



EXHIBIT 16-K

**MONTEREY PENINSULA  
WATER MANAGEMENT DISTRICT**

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March 23, 2004

**HAND DELIVERED**

Steven Leonard  
Vice President and Manager, Coastal Division  
California-American Water Company  
Post Office Box 951  
Monterey, California 93942-0951

SUBJECT: MPWMD Mitigation Program

Dear Mr. Leonard:

A description of the Monterey Peninsula Water Management District's (MPWMD or District) Mitigation Program is provided in the 2002-2003 Annual Report for MPWMD Mitigation Program (copy enclosed). This report summarizes the projects and activities carried out by the District during the period July 1, 2002 through June 30, 2003 as mitigations for the MPWMD Water Allocation Program, as set by the MPWMD Board of Directors in November 1990. Although the Mitigation Program formally began on July 1, 1991, the District has carried out many of the same activities since the early 1980s.

In the event the District were to end its Mitigation Program activities, or significantly curtail them, would California-American Water Company (Cal-Am) be able to undertake them? If so, what length of time would Cal-Am need to prepare for a transfer of responsibility for these activities, including adequate funding?

I would appreciate your written response to this letter not later than Monday April 5, 2004.

Sincerely,

A handwritten signature in black ink, appearing to read "Fran Farina".

Fran Farina  
General Manager

Enclosure