

EXHIBIT 16-A



CALIFORNIA
AMERICAN WATER

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www.californiaamwater.com

A MESSAGE FOR CUSTOMERS WHO MAY BE EXPERIENCING HIGHER THAN USUAL BILLS

Dear Customers:

You may have noticed recent reports in our local media regarding a purported rash of unexplained high water bills. I want to take this opportunity to provide you with the facts on the situation and steps to take if you receive a high water bill.

First, let me assure you that there has been no surge in high water use bills compared to our historical average. Contrary to unsubstantiated reports, there is nothing wrong with our meters, our pipes or our billing system. The water meters used in the Monterey system and across the United States by our company for over 3,000,000 customers are factory tested to tolerances specified by the American Water Works Association. We have confirmed the accuracy through local testing and have yet to find a meter that reads “high” or excess usage. Rather, we believe the steeply increasing tiered rates we recently instituted to encourage conservation have resulted in a larger price impact for spikes in consumption that are explainable and have always occurred.



In most cases these occurrences can be traced to unrepaired leaks, which under the current rate design can add up to an expensive problem if not dealt with promptly. As an example, a leak of one gallon per minute in a toilet could result in an additional \$2,000/month charge on your water bill. The goal with these rates is to make sure customers with leaks find them and fix them, and in that regard the rates are working.

I would like to take a moment with you to clear up the misperceptions that have been articulated in recent media reports. I'd also like to share some ideas on how you can protect yourself from an expensive water bill this summer and options available to you, should you receive higher than normal water bill.

Consumption Spikes

We have found no indication of any increase in consumption spikes greater than we normally see. These spikes are more frequent in warmer weather but overall affect less than 0.25 percent of our total customer base in a given year; spikes are usually the result of an unrepaired leak.

New Rates Likely the Cause for Isolated Media Reports

If you read your bill inserts you will know that a general rate increase took effect in July followed by several increased surcharges. The new rates continue our practice of rewarding sustainable water use with a lower per-unit cost for customers who use less. Customers who fail to conserve water, however, are now facing significantly higher charges in the upper consumption tiers than under the previous rates.

Our rate structure is the result of an all party settlement approved by the California Public Utilities Commission in 2009 and is designed to assist compliance with tightening pumping restrictions the state has placed on the Carmel River. Use from the Carmel River represents more than 70 percent of the Peninsula's historic water supply. This structure requires that most of the increase in rates be applied to the higher tiers resulting in much higher bills for customers using greater amounts of water.

So, an unaddressed leak that may have cost a customer hundreds of dollars under the previous rates may now cost thousands of dollars and sometimes end up being forwarded to local media. However, this isn't where the story has to end. We encourage all customers who suspect they have a leak or other billing discrepancy to call our office at (831) 646-3205. We will work with customers to help identify leaks and in many cases will issue a bill adjustment once the matter is successfully resolved.

Excessive Water Use Helps No One

Water rates on the Monterey Peninsula, and the amount of money our company is allowed to earn is strictly set by the California Public Utilities Commission. Any revenue generated over our authorized amount must be reimbursed to customers. We do not realize any additional revenue as a result of spikes in water consumption.

The rate structure approved by the California Public Utilities Commission is solely intended to encourage water conservation during this restrictive period as we endeavor to bring another source of supply online.

Small Leaks Can Lead to a Big Problem

There is a common misperception that water leaks resulting in a \$1,000+ bill would be easily noticeable. However, leaks often are hard to detect with casual observation and even a pinhole size pipe leak can waste thousands of gallons a month, often with very little visual evidence.

By far, the most common source of lost water in a home results from a leaky toilet. And unlike a broken irrigation line, it rarely leaves a trace. That's because all the water leaks back down into the drain unnoticed and can waste more than three gallons a minute. This can add up quickly.

Let's say you have a modest toilet leak at one gallon per minute. That's 1,440 gallons per day and more than 43,000 gallons a month. Add that to the water you are already using and you could be facing a very high water bill as a result. There's no puddle, no water damage and worst of all, toilet leaks are often intermittent which means they may be overlooked by a plumber.



What You Can Do to Prevent Leaks

Fortunately, we offer our Water Wise House Call program, where a company representative will conduct a thorough inspection of your home to assist you in identifying water waste, including leaky toilets, and advise you on how can save water and potentially reduce your bill. These audits are made by appointment and are completely free.

To schedule a water audit of your home or to answer any questions you may have, please call our office at (831) 646-3205.

In addition, we offer a myriad of water-efficient appliance rebates and water saving devices, such as showerheads and toilet leak detection kits, all for free upon request. For more information, check out our website: www.amwater.com/caaw/learning-center/wise-water-use/index.html.

What To Do If You Get An Unusually High Water Bill

We realize that getting unexpectedly high bill can be a jarring experience. That is why we have a warning system in place, where our billing staff endeavors to alert customers to any unusually high monthly meter reads on their property before the bill arrives. Reaching out to our customers helps us and you to understand the issue as soon as possible and resolve any billing concerns.

If you receive an unusually high bill and you can't account for the usage, then give us a call at (831) 646-3205. If a leak is discovered and is successfully repaired, we will issue a credit. Customers are generally eligible for one credit every 24 months. When credits are issued, customers are still asked to pay for the water consumed by their leak. However, any consumption over the amount used for the same period the previous billing year will be calculated at a lower tier rate, which typically results in an eighty percent savings from the original high bill.

INCOME GUIDELINES <i>(Effective June 1, 2012 to May 31, 2013)</i>	
Number of Persons in Household	Total Combined Annual Income
1 or 2	\$ 31,800
3	\$ 37,400
4	\$ 45,100
5	\$ 52,800
6	\$ 60,500

For households with more than six persons, add \$7,700 annually for each additional person residing in the household.

For those customers who may be struggling to pay their bill, we proudly offer our H2O Help to Others program. This service provides a monthly water bill discount for qualified households.

To apply to the H2O Help to Others program, download the application at www.amwater.com/caaw/Customer-Service/low-income-program.html.

Let's Work Together

Nobody likes to see a customer having to go through the experience of paying an expensive bill – least of all, us. That is why we offer a myriad of programs and services designed to prevent exactly that.

Together we can work to lower your water consumption and help you save on your monthly water bill. And if you find yourself confronted with a high water bill that resulted from a leak or some form of unexplained usage, give us a call. Together we will work to solve the problem and adjust your bill accordingly.

Due to the tightening water restrictions and strict conservation rate structure we now have in place on the Monterey Peninsula, the cost of unattended leaks and other water waste will only get more expensive going forward. That is why we urge all customers to pay close attention to their water bills and to call us at the first sign of high and/or unexplained water usage. We are here to work with you.

Sincerely,

Eric Sabolsice
General Manager, California American Water

