invoices

In July 1997, MPWMD and Cal-Am signed an agreement titled "Reimbursement of Expenses for Review and Processing of California-American Water Company's Application to Amend Its Water Distribution System Permit to Add the Carmel River Dam Project." The original agreement has been subject to nine Task Orders, with the most recent signed in May 2001.

The Agreement obligates Cal-Am to reimburse MPWMD for necessary and reasonably incurred expenses associated with compliance with California Environmental Quality Act (CEQA), National Environmental Policy Act (NEPA), federal Clean Water Act (Section 404, Permit #20364S09), Endangered Species Act (ESA), National Historic Preservation Act (Section 106), State Water Resources Control Board (SWRCB) Permit 20808 and 7130B, and MPWMD Law.

CEQA, NEPA and the Clean Water Act all require an analysis of a reasonable range of alternatives to the proposed Carmel River Dam project. Alternatives include desalination, aquifer storage and recovery (ASR), offstream storage, reclamation and others. Since 2001, District efforts have focused on non-dam alternatives, and Cal-Am

has been billed only for the proportion of costs that reflect a program level evaluation of these alternatives; each bill provides extensive documentation on the tasks performed and what proportion of consultant and other costs are being charged to Cal-Am. As you know, forward progress on the reservoir project was stymied by the California Public Utilities Commission (CPUC) "Plan B" process as well as Cal-Am's specific request in August-September 2001 to terminate detailed cultural resources and ESA-related studies for the dam due to uncertainty about the dam's future.

Cal-Am has diligently paid its bills and had a zero balance as of November 19, 2002, which covered the MPWMD invoices through August 2002. Cal-Am has not paid MPWMD invoices for September 2002 through January 2003, which were submitted to Cal-Am for payment in February and March 2003. The total for these invoices is \$191,613. Copies are attached to expedite payment (Enclosure 1). MPWMD staff has recently prepared invoices for billings in the February through April 2003 period (cover sheet is Enclosure 2; entire package has been submitted to Cal-Am under separate cover pursuant to our normal protocol). The February-April 2003 invoices total \$61,247. Thus, the total amount owed by Cal-Am for invoices through April 2003 is \$252,860.

Future Payments

At the May 14, 2003 rate-making hearings before the CPUC, Cal-Am representatives stated that Cal-Am does not plan to pay for any Carmel River Dam related expenses after May 14, 2003; Cal-Am will pay for invoices for dam-related work performed up until May 14. At the same time, Cal-Am testified that "the company continues to believe the dam is the better project overall because it's cheaper to ratepayers but has recognized that realities that it is probably not going to fly environmentally in today's environment." Cal-Am further states, "The dam is clearly a reasonable alternative to the Coastal Water project, and so that fact is driving a lot of the decisions here.... The Coastal Water project is not yet even beyond the first step in front of the Commission. Our only project as we sit here today is the dam project."

The statement about payment ceasing on May 14, 2003 and statements about the dam remaining the most viable project at this time are somewhat contradictory in the context of reimbursements to MPWMD. Also, Cal-Am's letter to the District dated April 17, 2003 expresses Cal-Am's belief that it is premature to consider rescinding the water distribution system permit application to construct the dam.

Based on the above, MPWMD requests the following:

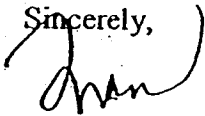
1. Cal-Am should immediately pay its unpaid bills through April 30, 2003.
2. Cal-Am should continue paying its fair share for the EIR costs after May 14, 2003 as long as the Cal-Am application with the MPWMD is active. District Law and CEQA allow the lead agency to charge for reasonable costs associated with environmental review of the proposed project and alternatives to the project. Current and planned work focus on alternatives to the reservoir project.

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3. Cal-Am and MPWMD should meet as soon as possible to develop mutually agreeable concepts for Task Order #10 to the reimbursement agreement to specify how payments should be handled in the future.

I look forward to setting a meeting date to discuss these issues with you at your earliest convenience. Please call me at 831/658-5650 if you have questions.

Sincerely,



Fran Farina
Acting General Manager

Enclosures: 1- copies of previous unpaid invoices, Sept. 2002-Jan. 2003
2- cover sheet summarizing current invoices

cc: Henrietta Stern, Project Manager
David Laredo, Esq.
MPWMD Board of Directors