



**MONTEREY PENINSULA
WATER MANAGEMENT DISTRICT**

5 HARRIS COURT, BLDG. G
POST OFFICE BOX 85
MONTEREY, CA 93942-0085 • (831) 658-5600
FAX (831) 644-9560 • <http://www.mpwmd.dst.ca.us>

September 19, 2008

Craig Anthony, General Manager
California American Water, Central Division
P.O. Box 951
Monterey, CA 93942-0951

Subject: Notification of Apparent Insufficient Physical Supplies to Serve California American Water's Ryan Ranch Water Distribution System

Dear Mr. Anthony:

In compliance with Ordinance No. 136, which was effective September 17, 2008, this letter is notification that the Monterey Peninsula Water Management District (MPWMD or District) has determined that the physical water supplies that serve California American Water's (CAW's) Ryan Ranch Water Distribution System (WDS) do not appear to be sufficient to support the System Capacity, i.e., 175 acre-feet per year (AFY), that was specified for the Ryan Ranch WDS permit by the District Board in November 1989. This determination is based on credible information presented by the District's Water Resources Manager, who is a certified hydrogeologist and registered geologist. Specifically, this determination is based on a number of factors, including:

- (1) the limited number of active wells and the limited production capacity of these wells serving the Ryan Ranch WDS,
- (2) CAW's reliance during the past six years on water transferred from its main system through an emergency intertie to supply its customers in the Ryan Ranch WDS service area, and
- (3) CAW's testimony¹ to the California Public Utilities Commission (CPUC) indicating that its Ryan Ranch WDS "does not have sufficient capacity to meet demands during peak events and, as a result, has been forced to utilize an emergency interconnection with the main Monterey Service Area."

Consequently, in accord with District Rule 40 (B) as amended by Ordinance No. 136, this letter is to notify you, as owner and operator of the Ryan Ranch WDS, that a hearing before the District Board will be convened on November 17, 2008, to determine whether, and to what extent, modifications should be made to the System Capacity or Expansion Capacity limits presently specified for the Ryan Ranch WDS.

¹ Response by John Kilpatrick, CAW Senior Planning Engineer, to CPUC's Division of Ratepayers Advocates' Data Request NKS-52, June 2008.

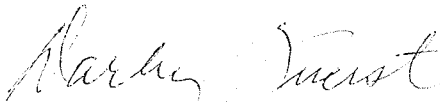
Mr. Craig Anthony
California American Water
September 19, 2008
Page 2

It is likely that the hearing scheduled for November 17, 2008, which is a regular District Board meeting, will be continued to a special Board meeting later in November. If the Board finds that the physical supplies are not sufficient to meet the permitted System or Expansion Capacity limits for the Ryan Ranch WDS, then the Board will determine new System or Expansion Capacity limits for the system, based on substantial evidence, including credible expert evidence.

In the meantime, consistent with Rule 40 (B), I have directed District staff to suspend receipt of expansion or extension applications for the Ryan Ranch WDS and to suspend processing of current application in progress. Accordingly, CAW should not issue any additional "will serve" letters to prospective customers in the Ryan Ranch WDS until written authorization is provided by the District in the future.

Please let me know if you have any questions regarding my determination or the hearing process. Thank you for your cooperation in this matter.

Sincerely,



Darby Fuerst
Interim General Manager

Cc: MPWMD Board of Directors
MPWMD Counsel
MPWMD Water Demand Manager
MPWMD Water Resources Manager
MPWMD Project Manager
City of Monterey City Manager