



**MONTEREY PENINSULA
WATER MANAGEMENT DISTRICT**

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March 20, 2009

Craig Anthony, General Manager
California American Water
PO Box 951
Monterey, CA 93942-0951

**Subject: Hidden Hills Unit of California American Water Distribution System –
Notice of Violation of District Rule 40-D and Suspension of Receipt of
Applications For New or Intensified Water Use**

Dear Mr. Anthony:

This letter follows my courtesy letter dated July 29, 2008 regarding violation of Monterey Peninsula Water Management District (MPWMD or District) Rules and Regulations associated with the Hidden Hills Unit of the California American Water (CAW) system, which functions as an independent Water Distribution System (WDS) from the main CAW system. For simplicity, I will refer to this system as the Hidden Hills Water Distribution System (HHWDS). As noted in my July 29, 2008 letter and as we have discussed, the current average annual amount of CAW production needed to meet the current average annual demand of each HHWDS connection exceeds the permitted average annual amount of CAW production needed to meet the permitted average annual demand of each HHWDS connection. At the current average annual production rate for each connection, only 441 connections can be served with the existing annual production limit of 229.9 acre-feet. This means that 36 of the 477 permitted connections cannot be served at the current average rate of production per connection, without exceeding the permitted production limit. Monthly production and connection values for the HHWDS for the period January 2005 through February 2009 are shown on Enclosure 1.

This imbalance, with the current average amount of production per connection greater than the permitted average amount of production for each connection, is addressed in District Rules 40-C and D. Specifically, the ratio between average annual production and the number of connections served, i.e., Pro Rata Expansion Capacity (PREC), is defined in District Rule 11.

As described in Rule 40-D, the current amount of average annual amount of CAW production needed to meet the current average annual demand of each HHWDS connection, i.e., 0.521 acre-feet per connection per year¹, exceeds the permitted HHWDS PREC value of 0.482 acre-feet of

¹ The current PREC value for the HHWDS is calculated as the average production limit of 226.7 acre-feet for the

production per connection per year² and meets all other criteria in Rule 40-C. These other criteria include: (1) more than ten connections, (2) at least fifty percent of the connections are active, and (3) the current PREC exceeds the permitted PREC. As shown on Enclosure 1, based on twelve-month moving averages, the current PREC for the HHWDS has exceeded the permitted PREC in each of the past 13 months.

Therefore, as required by MPWMD Rule 40-D (Enclosure 2), please review the following required enforcement actions, which include suspending receipt of applications in the HHWDS:

1. Pursuant to Rule 40-D-1, this letter is formal notification that the current PREC exceeds the permitted PREC for the HHWDS, is not in balance, and that CAW is required to prepare and implement a plan to bring the system back into balance.
2. Pursuant to Rule 40-D-2, CAW is required to provide a detailed breakdown of consumption by individual use types (e.g., single-family dwelling, commercial, etc.) as well as provide trends over time. Please note that the MPWMD spreadsheet, "Pro Rata Expansion Capacity Tracking Form," (Enclosure 1) serves as an acceptable substitute.
3. Pursuant to Rule 40-D-3, CAW shall provide monthly data to enable the MPWMD *Tracking Form* referenced above to remain current.
4. Pursuant to Rule 40-D-4, I have directed MPWMD permit staff to suspend receipt of Expansion or Extension applications in the HHWDS. This means that applications for new or expanded water service in Hidden Hills needed for a Monterey County building permit will not be accepted after the date of this letter. Applications received on or prior to the date of this letter shall be processed by the District.
5. Pursuant to Rule 40-D-5, the suspension of receipt of Expansion or Extension applications in the HHWDS will continue after the system returns to compliance until I have reviewed credible expert analysis that the system can and will remain in compliance.
6. Pursuant to Rule 40-D-6, CAW will be charged appropriate administrative fees as required by Rule 60 for MPWMD staff, legal or consultant time to implement these requirements.

It is noted that the actual annual HHWDS production for WY 2008 was just under the permitted limit of 229.9 acre-feet per year (AFY). Actual use was 227.9 or 99.1% of the limit. Thus, there is no enforcement action pursuant to Rule 20.4 at this time.

preceding twelve months divided by the average number of connections (435 connections) during this twelve-month period, i.e., $226.7 \text{ AF/Connection/Year} \div 435 \text{ Connections} = 0.521 \text{ AF/Connection/Year}$.

² The permitted PREC value for the HHWDS is calculated as the annual production limit of 229.9 acre-feet per year divided by the maximum connection limit of 477 connections, i.e., $229.9 \text{ AF/Connection/Year} \div 477 \text{ Connections} = 0.482 \text{ AF/Connection/Year}$.

Craig Anthony, CAW
March 20, 2009
Page 3

I encourage you to take all necessary steps to reduce overall production in the HHWDS and help bring the current PREC value into balance with the permitted PREC value. Possible measures include fixing leaks within the system, a variety of conservation programs, and rate adjustments. Our conservation staff is available to assist you, as needed.

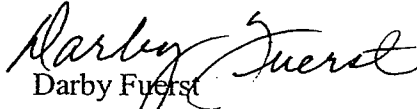
For reference, the full MPWMD Rules and Regulations are available on the District website at: <http://www.mpwmd.dst.ca.us/rules/2009Mar/TOC.htm>. Please refer to this most recent version, as there have been several important changes over the past few months.

As a courtesy, I have attached my July 29, 2008 letter (**Enclosure 3**), which provides background information. I have also attached your letters dated August 29, 2008 (**Enclosure 4**) and September 5, 2008 (**Enclosure 5**) for reference.

Note that this is a determination by me, as General Manager, and is subject to the appeal process set forth in District Rule 70. Any appeal must be requested, in writing, within twenty-one (21) days of the date of this letter, must specify the grounds upon which it is taken, refer to applicable Rules of the District, and be accompanied by the fee prescribed by Rule 60.

Thank you in advance for your cooperation. I am available to meet again to discuss this situation, if needed. I can be reached at 831/658-5651 or darby@mpwmd.dst.ca.us.

Sincerely,


Darby Fuerst
General Manager

Enclosures:

1. Updated spreadsheet of monthly water use and PREC ratio for HHWDS
2. MPWMD Rule 40-D
3. July 29, 2008 letter from MPWMD (w/o attachments)
4. August 29, 2008 letter from CAW
5. September 5, 2008 letter from CAW

Cc: MPWMD Directors
Henrietta Stern, Project Manager
Stephanie Pintar, WDD Manager
David C. Laredo, General Counsel
Lloyd Lowery, HHSRA Counsel

Pro Rata Expansion Capacity (PREC) Monthly Tracking Form: California American Water's Hidden Hills Unit														
January 2005 through Present														
Month	Annual Production Limit:	Connection Limit:	Pro Rata Expansion Capacity:	Production		Connections		PREC		Type of Connection			Transfers	
				Monthly 12-Month Total	Monthly 12-Month Average	End of Month	12-Month Average	12-Month Average	Difference	Residential Single	Residential Multi	Commercial		Other
Feb-2004	8.86			410		410				406	1	3	0	0
Mar-2004	13.96			411		411				407	1	3	0	0
Apr-2004	18.37			409		409				405	1	3	0	0
May-2004	23.42			413		413				408	1	3	1	0
Jun-2004	21.80			413		413				407	1	3	2	0
Jul-2004	23.25			411		411				405	1	3	2	0
Aug-2004	22.92			412		412				405	1	3	3	0
Sep-2004	21.49			422		422				414	1	3	3	1
Oct-2004	15.71			420		420				412	1	2	4	1
Nov-2004	11.26			420		420				411	1	4	3	1
Dec-2004	10.42			414		414				407	1	3	2	1
Jan-2005	9.20	200.7		420	415	420	0.484			412	1	3	3	1
Feb-2005	8.44	200.2		413	415	413	0.483			407	1	3	3	1
Mar-2005	10.50	196.8		418	415	418	0.474			410	1	3	3	1
Apr-2005	11.56	190.0		424	417	424	0.456			415	1	3	4	1
May-2005	16.78	183.3		421	417	421	0.439			413	1	3	3	1
Jun-2005	21.20	182.7		420	418	420	0.437			414	1	3	1	1
Jul-2005	25.19	184.7		421	419	421	0.441			414	1	3	2	1
Aug-2005	27.71	189.5		418	419	418	0.452			412	1	2	2	1
Sep-2005	26.44	194.4		426	420	426	0.463			421	1	3	0	1
Oct-2005	21.84	200.5		428	420	428	0.477			421	1	3	2	1
Nov-2005	17.15	206.4		427	421	427	-0.491			421	1	3	1	1
Dec-2005	11.90	207.9		431	422	431	-0.492			425	1	3	1	1
Jan-2006	9.24	208.0		434	423	434	-0.491			425	1	3	4	1
Feb-2006	10.24	209.8		433	425	433	-0.493			424	1	3	4	1
Mar-2006	9.02	208.3		433	426	433	-0.489			424	1	3	4	1
Apr-2006	9.47	206.2		433	427	433	0.483			424	1	3	4	1
May-2006	18.18	207.6		427	428	427	0.485			422	1	3	0	1
Jun-2006	23.32	209.7		436	429	436	-0.489			426	1	3	5	1
Jul-2006	27.37	211.9		420	429	420	-0.494			414	1	3	2	0
Aug-2006	25.70	209.9		420	429	420	-0.489			411	1	3	4	1
Sep-2006	22.91	206.3		431	429	431	0.481			421	1	3	5	1

Pro Rata Expansion Capacity (PREC) Monthly Tracking Form: California American Water's Hidden Hills Unit

January 2005 through Present

Month	Production		Connections		PREC		Type of Connection				Transfers	
	Monthly	12-Month Total	End of Month	12-Month Average	12-Month Average	Difference	Residential Single	Residential Multi	Commercial	Other		Non Revenue Metered
Annual Production Limit:			229.9									
Connection Limit:			477									
Pro Rata Expansion Capacity:			0.482									
Oct-2006	20.86	205.4	430	430	0.478	0.00	421	1	3	4	1	
Nov-2006	15.14	203.4	439	431	0.472	0.01	429	1	3	5	1	
Dec-2006	11.41	202.9	435	431	0.471	0.01	425	1	3	5	1	
Jan-2007	11.36	205.0	439	431	0.475	0.01	431	1	3	3	1	
Feb-2007	8.71	203.5	434	431	0.472	0.01	425	1	3	4	1	
Mar-2007	12.72	207.2	438	432	0.480	0.00	428	1	3	5	1	
Apr-2007	15.42	213.1	422	431	0.495	-0.01	414	1	3	3	1	
May-2007	20.43	215.4	420	430	0.500	-0.02	410	1	3	5	1	
Jun-2007	23.26	215.3	432	430	0.501	-0.02	426	1	3	1	1	
Jul-2007	25.38	213.3	429	431	0.495	-0.01	420	1	3	4	1	
Aug-2007	24.41	212.0	427	431	0.492	-0.01	419	1	3	3	1	
Sep-2007	21.73	210.8	432	431	0.486	0.00	424	1	3	3	1	
Oct-2007	18.43	208.4	441	432	0.482	0.00	432	1	3	4	1	
Nov-2007	16.10	209.4	444	433	0.484	0.00	435	1	3	4	1	
Dec-2007	12.48	210.4	437	433	0.486	0.00	428	1	3	4	1	
Jan-2008	10.84	209.9	437	433	0.485	0.00	430	1	3	2	1	
Feb-2008	11.28	212.5	441	433	0.490	-0.01	433	1	3	3	1	6.92
Mar-2008	19.02	218.8	436	433	0.505	-0.02	430	1	3	1	1	
Apr-2008	18.75	222.1	436	434	0.511	-0.03	428	1	3	3	1	
May-2008	23.31	225.0	424	435	0.518	-0.04	417	1	3	2	1	
Jun-2008	24.16	225.9	436	435	0.519	-0.04	430	1	3	1	1	
Jul-2008	24.38	224.9	431	435	0.517	-0.03	424	1	3	2	1	
Aug-2008	24.90	225.4	434	436	0.517	-0.04	429	0	2	2	1	
Sep-2008	24.27	227.9	433	436	0.523	-0.04	428	0	2	2	1	
Oct-2008	21.42	230.9	441	436	0.530	-0.05	435	0	2	3	1	
Nov-2008	15.21	230.0	435	435	0.529	-0.05	432	0	2	0	1	
Dec-2008	12.01	229.6	438	435	0.527	-0.05	432	0	2	3	1	
Jan-2009	10.22	228.9	432	435	0.527	-0.04	426	0	3	2	1	
Feb-2009	9.04	226.7	441	435	0.521	-0.04	435	0	3	2	1	
Mar-2009												
Apr-2009												
May-2009												

Pro Rata Expansion Capacity (PREC) Monthly Tracking Form: California American Water's Hidden Hills Unit
 January 2005 through Present

Month	Production		Connections		PREC		Type of Connection			Transfers
	Monthly	12-Month Total	End of Month	12-Month Average	12-Month Average	Difference	Residential	Commercial	Other	
Jun-2009							Single			Metered
Jul-2009										
Aug-2009										
Sep-2009										
Oct-2009										
Nov-2009										
Dec-2009										
Jan-2010										
Feb-2010										
Mar-2010										
Apr-2010										
May-2010										
Jun-2010										
Jul-2010										
Aug-2010										
Sep-2010										

Source: California American Water Monthly Production and Consumption Reports

Notes:

- "PREC" refers to Pro Rata Expansion Capacity and is calculated as either (a) the permitted annual production limit divided by the permitted connection limit or (b) the reported production for the preceding 12 months divided by the average number of reported connections during the preceding 12 months.
- "Transfers" refer to water provided to another CAW system. In March 2008, 6.92 AF were provided to CAW's Toro system.

ability of that System to supply water, and (ii) convene a hearing before the Board of Directors to determine whether, and to what extent, modifications shall be made to either the System Capacity or Expansion Capacity, or both, for that Water Distribution System.

3. Hearing. Upon notice that physical water supplies do not appear sufficient to support either the System Capacity or the Expansion Capacity, or both, for a Water Distribution System, the Board of Directors shall hold a public hearing to consider whether, and to what extent, modifications shall be made to either the System Capacity or Expansion Capacity, or both, for that Water Distribution System. Modification of these limits shall be supported by substantial evidence that establishes physical water supplies available to the Water Distribution System are not sufficient to meet permitted System Capacity or Expansion Capacity limits. Upon such a finding, the Board shall determine a new System Capacity or Expansion Capacity, or both, for that Water Distribution System. The Board's determination shall be based upon substantial evidence, including credible expert evidence.

4. Action Following Hearing.

Where a Water Distribution System has reached or exceeded its System Capacity or Expansion Capacity limit, as modified, the General Manager shall not receive or process any application for a permit to expand or extend that system until the further amendment, based upon credible expert analysis, is made to the System Capacity or Expansion Capacity, or both, for that Water Distribution System.

Once a Water Distribution System presents credible expert analysis to the satisfaction of the General Manager that the system has returned to full compliance and can operate within both the System Capacity or Expansion Capacity for that system, the General Manager shall again be authorized to receive and act upon permits to expand or extend that system within the amended System Capacity and Expansion Capacity limits.

C. ANNUAL WATER DELIVERY SYSTEM REPORT

The General Manager shall annually compile a report stating the quantity of water delivered from each Source of Supply, the total water produced, the average daily number of Connections in the system, and the number of new Connections in the system, and the number of new Connections and disconnections in the previous water year for each Water Distribution System in the District. The General Manager shall compile this report from the reports submitted by the Owner or Operator of Water Distribution Systems pursuant to Rule 22 and other sources as appropriate. The General Manager shall identify all Water Distribution Systems that meet all three of the following criteria: (i) have ten (10) or more Connections, and (ii) of these Connections, at least fifty percent (50%) are active Connections, and (iii) the System (production) Capacity exceeds the Pro Rata Expansion Capacity as defined in Rule 11. Such report shall be submitted to the Board.

D. SYSTEMS EXCEEDING PRO RATA EXPANSION CAPACITY

If the General Manager determines that a Water Distribution System exceeds its Pro Rata Expansion Capacity and meets all other criteria stated in Section C above, the General Manager shall:

1. Notify the Owner or Operator of a Water Distribution System that (i) the Pro Rata Expansion Capacity is not in balance with the System Capacity, and (ii) that the Owner or Operator is required to prepare and implement a plan to bring the system back into balance. Plan measures may include installation of Low Water-Use Plumbing Fixtures, Landscape Audits, removal of turf/landscape acreage, modification of rate structure, or other measures deemed acceptable by the General Manager;
2. Require systems with multiple use types to provide a detailed breakdown of consumption reporting by individual use types (e.g., Single-Family Dwellings in each area of the system, Multi-Family Residential, Public Authority, Commercial, and Industrial) together with comparison of trends in average use per Connection type over time;
3. Increase system reporting for all times system water use exceeds the Pro Rata Expansion Capacity, and for twelve (12) consecutive months after the system water use is less than its Pro Rata Expansion Capacity;
4. Suspend receipt of Expansion or Extension applications for any system that exceeded its Pro Rata Expansion Capacity within the preceding twelve (12) months;
5. For any system that exceeds its authorized Pro Rata Expansion Capacity on more than one occasion, the suspension on receipt of Expansion or Extension applications shall continue after the system again returns to compliance until the General Manager has reviewed and concurs with credible expert analysis that the system can and will remain in compliance; and
6. Collect administrative fees as required by Rule 60 for services required to implement these requirements.

E. HEARINGS FOR SYSTEMS THAT EXCEED THE PRO RATA EXPANSION CAPACITY

1. For systems which have not exceeded their System or Expansion Capacity Limit but have exceeded their Pro Rata Expansion Capacity limit on more than one occasion, and a credible expert indicates the Water Distribution System cannot sustain the Pro Rata Expansion Capacity, the Board of Directors shall provide notice and hold a public hearing to consider an adjustment to the System Limits based on credible evidence and make modifications in accordance therewith.



**MONTEREY PENINSULA
WATER MANAGEMENT DISTRICT**

5 HARRIS COURT, BLDG. G
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July 29, 2008

Craig Anthony, General Manager
California American Water
PO Box 951
Monterey, CA 93942-0951

**SUBJECT: POTENTIAL VIOLATIONS ASSOCIATED WITH HIDDEN HILLS UNIT
OF CALIFORNIA AMERICAN WATER DISTRIBUTION SYSTEM**

Dear Mr. Anthony:

This letter is written as a courtesy to advise you of potential pending formal notices of violation of Monterey Peninsula Water Management District (MPWMD or District) Rules & Regulations associated with the Hidden Hills Unit of the California American Water (CAW) system, which functions as an independent Water Distribution System (WDS) from the main CAW system. For simplicity, I will refer to this system as the Hidden Hills Water Distribution System (HHWDS). There are two key issues as noted below, and related questions that will help the District assess the situation more accurately and completely:

- Imbalance of annual production and connections as measured by the Pro Rata Expansion Capacity (PREC) ratio as described in MPWMD Rules 40-B and C;
- Potential for the actual annual HHWDS production this year to exceed its permitted limit of 229.9 acre-feet per year (AFY), which would result in a violation notice pursuant to MPWMD Rule 20.4.

For reference, the MPWMD Rules & Regulations are available on the District website at: <http://www.mpwmd.dst.ca.us/rules/Apr2008/TOC.htm>. Pertinent excerpts relating to the above-referenced issues are attached for your convenience as **Enclosure 1**.

PREC Ratio Out of Balance

The PREC ratio, which represents the balance of production and connections, is meant to serve as an early warning system to help prevent a situation where existing customers consume more than their estimated share, resulting in the system exceeding its System Capacity Limit ("production limit") before the Expansion Capacity Limit ("connection limit") is reached. The PREC was created by MPWMD Ordinance No. 118 (adopted December 2004) due in part to the HHWDS situation at at

that time. The HHWDS was near 98% of the production limit with many vacant parcels yet to be developed with homes. MPWMD Rule 11 defines the PREC as follows:

PRO RATA EXPANSION CAPACITY - "Pro Rata Expansion Capacity" means the projected water use anticipated to meet the needs of each Connection as determined by the System Capacity. For example, if the System Capacity (annual production) limit is 10 acre feet and the Expansion Capacity is 20 Connections, the Pro Rata Expansion Capacity shall be 0.50 acre feet per Connection.

MPWMD currently checks the PREC balance on an annual basis, when well production data for a Water Year (October 1-September 30) are submitted in an annual report. In previous annual checks, the HHWDS PREC has been in balance and production has remained below the production limit.

However, data for Water Year 2007 (October 1, 2006 through September 30, 2007) indicate that the PREC baseline of 0.48 acre-feet per connection was slightly exceeded, though the HHWDS was within its production limit. Due to multiple priorities this year, District staff has not carefully analyzed the HHWDS situation and communicated with you until now. Attached as **Enclosure 2** is a monthly overview of HHWDS production, connections, and PREC ratio from February 2004 through June 2008, based on monthly CAW production and consumption reports submitted to the District. Water use values in the table are well production, not metered sales. You will note that there are several consecutive months where the PREC baseline has been exceeded in recent years; these are marked by the negative numbers in bold in the column titled "Difference" Notably, the production values are relatively stable, but the number of connections varies from month to month, and the number of connections substantively affects the PREC ratio. *This table raises several questions for which the District requests a written response, as follows:*

1. *Why does the number of connections vary up and down in erratic jumps, especially for single family residences (SFR)?* One would expect the SFR connections to steadily increase over time as homes are constructed, but what accounts for sudden drops in SFR connections (e.g., compare June 2006 to July 2006 with 426 and 414 connections, respectively)?
2. *Please describe what the three "Commercial" connections serve?*
3. *What do the "Other" connections serve?*
4. *What does the "Non-revenue Metered" connection serve?* Importantly, it is noted in the most recent CAW metered consumption report for Water Year 2007, attached as **Enclosure 3**, the water consumed by this use dramatically increased to nearly 24 AF, when in previous years it used less than three AF.

Rule 40-C directs District staff to initiate a series of actions and communications for a system with an imbalanced PREC. Importantly, Rule 40-C-4 directs the General Manager to "suspend receipt of Expansion or Extension applications for any system that exceeded its Pro Rata Expansion Capacity within the preceding twelve (12) months." This means that applications for new or expanded service in Hidden Hills would not be accepted. I am poised to direct District staff to suspend accepting applications, pending a discussion of this matter with you.

Water Year 2008 Production Concerns

Data from October 1, 2007 through June 30, 2008 indicates that the HHWDS could exceed its production limit for Water Year 2008 if expected trends for summer use (July-August-September) continue this year. Higher than normal production this past spring, due to lack of rainfall, may be one reason to explain this situation. Also, the connection values continue to rise, and the PREC ratio has begun to exceed the baseline by a greater amount than in the past. District staff has communicated with some homeowner association representatives who are active in conservation, and have asked them to spread the urgent message that conservation this summer is imperative. If the annual production limit is exceeded, then Rule 20.4 triggers a formal notice of violation process, including termination of accepting new applications for water service as described in Rule 40-C. Please note that on July 21, 2008, the District Board passed the first reading of Ordinance No. 136, which also could result in termination of applications in progress if first reading language is adopted at second reading on August 18, 2008.

Please contact me at your earliest convenience so that we can discuss these matters in more detail. I can be reached at 831/658-5651 or darby@mpwmd.dst.ca.us. Thank you in advance for your cooperation.

Sincerely,



Darby Fuerst
Interim General Manager

Enclosures:

1. Excerpts from MPWMD Rules
2. Spreadsheet of monthly water use and PREC ratio
3. CAW spreadsheet on metered sales for Water Year 2007

Cc: Henrietta Stern, Project Manager
Stephanie Pintar, WDD Manager



CALIFORNIA
AMERICAN WATER

California American Water – Monterey
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Pacific Grove, CA 93950
amwater.com

August 29, 2008

RECEIVED

SEP - 2 2008

MPWMD

Darby Fuerst, General Manager
Monterey Peninsula Water Management District
P.O. Box 85
Monterey, CA 93942-0085

Dear Mr. Fuerst,

This letter is in response to your letter dated July 29, 2008 regarding the potential pending formal notices of violation of the Monterey Peninsula Water Management District (MPWMD) Rules and Regulations associated with the Hidden Hills unit of the California American Water (CAW) system.

Addressing the issue of the imbalance of annual production and connections as measured by the Pro Rata Expansion Capacity (PREC) ratio as described in MPWMD Rules 40-B and C, may be attributed to the fact that we have had several main breaks in the system that occurred during the water year 2006-2007 (October 1, 2006 through September 30, 2007).

As you know, each month California American Water provides the MPWMD the Net Consumption Report by region which lists the number of connections and the amount of water produced. In responding to your questions, the number of connections does vary on this report because the report is based on real time data. Connection data will fluctuate each time the report is requested due to accounts that have opened or closed.

The three commercial connections listed on the report as "commercial" currently serve two commercial connections in Hidden Hills and a residential home which was incorrectly coded and now has been corrected. The connection listed as "all other" serves one construction account and the connection listed as "non-revenue" serves the Hidden Hills Treatment Plant. Main breaks are also reflected on the non-revenue section of the report.

Should you have any questions, please contact me at 831-646-3214.

Sincerely,

A handwritten signature in cursive script that reads "Craig E. Anthony". The signature is written in dark ink and is positioned above the printed name.

Craig E. Anthony
General Manager
Central Division

RECEIVED

SEP 11 2008

MPWMD

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

September 5, 2008

Darby Fuerst, General Manager
Monterey Peninsula Water Management District
P.O. Box 85
Monterey, CA 93942-0085

Subject: Hidden Hills Emergency Water to Toro Water System

Dear Mr. Fuerst,

This letter is in regards to the emergency water provided to the Toro Water system from the Hidden Hills Water system. Due to equipment failures in our Toro Water system in March and July of 2008, we were forced to move a total of 6.92 acre feet from the Hidden Hills Water system to Toro Water system to avoid an extended system shut down. Seasonal demands in the Toro Water system and hydraulic factors force Californian American Water to wait until the winter period of 2008 to return the water back to the Hidden Hills Water System.

California American Water will keep you informed of our progress as we move forward with restoring the water to the Hidden Hills Water system.

If you have any questions, I can be reached at 831-646-3214.

Sincerely,



Craig E. Anthony
General Manager, Central Division