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July 6, 2010

Henrietta Stern
Monterey Peninsula Water Management District
5 Harris Court, Building G
Monterey, CA 93942

Re: Application No. 20080915MBS, Permit No. M10-07-L4; Modification of California American Water's Main Monterey Water Distribution System For Service to the Monterey Bay Shores Ecoresort

Dear Ms. Stern:

This letter is a supplement to the above-referenced application to update the facts contained in the draft staff report and that have changed since April of 2009.

Request to the California Public Utilities Commission to Add Monterey Bay Shores Ecoresort Parcel to California American Water's Service Area

On October 23, 2008 California American Water filed Advice Letter No. 712 seeking authorization from the California Public Utilities Commission to annex the Monterey Bay Shores Ecoresort ("MBSE") Parcel into California American Water's service area. The California Public Utilities Commission rejected Advice Letter No. 712 on November 14, 2008 on technical grounds.

On January 26, 2009 California American Water filed Advice Letter No. 724 seeking the same authorization from the California Public Utilities Commission. The California Public Utilities Commission rejected Advice Letter No. 724 on April 2, 2009 requesting additional information.

On October 30, 2009 California American Water filed Advice Letter No. 806 again seeking the same authorization from the California Public Utilities Commission. Based on the on-going litigation in the Court of Appeal relating to this application, on November 24, 2009, California American Water withdrew Advice Letter No. 806.

California American Water has prepared a new advice letter and intends to renew its request to the California Public Utilities Commission to annex the MBSE parcel into its



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service area. California American Water intends to file this advice letter prior to July 19, 2010.

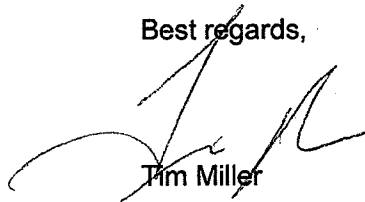
State Water Resources Control Board Order WR-2009-0060 and California American Water's Application to the California Public Utilities Commission For a Moratorium (Application No. A.10-05-020)

As you are aware, on October 20, 2009 the California State Water Resources Control Board adopted Order WR-2009-0060 regarding California American Water's Carmel River operations. Among other requirements, that Order prohibits California American Water from serving water from the Carmel River to connections that were not entitled prior to October 20, 2009. Based on the latter requirement, on May 24, 2010 California American Water applied to the California Public Utilities Commission to authorize a moratorium on new connections for its main Monterey system.

California American Water's moratorium application did not specifically seek to address service to the MBSE parcel under the front-loading agreement. SNG has filed a response to California American Water's application seeking to add an exception to the proposed moratorium for such service. California American Water believes that SNG's request is consistent with Order WR-2009-0060.

If you require additional information regarding California American Water's filings with the California Public Utilities Commission or California American Water's efforts to comply with order WR-2009-0060, please contact me.

Best regards,



Tim Miller

cc: Victoria Whitney, State Water Resources Control Board
Sheri Damon, Esq.