EXHIBIT 3-B

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

MEMORANDUM

DATE: January 19, 2010

TO: Darby Fuerst, General Manager

FROM: Andrew M. Bell, District Engineer *AMB*

SUBJECT: Report on Investigation of the Potential for Increasing the Storage Capacity of Los Padres Reservoir

SUMMARY
The existing Los Padres Dam, constructed in 1948 and 1949 by California Water and Telephone, predecessor of California American Water (CAW), is an embankment dam (zoned earthfill) approximately 150 feet high. It is located on the Carmel River at River Mile 24.8, approximately 12 miles southeast of Carmel Valley Village near the settlement of Princes Camp. When built, the reservoir had a capacity of 3,030 acre-feet, but due to accumulation of sediment, the storage capacity has been decreased by more than half.

At the February 28, 2008 Board meeting, the Board directed staff to prepare, for review at a future Board meeting, a report regarding the feasibility of increasing the height of the existing Los Padres Dam. The stated purpose of the project is to create additional storage capacity in the reservoir so that stored water could be released to increase streamflow in the Carmel River to benefit the river and its associated environment.

I prepared a memorandum dated April 7, 2008 and presented to the Board for the April 21, 2008 Board meeting in fulfillment of that request. I also prepared a staff note for the June 15, 2009 Board meeting providing an update to my previous report (**Attachment 1**).

On June 19, 2009 you wrote CAW General Manager Craig Anthony asking whether CAW is willing to make structural changes to Los Padres Dam to increase storage capacity, or to allow the District to do so (**Attachment 2**). Mr. Anthony responded by letter to you dated October 5, 2009 (**Attachment 3**). This letter contains the following statement: "Currently, CAW has no interest in increasing the dam height or making other Los Padres Reservoir modifications." Unless CAW's position is revised, I must conclude that at present there is no feasible means to increase the storage capacity of Los Padres Reservoir.

DISCUSSION
Staff considered the following questions in evaluating the potential for raising Los Padres Dam:

1. How much additional storage is desired (and therefore how much would the height of the dam need to be increased)?
2. Can the existing dam be built upon?
3. Can any of the existing structures be kept as part of the ultimate project?
4. When full, would the new reservoir extend into the Ventana Wilderness?
5. Would the existing fish passage facilities be adequate, or would improved fish passage be a requirement of the project?
6. How would access to upper Los Padres Reservoir, the Ventana Wilderness, and private parcels upstream of the dam be maintained, both during construction and once the new project facilities are in place?
7. What routes would be used for construction access?

Staff also considered the following concerns or issues for planning and carrying out a project to increase the capacity of Los Padres Reservoir:
- Flood and seismic safety
- Environmental review and permitting requirements
- Rights of way

Staff reviewed the following two alternatives to raising the existing dam:
- Remove accumulated sediment from the existing reservoir
- Install an inflatable dam in the spillway of Los Padres Dam

In the course of this investigation, I met or communicated with representatives of California Department of Water Resources' Division of Safety of Dams, California Department of Fish and Game, National Marine Fisheries Service, Monterey County Water Resources Agency, and CAW.

Attachment 1   June 15, 2009 staff note – Action Item 26: Receive Report on the Potential for Increasing the Storage Capacity of Los Padres Reservoir
Attachment 2   June 19, 2009 letter from Darby Fuerst, General Manager, MPWMD, to Craig Anthony, General Manager, CAW
Attachment 3   October 5, 2009 letter from Craig E. Anthony, General Manager, CAW, to Darby Fuerst, General Manager, MPWMD