



**CALIFORNIA
AMERICAN WATER**

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July 14, 2009

(transmitted via e-mail, fax and hard copy)

Mr. Darby Fuerst
General Manager
Monterey Peninsula Water Management District
5 Harris Court, Bldg G.
Post Office Box 85
Monterey, CA 93940-0085

Subject: Hidden Hills Implementation Plan

Dear Mr. Fuerst,

This letter presents the action plan to bring the Hidden Hills system back into compliance with the Pro Rata Expansion Capacity connection level of 0.482 acre-feet of production per connection. The plan relies on a number of actions to address customer over usage and reduction of system unaccountable water use.

The first issue is to verify the number of existing connections in Hidden Hills. The number of connections used for the connection pro rata calculation is the number of customers found on the CAW monthly Consumption Report. The Consumption Report actually identifies the number of bills generated by the monthly meter reading process. The Consumption Report overestimates the actual number of connections receiving water. For example, when a property is sold two bills are issued in a single month; both seller and buyer receive a bill resulting in over counting connections. CAW has audited the connection history for Hidden Hills with the following actual connection results:

Date	Connections
January 2000	395
October 2000	396
February 2000	397
April 2001	398
June 2001	399
August 2001	400
June 2002	401
August 2002	402
June 2003	403
September 2003	405
November 2003	407
August 2004	409
September 2004	411
February 2005	412
April 2005	413
May 2005	414
September 2005	415
October 2005	416

November 2005	418
August 2006	420
December 2006	421
July 2007	422
September 2007	423
July 2008	424

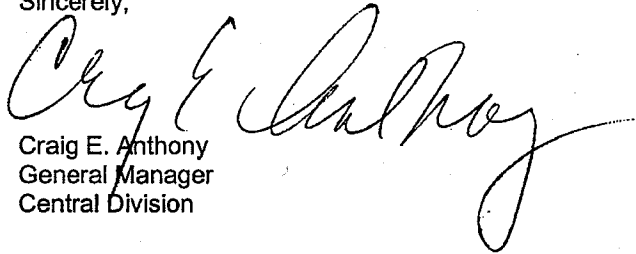
The following actions are in process to reduce customers' usage, address leaks and meter measurement issues:

1. **Customer Meters:** CAW is currently about half way complete in changing all customer meters. The meters in Hidden Hills were scheduled for replacement this year using the American Water 15 year replacement schedule (more aggressive than the CPUC 20 year replacement schedule). The entire system meter replacement program will be completed in 6 to 8 weeks. The meter replacement program insures that the water is being measured; a customer meter under registering overstates unaccounted for water. Also, the meter replacement program allows the visible inspection of all connections to insure the meters are not bypassed.
2. **Water Main Replacement:** The recent CPUC decision allows CAW to spend \$546,000 on Hidden Hills main replacement. CAW is aggressively moving forward with this main replacement program targeting the existing electrical conduit that is used for water mains in a portion of Hidden Hills. In the recent month, two main breaks occurred on electrical conduit mains.
3. **Acoustic Leak Detection (MLOG):** CAW has installed an MLOG on every tenth meter in the main and satellite systems. While the MLOG is installed the activation of the MLOG is being phased in. Recently a main leak occurred on Boots Road in Hidden Hills and a nearby MLOG helped identified the leak which was running under ground, down a French drain, and into a culvert. The MLOG will continue to have a positive impact on reducing water loss system wide.
4. CAW has analyzed all customer water usage for the last 24 months. The result of this review has identified several customer leaks and individual excessive water use. The review also identified that the water use at the CAW Hidden Hills treatment plant was excessive with CAW being one of the top 10 annual water users in the system, which has been corrected. The analysis also clearly identified that landscape watering is a major contributor to excessive water use in Hidden Hills. CAW is working with individuals to reduce landscape water demands.
5. The recent approved rate structure and rate level will encourage conservation, especially impacting customers with large landscaping use. The new rates will have a significant impact on customer behavior as the cost of water will more than double over the three year CPUC rate decision.
6. Over the recent months the 12-month rolling per connection average has been trending down. We believe this is a function of increased attention on Hidden Hills water issues and the anticipation of new water rates. The actions identified above should accelerate the downward trend.

CAW appreciates the District staff "Solutions Matrix" provided in their July 7, 2009 letter on the Hidden Hills issue. We are working on the physical solutions to reduce unaccounted for water and insuring that customer and production meters are accurate. We do not support increasing the system production limit, as any increase of system production limits or modification of existing connection limits will negatively impact bringing the system into line with existing water supplies.

This action plan will reduce water use in Hidden Hills and accelerate the decreasing downward per connection use trend. CAW recommends that all pending connection applications be approved and the Board direct CAW and staff to update the Board quarterly on the progress to bring the system within the production limit.

Sincerely,

A handwritten signature in cursive script, appearing to read "Craig E. Anthony". The signature is written in black ink and is positioned to the right of the typed name.

Craig E. Anthony
General Manager
Central Division

Cc: Stephanie Pintar