



January 7, 2009

California American Water - Monterey
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 Pacific Grove, CA 93950
 amwater.com

Darby Fuerst, General Manager
 Monterey Peninsula Water Management District
 5 Harris Court, Bldg G
 P.O. Box 85
 Monterey, CA 93942-0085

Dear Mr. Fuerst,

California American Water was notified by the Monterey Peninsula Water Management District (MPWMD) in a letter dated September 19, 2008 regarding the "Apparent Insufficient Physical Supplies to Serve California American Water's Ryan Ranch Water Distribution System." The MPWMD listed the following specific factors in their determination:

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 from its main system through an emergency intertie to supply its customers in the Ryan Ranch WDS service area, and
3. CAW's testimony 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."

In reviewing the Ryan Ranch WDS and the use of the emergency intertie, the following information is offered:

1. Ryan Ranch WDS has two production wells (#7 and #11).
2. During the period October 1, 2007 and June 1, 2008 only one of the two wells was in operation at any given time. Beginning June 2008, both production wells were in operation at the same time.
3. The emergency intertie supplied water to Ryan Ranch WDS as follows:

<u>Month</u>	<u>Amount (AF)</u>	<u>Reason</u>
October 07	0.018	Leaking intertie valve
November 07	0.533	Well #7 out of service due to casing hole
January 08	0.829	Power failure to Ryan Ranch production wells
May 08	1.71	Power failure to Ryan Ranch production wells
June 08	0.014	Treatment system calibration
Total usage	3.104 AF	

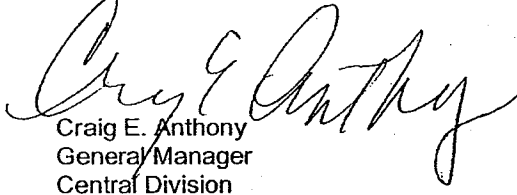
In reviewing the records, I do not find supportive facts for the District's first two concerns on the "limited well production" or "non-emergency use of the intertie". I do agree with the concern that the failure of the existing Ryan Ranch production wells can result in the need for emergency supplies to meet demands. CAW anticipates connecting the Ryan Ranch WDS and Bishop WDS with an emergency intertie this year which will allow Ryan Ranch WDS to be disconnected from the Monterey Main WDS. Ryan Ranch WDS and Bishop WDS both draw water from the same aquifer and the intertie of the two systems will allow both systems to provide mutual backup. The intertie will allow either system the ability to return "emergency" use of water to the sending system.

On a boarder scale, the impacts of the new rate design and rate structure for the Ryan Ranch Water Distribution System will have a positive impact on customer water use over the coming year. In addition, the California Public Utilities Commission draft EIR on the Coastal Water Project is anticipated at the end of January, which will provide clarity to water supply issues for the Monterey Peninsula.

I urge the District Board to remove the moratorium on new water connections in Ryan Ranch and revisit the issue following the completion of the next water year to gage the impacts of the new rate design, rate schedule, and the Draft EIR findings.

I look forward to working with you on this important matter.

Sincerely,



Craig E. Anthony
General Manager
Central Division

Cc: Bill Reichmuth, City of Monterey Deputy City Manager Plans & Public Works
Dan Limesand, Director of Business Development and Contracting Community Hospital of
the Monterey Peninsula