

# Allen Matkins

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## VIA HAND DELIVERY

February 16, 2009

FEB 17 2009

Monterey Peninsula Water Management District  
Board of Directors:  
Christi Markey, Chair  
Regina Doyle  
Alvin Edwards  
Judi Lehman  
Bob Brower  
David Pendergrass  
David Potter  
5 Harris Court, Bldg. G  
Monterey, CA 93942-0085

**Re: Hearing on Apparent Insufficient Physical Supplies to Serve Ryan Ranch Water Distribution System and Determination as to Whether, and to What Extent, System Capacity and/or Expansion Capacity Limits Should be Modified**

Dear Board Members:

This firm represents Muller-Ryan, LLC, the owner of seven (7) office buildings located in Ryan Ranch, at 2 Lower Ragsdale Drive, 4 Lower Ragsdale Drive, 10 Ragsdale Drive, 20 Ragsdale Drive, 30 Ragsdale Drive, 40 Ragsdale Drive and 50 Ragsdale Drive.

This letter serves as notice that Muller-Ryan, LLC ("Muller") will appear as a party at the continued hearing on the above referenced matter on February 18, 2009. Muller will be represented at that hearing by Stephanie Mathis, Agent for Owner. Muller requests that this letter be introduced into the Administrative Record, as well as any oral statement made by The Muller Company at the February 18, 2009 continued hearing.

According to the documents that are in the agenda packets for the January 21, 2008 hearing, the staff recommendation is to reduce Ryan Ranch's Water Distribution System (WDS) allocation from 175 acre feet per year, to 72 acre feet per year, despite the fact that the water purveyor, California American Water, delivered 82 acre feet to Ryan Ranch during the water year 2007-2008.

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Muller objects to and opposes the proposed reduction in allocation of water to the Ryan Ranch WDS for a number of reasons.

Muller has owned the above-described property since November, 2006. Muller owns a total of 177,382 rentable square feet (RSF) on 22 natural rural acres of land. Muller purchased the property with the intention of owning and operating it as a long-term investment. Consequently, substantial improvements have been made. Muller has taken many steps to reduce its water demands. It has had all toilets and urinals replaced with 1.5 gal flush models, and has converted all four (4) of its showers to low-flow shower heads. The rural portion of the property is not irrigated. The landscaped part of the property has a drip irrigation system and 90% of the planted area contains drought-tolerant and/or native plants. During Muller's ownership of the property, the water service has been satisfactory. Muller's current occupancy is 82.37%. It is Muller's intention to actively market the vacant approximately 31,000 square feet of vacant rentable space.

There is no explanation of and seemingly no consideration given to the impact on property owners in Ryan Ranch if the proposed reduction in allocation is passed. Since 72 acre feet per year is 10 acre feet per year less than actual production of last water year, does that mean there will be mandatory cutbacks of all existing customers? If so, that would damage Muller's ability to rent its available space. Potential lessees might be unwilling to enter into a lease for property where the water supply is uncertain. This would put Muller at a competitive disadvantage in the marketplace and would adversely impact Muller's ability to make the highest and best use of its property and realize a return on the substantial capital investments that it has made to improve the property.

The letter dated January 7, 2009 from Craig Anthony, General Manager of California American's Monterey System (in the Board agenda package), appears to present a very common-sense response to the Board's proposed action. A major part of the District staff's argument in favor of allocation reduction is premised upon use of the interconnection between California American's main system with Ryan Ranch WDS, yet in water year October 1, 2007 through September 30, 2008, only 3.104 acre feet of water was delivered through the interconnection, and all but 0.014 acre feet of that amount was due to emergencies, which appears to be an imminently reasonable use of the interconnection.

It is well known in the community that California American has proposed a major replacement water supply with its Coastal Water Project. We also understand that it is pursuing additional improvements to the system that will provide additional sources and reliability for the Ryan Ranch WDS. Muller feels that, in view of the facts, the District Staff's proposal is premature and based on a hypertechnical interpretation of your rules and regulations and staff's opinion of whether there is an adequate water supply. We fail to understand the point of the proposed action, other than to cause consternation and wreak economic havoc on the owners and operators of the Ryan Ranch properties.

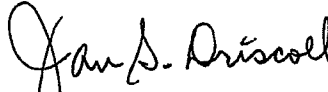
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As Supervisor Potter so strongly stated at the end of the first hearing on January 21, 2009, The Muller Company wishes to partner with both parties to create and sustain a mutually beneficial solution to support existing businesses and existing infrastructure in Ryan Ranch based on the current water being supplied. Therefore, we urge the Board to reject the Staff's proposal to reduce the allocation of water to the Ryan Ranch WDS.

Very truly yours,



Jan S. Driscoll

JSD:sm

cc: MPWMD General Counsel, David C. Laredo