



CALIFORNIA
AMERICAN WATER

February 26, 2009

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MPWMD

California American Water – Monterey
511 Forest Lodge Rd, Suite 100
Pacific Grove, CA 93950
amwater.com

Kristi Markey
Chair
Monterey Peninsula Water Management District
5 Harris Court, Building G
Monterey, CA 93940

Re: Application to Amend California American Water Distribution System to Serve Monterey Bay Shores Ecoresort in Sand City; California American Water and Security National Guaranty, Co-Applicants; MPWMD Application #20080915MBS-L4; APN# 011-501-014

California American Water has reviewed the staff report provided for the February 26, 2009 MPWMD Board Meeting relating to providing water service to the Monterey Bay Shores Ecoresort [MBSE].

California American Water requests changes to the about the following permit conditions:

Condition No. 4: California American Water disagrees with the contentions of Mr. James Kassel in his letter dated February 5, 2009. Order 95-10 is silent on what parcels of land California American Water can serve from the Carmel River, and does not prohibit California American Water from serving new development, provided that the Company otherwise complies with the volume limits set by that Order. Moreover, to the extent that the MPWMD, as a party to the litigation challenging Order 95-10, is now attempting to impose new requirements not contained within that Order, such action may violate the settlement of the Order 95-10 litigation. Notwithstanding the foregoing, the last sentence of proposed Condition No. 4 is superfluous in light of the preceding sentence requires all water for the MBSE to be derived from the Seaside Groundwater Basin. Thus, the last sentence of this condition should be stricken.

Condition No. 5: All of the text after the first sentence are not phrased as conditions that California American Water can determine compliance. Those matters are either more appropriately made as findings or need to be re-phrased as conditions of approval.

Condition No. 8: This condition is ambiguous because the "Permitted System" cannot report water usage. This condition should be revised to clearly state between, the Property Owner and Permittee, the party responsible for complying with this condition.

Condition No. 9: This condition states that "Permittee" shall comply with the MPWMD Conservation Ordinances. No aspect of this action authorized additional water use by the Company to the extent that it consumes water. This conditions should be revised to clearly state between, the Property Owner and Permittee, the party responsible for complying with this condition.

Condition No. 11: This condition has the same ambiguity as Condition Nos. 8 and 9 and should be revised in the same manner.

Condition No. 13: This condition has the same ambiguity as Condition Nos. 8, 9 and 11 and should be revised in the same manner.

Condition No. 15: The text is not phrased as conditions that California American Water can determine compliance when operating under this permit. Those matters are either more appropriately made as findings or need to be re-phrased as conditions of approval.

Condition No. 16: The text is not phrased as conditions that California American Water can determine compliance when operating under this permit. Those matters are either more appropriately made as findings or need to be re-phrased as conditions of approval.

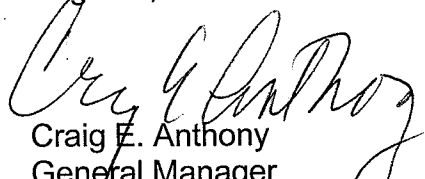
Condition No. 17: California American Water objects to this condition in that nothing in the MPWMD's rules or enabling legislation grants the District the authority to require production of documents. This condition should be stricken.

Condition No. 29: California American Water has no objection to this condition provided that compliance with this condition is satisfied by demonstrating that water produced from the Company's Seaside wells exceeds the volume of water delivered to the MBSE meter.

Condition No. 32: California American Water objects to Option #3 because it violates Constitutional principles relating to regulatory takings. Considering the other proposed conditions of approval for this item, there is no impact to the Carmel River from California American Water serving the Monterey Bay Shores Ecoresort's adjudicated groundwater rights from the Seaside Basin, so there is no nexus between the impacts of this permit amendment and the Carmel River to justify requiring California American Water to purchase additional groundwater supplies. Thus, this condition should be stricken from consideration.

Thank you for your consideration.

Regards,


Craig E. Anthony
General Manager
California American Water