



**MONTEREY PENINSULA
WATER MANAGEMENT DISTRICT**

5 HARRIS COURT, BLDG. G
POST OFFICE BOX 85
MONTEREY, CA 939420085 • (831) 658-5600
FAX (831) 644-9560 • <http://www.mpwmd.dst.ca.us>

SUPPLEMENT TO 10/20/08 MPWMD BOARD PACKET

Attached are copies of letters received between September 12, 2008 and October 9, 2008. These letters are also listed in the October 20, 2008 Board packet under item 18, Letters Received.

Author	Addressee	Date	Topic
Len Perrone	Regina Doyle	9/9/08	Letter of Thanks from Pacific Grove Property Owners for Water Conservation and Equality
Chuck Della Sala	Judi Lehman	9/18/2008	Ordinance No. 136
Christie Monson	Arlene Tavani	9/21/2008	Seven Stages of Water Conservation
Manuel Fierro	MPWMD Board	9/22/08	California American Water Application to Public Utilities Commission No. 08-01-027
Lloyd W. Lowrey, Jr.	MPWMD Water Demand Committee	9/29/08	Concept Ordinance No. 137
Sheri Damon	MPWMD Water Demand Committee	10/3/08	Concept Ordinance No. 137
David Pendergrass	Linda S. Adams	10/6/08	Draft Cease and Desist Order Pertaining to California American Water

Pacific Grove Property Owners for Water Conservation and Equality

C/o Stan Pletz, Pletz Investment Company

1464 SOS Drive, Walnut Creek, CA 94597

925-932-5746

1

September 9, 2008

RECEIVED

SEP 17 2008

MPWMD

Regina Doyle
Director, Division 5
Monterey Peninsula Water Management District
PO Box 85
Monterey, CA 93942

Dear Regina,

We want to thank you for your enthusiastic support of our Citizens group. Your efforts have been of essential importance and resulted in two-thirds of the individuals on the Water Waiting List receiving an allocation from the City of Pacific Grove. We want to express our appreciation for the time you devoted to meeting with us and your public support at the Pacific Grove City Council meetings. We are searching for any opportunity to help the remaining fourteen individuals on the Water Waiting List obtain water. We will keep you informed on the progress we make.

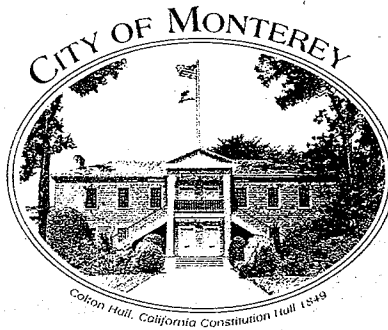
Again thank you for your support.

Yours very truly,



Board of Directors:

- George Cullinan
- Darren Davis
- Bill Kampe
- Len Perrone
- Stan Pletz
- James Willoughby
- Lee Willoughby



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SEP 26 2008

MPWMD

September 18, 2008

Mayor:
CHUCK DELLA SALA

Councilmembers:
LIBBY DOWNEY
JEFF HAFERMAN
NANCY SELFRIDGE
FRANK SOLLECITO

City Manager:
FRED MEURER

Ms. Judi Lehman, Chair
Monterey Peninsula Water Management District
P.O. Box 85
Monterey, CA 93942-0085

Subject: Ordinance 136

Dear Ms. Lehman:

On August 18, 2008, the MPWMD Board of Directors approved the second reading and adopted Ordinance 136, which establishes a process to authorize adjustments to water distribution system production and connection limits.

It is my understanding that Ordinance 136, while it does apply to all water distribution systems with 10 or more connections, was drafted by and unanimously approved by the Water Demand Committee on July 14, 2008 in response to water production concerns within Ryan Ranch. It should be noted that the Water Demand Committee is made up of three (3) Directors of the MPWMD, but includes no local jurisdiction representation.

On July 21, 2008, just seven days after the Water Demand Committee recommended that the Board adopt the first reading draft, the Board unanimously approved the first reading of Ordinance 136, with minor modifications. On August 5, 2008, the Technical Advisory Committee (TAC) had its first opportunity to comment on the proposed ordinance. The Political Advisory Committee (PAC) was not provided an opportunity to review and comment on the proposed ordinance, the TAC voted unanimously to recommend to the Board that the second reading of Ordinance 136 be deferred to allow the PAC to agendize the item for discussion. The Board did not adopt the TAC's recommendation, and the second reading of Ordinance 136 went forward as proposed.

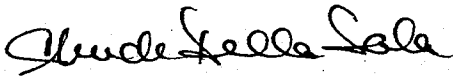
At this time, I wish to voice my disappointment that the MPWMD did not follow the typical review process when a new ordinance is considered. At no time did the PAC have an opportunity to review and comment on the proposed ordinance, and the TAC was limited to a review and comment opportunity only after the first reading was completed by the Board. A new ordinance that has the potential to create serious impacts upon water distribution systems is the type of item that historically has been reviewed by both the PAC and TAC prior to consideration by the Board. Why this process was not followed in this instance is troubling.

The City of Monterey is opposed to the implementation of Ordinance 136 for a number of reasons, including that the ordinance did not go through the typical review process. Also, developers who are pursuing project approval within the City of Monterey expend considerable time and money with the expectation that an approved project

will be able to be developed, especially when California American Water (Cal Am) has provided the developer with a "will serve" letter for the specific project.

The City of Monterey has concerns that implementation of Ordinance 136, especially Rule 40(D)(2), which will impose a moratorium on the receipt of new water permit applications and the processing of previously submitted, complete applications for those projects which have received local jurisdiction approval and have obtained "will serve" letters from Cal Am, will potentially subject the pertinent parties to possible litigation. For these reasons, the City of Monterey hereby states our opposition to the implementation of Ordinance 136.

Sincerely,



Chuck Della Sala
Mayor

- c: Fred Meurer, City Manager
- Bill Reichmuth, Deputy City Manager, Plans and Public Works
- Chip Rerig, Chief of Planning, Engineering and Environmental Compliance
- Todd Bennett, Senior Associate Planner
- Darby Fuerst, Monterey Peninsula Water Management District, P.O. Box 85,
Monterey, CA 93942-0085
- Stephanie Pintar, Monterey Peninsula Water Management District, P.O. Box 85,
Monterey, CA 93942-0085
- David Lavedo, Esq., Monterey Peninsula Water Management District, P.O. Box
85, Monterey, CA 93942-0085

Arlene Tavani

From: ChristieCopepod@aol.com
Sent: Sunday, September 21, 2008 10:46 PM
To: Arlene Tavani
Subject: seven stages of water conservation

I have in front of me the Water Wheel that was mailed to us last spring. It has very nice information, but in spite of the fact that conserving water is certainly important, the card with the water wheel is plastic coated. How in the world are we supposed to recycle this? This seems very narrow minded and short sighted.

PLEASE in the future, consider the entire ecosystem -- not just the issue of water.

Thank you.

Christie Monson

P.O. Box 16

Pacific Grove, CA 93950

P.S. I tried to contact Cal Am about this, but their website does not allow for feedback such as this. Isn't that interesting? Thanks to mpwmd for being open to input.

Looking for simple solutions to your real-life financial challenges? [Check out WalletPop for the latest news and information, tips and calculators.](#)

Submitted by Manuel
Fierro at 9/22/08 7
MPWMD Board Meeting
Item: Oral Communications

After intros to those present:

I would like to start by providing the latest information on the Sand City Desal Plant of which you may not be aware. Sand City has gotten all needed permits and has met all requirements for construction of the plant. In fact they have broken ground. The construction will be done by Camp Dresser & McKee. Projected cost of the plant has been set at \$10 million dollars. The plant will produce 300 acre feet of water per year. Water is projected to flow by the spring of 2009. The cost per acre foot of water will be \$3,510. A lease agreement with Cal Am was authorized on 10/09/07. The lease is for a fifteen year span with another fifteen year renewal option. Cal Am is to operate and manage the plant and to pay rent to Sand City.

So far all this information sounds positive. But there is more information that is of grave concern to the citizens that are the rate payers of the Cal Am Water Company. The annual cost to Cal Am to operate and manage the desal plant has been set at \$202,000 per year and the rent has been set at \$850,000 per year for a total of \$1,053,000 per year! If you multiply \$1,053,000 times fifteen years you find that the rental, and operating and management fees amount to \$15,795,000. This far exceeds the initial cost of the desal plant! One more fact about the lease is of vital concern to the citizens and rate payers of the Cal Am Company. Cal Am has stated that Cal Am will recover these costs from the RATE PAYERS.

Let us get back to the cost of the Sand City Desal water per acre foot. It has been set at \$3,510. The cost per acre foot under the Coastal Water Project that Cal Am has proposed was set at \$1,725. The cost per acre foot under Pajaro Sunny Mesa was set at \$1,434! The difference between the CWP and the SCDP is \$1,785 less and the difference between the PSM and the SCDP is \$2,076!

The Sand City Desal Plant is of importance because of its possible costs to the rate payers. But there is more. Cal Am is asking for an 80.3% rate increase for the Test Year 2009. The amount requested is \$24,718,200.

Cal Am, under a Special Request, is seeking to have the rate payers pay the cost for bringing the San Clemente Dam into compliance with seismic and environmental regulation. The amount being sought, according to Cal Am estimates, is approximately \$75 million dollars.

What are the rate payers to do? How can they fight the Cal Am Corporation? Fortunately we are not alone. The Division of Rate Payers Advocates, an arm of the California Public Utilities Commission, has been assigned to protect the rate payers. Their mission is "to obtain the lowest possible rate for service consistent with reliable and safe service levels. In fulfilling this goal, DRA also advocates for customer and environmental protections."

So what recommendations has the DRA taken on the items described?

On the Sand City Desal Plant. The DRA recommends that the Commission assign to Cal Am the entire cost of approximately \$1,053,000 per year associated with this facility!!!!

On the San Clemente Dam. DRA recommends that the Commission assign to Cal Am all the past, current, and future costs related to bringing the San Clemente Dam into compliance with seismic and environmental regulation. The rate payers should not be responsible for these costs.

On the 80.3% increase for the Test Year 2009. The amount requested by Cal Am in the amount of \$24,718,200, the DRA recommends the amount of \$10,802,200.

The positions taken by the DRA are dramatic. But will they sway the CPUC? Not if past practice is followed. And that is why I am here before you tonight. I am seeking your support and ask that you, as a council and individuals support the DRA in its mission. I also suggest you agendaize the Cal Am rate request for the next council meeting.

Your constituents face a heavy financial burden in the future. I hope you consider them in their efforts to be treated fairly by Cal Am and the California Public Utilities Commission.

Thank you. If you have any questions I will gladly answer them or refer you the document that has the answers.

Manuel G. Fierro
461 Line Street
Monterey CA 93940
Telephone 831-373-1167
e-mail laon02@hotmail.com



Division of Ratepayer Advocates
California Public Utilities Commission
 505 Van Ness Ave., San Francisco

FOR IMMEDIATE RELEASE

PRESS RELEASE

Media Contacts:

Joyce Steingass, DRA Project Manager, 415-355-5532, jws@cpuc.ca.gov

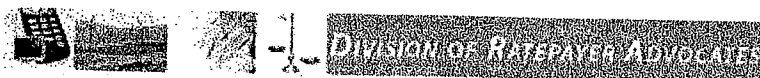
Tom Hall, Information Officer, 415-703-1366, news@cpuc.ca.gov

**DRA OPPOSES CALIFORNIA-AMERICAN WATER'S PROPOSED
 80% RATE INCREASE FOR MONTEREY PENINSULA IN 2009**

SAN FRANCISCO, August 22, 2008 – The Division of Ratepayer Advocates (DRA), an independent consumer advocacy division of the California Public Utilities Commission (CPUC), today issued its report urging a reduction to the rate increase requested by California-American Water Company (Cal Am).

In its application, Cal Am requested a \$24,718,200 (80 percent) increase over current revenues beginning in 2009 in the Monterey Peninsula and other service districts. DRA is recommending that Cal Am's request be reduced by \$13,916,000, resulting in a rate increase of \$10,802,200. DRA's recommended rate increase is 56 percent less than Cal Am's requested rate increase, and results in a 35 percent rate increase for 2009, which represents only the necessary and cost-effective investments to provide safe and reliable water service.

In its report, DRA finds particular fault with Cal Am's management of safety and environmental concerns created by the San Clemente Dam. DRA also found that Cal Am should have focused on saving water by fixing leaks rather than sign a lease agreement to operate a small, expensive desalination facility in Sand City. DRA also found a lack of evidence to justify 63 percent of Cal Am's proposed infrastructure investments, and recommends that the CPUC levy a fine on Cal Am for violating a CPUC directive to submit progress reports on customer service performance.



The Voice of Consumers, Making a Difference!

DRA also opposes the consolidation of Cal Am's wastewater treatment districts. Consolidated districts would place an unfair burden on low-income ratepayers by requiring them to share costs for wastewater treatment plants in wealthier areas. Further, DRA finds it illogical to consolidate wastewater districts that treat water from distant sources in Monterey County.

"The rate increases proposed by Cal Am should be reduced significantly," said DRA Director Dana Appling. "In particular, DRA proposes reductions totaling over \$130 million for infrastructure investments that were not supported by available data, and costs related to poor safety and environmental management of the San Clemente Dam. It is unfair for consumers to be asked to pay for unnecessary infrastructure and poor management decisions when they are facing huge rate increases due to water shortages and high cost desalination facilities to reduce those shortages."

Evidentiary hearings will begin on October 14, 2008, at the CPUC's headquarters in San Francisco.

DRA reports on Cal Am's rate increase applications are at www.dra.ca.gov/DRA/h20.

DRA is an independent consumer advocacy division of the CPUC, created by the Legislature to represent the interests of all private utility customers throughout the state and to obtain the lowest possible rate for service consistent with reliable and safe service levels. DRA has a multidisciplinary staff with expertise in economics, finance, accounting, and engineering.

For more information on DRA, please visit www.dra.ca.gov.

###



The Voice of Consumers, Making a Difference!

Docket:	: <u>A.08-01-027</u>
Exhibit Number	: _____
Commissioner	: <u>John Bohn</u>
Admin. Law Judge	: <u>Maribeth Bushey</u>
DRA Project Mgr.	: <u>Joyce Steingass</u>
	: _____



**DIVISION OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION**

**REPORT ON THE
RESULTS OF OPERATIONS**

**CALIFORNIA AMERICAN
WATER COMPANY
MONTEREY DISTRICT**

**Test Year 2009
Escalation Year 2010
Application 08-01-027**

For authority to increase water rates located in its
Monterey District serving Monterey, Pacific Grove, Carmel-by-the-Sea, a portion of Seaside,
Sand City, Del Rey Oaks, certain unincorporated areas of Monterey County, Ambler Park and
Bishop Service Area, Toro, Hidden Hills and Ryan Ranch Subdivision, and Ralph Lane and
Chaular Service Areas.

San Francisco, California
August 21, 2008

1 **V. SUMMARY OF RECOMMENDATIONS**

2 **A. The Commission should disallow Cal Am recovery of**
 3 **all current costs booked into the San Clemente Dam**
 4 **Memorandum Account, and all costs Cal Am will**
 5 **incur once a project has been selected and approved**

6 **B. The Commission should disallow Cal Am recovery of**
 7 **all costs related bringing the Dam into compliance**
 8 **with state and federal authorities**

9 **VI. CONCLUSION**

10 Cal Am has failed to exercise prudent management of the San Clemente
 11 Dam. Cal Am's mismanagement consisted of inaction regarding sediment
 12 management and establishing an adequate depreciation reserve, and failure to
 13 follow federal regulatory agency guidance -- NOAA's interpretation of the ESA.
 14 The result is the potential for over \$100 million in remediation costs. Cal Am's
 15 ratepayers should not have to bear these costs.

16 Cal Am faces regulatory constraints on its sources of supply in its Monterey
 17 District. Meeting regulatory goals for supply augmentation and demand reduction
 18 will cost hundreds of millions of dollars over the next decade. The cumulative
 19 effect of this GRC, the Conservation application, and the Coastal Water Project
 20 could be rate increases of up to 300%.¹²⁵ If approved, these increases could leave
 21 Cal Am ratepayers with some of the highest water rates in the country. Adding
 22 another \$100 million for a project whose costs should never have climbed so high
 23 creates a tremendous burden to ratepayers.

24 DRA is trying to ensure that Cal Am's ratepayers receive a sustainable and
 25 environmentally compliant future water supply without paying for unnecessary
 26 projects. Cal Am's Monterey District ratepayers should be spared any expense
 27 that their actions did not cause. Cal Am bears the burden of proof for

¹²⁵ Cal Am response to DRA Data Request JWS-1, March 6, 2008.

California American Water Monterey District Town Hall Meetings, held March 18 and 19, 2008.

1 demonstrating why ratepayers should incur costs, and in this case it has failed to
2 meet that burden.

3 DRA has demonstrated a clear case for why the utility's proposed cost
4 recovery should be disallowed. The Commission should adopt DRA's
5 recommendation.

6

EXECUTIVE SUMMARY

Cal Am requests an increase of \$24,718,200 or 80.30% in Test Year 2009 over present rates, \$6,503,900 or 11.72% in Escalation Year 2010, and \$7,598,300 or 12.25% in Escalation Year 2011. DRA recommends an increase of \$10,802,200 or 35.1% in Test Year 2009 over present rates. The two main reasons for the large discrepancy between Cal Am's request and DRA's recommendation are the San Clemente Dam and Plant additions.¹ These and other key differences are discussed below.

1) Key Recommendations

DRA's recommendations are based on disallowing costs for projects where Cal Am exercised imprudent management and projects that are not necessary or cost-effective.

a. San Clemente Dam

DRA recommends that the Commission assign to Cal Am all of the past, current, and future costs related to bringing the San Clemente Dam into compliance with seismic and environmental regulation. Ratepayers should not be responsible for these costs.

b. Sand City Desalination Facility

DRA recommends that the Commission assign to Cal Am the entire cost of approximately \$1,053,000 per year associated with this facility. DRA determined that Cal Am did not conduct sufficient analysis to justify the purchase of very expensive water from this facility. DRA believes that Cal Am should look to reducing unaccounted for water and conservation rather than small increments of desalinated water which are not cost-effective.

¹ DRA notes its testimony for the General Office (GO) allocation is to be submitted on September 11, 2008. Differences between DRA and Cal Am in the GO test year estimates are not reflected in this report.

1 **c. Plant Additions**

2 DRA recommends that the Commission approve \$11,172,423 or 42% of
3 Cal Am's requested infrastructure investments for Test Year 2009, and \$4,364,552
4 or 11% for Escalation Year 2010. DRA determined that Cal Am did not provide
5 sufficient information and analysis to support its requests. DRA also found
6 serious inaccuracies in Cal Am's documentation for requested projects.
7 Infrastructure investments must be prudent, and Cal Am Monterey ratepayers
8 should not be required to pay for projects that may not be necessary.

9 **d. Payroll**

10 DRA recommends that the Commission approve 2 of the 15 employees
11 requested by Cal Am. DRA determined that Cal Am did not provide sufficient
12 information to justify the addition of 13 employees.

13 **e. Distribution Service Improvement Charge**

14 DRA recommends that the Commission not authorize this surcharge
15 mechanism. The DSIC would not enable the Commission to provide the
16 appropriate level of oversight for Cal Am's infrastructure replacement program.
17 In previous decisions for Cal Am's other districts, the Commission has deferred
18 approving DSICs until it reviews the results of the pilot DSIC in Cal Am's Los
19 Angeles district. In addition, DRA recommends alternate methods for Cal Am to
20 prioritize replacements to infrastructure, including Comprehensive Asset
21 Management.

22 **f. Seaside Basin Adjudication**

23 DRA recommends that the Commission amortize over 20 years the
24 \$2,755,960 Cal Am incurred related to the Seaside Basin Adjudication. Both the
25 Company and its ratepayers benefitted from the Adjudication, and DRA's
26 recommended ratemaking treatment reflects that mutual benefit.

27 **g. Unaccounted for Water**

28 DRA recommends that the Commission authorize expenditures of \$586,518
29 to increase Cal Am's water supply through reducing water loss and meter

1 inaccuracies. DRA's recommends funding cost-effective programs that should
2 generate in excess of 380 acre feet of additional water.

3 **h. Customer Service**

4 DRA recommends that the Commission fine Cal Am \$80,000 for not
5 complying with a prior Commission decision 06-11-050. DRA also recommends
6 that the Commission order Cal Am to form an independent task force to serve as a
7 liaison between Cal Am and its customers. DRA determined that Cal Am's
8 customer service needs improvement.

9 **i. General Office and Rate Design Related Issues**

10 These requests will be addressed in a separate report and supplemental
11 testimony that DRA will issue on September 11, 2008 in accordance with the
12 Administrative Law Judge's Ruling and Scoping Memo dated June 27, 2008 and
13 the ALJ's Ruling Modifying Schedule filed August 13, 2008. As a result of any
14 changes in expenses that result, DRA will include a revised Summary of Earnings
15 and Results of Operations Table with that supplemental testimony.

16 **2) Background – Cal Am's Constrained Water Supply**

17 Cal Am's two sources of supply on the Monterey Peninsula, the Carmel
18 River and the Seaside Groundwater Basin, are constrained by regulatory decree
19 resulting from environmental considerations.

20 On January 15, 2008, the State Water Resources Control Board issued a
21 Draft Cease and Desist Order that specifies a timeline for Cal Am to reduce its
22 Carmel River pumping to no more than its legal right of 3,376 Acre feet per year.
23 If the Board issues a Cease and Desist Order, Cal Am will face additional
24 restrictions on its pumping of Carmel River water beginning in 2009. The
25 SWRCB held hearings on the Order in June, July, and August of 2008.

26 Cal Am's pumping from the Seaside Groundwater Basin is subject to
27 reductions in 2009 and every three years thereafter. The pumping reductions were
28 ordered by the Monterey County Superior Court in order to diminish the threat of
29 seawater intrusion into the Basin.

1 CHAPTER 12: SAND CITY DESALINATION PLANT

2 A. Introduction: Summary of Cal Am Rate Recovery 3 Request and DRA recommendation

4 Cal Am has entered into a 15 year operating lease with Sand City to operate
5 and deliver water from a 300 Acre-foot per year ("AFY") desalination plant. The
6 Sand City Desalination Plant ("SCDP") is projected to begin producing water in
7 spring 2009.³¹⁵ Cal Am's annual cost to run the SCDP will be approximately
8 \$1,053,000 (\$3,510 per acre foot). This figure includes Cal Am's "rent" payments
9 to Sand City (\$850,000/year) and its Operations & Maintenance costs
10 (\$203,000/year). Cal Am proposes to recover the entire amount from
11 ratepayers.³¹⁶

12 DRA Recommendation

13 DRA recommends that the Commission assign all costs associated with the
14 SCDP to Cal Am. DRA's analysis shows that Cal Am did not perform adequate
15 analysis before entering into the operating lease with Sand City. Cal Am did not
16 compare the SCDP to other more cost-effective options for obtaining additional
17 water, nor did Cal Am conduct appropriate due diligence of the lease costs. Cal
18 Am ratepayers should not bear the costs of Cal Am's mismanagement.

19 1) Background – Cal Am's Constrained Water Supply

20 Cal Am's two sources of supply on the Monterey Peninsula are constrained
21 by regulatory decree resulting from environmental considerations. Cal Am's
22 primary source of supply, the Carmel River ("River"), originates in the mountains
23 of Big Sur and empties into the Pacific Ocean in Carmel. The negative

³¹⁵ Personal communication between Richard Simonitch, Sand City, and Max Gomberg, DRA, July 29, 2008.

³¹⁶ DRA notes that Cal Am did not provide written testimony justifying its Operating Lease with Sand City.

CHAPTER 3: SPECIAL REQUEST #9

This Chapter presents DRA's analysis and recommendations on special request #9 - Recovery of San Clemente Dam Seismic Retrofit Costs - made by Cal Am for the Monterey District.

I. INTRODUCTION: SUMMARY OF CAL AM RATE RECOVERY REQUEST

Cal Am requests to recover through rates the cost of all regulatory requirements for dam safety and environmental compliance for the San Clemente Dam. This cost includes studies and planning for Environmental Impact Reports, interim seismic safety measures to reduce damage in the event of an earthquake, assessing and enhancing habitat for threatened species, interest expense, and a project to strengthen (buttress²⁵) or remove the Dam. Cal Am requests recovery of approximately \$75 million. Cal Am proposes to recover the cost of a buttressing project by placing the construction costs into Construction Work In Progress ("CWIP") over three years. Under the buttressing project, Cal Am would exclusively pay for construction and would retain ownership of the Dam. For a dam removal project led by the California Coastal Conservancy, Cal Am would contribute money and donate its land holdings at and around the Dam site. If dam removal is required, Cal Am proposes to recover the cost over 25 years.

II. BACKGROUND²⁶

The San Clemente Dam ("Dam") was constructed by the California Water & Telephone Company in 1921. It is located on the Carmel River, 18.5 miles

²⁵ Buttressing" the dam entails "thickening the downstream face of the Dam with concrete, strengthening the right abutment near the dam crest, modifying the spillway and dam crest to increase effective spillway width and armoring the abutments with gunite to prevent erosion." California Department of Water Resources, Final Environmental Impact Report/Environmental Impact Statement, San Clemente Dam Seismic Safety Project, Volume 1, January 2008, p. 2-1.

²⁶ Appendix A contains a timeline of the events discussed in this report.

1 upstream from the river mouth. The Dam is a thin arch concrete dam whose
 2 spillway is located 525 feet above sea level.²⁷ When the dam was constructed its
 3 reservoir storage capacity was between 1,410 and 1,425 acre-feet (“AF”).²⁸ As of
 4 2002, the reservoir storage capacity was 137 AF.²⁹ This storage reduction is due
 5 to the accumulation of sediment behind the Dam. DRA was unable to obtain any
 6 records of California Water & Telephone Company’s Dam management activities.

7 California-American Water Company (“Cal Am”) purchased the assets of
 8 the California Water & Telephone Company in 1966.³⁰ Cal Am’s description of
 9 how it has operated the Dam was provided in its last GRC filing.³¹ Cal Am has
 10 used the Dam as a diversion point³², though it has diverted little or no water from
 11 the Dam since 1999.³³ Cal Am has never had a sediment management plan for the
 12 Dam.³⁴

²⁷ California Department of Water Resources, Final Environmental Impact Report/Environmental Impact Statement, San Clemente Dam Seismic Safety Project, Volume 1, January 2008, p. 1-1.

²⁸ The 1410AF figure was provided by Cal Am in response to DRA Data Request MZX 3-7, March 27, 2008. DWR’s Final EIR/EIS states that “the [Dam] initially impounded a reservoir of about 1425AF.” California Department of Water Resources, Final Environmental Impact Report/Environmental Impact Statement, San Clemente Dam Seismic Safety Project, Volume 1, January 2008, p. 1-1.

²⁹ Cal Am response to DRA Data Request MZX 3-7, March 27, 2008.

³⁰ Cal Am response to DRA Data Request MZX 5-1, April 8, 2008.

³¹ Cal Am GRC filing in Application A.05-02-12, Fred Feizollahi Direct Testimony, Exhibit. A at 1-2. DRA notes that MPWMD objected to Mr. Feizollahi’s characterization that the Dam “still serves as a major point of diversion.” MPWMD cited evidence that Cal Am had not diverted any water from the Dam since 2002 (MPWMD Opening Brief, October 10, 2005, p. 7). DRA concurs with MPWMD that the Dam has not served as a point of any diversion since 2002. (See footnote 8 below).

³² A diversion point is a place where water is diverted from a body of water (stream, lake, canal, reservoir, etc.) into a utility’s distribution system.

³³ Cal Am response to DRA Data Request MZX 3-8 accounts for water diverted from the San Clemente Dam from the 1985-86 water year (a water year is October 1 – September 30) through the 2006-07 water year. Between the 1999-2000 and 2002-03 water years, no more than 260AF was diverted from the Dam. From the 2003-04 water year to the present, no water has been diverted from the Dam.

³⁴ Cal Am response to DRA Data Request MZX 3-10, March 27, 2008.

1 Organization of Report

Chapter Number	Description	Witness
-	Executive Summary	
1	Overview and Summary of Earnings	
2	Water Consumption and Operating Revenues	Joyce Steingass
3	O&M and A&G Expenses	Jerry Oh
4	Unaccounted For Water	Isaiah Larsen
5	Taxes Other Than Income	Sung Han
6	Income Taxes	Sung Han
7	Utility Plant in Service (Includes Appendix A of Data Requests)	Nihar Shah
8	Depreciation	Sung Han
9	Ratebase	Sung Han
10	Customer Service	Joyce Steingass
11	Seaside Basin Adjudication Costs	Jose Cabrera
12	Sand City Desalination Plant	Max Gomberg
13	Water Quality	Joyce Steingass
14	Toro Water System	Nihar Shah
15	Step Rate Increases	Joyce Steingass
Appendix A	Plant in Service Data Responses	Nihar Shah
Appendix B	Qualifications	All

For good cause shown, the Division of Ratepayer Advocates' request is granted and the schedule is modified as set out below:

SCHEDULE	
EVENT	DATE
DRA Testimony Distributed	August 21, 2008
Intervenor Testimony Distributed	September 2, 2008
DRA General Office and Rate Design Testimony Distributed	September 11, 2008
Cal-Am Rebuttal Testimony Distributed	September 16, 2008
Settlement Negotiations	September 18, 2008 ¹
Intervenor General Office and Rate Design Testimony Distributed	September 25, 2008
Cal-Am General Office and Rate Design Rebuttal Distributed	September 25, 2008
Evidentiary Hearings	October 14 - 24, 2008, 10:00 a.m. Commission's Courtroom State Office Building 505 Van Ness Avenue San Francisco, CA 94102
Opening Briefs	November 10, 2008 ²
Reply Briefs	November 24, 2008
ALJ's Proposed Decision	February 20, 2009
Final Commission Decision	March, 2009

¹ Or on such other date as the parties may agree.

² The scheduled dates for opening and reply briefs are tentative and will be determined at the close of evidentiary hearings, or by ruling.

RECEIVED

23

SEP 29 2008

MPWMD

WWW.NHEH.COM

E-MAIL LLOWREY@NHEH.COM

(831) 424-1414

OUR FILE NO. 17048.001

*Harry L. Noland
(1904-1991)*

*Paul M. Hamerly
(1920-2000)*

Myron E. Etienne, Jr.

James D. Schwefel, Jr.

Stephen W. Pearson

Lloyd W. Lowrey, Jr.

Anne Secker

Randy Meyenberg

Michael Masuda

Christine Gianascol Kemp

Jo Marie Ometer

Terrence R. O'Connor

Kirk R. Wagner

Dale E. Grindrod

Lisa K. Omori

Leslie E. Finnegan

Timothy J. Baldwin

Renée Conrad de Torres

Daniel E. Griffiee

Charles Des Roches

Of Counsel

Peter T. Hoss

Martin J. May

Blanca E. Zarazúa

September 29, 2008

Water Demand Committee of the Monterey Peninsula Water Management District
5 Harris Court, Building G
P.O. Box 85
Monterey, CA 93942

Re: Concept Ordinance No. 137

Dear Ms. Markey, Mr. Brower, Ms. Doyle:

On behalf of the Hidden Hills Sub-Unit Ratepayers Association (HHSRA), this is to request that proposed Ordinance No. 137 be drafted to include the concepts and language discussed in this letter. You are already familiar with the concepts and the substance of the language requested, because they have been the subject of presentations to the Board in connection with Ordinance 135 and the subject of testimony in proceedings of the California Public Utilities Commission (CPUC) in which the MPWMD is a party.

This request is based on (1) the contract by which California American Water Company (Cal Am) purchased the water facilities of the Carmel Valley Mutual Water Company to create Cal Am's Hidden Hills Sub-unit (HHS), and (2) the fact that it has not been and is not now physically possible for the HHS to receive water from Cal Am's Main Monterey system, from the Carmel River or from any other source than the wells that serve the HHS.

As you know, Cal Am's purchase contract requires Cal Am to operate the HHS as a separate sub-unit of the Monterey Division. I have appended to this letter a copy of a letter dated January 12, 1996, to your District discussing this requirement and the contract and the fact that they have been acknowledged by your District and the CPUC. There has been no change in the physical circumstances of service to the HHS since Cal Am acquired the system.

The existing physical reality is that water necessary to mitigate an imbalance of pumping within the Laguna Seca Subarea (LSSA) is being allowed to flow to the Coastal subareas to help mitigate a much larger problem Cal Am has with its diversion of water from the Carmel River and Carmel Valley. Your District's own data shows that the likelihood of a physical shortage of water to the HHS (other than by a facility

PHONE 831-424-1414

FROM MONTEREY 831-372-7525

FAX 831-424-1975

333 SALINAS STREET POST OFFICE BOX 2510 SALINAS, CA 93902-2510

17048/001/407234.2:92908

Water Demand Committee of the Monterey Peninsula Water Management District
September 29, 2008
Page 2

failure) is remote. I discussed that data in my presentation to your Board on September 22.

We therefore request that Ordinance 137 be drafted to require a physical shortage of water supply to the HHS in order to trigger any of the requirements in Stages 4 through 7 of your Regulation XV. We also request that the HHS be recognized as a separate sub-unit in accordance with the CVMWC purchase contract. We request that the following be included in Ordinance 137:

Findings:

- Cal Am has substantially increased its pumping from the Seaside Basin for use outside the Basin since 1994.
- More water flows out of the LSSA each year than the amount by which Cal Am is projected to exceed the amount of pumping allowed by the Seaside Basin Adjudication
- The District's data shows that the likelihood of a physical shortage of water to the HHS (other than by a facility failure) is remote.
- The Hidden Hills system presently does not and cannot physically derive its source of supply from any water resources other than the Laguna Seca Subarea. There is thus a continuing need to recognize and regulate this system as an independent sub-unit. (This finding would apply also to the Bishop system.)
- This ordinance is not intended to supercede or abrogate any District or PUC conditions of approval for any acquisition of a water system and expansion by Cal Am into said service area or any contract rights related thereto, including Cal Am's contract for the acquisition of the Carmel Valley Mutual Water Company that created the HHS.

Rule 11 Definitions

- **HIDDEN HILLS SYSTEM** – "Hidden Hills System" shall mean the California American Water subunit as described in the purchase agreement between Carmel Valley Mutual Water Company and California American Water recorded July 8, 1994, Document #49389 Reel 3125 Page 696. The Hidden Hills System derives its Source of Supply solely from the Laguna Seca Subarea of the Seaside Basin.

Water Demand Committee of the Monterey Peninsula Water Management District
September 29, 2008
Page 3

Rule 164 – Stage 4 Water Rationing. Trigger as provided in Section 7B of Ordinance No. 135

Rule 165 – Stage 5 Water Rationing. Trigger as provided in Section 8 of Ordinance No. 135.

Rule 166 – Stage 6 Water Rationing. Trigger as provided in Section 9 of Ordinance No. 135.

Rule 167 – Stage 7 Water Rationing. Trigger as provided in Section 10 of Ordinance No. 135.

Residents of the HHS look forward to working collaboratively with the District to conserve and sustain the water supplies available to the HHS.

Sincerely,

NOLAND, HAMERLY, ETIENNE & HOSS
A Professional Corporation

Lloyd W. Lowrey, Jr.

LWL:LWL

cc: Hidden Hills Sub-Unit Ratepayers Association
Sarah Leeper, Esq.
Sheri Damon, Esq.
Monica McCrary, Esq.

Water Demand Committee of the Monterey Peninsula Water Management District
 September 29, 2008
 Page 4

HARRY L. NOLAND
 1908-1988
 PAUL M. HAMERLY
 MYRON E. ETIENNE, JR.
 PETER T. HOSS
 JAMES D. SCHWERTL, JR.
 MARTIN J. MAY
 STEPHEN W. PEARSON
 LLOYD W. LOWREY, JR.
 ANNE SECKER
 PAULA ROBINSON
 JEROME F. POLTZER, JR.
 RANDY MEYENBERG
 CHRISTINE P. GIANASCOL
 LISA KIMINO MAKATA
 PATRICK S. M. CASBY

NOLAND, HAMERLY, ETIENNE & HOSS
 A PROFESSIONAL CORPORATION
 ATTORNEYS AT LAW
 333 SALINAS STREET
 POST OFFICE BOX 2510
 SALINAS, CALIFORNIA 93902-2510

AREA CODE 408
 SALINAS TELEPHONE 424-1414
 MONTEREY TELEPHONE 372-7025
 TELECOPIER 424-1975

OUR FILE NO. 08609.053

January 12, 1996

Monterey Peninsula Water Management District
 Board of Directors
 Post Office Box 85
 Monterey, California 93942-0085

Re: Hidden Hills Area--Protection of Water Supply

Members of the Board:

The Carmel Valley Mutual Water Company has dissolved after selling its water system facilities to California-American Water Company and distributing the Mutual's net funds to its members in accordance with the Mutual's Bylaws.

At their final meeting, the Mutual's Directors asked me to remind interested persons and agencies having jurisdiction about conditions of the sale and on the regulatory approval of the transfer of the Mutual's water system to Cal-Am. P.U.C. Decision 94-05-046 summarizes this condition as follows:

" The agreement further provides for the Mutual Water Company's water service area to be operated as an independent sub-unit of applicant's Monterey District water system."

....

"Three essential conditions imposed by MPWMD and accepted by applicant are:

....

2. Applicant operates the water system as a subsidiary unit of its Monterey District.

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Monterey Peninsula Water Management District
 January 12, 1996
 Page 2

3. Transfer of water from the water system allowed only as an emergency measure to alleviate any water outage causing potential health or safety hazards."

Condition 3 of the MPWMD's Final Conditions of Approval dated March 15, 1993 reads as follows:

- "3. "Emergency" shall mean any water outage with the potential for a health or safety hazard. Transfer of water through emergency interties with the CVMWC system for the purpose of avoiding or reducing water rationing shall not constitute an emergency. Transfer of water through emergency interties with the CVMWC system shall be metered and documented. Use of an emergency intertie for a period of time exceeding fifteen consecutive days shall be reviewed by the General Manager and a determination as to whether or not the continued use of the connection constitutes an emergency as defined shall be made. This determination shall be reported to the District Board at the next regular Board meeting."

As distributees and former members of the Carmel Valley Mutual Water Company, the residents of the Hidden Hills area have a deep and continuing interest, together with Cal-Am and all applicable regulatory agencies, in maintaining the independence and long-term viability of the Laguna Seca hydrogeologic subarea, as provided in paragraph 5 of the "Agreement For the Purchase of the Assets of the Carmel Valley Mutual Water Co., A California Non-Profit Mutual Benefit Corporation by California-American Water Co., A California Corporation," dated December 22, 1992, and recorded in the Office of the Monterey County Recorder on July 8, 1994, at Reel 3125, Page 696, Paragraph 12 of the Agreement provides that the Agreement binds and benefits the parties and their respective heirs, successors and assigns, is specifically enforceable, and that the covenants and conditions of the Agreement shall survive the dissolution or merger of each of the parties.

The residents of Hidden Hills respectfully request that the commitments made by Cal-Am, the District, and the P.U.C. to the operation of the Laguna Seca hydrogeologic subarea as an independent subunit of Cal-Am be honored as the Monterey Peninsula

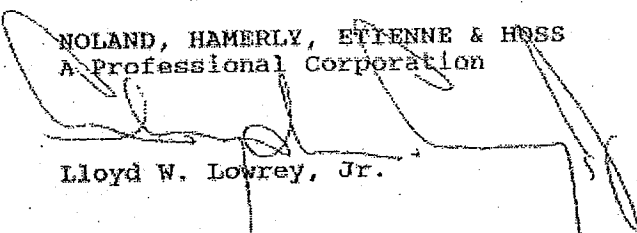
Water Demand Committee of the Monterey Peninsula Water Management District
September 29, 2008
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Monterey Peninsula Water Management District
January 12, 1996
Page 3

Water Management District deals with the difficult issues of water supply and distribution.

Sincerely,

NOLAND, HAMERLY, ETIENNE & HOSS
A Professional Corporation



Lloyd W. Lowrey, Jr.

LWL:ll

cc: California-American Water Company, California Public Utilities Commission, Monterey County Health Department, California State Department of Health Services, Supervisor Judy Pennycook, Supervisor Sam Karas, Supervisor Edith Johnsen, Senator Henry Mello, Assemblyman Bruce McPherson, Fort Ord Reuse Authority, Mr. Fred Meurer, City Manager of Monterey, Mr. Carl Hooper, Mr. Stan Kulakow, Hidden Hills Area Homeowners Associations, Monterey County Water Resources Agency, Monterey County Planning Department.

Anthony L. Lombardo
Jeffery R. Gilles

Dennis C. Beougher
Patrick S.M. Casey
Sheri L. Damon
E. Soren Diaz
J. Kenneth Gorman
Karen R. McWilliams
Paul Rovella
Bradley W. Sullivan
James W. Sullivan
Kelly McCarthy Sutherland

Virginia A. Hines
Of Counsel

Amy Purchase Reid
Of Counsel

Lombardo
& Gilles
LIMITED LIABILITY PARTNERSHIP

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OCT - 6 2008

MPWMD

October 3, 2008

318 Cayuga Street
P. O. Box 2119 29
Salinas, CA 93902-2119
831-754-2444 (SALINAS)
888-757-2444 (TOLL FREE)
831-754-2011 (FAX)
www.lomgil.com

225 Sixth Street
Hollister, CA 95023
831-630-9444

4004.000

Water Demand Committee of the MPWMD
5 Harris Court, Building G
Post Office Box 85
Monterey, CA 93942

RE: Concept Ordinance No. 137

Dear Ms. Markey, Mr. Brower, and Ms. Doyle:

On behalf of the customers of the Bishop Water Company (York Hills Homeowners Association, Laguna Seca Office Park, Laguna Seca Ranch Estates 1 and Laguna Seca Ranch Estates 2 and Pasadera Homeowner's Association), this is to request that proposed Ordinance 137 be drafted to include the concepts and language included in this letter.

This request is based upon (1) the contract by which California American Water Company purchased the water facilities of the Bishop Water Company to create the Cal Am Bishop sub-unit; (2) the attendant conditions of approval of the MPWMD and the California PUC in approving such acquisition and expansion and creation of the Bishop sub-unit of Cal Am; and (3) the fact that it has not been and is not now physically possible for the BWC customers to receive water from Cal Am's Main Monterey system, from the Carmel River or from any other source than the wells that serve BWC service area.

As you know, Cal Am's purchase contract requires Cal Am to operate the BWC as a separate subunit of the Monterey Division. I have attached to this letter a copy of the contract, and the attendant conditions of approval of the MPWMD and the California Public Utilities Commission. (Exhibits A, B and C). There has been no change in the physical circumstances of service to the BWC since Cal Am acquired the system.

The existing physical reality is that water necessary to mitigate an imbalance of pumping within the Laguna Seca Subarea (LSSA) is being allowed to flow to the Coastal subareas to help mitigate a much larger problem Cal Am has with its diversion of water from the Carmel River and Carmel Valley. I enclose excerpts from the 2005 Yates report which demonstrates several issues: first that the pumping out of the northern Seaside subbasin increased substantially in 1996 (shortly after the 95-10 order) from 1000 afy to over 3000 afy. You might note the pumping out of the Peralta well was increased by almost 2000 afy. (Exhibit 1). Additionally, the Yates report also included information related to the auto cline (change in topography) which naturally precludes ground water from easily migrating out of the LSS. (Exhibit 2). I also submit for your consideration the total reported pumping from all adjudicated users within the LSS indicating there is a substantial amount of adjudicated allocation which has not been utilized. (Exhibit 3). Finally, I attach the Water Master reports which indicate that the ground water levels in the LSS are increasing rather than decreasing, thus indicating no diminishment of water supply within the LSS. (Exhibit 4).

We therefore request that Ordinance 137 be drafted to require a physical shortage of water supply to the BWC in order to trigger any of the requirements in Stages 4 through 7 of your Regulation XV. We also request that the BWC be recognized as a separate sub-unit in accordance with the BWC purchase agreement, and conditions of approval of the MPWMD and CPUC. We request the following findings be included in Ordinance 137:

Findings:

- Cal Am has substantially increased its pumping in the Salinas Basin for use outside the Basin since 1996. (Evidence: see Yates 2005 report)
- The District's data shows that the likelihood of a physical shortage of water to the BWC is remote.
- During Water Year 2008, the total pumping of all adjudicated users through June 2008 in the Laguna Seca subbasin, including Cal Am's subunits was 85 afy substantially less than the adjudicated amount of pumping out of the Laguna Seca Subbasin of 989 afy.
- The BWC system presently does not and cannot physically derive its source of water supply from any water resources other than the Laguna Seca Subarea. There is a continuing need to recognize and regulate this system as an independent sub-unit.
- This ordinance is not intended to supercede or abrogate any District or PUC conditions of approval for the acquisition of a water system and attendant service area or any contract rights related thereto, including Cal Am's' contract for acquisition of BWC or Carmel Valley Mutual Water Company.

Water Demand Committee of the MPWMD

October 3, 2008

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Rule 11 Definitions

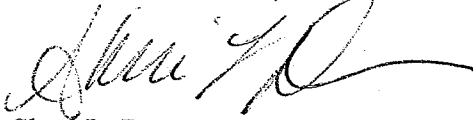
- BISHOP SYSTEM – “Bishop System” shall mean the California American Water subunit as described in the purchase agreement between Bishop Water Company and California American Water dated September 1, 1996 and approved by MPWMD on October 21, 1996 and by the PUC on September 24, 1997 on Application No. 97-04-030. The BWC derives its source of supply solely from the Laguna Seca Subarea of the Seaside Basin.

We request the triggering mechanisms for Stage 4 Water Rationing through Stage 7 Water Rationing be based upon the availability of physical water supply within the Laguna Seca subbasin.

Customers of the BWC look forward to working collaboratively with the District to conserve and sustain water supplies available to the BWC.

Sincerely,

Lombardo & Gilles, LLP



Sheri L. Damon

SLD:jl

cc: Pasadera Homeowners Association
York Hills Homeowners Association
Lloyd Lowrey

**AGREEMENT FOR THE PURCHASE
 OF THE ASSETS OF
 BISHOP WATER COMPANY
 A California Corporation
 BY
 CALIFORNIA-AMERICAN WATER COMPANY,
 A California Corporation**

THIS AGREEMENT is made and entered into this 1st day of September, 1996 by and between CALIFORNIA-AMERICAN WATER COMPANY, a California corporation, hereinafter referred to as "Cal-Am", and BISHOP WATER COMPANY, a California corporation, hereinafter referred to as "Bishop".

THEREFORE, IT IS HEREBY MUTUALLY AGREED BETWEEN THE PARTIES that Cal-Am will, subject to the terms and conditions hereinafter set forth, purchase from Bishop all of Bishop's Assets (as hereinafter defined).

The aforementioned purchase is conditioned upon and subject to the full and faithful performance and completion of all of the terms and conditions hereinafter set forth. Either party may, at its sole discretion, in writing, elect to waive or release any of the terms and conditions hereinafter set forth for that party's benefit, provided that said waiver or release is in writing.

The terms and conditions to which this purchase is specifically and expressly subject are as follows:

1. **DEFINITIONS AND DESIGNATIONS:** The following definitions and designations shall apply in this Agreement:

"Agreement": This Agreement.

"Assets": All of the assets of Bishop as more fully described in Exhibit A hereto, including, but not limited to, all of Bishop's real and personal property, easements, water rights associated with Bishop's well sites, water sources and total system, Bishop's customer lists and records and information necessary to operate Bishop's System, excluding, however, all of Bishop's unrestricted cash and accounts receivable.

"Bishop": Bishop Water Company, a California corporation and regulated public utility.

"Bishop's Service Area": The service area as described in Exhibit B hereto.

"Cal-Am": California-American Water Company, a California corporation and regulated public utility.

"County": The County of Monterey, State of California.

"County Records": The Official Records of the County Recorder of the County of Monterey, State of California.

"Effective Date": That date defined in Section 8 of this Agreement.

"PUC": The Public Utilities Commission of the State of California.

"Service Agreements": (a) That Amended and Restated Agreement made on or about December 13, 1995 between BMIF Monterey County Limited Partnership; Bishop, McIntosh & McIntosh; and Bishop Water Company; (b) that Fourth Amendment to Lease and Agreements Related to Water made effective August 12, 1994 between Bishop, McIntosh & McIntosh; Nick D. Lombardo, Inc.; Bishop Water Company; and BMIF Monterey County Limited Partnership; and (c) agreements between Bishop Water Company and its customers for the provision of water service.

"System": Bishop's total water production and distribution system, including, without limitation, all well sites, wells and well equipment, tanks and tank sites, easements, rights of way, mains, equipment, appurtenances, water and water rights.

2. CONDITIONS PRECEDENT:

a. As a condition precedent for the benefit of Cal-Am, Bishop shall, at its own expense, prepare appropriate instruments of conveyance together with appropriate legal descriptions of all real property, easements, rights of way, and other interests in real property, all in proper form for recording in the County Records.

b. As a condition precedent for the benefit of Cal-Am, Bishop shall provide evidence, in form and substance meeting the reasonable satisfaction of Cal-Am, that:

(1) Bishop enjoys an easement for access to its wells, tanks and pipelines; and

(2) such easement provides the right to perform all such acts, including, without limitation, performing such groundwork as shall be necessary to provide for the maintenance of the System; and

(3) such easement is reflected in the County Records.

c. It is intended that Cal-Am is purchasing all real property interests of Bishop, including such rights that may not be recorded, if any, including, without limitation, water rights and real property interests, which may be classified as covenants running with the land or equitable servitudes. In the event that the Assets include any interests in real property which have not been recorded in the County Records, Bishop shall, as a condition precedent for the benefit of Cal-Am take all appropriate steps necessary to record the instruments, agreements or other documents pertaining to such interest in the County Records.

d. Real property assets will be conveyed by one or more grant or quitclaim deeds in form and substance meeting the reasonable satisfaction of Cal-Am, with property descriptions as set forth in a preliminary title report to be approved by Cal-Am, at Bishop's sole cost and expense. Bishop will provide to Cal-Am, at Bishop's sole cost and expense upon close of escrow, a standard CLTA owner's policy of title insurance insuring, among other matters that title as to each interest in real property to be conveyed by Bishop to Cal-Am pursuant to the terms hereof is vested in Cal-Am free and clear of any lien, encumbrance, mortgage thereon except as previously disclosed in writing to Cal-Am and approved by Cal-Am in writing. Cal-Am reserves the right to secure an ALTA policy of title insurance, and agrees that any additional expense or cost relating thereto above the standard CLTA policy shall be paid for by Cal-Am. Personal property assets will be conveyed by one or more bills of sale in form and substance meeting the reasonable satisfaction of Cal-Am.

e. (1) As a condition precedent for the benefit of both parties this Agreement to be effective must have the prior written consent and approval of those governmental agencies having jurisdiction in the matter, and whose approval may be required to give full effect to this Agreement. The parties contemplate that the PUC may have such jurisdiction and that its approval and consent may be required.

(2) In addition, this Agreement shall be subject to the prior approval of the following entities as a condition precedent for the benefit of both parties:

(a) The Board of Directors of Bishop.

(b) The Board of Directors of Cal-Am.

f. As a condition precedent for the benefit of Cal-Am, Bishop shall provide to Cal-Am all documents, instruments and agreements pertaining to all existing refund contracts, if any there be. All amounts, if any, owed by Bishop under such refund contracts during calendar year 1996 shall be paid by Bishop prior to the Effective Date.

g. As a condition precedent for the benefit of Cal-Am, each of the representations and warranties set forth in this Agreement shall be true, complete and correct in all material respects as of the date this Agreement is executed.

h. As a condition precedent for the benefit of Cal-Am, Bishop shall (with respect to agreements other than the Service Agreements) take all appropriate steps necessary to either:

(a) discharge any obligation it may have in connection with any such contract to which it is a party, or

(b) deliver to Cal-Am such written assurances as Cal-Am shall in the exercise of its reasonable business judgment deem necessary or appropriate to the effect that Bishop has no undischarged obligations under any such contract to which it is a party. Such discharge shall occur or such assurances shall be delivered, as the case may be, prior to the Effective Date and Bishop shall provide appropriate documentation meeting the reasonable satisfaction of Cal-Am with respect thereto to Cal-Am prior to the Effective Date.

i. All pending litigation against Bishop, and/or any other causes of action against Bishop of which Bishop has knowledge that may be pending or threatened, shall be fully and completely resolved and/or settled, or shall be otherwise disposed of in a manner mutually acceptable to the parties.

j. All amounts which have been placed in escrow or which have been deposited with Bishop by a third party pending performance by Bishop of one or more obligations in respect of which such amounts have been so deposited or placed in escrow shall, prior to the Effective Date, be delivered to Cal-Am or placed in an escrow meeting the reasonable satisfaction of Cal-Am.

k. Cal-Am shall acquire the Assets and thereafter shall operate the System subject to and in accordance with the requirements set forth in the Service Agreements. Cal-Am shall assume all obligations of Bishop under the Service Agreements. Notwithstanding anything to the contrary in any Service Agreement, it is the understanding of the parties hereto that Cal-Am shall operate the System as a separate and self-contained unit with no inter-connections with any other portion of Cal-Am's water supply system. Therefore, any obligation to supply water set forth in any Service Agreement shall from and after the Effective Date be limited to the System and Cal-Am shall not be obligated to supply water from any other portion of its water supply system. Cal-Am's assumption of Bishop's obligations shall be evidenced by a separate assignment and assumption agreement of even date herewith.

3. PURCHASE PRICE.

The purchase price to be paid by Cal-Am to Bishop on the Effective Date shall be a sum equal to \$52,576 (the rate base as of 12/31/95), and subject to an upward adjustment for additions to Bishop's rate base on or after January 1, 1996, and subject to a downward adjustment for retirements from Bishop's rate base on or after January 1, 1996.

4. RATES SERVICES:

a. Cal-Am shall, pursuant to a separate operating agreement of even date herewith and for a period not to exceed six (6) months after the date first set forth above (but subject to earlier termination on the Effective Date if the Effective Date shall occur during such six (6) month period or to further extension by mutual agreement of the parties if the Effective Date shall not occur during such six (6) month period), perform meter reading and billing services for Bishop's customer base at a flat rate of \$1500 per monthly billing cycle. During such period, Cal-Am will make a good faith and reasonable effort to collect Bishop's accounts receivable. Cal-Am will not write off any such accounts as uncollectible. Uncollected accounts receivable will be returned to Bishop after ninety (90) days for collection by Bishop.

b. Cal-Am shall, from and after the Effective Date, commence to assess at its filed tariff rates, all users of water provided by Bishop's System that have heretofore received such water service without charge or at a reduced charge.

c. The parties hereto contemplate, and Cal-Am shall take reasonable steps to so provide, that Bishop's service area shall be operated and served in accordance with Cal-Am's tariffs, rates, rules and regulations as approved by and subject to the PUC.

5. INDEMNITY:

Bishop shall, for twelve (12) months after the Effective Date, indemnify, defend and hold Cal-Am, its officers, directors and employees harmless from and against any liability, loss or claim for damages, including, without limitation, the fees and expenses of Cal-Am's counsel, arising out of, or relating to:

a. the breach of Bishop's representations, warranties or covenants set forth in this Agreement,

b. any damage, destruction or other impairment to any of the real property occurring on or before the Effective Date, and

c. any claim or action brought by any third party against Bishop or Cal-Am regardless of whether the same is brought before, on or after the Effective Date but only to the extent that the event on which such claim or action is based occurred on or prior

to the Effective Date and arises from or is otherwise related in any way to the operation of Bishop's System.

For twelve (12) months after the Effective Date, Bishop will maintain a reserve equivalent to twenty percent (20%) of the sale proceeds described in Section 3 of this Agreement to cover the costs of any such claims. If during said twelve (12) month period any such claim or demand of any kind is made, then in that event, Cal-Am's option, reasonably exercised, Bishop shall either:

a. discharge such claim or demand by paying the full amount thereof from such reserve and obtain, for the benefit of Cal-Am, a full and unconditional release thereof, or

b. take adequate steps as reasonably determined by Cal-Am including without limitation, the posting of a bond, to reasonably demonstrate that Cal-Am is protected from any such claim or demand before a total distribution of any proceeds, the depletion of such reserve and/or a dissolution of Bishop. It is agreed that the parties in the interpretation of this Section 5 shall act in accordance with good faith and fair dealing.

6. COSTS:

Except as herein otherwise may be provided, the parties agree that the responsibility for costs, fees and other charges incurred as a result of this sale shall be as follows:

a. each party shall be liable for all of its respective appraisal, engineering, legal, title work, preliminary reports, and title insurance policies; and

b. Cal-Am shall pay all fees and costs required for any governmental or third party approvals.

7. WARRANTIES AND REPRESENTATIONS:

The parties do hereby make the following warranties and representations:

a. By Cal-Am:

Cal-Am represents and warrants to Bishop that:

(1) Cal-Am has the legal authority to enter into this Agreement and perform the acts and agreements contemplated thereby; and

(2) the execution, delivery and performance by Cal-Am of this Agreement have been duly authorized by all necessary corporate action and do not

contravene Cal-Am's charter or by-laws or any law or contractual restriction binding on or affecting Cal-Am.

b. By Bishop:

Bishop represents and warrants to Cal-Am that except as disclosed by Bishop to Cal-Am in Exhibit C hereto:

(1) there are no aboveground or underground gasoline, diesel, fuel oil or other chemical storage tanks or hazardous materials or toxic wastes (as those items are defined in any federal, state or local laws, ordinances, or regulations relating to the environment or health and safety generally) on, under or about, any of the real property being transferred to Cal-Am by Bishop pursuant to the terms hereof;

(2) to the knowledge of Bishop, its directors, officers or employees, none of the real property being conveyed to Cal-Am by Bishop pursuant to the terms of this Agreement, nor any of the real property in which an interest therein is being conveyed to Cal-Am by Bishop pursuant to the terms of this Agreement, is now, or has been subject to any significant erosion, drainage, soil or other physical problems;

(3) to the knowledge of Bishop, its directors, officers or employees, all of the fixtures and personal property being sold by Bishop to Cal-Am pursuant to the terms of this Agreement, including without limitation, all items comprising any portion of Bishop's System, are free of any and all physical or other mechanical defects, normal wear and tear excepted;

(4) Bishop has title and the legal right to sell and dispose of the Assets. The Assets are free and clear of all claims, including, without limitation, liens, encumbrances, rights, demands, and/or restrictions of any kind in favor of any third party;

(5) to the knowledge of Bishop, its directors, officers or employees, the water quality of Bishop's system meets all local and state health statutes, ordinances, regulations or other such standards pertaining thereto; and

(6) Bishop has not granted or created any other encumbrances, encroachments or conditions affecting Bishop or its assets, which in any manner would preclude or impair this sale, or detrimentally affect the purchase by Cal-Am and/or the operation of the system and facilities thereafter.

(7) the execution, delivery and performance by Bishop of this Agreement have been duly authorized by all necessary corporate action and do not contravene Bishop's charter or by-laws or any law or contractual restriction binding on or affecting Bishop.

The parties intend and agree that any action based on the breach of this Section 7 shall have a statute of limitations. Cal-Am shall be given such time and access to Bishop's System and Bishop's books and records to investigate the accuracy of these warranties and representations as Cal-Am deems necessary or desirable for such purpose, and to make any other investigations and inquiries desired by Cal-Am to fulfill Cal-Am's obligations of due diligence. Bishop's duty under this Section 7 shall be to disclose information known to Bishop and its directors, officers and employees.

Each party covenants to keep confidential any information obtained from these investigative and due diligence procedures in accordance with normal procedures regarding proprietary information provided to it. Nothing herein, however, shall prevent either party from disclosing such information:

- a. upon the request or demand of any regulatory agency or authority having jurisdiction over such party;
 - b. upon the order of any court or administrative agency;
 - c. which has been publicly disclosed;
 - d. which has been lawfully obtained by either party from any other source;
- or
- e. to an assignee of such party. Each party agrees to execute the required confidential and nondisclosure statements before receiving access to any such information.

Any action based on the breach of the covenants, warranties and representations contained in this Agreement shall be commenced within two (2) years from the date of this Agreement.

8. ESCROW:

a. The sale and transfer of Assets shall be conducted on the date (the "Effective Date") that all of the conditions set forth in Section 2 of this Agreement shall have been satisfied. Such sale and transfer shall be conducted through an escrow conducted by the Monterey office of First American Title Company. The time for performance shall be as soon as possible after the date of the Agreement, unless an extension is approved by the parties by mutual agreement in writing.

b. Except as herein otherwise provided all costs and fees of the escrow shall be equally divided among the parties.

c. If a separate concurrent escrow is required for the transfer of Bishop's personal property, such escrow shall be with a reputable commercial escrow holder mutually acceptable to the parties in the County.

9. PROCEDURE:

This unsigned Agreement shall be submitted to the Board of Directors of Bishop and Cal-Am for approval. The Agreement, when signed by the parties, will be circulated to the appropriate agencies, including without limitation, the County Health Department, the Department of Health Services of the State of California, and the PUC for staff comment. The parties will cooperate and use their best efforts to submit concurrently for as many of the approvals as possible.

10. ENFORCEMENT OF FINAL AGREEMENT:

It is intended that this Agreement shall bind and benefit the parties and their respective heirs, successors and assigns. Said Agreement shall be specifically enforceable. The representations, warranties and covenants set forth in this Agreement shall survive the dissolution or merger of each of the parties.

11. LIQUIDATED DAMAGES:

In the event that this transaction does not close as a consequence of a default by either party and the other party shall not be in default, then the nondefaulting party shall be entitled to receive the sum of Five Thousand Dollars (\$5,000.00) as liquidated damages. The parties hereby agree that in the event of such a default it would be difficult to impossible to determine the actual monetary damages sustained by the nondefaulting party, and that the sum of Five Thousand Dollars (\$5,000.00) is the best estimate of the damages that said nondefaulting party would suffer, and that said sum is fair and reasonable. This provision for liquidated damages, however, shall not preclude any alternative remedy that may be available to the nondefaulting party, including the right to specific performance, all of which rights and remedies are expressly reserved to the nondefaulting party. The parties witness their agreement to this liquidated damage provision by initialing this paragraph as follows:

Bishop:
Cal-Am:



12. ARBITRATION OF DISPUTES:

a. The parties agree that in any dispute or controversy that may arise after the effective date as a result of the terms and conditions of this Agreement or their relationship as Buyer and Seller under this Agreement, and, if said dispute or controversy cannot be resolved by mutual agreement, then and in that event the dispute or controversy

shall be settled by arbitration in accordance with the commercial arbitration rules of the American Arbitration Association, except that one arbitrator, who shall be approved by both parties to this Agreement, shall hear and decide such controversy or claim. Judgment upon the award rendered by the arbitrator may be entered in any court of competent jurisdiction. Any and all arbitration hearings shall be held in the County. The arbitrator shall be selected from a panel of practicing corporate lawyers. The arbitrator shall be empowered to order any reasonable discovery upon a showing of good cause and to include in any award an award of compensatory damages sustained by either party that is determined to have been the result of any action of the other party that was frivolous or was maintained in bad faith.

b. Notice pursuant to California Code of Civil Procedure, Section 1298: By initialing in the space below you are agreeing to have any dispute arising out of the matters included in the "Arbitration of Disputes" provision decided by neutral arbitration as provided by California law and you are giving up any rights you might possess to have the dispute litigated in a court or jury trial. By initialing in the space below you are giving up your judicial rights to discovery in the "Arbitration of Disputes" provision. If you refuse to submit to arbitration after agreeing to this provision, you may be compelled to arbitrate under the authority of the California Code of Civil Procedure. Your agreement to this arbitration provision is voluntary. We have read and understood the foregoing and agree to submit disputes arising out of the matters included in the "Arbitration of Disputes" provision to neutral arbitration.

Bishop:
Cal-Am:

Either party shall give written notice of its desire to arbitrate by first class mail, postage prepaid as follows:

CALIFORNIA-AMERICAN WATER COMPANY
50 Ragsdale Drive, Suite 100
Monterey, California 93940
Attention: Mr. L.D. Foy

With a copy to:

Steefel, Levitt & Weiss
One Embarcadero Center, 30th Floor
San Francisco, California 94111
Attention: Lenard G. Weiss, Esq.

BISHOP WATER COMPANY
 1880 Gentry Way
 Reno, Nevada 89502-4407
 Attention: Leonard H. McIntosh

With a copy to:

Law Offices of David A. Willoughby
 2100 Garden Road, Suite A-210
 Monterey, California 93940
 Attention: David A. Willoughby

c. In the event of an arbitration proceeding as above provided for, the prevailing party shall be entitled to reasonable attorney's fees and other professional fees and costs incurred. The arbitrator shall determine whether there is a prevailing party and the amount of all fees and costs to be paid hereunder.

13. MISCELLANEOUS PROVISIONS:

a. Time. Time is of the essence of this Agreement and every provision herein contained.

b. Headings. The title and headings of the Sections of this Agreement are intended solely for means of reference and are not intended to modify, explain or place any construction on any of the provisions of this Agreement.

c. Entire Agreement. This Agreement, all exhibits attached hereto, and all documents referred to herein, constitute the entire agreement between the parties. There are no oral or parol agreements existing between the parties which are not expressly set forth herein and therein. This Agreement may not be modified, amended or otherwise changed in any manner except by a writing executed by the party to be charged.

d. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

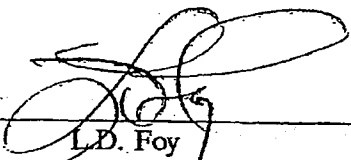
e. Exhibits. All exhibits attached hereto are incorporated herein by reference.

f. Counterparts. This Agreement may be executed in counterparts, each of which shall irrespective of the date of its execution and delivery be deemed an original, and said counterparts together shall constitute one and the same instrument.

g. Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first set forth above.

**CALIFORNIA-AMERICAN
WATER COMPANY**
A California Corporation

By: 
L.D. Foy
Vice President & Manager

BISHOP WATER COMPANY
A California Corporation

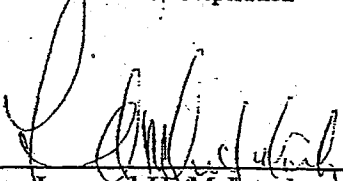
By: 
Leonard H. McIntosh
President

EXHIBIT A

Real Property

Those facilities, easements and rights more particularly described on that map entitled "Bishop Water Company Facilities Map" consisting of six pages prepared by Bestor Engineers, Inc. dated May 1994 including those well sites, tank locations and treatment facilities designated as Monterey County Assessors parcel numbers 173-071-043, 173-071-047, 173-071-049, 173-071-050, 173-071-051, 173-071-052, 173-071-054 and 173-101-053. The real property interests being conveyed shall be more particularly set forth in a preliminary title report subject to the approval of both parties.

Personal Property

Those personal assets more particularly described in that list dated February 13, 1996 made a part hereof. The personal property interests being conveyed shall be more particularly set forth in a bill of sale subject to the approval of both parties.

Miscellaneous Other Assets

Physical custody of those customer lists, records and other information belonging to Bishop Water Company and presently maintained by MCSI Water Systems Management on behalf of Bishop Water Company shall be transferred to California-American Water Company before or as soon as is practicable following the close of escrow. Prior to such transfer, access to the information contained in such records has been and shall be made fully available to California-American Water Company.

EXHIBIT B

Bishop Water Company's present service area is shown on that map entitled "Tariff Service Area Bishop Water Co." dated March 1986 and filed with the California Public Utilities Commission. The owners of adjacent property have initiated a request for the expansion of the service area, in which request California-American Water Company and Bishop Water Company are cooperating. However, it is uncertain when or whether such an expansion of the service area will be approved and implemented.

EXHIBIT C

California-American Water Company has been provided with copies of the following documents:

Bishop Water System Assets

Bishop Water Company System Map, 8½" x 11" with notations

List of Major Water System Assets With Indication of Their Condition dated 2/13/96, 3 pages

Bishop Water Company Letter to Larry Foy dated 10/13/95, 2 pages

MCSI Memorandum to Carl Hooper dated 9/21/95 regarding Future Needs for Bishop Water Company

MCSI Memorandum to Carl Hooper dated 9/21/95 regarding Bishop Water Company Financials

Table 2, Bishop Water Company Water Quality Data, dated 3/2/94 with notations

Summary, Preliminary Cost Estimate-New First Phase, Bishop Ranch, dated June 1995 with notations

Summary, Preliminary Cost Estimate-New Second Phase, Bishop Ranch, dated June 1995 with notations

Summary, Preliminary Cost Estimate-New Third Phase, Bishop Ranch dated June 1995 with notations

Abbott Plumbing Memorandum dated 6/23/95

Abbott Plumbing Proposal dated 6/23/95

Abbott Plumbing Proposal dated 6/26/95

Abbott Plumbing Letter to Rush Hatch dated 6/25/95, 2 pages

Rush Hatch Memorandum to Carl Hooper dated 7/17/94

Report on Production - Consumption - Cost Analysis dated 7/15/94

MCSI Letter to Leonard McIntosh dated 5/23/94

Summary of Earnings for Test Year 1993 with notations

Capital Improvements (3)

Photographs of Redwood Tanks, 6 pages, with notations

Monterey County Health Department Letter to Bishop Water Company dated 1/10/94

Memorandum of Telephone Message from Bob Costa dated 1/30/96

MCSI Fax Cover Sheet dated 1/30/96

Fugro West, Inc. Letter to Leonard McIntosh dated 1/11/96, 4 pages

Photographs of Well and Equipment

MCSI Fax Cover Sheet dated 12/12/95

MCSI Fax Cover Sheet dated 12/14/95

Memorandum of Information from Pete Garneau dated 12/10/95

Pete Garneau Proposal dated 8/19/95

Garneau Construction Diagrams, 4 pages

Pete Garneau Invoice dated 8/2/95

Pete Garneau Proposal dated 8/19/95

Abbott Plumbing Proposal dated 8/25/93

Cort Hellenthall Bid dated 10/7/94 with notations

Memorandum of Work Completed on the Main Storage Tank Spectacular Bid Ln.

MCSI Memorandum to Len McIntosh dated 8/22/94

Cort Hellenthall Inspection Report

Cort Hellenthall Bill dated 8/2/94

Cort Hellenthall Memorandum to MCSI dated 8/16/94

Photographs of Redwood Tanks, 6 pages, with notations
Monterey County Health Department Letter to Bishop Water Company dated 1/10/94
Pete Garneau Memorandum dated 2/21/94
Bishop Water Company Letter to Raley Naito dated 2/25/94
Abbott Plumbing Proposal dated 8/25/93
Abbott Plumbing Proposal dated 9/9/93
Bishop Water Company Letter to Raley Naito dated 9/23/93
Chualar County Water District Letter to Raley Naito dated 9/23/93
Salinas Pump Company Proposal dated 9/3/93
MCSI Memorandum to Len McIntosh dated 3/18/93
MCSI Memorandum to Len McIntosh dated 3/10/93
MCSI Memorandum to Leonard McIntosh dated 3/16/93
MCSI Memorandum to Len McIntosh dated 5/21/93 with notations
MCSI Memorandum to Len McIntosh dated 5/21/93 without notations
Diagram of Existing East Valley well
Salinas Pump Company Proposal dated 5/13/93
Salinas Pump Company Proposal #1 dated 5/18/93
Salinas Pump Company Proposal #2 dated 5/18/93
Bishop Water Company Memorandum to Bruce Kaneshiro dated 5/19/93 with notations
Diagram of Well, 2 pages
Salinas Pump Company Invoice dated 10/14/92
Salinas Pump Company Invoice dated 6/2/92 (#5223)
Salinas Pump Company Invoice dated 6/2/92 (#5224)
Salinas Pump Company Invoice dated 6/2/92 (#5223)

Salinas Pump Company Invoice dated 6/2/92 (#5224)
Salinas Pump Company Invoice dated 6/2/92 (#5224)
Salinas Pump Company Statement dated 6/2/92
Salinas Pump Company Statement dated 6/2/92
Memorandum of Conversation with Gerry Haas
MCSI Memorandum to Len McIntosh dated 2/15/93
MCSI Memorandum to Leonard McIntosh dated 8/21/92, 2 pages
California-American Water Company Letter to MCSI dated 8/10/92
Casner Exterminating Company Work Order and Payment Agreement dated 12/7/94, 6 pages
Russ Hatch Memorandum to Len McIntosh dated 11/28/94
Pete Garneau Memorandum to Bishop Water Company dated 11/25/94, 2 pages
MCSI Memorandum to Len McIntosh dated 1/10/95
Photographs of Redwood Tanks, 2 pages with notations
Bill Harvey Fax Cover Sheet dated 11/8/94
Kustom Kommunikation Invoice dated 10/14/93
Abbott Plumbing Proposal dated 2/28/94 with notations
Abbott Plumbing Proposal dated 2/28/94 without notations
Topographic Map excerpts, 2 pages
Garneau Construction Diagram
Portion of System Map with notations

East Valley New Well (17)

Carmel Valley Construction Proposal and Contract dated 7/24/89, 2 pages

Carmel Valley Construction Proposal and Contract dated 7/19/89, 2 pages
PG&E Letter to Gary Tavernetti dated 8/28/89, 2 pages
MCSI Memorandum to Gary Tavernetti dated 4/1/93
Chappell Pump & Supply Estimate Sheet dated 7/21/89
Bestor Engineers Letter to PG&E dated 3/8/89
Map of East Boundary Well Watermain dated 12/88, 2 pages
Bestor Engineers Letter to Bishop Water dated 1/9/89
Granite Construction Company Letter to Bestor Engineers dated 10/31/88, 2 pages
Bestor Engineers Letter to Chappell Drilling dated 1/3/89
PG&E Letter to Gary Tavernetti dated 1/13/89 with notations
Bestor Engineers Letter to Laguna Seca Ranch dated 7/7/88 with notations
Handwritten Notes Concerning New Well
Chappell Pump & Supply Letter to Gary Tavernetti dated 1/4/89, 2 pages
Chappell Pump & Supply Estimate Sheet dated 12/29/88 - Turbine Pump Estimate
Chappell Pump & Supply Estimate Sheet dated 12/29/88 - Submersible Pump Estimate
Bestor Engineers Letter to PG&E dated 5/11/89
Water Well Drillers Report dated 2/11/90
Chappell Pump & Supply Letter to Bestor Engineers dated 1/17/90
Chappell Pump & Supply Letter to Laguna Seca Ranch dated 3/22/90 Regarding Step
Drawdown Results
Chappell Pump & Supply Letter to Laguna Seca Ranch dated 3/22/90 Regarding Circular
Orifice Well Test Results
Montague/Fisher Requisition Form dated 12/7/87
Adding Machine Tape

Monterey County Health Department Letter to Leonard McIntosh dated 3/16/90, 2 pages with notations

Monterey County Health Department Test Result Slips dated February 1990

Water System Inspection Report dated 2/15/90

Soil Control Lab Report dated 2/27/90

Bishop Water Company Letter to Walter Wong dated 3/23/90

Water Well Drillers Report dated 2/11/90

Water Well Drillers Report dated 2/11/90

Montague/Fisher Requisition Sheet dated 12/7/87

Montague/Fisher Requisition Sheet dated 12/7/87

Chappell Pump & Supply Letter to Laguna Seca Ranch dated 3/22/90 - Circular Orifice Well Test Results

Soil Control Lab Report dated 3/23/90, 6 pages

Bestor Engineers Letter to Chappell Pump & Supply dated 3/23/90

Bestor Engineers Letter to Chappell Pump & Supply dated 3/23/90

Bestor Engineers Letter to PG&E dated 12/2/88

Bestor Engineers Letter to Pacific Bell dated 12/2/88

Excerpt from System Map, with notations

Building Permit dated 10/24/89

East Boundary Well Watermain Diagram dated June 1989, 2 pages, with notations

East Valley Well Redevelopment (16)

Russ Hatch Notes Concerning Conversation with Peter Garneau dated 6/20/93 - full page

Additional Notes on Grundfos Notepad

Russ Hatch Notes Concerning Conversation with Peter Garneau dated 6/30/93 - half page

Salinas Pump Company Fax Transmittal to Russ Hatch dated 6/30/93, 10:37-10:38, 3 pages

Salinas Pump Company Fax Transmittal to Russ Hatch dated 6/30/93, 10:40-10:42, 3 pages

Salinas Pump Company Fax Transmittal to Russ Hatch dated 6/30/93, 10:44, 3 pages

Efficiency Pump Tests (15)

Joe's Water Systems Service Pump Test Report dated 10/21/94

PG&E Agricultural Service Pump Test Report dated 3/10/93 (#94675)

PG&E Agricultural Service Pump Test Report dated 3/10/93 (#96296)

MCSI Fax Transmittal to Aaron Thornton dated 4/29/93

PG&E Letter to Bishop Water Company dated 1/26/93

PG&E Report dated 1/25/93, 3 pages (#0537915)

PG&E Report dated 1/25/93, 3 pages (#0537914)

PG&E Schedule A-1 dated 5/1/92

PG&E Schedule A-10 dated 7/2/92, 2 pages

PG&E Authorization for Rate Change dated 1/26/93

Chappell Pump & Supply Estimate Sheet dated 7/21/89

PG&E Agricultural Services Pump Test report dated 2/22/90

PG&E Agricultural Services Pump Test Report dated 3/13/90 with notations

Lead & Copper 9/30/93 (5)

Bishop Water Letter to Harwood dated 9/30/93

Bishop Water Letter to Denning dated 9/30/93

Bishop Water Letter to Wiley dated 9/30/93

CM Analytical Report dated 4/28/94

CM Analytical Report dated 5/23/94

Bishop Water Letter to Chen dated 9/30/93

Bishop Water Letter to Dunlavey dated 9/30/93

Bishop Water Letter to Ham dated 9/30/93

Bishop Water Letter to Graziano dated 9/30/93

Bishop Water Letter to Brown dated 9/30/93

Bishop Water Letter to Pfeiffer dated 9/30/93

Bishop Water Letter to Shin dated 9/30/93

LSGC Main Damage (8)

DL Glaze Company Letter to Bishop Water Company dated 11/10/95 with notations

Notice of Rejection of Claim

Release of All Claims Regarding Occurrence of 7/17/95

MCSI Fax Cover Sheet dated 11/11/95

Laguna Seca Golf Club Letter to Russell Hatch dated 11/8/95

Bishop Water Company Letter to Don Boston dated 11/6/95 with notations

Bishop Water Company Letter to Don Boston dated 11/6/95 without notations

Bishop Water Company Letter to Don Boston dated 11/4/95 with notations

MCSI Fax Cover Sheet dated 11/5/95

Peninsula Septic Tank Service Job Breakdown

DL Glaze Company Letter to Russell Hatch dated 9/18/95 with notations

Bishop Water Company Letter to Don Boston dated 8/22/95, 2 pages

Laguna Seca Golf Club Letter to Russ Hatch dated August 15, 2 pages

MCSI Fax Cover Sheet dated 8/31/95

MCSI Fax Cover Sheet dated 8/22/95

Bishop Water Company Letter to Don Boston dated 8/22/95, 2 pages

Bishop Water Company Invoice dated 8/8/95

Peninsula Septic Tank Service Invoice dated 7/18/95

Peninsula Septic Tank Service Statement dated 7/31/95

MCSI Hours Recap

MCSI Invoice dated 7/95

Westburne Supply Invoice dated 7/19/95

Westburne Supply Pick Ticket dated 7/18/95

MCSI Invoice dated 8/95

Westburne Supply Statement

Familian Pipe Supply Invoice dated 7/18/95

Western Plumbing Supply Receipt dated 7/18/95

Western Plumbing Supply Receipt dated 8/2/95

MCSI Invoice dated 9/5/95

Bishop Water Company Invoice dated 6/30/94

Bestor Engineers Statement dated 6/14/95

Peninsula Septic Tank Service Invoice dated 6/14/95

Familian Pipe Supply Invoice dated 6/14/95

Photographs of Main

Maingate Connection (14)

Diagram of Main Gate Well Tie-In dated 9/27/93

Laguna Seca Golf Club Letter to Russ Hatch dated 8/3/93 without notations

Laguna Seca Golf Club Letter to Russ Hatch dated 8/3/93 with notations
Laguna Seca Golf Club Letter to Russ Hatch dated 9/14/93 with notations
Laguna Seca Golf Club Memorandum dated 9/13/93
Main Gate Well Tie-In Diagram

Main Gate Well #2 (18)

Water Well Drillers Report dated 3/11/77
Salinas Pump Company Proposal dated 12/12/95
Notes on Bishop Maingate #2
CM Analytical Report dated 8/8/95, 2 pages with notations
Salinas Pump Company Proposal dated 12/14/95
CM Analytical Report dated 8/30/95, 2 pages
Soil Control Lab Certified Analytical Report dated 4/22/77, 3 pages
PG&E Pump Test Report dated 10/8/81
PG&E Pump Test Report dated 3/5/81 without notations
PG&E Pump Test Report dated 3/5/81 with notations
PG&E Pumping Plant Efficiency Comparison dated 3/5/81
PG&E Pump Test Report dated 2/17/81
PG&E Pump Test Report dated 2/17/81
PG&E Pump Test Report dated 2/17/81
PG&E Pump Test Report dated 8/17/81
Notes Regarding Well Data
Welenco Electric Log, 4 pages
Soil Control Lab Certified Analytical Report dated 4/22/77, 3 pages

Salinas Valley Pump & Drilling Statement dated 8/8/77
Welenco Electric Log, 4 pages
Communication Record dated 12/6/79
Bishop, McIntosh & McIntosh Check dated 4/26/77
Soil Control Lab Statement dated 4/22/77
Bishop, McIntosh & McIntosh Check dated 4/8/77
Communication Record
Franklin Electric Co. Warranty Card
Bishop, McIntosh & McIntosh Check dated 4/11/78
Salinas Valley Pump & Drilling Invoice dated 3/18/77
Salinas Valley Pump & Drilling Statement dated 4/4/78
Salinas Valley Pump & Drilling Statement dated 2/3/78
Salinas Valley Pump & Drilling Statement dated 12/12/77
Salinas Valley Pump & Drilling Invoice dated 12/16/77, 2 pages (#3231)
Salinas Valley Pump & Drilling Invoice dated 12/16/77 (#3201)
Salinas Valley Pump & Drilling Invoice dated 12/16/77 (#3353)
Salinas Valley Pump & Drilling Invoice dated 4/11/77
Welenco Electric Log, 4 pages
Salinas Valley Pump & Drilling Invoice dated 3/31/77
Bishop, McIntosh & McIntosh Check dated 6/15/77 (#1925)
Bishop, McIntosh & McIntosh Check dated 6/15/77 (#1926)
Bishop, McIntosh & McIntosh Check dated 3/1/78
PE O'Hair Statements dated 4/29/77, 5/31/77
Western Plumbing Supply Statement dated 2/23/77

PE O'Hair Packing List dated 2/23/77
Wholesale Plumbing Credit Memo dated 2/8/77
PE O'Hair Invoice dated 2/23/77
PE O'Hair Packing List dated 2/8/77
PE O'Hair Invoice dated 2/8/77
PE O'Hair Packing List dated 9/9/77
PE O'Hair Invoice dated 9/9/77
PE O'Hair Packing List dated 2/14/77
PE O'Hair Invoice dated 2/14/77
PE O'Hair Packing List dated 2/15/77
PE O'Hair Invoice dated 2/15/77
Wholesale Plumbing Credit Memo dated 2/8/77
Laguna Seca Statement #1735, 2 pages
Salinas Valley Pump & Drilling Invoice dated 10/28/77
PE O'Hair Statement dated 5/31/77
Laguna Seca Check
Salinas Valley Pump & Drilling Statement dated 5/11/77
Salinas Valley Pump & Drilling Statement dated 7/6/77
Salinas Valley Pump & Drilling Statement dated 6/6/77
Salinas Valley Pump & Drilling Statement dated 4/6/77
Notes Regarding Well Sanding
Salinas Valley Pump & Drilling Statement dated 10/3/77
Salinas Valley Pump & Drilling Statement dated 9/7/77
PE O'Hair Invoice dated 4/29/77

PE O'Hair Packing List dated 4/29/77

PE O'Hair Statement dated 4/24/77

PE O'Hair Statement dated 2/25/77

PE O'Hair Statement dated 2/28/77

County of Monterey Receipt dated 2/9/77

Well Permit Application Procedures, 2 pages

Water Well Permit dated 2/11/77

Application to Construct Water Well dated 2/7/77

Maps

Bishop Water Company Facilities Map dated May 1994, 6 pages with notations

Bishop Water Company System Map, West End, dated 2/86 with notations

Miscellaneous

Staal, Gardner & Dunne Letter to Monterey Partners BMIF dated 3/2/94, 21 pages

1994 Annual Report of Bishop Water Company to PUC, 10 pages

1995 Annual Report of Bishop Water Company to PUC, 9 pages

Bishop Water Company Balance Sheet dated 12/31/95

Bishop Water Company List of Accounts Receivable dated 12/31/95, 3 pages

Bishop Water Company Income Statement dated 12/31/95

Bishop Water Company Letter to Elizabeth Karis dated 3/28/96

Monterey County Health Department Permit Information Report dated 3/26/96, 76 pages

Fugro West Letter to Leonard McIntosh dated 1/11/96, 4 pages

Financial Statements and Accountants Compilation Report for Bishop Water Company dated 12/31/94, 12 pages

Lease Between Bishop, McIntosh & McIntosh and Nick D. Lombardo, Inc. dated 10/1/78 with Exhibits and Attachments

First Amendment of Lease dated 11/30/78 with Exhibits and Attachments

Second Amendment of Lease dated 7/15/80 with Exhibits and Attachments

Third Amendment of Lease dated 6/27/84 with Exhibits and Attachments without notations

Third Amendment of Lease dated 6/27/84 with Exhibits and Attachments with notations

Fourth Amendment of Lease and Agreements Related to Water dated 8/12/94

Amended and Restated Agreement Between BMIF; Bishop, McIntosh & McIntosh and Bishop Water Company dated 12/13/95

Report for Monterey County Partners dated 12/4/93 as revised 7/15/94 and 9/21/95, 64 pages

CM Analytical General Mineral and Physical and Inorganic Analysis dated 8/8/95, 4 pages

CM Analytical General Mineral and Physical and Inorganic Analysis dated 8/30/95, 2 pages

Bishop Water Company Newsletter dated 4/1/95, 2 pages

Bishop Water Company Water Quality Data

Water Level Data Report Sheets, 3 pages

Fugro Compilation Sheets dated 1/17 - 1/20/94, 3 pages

Monterey County Health Department Service Connection List dated 6/27/95, 4 pages

Bishop Water Company Letter to Larry Foy dated 10/13/95

Monterey County Health Department Letter to Bishop Water Company dated 3/26/96, 2 pages

Bishop Water Company Letter to Elizabeth Karis dated 7/15/95 with enclosure, 3 pages

American Analytical Laboratories Report dated 1/6/93, 2 pages

Bishop Water Company Rate Case Analysis, 2 pages

Bishop Water Company Letter to Don Boston dated 11/6/95

Monterey County Health Department Letter to Bishop Water Company dated 6/19/95, 3 pages

MPWMD Water Distribution System Report dated 7/15/94

MPWMD Water Distribution System Report dated 7/18/95

Monterey County Health Department Chlorination Data

Notes Regarding Bishop Water Company 1995 Inspection

Mud Slide Claim (7)

MCSI Statement dated 1/31/93 with notations

Handwritten Notes dated 2/2/93

Handwritten Notes

McIntosh Enterprises Letter to Russ Hatch dated 2/11/93

MCSI Statement dated 1/31/93 with notations

MCSI Invoice dated 2/1/93 with notations

Monterey County Health Department (6)

Bishop Water Company Letter to Elizabeth Karis dated 7/15/95, 2 pages

Monterey County Health Department Chlorination Data, 2 pages

Bishop Water Company Letter to Elizabeth Karis dated 7/15/95, 2 pages

Monterey County Health Department Letter to Bishop Water Company dated 6/19/95, 3 pages with notations

Bishop Water Company Letter to Elizabeth Karis dated 7/15/95, 2 pages

Bishop Water Company Water Quality Data dated 3/2/94

American Analytical Laboratories Report dated 1/6/93 (#6047)

American Analytical Laboratories Report dated 1/6/93 (#6048)

Monterey County Health Department Report on Connections dated 6/27/95

MPWMD Water Distribution System Report dated 7/15/94

MPWMD Water Distribution System Report dated 7/18/95

Monterey County Health Department Chlorination Data
Notes Regarding Chlorination

Notice of Public Hearing dated 6/12/95

MCSI Fax Cover Sheet dated 7/18/95

MCSI Fax Cover Sheet dated 6/27/95 with notations

MCSI Fax Cover Sheet dated 6/27/95 without notations

Monterey County Health Department Chlorination Data dated 7/15/95

Notice of Public Hearing dated 6/12/95

Monterey County Health Department Report on Connections dated 6/27/95, 4 pages

Public Water Supply Permit Application dated 6/9/95, 2 pages

Monterey County Health Department Water Quality Emergency Notification Plan dated 6/9/95, 2 pages

Monterey County Health Department Letter to Bishop Water Company dated 1/4/94

Monterey County Health Department Letter to Bishop Water Company dated 12/14/93

Monterey County Health Department Receipt for Water System Operating Fee dated 10/29/93 with notations

Monterey County Health Department Receipt for Water System Operating Fee dated 10/29/93 without notations

Monterey County Health Department Letter to Bishop Water Company dated 3/31/95

Monterey County Health Department Letter to Bishop Water Company dated 1/22/95, 2 pages

Annual Report of Water System Water Quality for the Year of 1994

Monterey County Health Department Letter to Bishop Water Company dated 3/31/95

Annual Report of Water System Water Quality Sample Format, 4 pages

Notes Regarding Title 22 and Excerpts, 26 pages

Monterey County Health Department Letter to Bishop Water dated 11/5/90 with notations

Monterey County Health Department Letter to Bishop Water Company dated 3/2/81

Monterey County Health Department Water System Permit Conditions dated 3/2/81

Monterey County Health Department Notice Regarding Inspection Fee, 2 pages

Monterey County Health Department Application for Health Inspection Services dated 6/18/79, 2 pages

Monterey County Health Department Application to Construct, Repair or Destroy a Water Well

Notes Regarding Well Data

Monterey County Health Department Health Permit dated 3/12/79

Monterey County Health Department Water Supply Permit Conditions dated 3/12/79

Monterey County Health Department Application to Construct, Repair or Destroy a Water Well

Monterey County Health Department Letter to Bishop Water Company dated 2/8/79 with notations

Monterey County Health Department Letter to Bishop Water Company dated 10/31/78

Laguna Seca Letter to Jon Jennings dated 3/5/79

Monterey County Health Department Notice Regarding Inspection Fees

Monterey County Health Department Small Water System Requirements

Monterey County Health Department Letter to Bishop Water Company dated 2/8/79

Monterey County Health Department Water Permit Application dated 3/5/79, 2 pages

Monterey County Health Department Application for Health Inspection Services dated 3/5/79, 2 pages

Monterey County Health Department Inspection Slips dated 10/30/78

Instructions for the Care of Small Water Supplies

Monterey County Health Department Water Permit Application and Information dated 6/18/77

Instructions for Completing Water Permit Application and Information

Monterey County Health Department Water Permit Application and Information

Paddock #1 Well September 1972 (13)

Industrial Pump Shop Invoice dated 7/30/93 with notations

Salinas Armature & Motor Works Invoice date 9/30/93

Pete Garneau Invoice dated 9/24/93

Bishop Water Company Water Quality Data dated 12/21/93

Bishop Water Company Well Performance Data dated 12/21/93, 2 pages

Salinas Pump Company Invoice dated 6/30/80

Salinas Pump Company Invoice dated 6/9/80

Bishop, McIntosh & McIntosh Check dated 11/26/79

Salinas Pump Company Invoice dated 10/16/79

Salinas Pump Company Invoice dated 10/8/79

Salinas Pump Company Invoice dated 10/23/79

Bishop, McIntosh & McIntosh Check dated 6/8/79

Salinas Pump Company Statements dated 4/4/79, 5/3/79

Salinas Pump Company Invoice dated 4/25/79

Salinas Pump Company Invoice dated 3/21/79

Bishop, McIntosh & McIntosh Check dated 6/1/81

Salinas Pump Company Invoice dated 5/28/81

Bishop, McIntosh & McIntosh Check dated 6/25/81
Salinas Pump Company Invoice dated 6/19/81
Salinas Pump Company Statement dated 7/7/81
Salinas Pump Company Invoice dated 6/30/81
Salinas Pump Company Invoice dated 3/20/81
Soil Control Lab Certified Drinking Water Analysis dated 9/5/72
Water Well Drillers Report dated 8/22/72
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Valley Pump & Drilling Invoice dated 9/15/72
Valley Pump & Drilling Statement
PG&E Electric Extension and Service Agreement, 7 pages
Valley Pump & Drilling Invoice dated 12/8/72 with notations
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Valley Pump & Drilling Invoice dated 12/9/72 (#7432), 2 pages with notations
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BF Properties Check dated 3/1/73
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Sparling Envirotech Statement dated 11/30/72 with notations
Sparling Envirotech Statement dated 11/30/72 without notations
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BF Properties Check dated 11/9/72
Valley Pump & Drilling Invoice dated 9/15/72, 2 pages
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Bishop Water Company Letter to Public Utilities Commission dated 1/18/95 with attachments, 17 pages
Bishop Water Company Supplement to Advice Letter #5 dated 3/21/80
Bishop Water Company Advice Letter #4 dated 8/12/76
Bishop Water Company Advice Letter #3 dated 6/4/76
Bishop Water Company Advice Letter #2 dated 6/13/69
Bishop Water Company Advice Letter #1 dated 6/27/63
MCSI Fax Cover Sheet dated 8/3/95
Bishop Water Company Rate Case Analysis, 2 pages

Bishop Water Company Work Papers - Informal Rate Increase - Test Year 1994, 2 pages

MCSI Fax Cover Sheet dated 1/5/96

Bishop Water Company Advice Letter #14 dated 1/5/96, 3 pages

Public Utilities Commission Data Request Inquiry dated 11/16/93 with notations

Public Utilities Commission Fax Cover Sheet with Attachments dated 11/16/93, 4 pages, with notations

Bishop Water Company Tariff Schedules dated 7/30/63

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Schedule #UF Advice Letter #10 dated 12/10/90

Rule #1 Advice Letter #6 dated 2/27/85, 2 pages

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Rule #9 Advice Letter #1 dated 7/30/63, 3 pages

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MPWMD Fax Cover Sheet dated 7/28/92 with notations

Conditions of Bishop Water Company Application to Increase System Capacity Limit dated 10/10/88, 2 pages

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MCSI Fax Cover Sheet dated 4/5/93 with notations

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Bishop Water Company Supplemental Financial Information - 1993 with notations

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Bestor Engineers Fax Transmittal Sheet dated 6/23/93

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California-American Water Company has been accorded full and unlimited access to Bishop Water Company's records and has inspected them as fully as desired. California-American Water Company has also conducted inspections of the physical facilities of Bishop Water Company's system. To the knowledge of Bishop Water Company and its directors, officers and employees the condition of the physical facilities and system is as reflected in the company's records and as would be revealed by physical inspection of its facilities.

FINAL**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT****CONDITIONS OF APPROVAL****APPLICATION FOR ANNEXATION OF
LAGUNA SECA RANCH SUBDIVISION INTO THE
BISHOP WATER COMPANY SERVICE AREA****OCTOBER 21, 1996**

1. The Bishop Water Company (BWC) service area shall be increased to include the Laguna Seca Ranch Subdivision ("Subdivision"), formerly known as the Bishop Ranch Subdivision, which is a 565-acre area currently listed as assessors parcel number 173-071-053. New assessors parcels will be established upon recordation of the final subdivision maps for the area to be annexed.
2. The proposed annexation shall be for the purpose of providing municipal water service from the BWC system to serve the Subdivision, comprised of 253 residential units, an 18-hole golf course, a golf-course clubhouse and open space. The golf course shall not be served by BWC as irrigation shall be provided by well(s) operated by the golf course owner in addition to use of reclaimed wastewater. The golf course wells may be interconnected with the BWC system to allow either party to use water from the other's system on a temporary basis when wells are unavailable or in cases of emergency. Reporting of production from BWC wells and golf course well(s) shall be done separately. Any water transferred from one system to the other on a temporary basis shall be clearly identified in reports to the District.
3. The system capacity limit of BWC shall be 295 acre-feet per year (AF/yr), and the expansion capacity limit shall be 454 connections.
4. The Phase III Hydrogeologic Update groundwater study of the Laguna Seca Subarea fee for this permit is \$68,730. (This fee has been calculated based on the estimated use of 158 AF/yr by the entire Subdivision at a fee rate of \$435 per acre-foot.) The fee shall be paid to MPWMD upon filing of the first final subdivision map for a residential component of the project. No individual water connection permits authorizing domestic water service by BWC for any of the Subdivision lots shall be issued by MPWMD until the fee is paid in full.
5. This permit shall incorporate the final Conditions of Approval for the annexation of Bishop Water Company into the California-American Water Company (Cal-Am) service territory dated April 15, 1996 as follows:

EXHIBITB

- a. The California-American Water Company shall operate the BWC as a subsidiary unit of the Cal-Am system. Metered monthly production and delivery for BWC shall be reported separately from the balance of the Cal-Am system.
- b. There shall be no use of emergency interties to the BWC from the Cal-Am system that draws from the Monterey Peninsula Water Resources System.
- c. A program to encourage drought tolerant landscaping shall be initiated after annexation by Cal-Am, if a program is not already in place. District requirements for installation of low-flow plumbing fixtures to reduce average per-unit consumption shall be repaired with the goal of reducing system losses to seven percent or less of production by July 1997.
- d. Cal-Am shall monthly measure water table levels in each active and inactive BWC well and shall transmit these data annually to the District in August along with the Annual Water Distribution System Report. Active wells shall not be pumped for 24 hours prior to water table measurement. The reference elevation of the measuring point at each well shall be surveyed and recorded.
- e. Cal-Am shall record monthly production records for each BWC well. These records shall be submitted annually in August along with the Annual Water Distribution System Report.
- f. Cal-Am shall conduct a water quality sampling program once every year during October and transmit the results the following August along with the Annual Water Distribution System Report. Each active BWC production well shall be sampled and analyzed by a state-certified water quality laboratory to include as a minimum the following parameters: ammonia nitrogen, nitrate, calcium, sodium, magnesium, potassium, bicarbonate, sulfate, hydrogen sulfide, chloride, iron, manganese, selenium, water temperature, pH, total dissolved solids, and specific conductance.
- g. Cal-Am shall require, and each unit shall install, water closets with a capacity of 1.6 gallons or less, and shower heads with a maximum flow of 2.5 gallons per minute for new construction and remodels served by BWC. In addition, all new construction and remodels shall install instant hot-water recirculating systems.
- h. Each new connection that increases the expansion capacity limit of the BWC must be approved by the District Board, and must receive a water connection permit from the District Permit Office prior to setting of the water meter. Prior to final approval of each new connection, each applicant shall provide proof of Use Permit approval from the Monterey County Planning & Building Inspection Department, and pay applicable fees for (1) the water connection permit, and (2) the study to update the water supply evaluation of the Laguna Seca Groundwater Subbasin.

6. The annexation approval granted by this permit is subject to revocation if any condition set forth above is not met in full.

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Mailed

SEP 24 1997

ALJ/JBW/wav

Decision 97-09-095 September 24, 1997

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of BISHOP WATER COMPANY, a California corporation, and CALIFORNIA-AMERICAN WATER COMPANY (U 210 W) a California corporation, for an Order authorizing: A. Bishop Water Company to sell and transfer to California -American Water Company utility assets of Bishop Water Company including the properties used in its water utility business; and B. Bishop Water Company to withdraw from the water utility business; and C. California-American Water Company, Monterey Division, to engage in and carry on the water utility business of Bishop Water Company; and D. California-American Water Company to assume certain obligations of Bishop Water Company; and E. California-American Water Company, Monterey Division to annex the area generally known as the Laguna Seca Ranch subdivision into the Bishop sub-unit.

Application 97-04-030
 (Filed April 7, 1997;
 Amended July 14, 1997)

O P I N I O N

Statement of Facts

In the early 1960 period F. C. Bishop and his wife, either themselves or through their wholly-owned B-F Properties, Inc. (a real estate development firm), owned a substantial portion of the Laguna Seca Ranch situated approximately six miles east of Monterey, in Monterey County, California. In January of 1962, the Bishops organized the Bishop Water Company (Bishop), a California corporation, to provide public utility water service in a proposed 46 lot, 35 acre portion of the Ranch known as Tract No. 405, Laguna Seca ranch Estates Unit No. 1. By Decision (D.) 64314 issued September 25, 1962, Bishop was granted a Certificate of Public Convenience and Necessity to construct and operate a public utility water system in that Tract. The Water System's service area was expanded over the years. By October of 1996, Bishop was serving approximately 133

EXHIBIT C

A.97-04-030 ALJ/JBW/wav *

residential and business customers in the area generally referred to as Laguna Seca Ranch Estates Nos. 1 and 2, Laguna Seca Office Park, and the York School.

California-American Water Company (Cal-Am), a Class A water public utility, serves several localities in California. Its Monterey Division serves the cities of Monterey, Pacific Grove, Carmel-by-the-Sea, Del Rey Oaks, Sand City, portions of Seaside, and unincorporated portions of Monterey County. The service territory of Cal-Am's Monterey Division is contiguous to Bishop's service area.

Bishop's water production and distribution system is comprised of several wells, storage tanks, a treatment plant, and associated mains, hydrants, meters, and related appurtenances, and title to well parcels and easements. Pursuant to an operating agreement between Cal-Am and Bishop dated September 1, 1996, Cal-Am, since September 3, 1996, has continued to operate the Bishop water production and distribution systems, including all billing functions.

On September 1, 1996, Cal-Am and Bishop made an agreement whereby Cal-Am is to acquire the service area and operating assets of Bishop. Upon consummation of this agreement, Cal-Am proposes to integrate the Bishop service area into its Monterey Division (Division) for operational purposes to the extent consistent with conditions imposed by the Monterey Peninsula Water Management District (District), and to provide service at Bishop's tariff rates which it will retain.¹ Bishop then proposes to withdraw from the utility business.

District is an instrumentality created in 1978 by the Legislature (Statutes of 1977, Chapter 527) with extensive powers to deal with water supply and use in its local area. Cal-Am has a Water Distribution System permit from District. On January 25, 1996,

¹ Bishop on April 23, 1997, submitted an Advice Letter to the Commission to increase rates to recover increased operating expenses and plant investments, and to earn an adequate rate of return. Bishop's existing rates had become effective on May 6, 1996 (Decision (D.) 92-03-093). By Resolution W-4054 effective August 1, 1997, new tariff rates were authorized. Bishop was further authorized to file an Advice Letter to recover costs up to \$450,000 for a proposed storage tank and a booster station, or a new water supply well, after it has completed the plant additions and placed them in service.

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Cal-Am filed an application with District to amend its permit to expand Cal-Am's operation to include Bishop, and requested District to issue a Negative Declaration as the Lead Agency under the requirements of the California Environmental Quality Act (CEQA). Cal-Am also sought District's approval to annex Laguna Seca Ranch subdivision (Subdivision) (embracing 253 residential units, an 18-hole golf course, a golf course clubhouse, and open space) into the Bishop service area, a 565-acre addition.

On April 15, 1996, District approved a Cal-Am acquisition of Bishop, subject to conditions accepted by Cal-Am. On May 1, 1996, District prepared a Negative Declaration for the project and filed a Notice of Determination to comply with CEQA. Final confirmation of approval by District was made May 21, 1996.

Subsequently, based upon a Final Environmental Impact Report of Monterey County, District on October 21, 1996, approved annexation of Subdivision into Bishop's service area to increase system capacity limit for Bishop from 200 to 295 acre-feet, and expansion capacity limit from 194 to 454 connections. A Notice of Determination was filed to comply with CEQA, and as of October 21, 1996, an amended Final Condition of Approval was issued by District. The essential conditions can be summarized as follows: Bishop (including Subdivision) is to be operated as an independent "sub-unit" of Cal-Am's Monterey Division to be served exclusively by production from wells and facilities in that sub-unit up to a maximum of 295 acre-feet per year with a maximum of 454 meters with special sub-unit accounting and reporting. No interties (emergency or otherwise) to Cal-Am's adjacent Monterey District are allowed.

On April 7, 1997, the present application was filed. It was amended on July 14, 1997. By this application, Cal-Am (with concurrence by Bishop) seeks authorization from the Commission to acquire Bishop's assets; assume certain Bishop obligations for provision of water service;² integrate Bishop into its Monterey Division subject to

² These existing service agreements include (a) an amended and restated agreement of December 13, 1995, between BMIF Monterey County Limited Partnership; Bishop, McIntosh & McIntosh; and Bishop Water Company; (b) that Fourth Amendment to Lease and Agreements Related to Water made effective August 12, 1994, between Bishop, McIntosh & McIntosh; Nick

Footnote continued on next page

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District's conditions; annex Subdivision into Bishop; and authorization for Bishop to withdraw from utility service and obligations. The purchase price is \$52,576 (the rate base as of December 31, 1995) subject to adjustments for additions and/or retirements after January 1, 1996. Cal-Am, as to the Bishop ratepayers, would adopt Bishop's tariff rates.³

Notice of the application and amendment appeared in the Commission's Daily Calendars of April 15, 1997, and July 18, 1997, respectively. Customers were informed by a letter of the proposed acquisition. No protests or comments have been received.

Discussion

Public Utilities (PU) Code § 851 provides that no public utility other than a railroad may sell its system without first having secured from the Commission an order authorizing it to do so. The concern is to prevent impairment of the public service by the transfer of utility property and functions into the hands of a party incapable of performing an adequate service at reasonable rates, or upon terms which would bring about the same undesirable result (*So. Cal. Mountain Water Co. (1912) 1 CRC 520*). The Commission seeks reasonable assurance that the purchasing party is financially and technically capable of the acquisition and satisfactory operation of the company thereafter.

In the present instance, we have that assurance. Cal-Am is a Class A water public utility with extensive experience in the operation of water utility service in a number of California localities. As its Balance Sheet and Statement of Income and Retained Earnings (Exh. 6) evidence, it is financially capable of the acquisition and satisfactory operation thereafter.

D. Lombardo, Inc.; Bishop Water Company; and BMIF Monterey County Limited Partnership; and (c) agreements between Bishop Water Company and its customers for the provision of water service.

³ See footnote 1.

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The price to be paid for the company is that of Bishop's rate base and is reasonable. Acquisition of Bishop by Cal-Am is in accord with the Commission's policy of encouraging the acquisition or merger of small water public utilities by the larger Class A water public utilities. The annexation is in accord with the policy of the District since the Bishop supply source is outside the Monterey Peninsula Water Resources System, and users will continue to be supplied from the Bishop system source.⁵ With no intertie to be permitted to Division's system, the annexation will not impact Division's draw from the Monterey Peninsula Water Resources System.

Annexation of Subdivision into Bishop is desirable and in the public interest as it will bring public utility water service to the Subdivision's residents and to the golf course clubhouse and adjacent open space. The irrigation for the golf course will continue to come from wells operated by the golf club owner, and these wells may be interconnected with the Bishop System to allow either party to temporarily draw on the other when wells are unavailable or in an emergency. Annexation further follows Commission and District policy to encourage consolidation of smaller units into larger, more economically feasible units. Although as an area contiguous to the Bishop service territory, and as an area not theretofore served by a public utility of like character, Commission authorization for Bishop to extend into Subdivision is not required pursuant to the provisions of the second paragraph of PU Code § 1001, in view of Bishop's request, the Commission will make the authorization as being in the public interest.

⁴The District's policy is to discourage annexations of property into the Cal-Am system if the annexation would result in an increased burden on the water supplies that are relied upon by the Cal-Am system (i.e., the Monterey Peninsula Water Resources System). District also encourages annexation of smaller systems to larger systems where both parties are willing, except where the result is substantial additional cost to the customers.

⁵Bishop's water supply source is from wells completed in the Laguna Seca Ground-Water Subbasin. This subbasin is located outside of the Monterey Peninsula Water Resource System.

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All issues considered, the Commission concludes that the sale and transfer of Bishop's assets to Cal-Am, with the assets to be operated as a sub-unit of Division subject to District's conditions, would not be adverse to the public interest.

The Legislature having established Public Utilities Commission Reimbursement Fees to be collected pursuant to provisions of PU Code §§ 431 et seq., upon payment by Bishop to the Commission of the fees required to be collected to the date of consummation of the sale and transfer of the Bishop system assets to Cal-Am, Bishop should be relieved of its water public utilities obligations to the ratepayers in its service area.

Findings of Fact

1. Bishop and Cal-Am are water public utilities subject to the control and regulation of this Commission.
2. Bishop is extending into Subdivision, a contiguous area not heretofore served by a public utility of like character.
3. Bishop and Cal-Am have contracted for Cal-Am to acquire all Bishop's assets, and for Bishop to withdraw from the public utility water business.
4. Cal-Am has agreed to assume certain service agreements of Bishop.
5. The purchase price is to be the rate base of Bishop, adjusted for retirements and additions to the date of consummation of the proposed sale and transfer.
6. District is in accord with the proposed Subdivision extension and the acquisition of Bishop assets by Cal-Am.
7. There is no known opposition to the proposed sale and transfer.
8. The proposed extension and the proposed sale and transfer of Bishop's assets to Cal-Am are not adverse to the public interest.
9. It is reasonable to require the payment of all PU Code § 431 fees required to have been collected by Bishop up to the actual date of consummation of the sale and transfer as a condition of relief of Bishop from its public utility obligations.
10. Cal-Am will operate the Bishop assets and service territory, including Subdivision, as a sub-unit of Division.

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11. There may be no interties of any sort between the Bishop sub-unit and Cal-Am's Division.

12. For the present the tariff rates adopted for Bishop by Commission Resolution No. W-4054 dated August 1, 1997, will be in effect in the Bishop sub-unit under Cal-Am.

13. Because Cal-Am has operated the Bishop utility under contract since September 3, 1996, and the public interest would best be served by having the sale and transfer take place expeditiously, the ensuing order should be made effective on the date of issuance.

Conclusions of Law

1. A public hearing is not necessary.
2. The proposed extension of Bishop into Subdivision should be authorized.
3. The proposed sale and transfer of Bishop's assets to Cal-Am should be authorized, with Cal-Am to operate the thereby acquired Bishop assets and service territory, including Subdivision, as a sub-unit of Cal-Am's Division, subject to District's conditions.
4. Cal-Am should be authorized to assume the Bishop service agreements described in the purchase agreement.
5. Upon payment to the Commission of the PU Code § 431 fees collected to date of consummation of the sale and transfer, Bishop should be relieved of its water public utility obligations with respect to the water system.

O R D E R

IT IS ORDERED that:

1. Within three months after the effective date of this order, Bishop Water Company (Bishop) is authorized to extend its service territory into the Laguna Seca Ranch Subdivision (Subdivision), and annex that area into Bishop.
2. Within six months after the effective date of this order, Bishop is authorized to sell and transfer, and California-American Water Company (Cal-Am) is authorized to

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purchase and acquire the public utility assets of Bishop in accordance with the terms of the captioned application.

3. Within 30 days of the extension authorized by Ordering Paragraph 1, Bishop shall file by Advice Letter a revised service territory map reflecting the annexation of Subdivision into Bishop.

4. Within 30 days of the actual sale and transfer authorized by Ordering Paragraph 2, Bishop shall notify the Commission in writing of the date on which the sale and transfer was consummated. A true copy of the instrumentality effecting the sale and transfer shall be attached to the written notification.

5. As of the date of the consummation of the sale and transfer, Bishop shall make remittance to the Commission of the Public Utilities Commission Reimbursement Fees collected to that date.

6. Upon compliance with all the provisions of this Order, Bishop shall stand relieved of its water public utility obligations with regard to the Bishop service territory.

7. Cal-Am shall operate the former Bishop utility operations as a sub-unit of its Monterey Division (Division), subject to the Conditions of Approval (dated April 15, 1996, and October 21, 1996) set forth by the Monterey Peninsula Water Management District, and included as Exhibit 3 to the captioned application.

8. Cal-Am shall either file a statement adopting Bishop's Tariff rates as set forth by Resolution W-4054 dated August 1, 1997, and Bishop's other tariffs, or refile those tariffs under its own name as prescribed in General Order Series 96. Rates shall not be increased unless authorized by this Commission.

9. Before the transfer occurs, Bishop shall deliver to Cal-Am, and Cal-Am shall retain, all records of the construction and subsequent operation of the water system.

10. Within 90 days after actual transfer, Cal-Am shall file in proper form an annual report on Bishop's operations from the first day of the current year through date of transfer.

11. Cal-Am shall use its existing corporate identification number (U-210 W) in connection with the authority issued in this proceeding. The number shall appear in the

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caption of all original pleadings, and in the title of pleadings that may be filed in existing cases before the Commission.

12. This proceeding is closed.

This order is effective today.

Dated September 24, 1997, at San Francisco, California.

JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
JOSIAH L. NEEPER
RICHARD A. BILAS
Commissioners

President P. Gregory Conlon,
being necessarily absent,
did not participate.

Table C-2. Annual Production from Wells in the Coastal Subareas of the Seaside Basin during 1986-2003, in Acre-Feet

Year ¹	Northern Coastal Subarea														Northern Total								
	Darwin	La Salle	Lucern	Military	Seaside 3&4	Playa #3	Playa #2	Playa #1	Golf Course ²	Small Private	QTc	Tsm	La Salle	Lucern	Military	Seaside 3&4	Playa #3	Playa #2	Playa #1	Golf Course ²	Small Private	QTc	Tsm
	100%	100%	40%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	40%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1986	161	278	792	250	503	242	13	23	377	169	2,021	1,960	278	792	250	503	242	13	23	377	169	2,021	1,960
1987	130	168	779	198	491	382	0	3	392	162	2,217	2,084	168	779	198	491	382	0	3	392	162	2,217	2,084
1988	86	155	558	113	447	428	0	0	420	195	2,074	1,849	155	558	113	447	428	0	0	420	195	2,074	1,849
1989	74	145	612	288	386	510	0	0	424	160	2,274	1,737	145	612	288	386	510	0	0	424	160	2,274	1,737
1990	116	208	403	161	300	434	0	0	300	94	1,659	1,790	208	403	161	300	434	0	0	300	94	1,659	1,790
1991	83	144	379	247	294	449	0	0	294	42	1,544	1,621	144	379	247	294	449	0	0	294	42	1,544	1,621
1992	64	98	358	23	320	281	0	0	320	39	1,465	1,342	98	358	23	320	281	0	0	320	39	1,465	1,342
1993	0	0	136	28	305	104	0	0	276	28	1,567	1,524	0	136	28	305	104	0	0	276	28	1,567	1,524
1994	71	125	327	180	279	265	0	0	279	28	1,567	1,524	125	327	180	279	265	0	0	279	28	1,567	1,524
1995	95	138	475	199	334	640	0	0	282	45	1,674	1,576	138	475	199	334	640	0	0	282	45	1,674	1,576
1996	46	68	120	113	307	319	0	0	307	21	1,674	1,576	68	120	113	307	319	0	0	307	21	1,674	1,576
1997	127	215	102	203	333	461	0	0	401	62	1,814	1,716	215	102	203	333	461	0	0	401	62	1,814	1,716
1998	70	122	196	94	251	277	0	0	251	30	1,583	2,632	122	196	94	251	277	0	0	251	30	1,583	2,632
1999	39	76	395	120	252	369	0	0	387	20	1,820	2,167	76	395	120	252	369	0	0	387	20	1,820	2,167
2000	52	97	317	55	311	267	0	0	676	24	2,007	2,841	97	317	55	311	267	0	0	676	24	2,007	2,841
2001	25	66	303	32	320	190	0	0	622	37	1,696	2,448	66	303	32	320	190	0	0	622	37	1,696	2,448
2002	0	117	143	108	315	248	0	0	555	32	1,696	2,448	117	143	108	315	248	0	0	555	32	1,696	2,448
2003	18	35	430	53	349	248	0	0	579	31	1,735	2,428	35	430	53	349	248	0	0	579	31	1,735	2,428

¹ Data for 1986-2001 for all wells are reporting-year totals (July-June) except for the golf course well data for 1986-1991, which are calendar-year totals.

For 2002-2003, data for all wells are water-year totals (October-September).

² The two golf courses on the former Fort Ord military reservation are irrigated by the Coe Avenue well and the Reservoir well.

- U.S. Geological Survey deep aquifer monitoring well DMW-1 north of Marina. An average water elevation of -17 feet (msl) for the two highest well completions was reported by WRIME, Inc. (2003). Water levels in DMW-1 tend to remain very stable and do not respond in an obvious way to pumping by deep zone wells (none of which are nearby). For the contour maps, the average water elevation was used for spring and fall 2002.
- Wells in the Salinas Valley routinely monitored by Monterey County Water Resources Agency (MCWRA). MCWRA monitors water levels in a large number of wells throughout the Salinas Valley. Water levels in 20 wells screened in the 400-Foot aquifer and located near the northern boundary of the Seaside basin were included in the water-level contouring process. Wells were included as 400-Foot aquifer wells if the top of the perforations was more than 300 feet below the ground surface and the bottom of the perforations was less than 600 feet below ground surface. Due to a brief hiatus in the agency's monitoring program, wells were not measured during 2002. However, data before and after that year indicated little trend or variation in spring or fall water levels. Accordingly, water levels for 2002 were estimated by selecting a spring or fall measurement from another recent year. In a few cases where trends were evident, values were obtained by interpolation between measurements before and after 2002. These calculations are documented in Table D-1.
- Corral de Tierra wells. Several private and small-purveyor wells in the eastern Laguna Seca and Corral de Tierra areas were measured in fall 2002 as part of the Laguna Seca Subarea Phase III Hydrogeologic Update (Yates and others, 2002). Water levels are for the nearby Ambler Park subdivision are routinely measured by Cal-Am, and data for Well #6 were selected for inclusion in the contouring.
- Toro Park wells. Three wells along El Toro Creek near the entrance to Toro Regional Park are operated by California Water Service Company. Monthly water-level measurements for 2003-2004 were obtained from the operator (Luongo, pers. comm.), and spring and fall water levels in 2003 were used in the contouring.

The contours were drawn by hand and reflect a number of assumptions and basic principles of groundwater hydrology, as follows:

- ~~The Laguna Seca Anticline is a barrier to groundwater flow. Water levels were contoured independently on each side of the anticline.~~
- Water levels in inland areas north of the anticline are anchored by a single well in the southeast corner of the Northern Inland Subarea, the Wolf Hill monitoring well (FO-3, or 15S/2E-33Ca). The water levels in this well were identical in spring and fall 2002, consistent with the absence of nearby pumping and with attenuation of recharge pulses by the thick unsaturated zone. Water levels were assumed to slope radially and uniformly from the most inland corner of the Northern Inland Subarea—which happens to be near the Wolf Hill well—toward pumping depressions in the Salinas Valley, El Toro Park area, and the Northern Coastal Subarea. The Wolf Hill well was included in the Paso Robles/400-Foot and the Santa Margarita/Deep aquifer contours because vertical gradients at that location are certainly small. The differences between spring and fall water levels and between shallow

Seaside Groundwater Basin Watermaster

**Reported Quarterly and Annual Water Production (in Acre Feet) From the Seaside Groundwater Basin
For All Producers Included in the Seaside Basin Adjudication -- Water Year 2008
(All Values in Acre-Feet ([AF])**

Producer	Quarters				Annual To-Date Reported Total	Base Operating Yield Allocation
	Oct-Dec 2007	Jan-Mar 2008	Apr-Jun 2008	Jul-Sep 2008		
<i>Coastal Subareas</i>						
CAW (Coastal Subareas)	1,049.8	224.8	721.5		1,996.1	3,504.0
Seaside (Municipal)	76.0	53.7	92.0		221.7	287.0
Granite Rock Company	0.0	--	--		0.0	27.0
DBO Development No. 27	0.0	--	--		0.0	49.0
City of Seaside (Golf Courses)	87.1	67.1	201.0		355.2	540.0
Sand City	0.0	0.0	0.0		0.0	9.0
Security National Guaranty	2.0	2.1	0.2		4.3	149.0
M.E. Calabrese 1987 Trust	0.0	0.0	0.0		0.0	14.0
Alderwoods Group	4.2	1.4	5.4		11.0	31.0
<i>Coastal Subarea Totals</i>	1,219.1	349.2	1,020.2		2,588.4	4,611.0
<i>Laguna Seca Subareas</i>						
CAW (Inland Subareas)	113.1	88.4	156.2		357.7	345.0
Pasadera Country Club	11.2	3.9	64.9		80.0	251.0
Laguna Seca/Bishop	31.7	9.2	122.8		163.7	320.0
York School	4.0	2.9	7.0		13.9	32.0
Laguna Seca Park (County)	7.3	3.1	9.4		19.7	41.0
<i>Laguna Seca Subarea Totals</i>	167.2	107.5	360.3		635.0	989.0
Seaside Basin Totals	1,386.3				3,223.4	5,600.0

Notes:

1. The water year (WY) begins October 1 and ends September 30 of the following calendar year. For example, WY 2008 began on October 1, 2007, and will end on September 30, 2008.
2. Values shown in the table are based on reports to the Watermaster as received by MPWMD by **July 29, 2008**.
3. All values are rounded to the nearest tenth of an acre-foot. Where required, reported data were converted to acre-feet utilizing the relationships:
325,851 gallons = 43,560 cubic feet = 1 acre-foot.
4. "Operating Yield" allocation values based on Seaside Basin Adjudication decision as amended, signed February 9, 2007 (Monterey County Superior Court Case No. M66343).
5. Any minor discrepancies in totals are attributable to rounding. CAW = California American Water.
6. Graniterock Company and DBO Development No. 27 exempted from production reporting by Watermaster TAC February 2008.

9/26/2008

SEASIDE BASIN WATERMASTER

GROUND WATER LEVEL MONITORING RESULTS

Water Year 2008 - Quarter 3

Period: 4/1/2008 to 6/30/2008 (data in feet)

Producer Wells with Water Level Data

Well Number and Name	Date	Depth to Water	Reference Point Elevation (MSL)	Comments	Water Elevation (MSL)
----------------------	------	----------------	---------------------------------	----------	-----------------------

Laguna Seca Subarea Wells

Well Number: 16S/R2E-09Cd Name: CAW - Bay Ridge

	4/24/2008	999.9	545.92	Code 999.9 = no measurement taken	*
	5/29/2008	999.9	545.92	Code 999.9 = no measurement taken	*
	6/26/2008	999	545.92	well on - level 431.0'	*

Well Number: T16SR2E05Ea Name: CAW - Bishop #1 (west)

	4/24/2008	999	398.81	well on- water level 296.3'	*
	5/29/2008	999	398.81	well on - level 300.1	*
	6/26/2008	999	398.81	well on - level 302.0	*

Well Number: T16SR2E05Fb Name: CAW - Bishop #2 (east)

	4/24/2008	999.9	418.34	no measurement taken	*
--	-----------	-------	--------	----------------------	---

Well Number: 16S01E01E50 Name: CAW - Ryan Ranch #7

	4/24/2008	999	294	well on- water level at 351.0'	*
	5/29/2008	999	294	well on - level 354.8'	*
	6/26/2008	260.2	294		33.8

Well Number: 16S01E01T54 Name: CAW - Ryan Ranch #8

	4/24/2008	191.6	306.86		115.26
	5/29/2008	210.8	306.86		96.06
	6/26/2008	225.5	306.86		81.36

Well Number: 16S/R1E-01Cd Name: CAW - Ryan Ranch #11

	4/24/2008	191.6	307.59		115.99
	5/29/2008	191.6	307.59		115.99

EXHIBIT

4

9/26/2008

SEASIDE BASIN WATERMASTER

GROUND WATER LEVEL MONITORING RESULTS

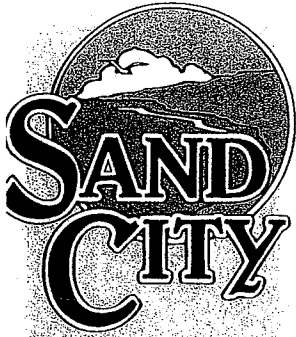
Water Year 2008 - Quarter 3

Period: 4/1/2008 to 6/30/2008 (data in feet)

Producer Wells with Water Level Data

Well Number and Name	Date	Depth to Water	Reference Point Elevation (MSL)	Comments	Water Elevation (MSL)
	6/26/2008	198.7	307.59		108.89
<i>Well Number: 16S02E05Mg Name: Pasadera Golf - Main Gate</i>					
	5/1/2008	204.9	345.42	Static level w/ well off <24 hrs prior to reading	140.52
	6/1/2008	204.91	345.42	Static level w/ well off <24 hrs prior to reading	140.51
<i>Well Number: 16S02E05Mf Name: Pasadera Golf - Paddock #1</i>					
	5/1/2008	198.51	352.69	Static level- well off <24 hrs prior to reading	154.18
	6/1/2008	198.21	352.69	Static level- well off <24 hrs prior to reading	154.48
<i>Well Number: 16S02E05Ge Name: Laguna Seca Recreation Area - MCPD #1</i>					
	4/7/2008	185	392.86	Measurement collected by Dougherty Pump	207.86
	5/6/2008	185	392.86	Measurement collected by Dougherty Pump	207.86
	6/2/2008	188	392.86	Measurement collected by Dougherty Pump	204.86
<i>Well Number: 16S02E05Gf Name: Laguna Seca Recreation Area - MCPD #2</i>					
	4/7/2008	174	391.04		217.04
	5/6/2008	173	391.04		218.04
	6/2/2008	174	391.04		217.04
<i>Well Number: 16S02E06Hb Name: Laguna Seca Golf - Old No. 12</i>					
	5/31/2008	222.6	368.02	Data sheet from Tom Bevins (JWO)	145.42
	6/13/2008	237.96	368.02		130.06

EXHIBIT 4



October 6, 2008

RECEIVED

OCT - 9 2008

MPWMD

Ms. Linda S. Adams
 Secretary for Environmental Protection
 California Environmental Protection Agency
 P.O. Box 2815
 Sacramento, California 95812

Dear Secretary Adams:

The State Water Resources Control Board (SWRCB) is considering the issuance of a cease and desist order (CDO) against California-American Water, the main water purveyor on the Monterey Peninsula. The draft CDO, if issued, would be devastating to the economy and public welfare of our region. As Mayor of the City of Sand City and the Mayors' representative on the Monterey Peninsula Water Management District Board, I urge you to help put an end to this process by not issuing such an order.

Along with other Mayors on the Monterey Peninsula, earlier this summer I participated in the SWRCB hearings regarding the draft CDO. We testified about how much our communities have done to conserve water during the time that the SWRCB became involved in our water supply issues (1995) to the present, reducing water demand by approximately 4,000 acre-feet per year. We also explained to the hearing officers that any further cutbacks on water would cripple our largely tourist based economy.

Our per capita water consumption on the Monterey Peninsula is among the lowest in the state, averaging 70 gallons per person per day. This amount of water is below that which was recommended by the SWRCB engineer, Mr. Streetars during public testimony. Mr. Streetars stated that the community could live with a 75 gallon per capita per day figure. In his estimates, he also failed to account for water use by commercial users and the tourist industry. As you can see, because we are conserving so much water currently, there is no need for a cease and desist order against Cal-Am.

The answer to the Peninsula's water supply problem is the implementation of a supplemental water supply. Cal-Am has been diligently pursuing this objective since the early 1990s. Please allow Cal-Am and Monterey Peninsula water officials to continue to work together on this mission and not get side-tracked by dealing with Draconian water cutbacks that will stifle our economy.

Sincerely,

David K. Pendergrass, Mayor
 City of Sand City

c: MPWMD Board
 Monterey Peninsula Mayors
 Cal-Am Water

City Hall
 1 Sylvan Park,
 Sand City, CA
 93955

Administration
 (831) 394-3054

Planning
 (831) 394-6700

FAX
 (831) 394-2472

Police
 (831) 394-1451

FAX
 (831) 394-1038

Incorporated
 May 31, 1960