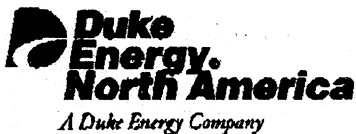


EXHIBIT 4-F-3



June 13 2005

Duke Energy
North America, LLC
5400 Westheimer Court
Houston, TX 77056-5310
P.O. Box 1642
Houston, TX 77251-1642

Mr. Joseph Rosa
General Manager
Pajaro / Sunny Mesa Community Services District
136 San Juan Road
Watsonville, CA 95076

Dear Mr. Rosa:

Thank you for your letter of June 1, 2005. I'm writing today to clarify Duke Energy's position regarding the potential use by Pajaro / Sunny Mesa ("PSM") of certain cooling water facilities at Duke's Moss Landing Power Plant ("MLPP") as part of your proposed seawater desalination facility. We understand that PSM is developing a facility on the former National Refractories site adjacent to MLPP.

As you know, Duke Energy is in the business of generating electric power at MLPP, and Duke is not in the water business. However, we also recognize that greater Monterey County could be facing significant water supply issues both today and into the future, and synergies may be available by co-locating desalination facilities adjacent to existing power generating facilities that use seawater for once-through condenser cooling. Therefore, Duke is prepared to facilitate the development of a desalination project that has broad community support by engaging in discussions with developers like PSM and others.

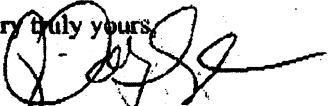
It is important to point out that Duke has no desire to assume a position that advantages one developer's desalination project over another's.

Any involvement by Duke or potential use of MLPP facilities would be based on an understanding that the use of such facilities would not impact Duke's current operations in any way as determined by Duke in our sole discretion. While we are willing to facilitate the development of potential desalination projects, that development cannot be at the expense of Duke's primary business: the generation of electric power.

While the conditions noted in your letter of June 1 would certainly be important topics of discussion, those conditions cannot be viewed as a comprehensive listing of considerations that would ultimately need to be addressed in definitive negotiations.

Hopefully, this letter clarifies Duke's position with respect to PJM's potential use of MLPP facilities as part of your proposed desalination facility. We are available to begin more specific discussions at your convenience.

Very truly yours,


David A. Gillespie
Vice President
Duke Energy Americas, LLC

cc: Jane Pearson
Gene McCrillis
Curtis Weeks, Monterey County Water Resources Agency
Marc Del Piero