

**AGREEMENT OF  
CALIFORNIA-AMERICAN WATER COMPANY, CITIZENS FOR PUBLIC WATER,  
CITY OF PACIFIC GROVE, COALITION OF PENINSULA BUSINESSES,  
DIVISION OF RATEPAYER ADVOCATES, MONTEREY PENINSULA REGIONAL  
WATER AUTHORITY, MONTEREY PENINSULA WATER MANAGEMENT  
DISTRICT, MONTEREY REGIONAL WATER POLLUTION CONTROL AGENCY,  
AND PLANNING AND CONSERVATION LEAGUE FOUNDATION ON PRE-  
CONSTRUCTION ACTIVITIES RELATED TO CERTAIN PIPELINE FACILITIES**

**1. GENERAL**

1.1 California-American Water Company (“California American Water”), Citizens for Public Water, City of Pacific Grove, Coalition of Peninsula Businesses, Division of Ratepayer Advocates, Monterey Peninsula Regional Water Authority, Monterey Peninsula Water Management District (“MPWMD”), Monterey Regional Water Pollution Control Agency, and Planning and Conservation League Foundation (collectively, “the Parties”), agree on the terms of this Agreement and the potential beneficial impact of moving forward with design, permitting and land acquisition for pipeline facilities in California American Water’s Monterey County District (referred to as the “CAW-Only Facilities”).

1.2 In California Public Utilities Commission (“Commission”) proceeding A.12-04-019, California American Water seeks a Certificate of Public Convenience and Necessity (“CPCN”) for the Monterey Peninsula Water Supply Project (“MPWSP”) and authorization to recover project costs in rates. The MPWSP proposes to replace a significant portion of the existing water supply from the Carmel River, as directed by the State Water Resources Control Board (“SWRCB”). In SWRCB Water Rights Order 2009-0060, the SWRCB established a deadline of December 31, 2016 for California American Water to develop replacement water supplies to substitute for unauthorized diversions from the Carmel River.

1.3 The MPWSP includes the CAW-Only Facilities the Commission previously approved in decision (“D.”) 10-12-016. The CAW-Only Facilities consist of the Transfer Pipeline, the Seaside Pipeline, the Monterey Pipeline, the Terminal Reservoir, the Aquifer Storage and Recovery (“ASR”) Pipeline, the ASR Recirculation and Backflush Pipelines, the ASR Pump Station and the Valley Greens Pump Station. The CAW-Only Facilities were reviewed pursuant to the California Environmental Quality Act (“CEQA”) in the Environmental Impact Report (“EIR”) certified by the CPUC in D.09-12-017.

1.4 The SWRCB has concluded that California American Water’s diversions from the Carmel River may damage the riparian and aquatic habitat of the Carmel River and the species that inhabit them.

1.5 On May 30, 2013, the *Administrative Law Judge’s Ruling After Evidentiary Hearings* (“Ruling”) was issued extending the date for a final CPUC decision on the MPWSP CPCN from December 2013/January 2014 to August 2014. As indicated in the Ruling, this diminishes the prospect California American Water will meet the SWRCB December 2016 deadline.

**2. ACTIONS**

2.1 The Parties agree that avoiding delay in completion of the CAW-Only Facilities could allow California American Water to sooner maximize the ASR system and potentially reduce its pumping from the Carmel River during the summer months.

2.2 The Parties agree that California American Water should track the cost of proceeding with the design, permitting and land purchases necessary for the CAW-Only Facilities in a sub-account of the Coastal Water Project memorandum account.

2.3 If the costs described in Section 2.2 become an integral part of the development of the MPWSP, then the costs incurred for design, permitting and land purchases will be considered part and parcel to the completed project. Such costs will be removed from the memorandum account and placed with the rest of the construction work in progress costs of the CAW-Only Facilities at the time actual construction of the facilities commences. If the costs specified in Section 2.2 do not become an integral part of the MPWSP, then California American Water will file a separate application to seek disposition and recovery of the expenditures incurred as described in Section 2.3, separate and distinct from any other Coastal Water Project surcharge recovery request.

**3. CONDITIONS**

3.1 This Agreement may be executed in counterparts, each of which shall be deemed an original, and the counterparts together shall constitute one and the same instrument. Each of the Parties hereto and their respective counsel and advocates have contributed to the preparation of this Agreement. Accordingly, the Parties agree that no provision of this Agreement shall be construed against any Party because that Party or its counsel drafted the provision.

3.2 This Agreement is without prejudice to any Party's right to take part to the full extent provided by law in any state, local, or federal permitting or other entitlement process related to the MPWSP. Notwithstanding such right and subject to the provisions herein, the Parties agree to support or not oppose all provisions included in this Agreement in any such process, and shall not advocate in any such process a position inconsistent with any provision in this Agreement. Any Party with the legal authority or obligation to issue any permit or entitlement for the MPWSP shall maintain its full legal authority and discretion to determine whether or not to issue such permit or entitlement.

July 31, 2013

CALIFORNIA-AMERICAN WATER  
COMPANY

By:   
Robert MacLean, President

July \_\_, 2013

CITIZENS FOR PUBLIC WATER

By: \_\_\_\_\_  
George T. Riley

July \_\_, 2013

CITY OF PACIFIC GROVE

By: \_\_\_\_\_  
Thomas Frutchey, City Manager

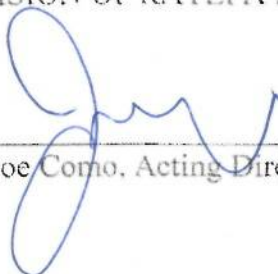
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COALITION OF PENINSULA BUSINESSES

By: \_\_\_\_\_  
Bob McKenzie, President

July 31, 2013

DIVISION OF RATEPAYERS ADVOCATE

By:   
Joe Como, Acting Director

CPUC PROCEEDING: A.12-04-019

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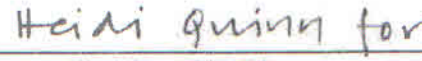
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CITIZENS FOR PUBLIC WATER

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MONTEREY PENINSULA REGIONAL  
WATER AUTHORITY

By: Chuck Della Sala  
Chuck Della Sala, President

July \_\_, 2013

MONTEREY PENINSULA WATER  
MANAGEMENT DISTRICT

By: \_\_\_\_\_  
David J. Stoldt, General Manager

July \_\_, 2013

MONTEREY REGIONAL WATER  
POLLUTION CONTROL AGENCY

By: \_\_\_\_\_  
Keith Isreal, General Manager

July \_\_, 2013

PLANNING AND CONSERVATION  
LEAGUE FOUNDATION

By: \_\_\_\_\_  
Jonas Minton

CPUC PROCEEDING: A.12-04-019


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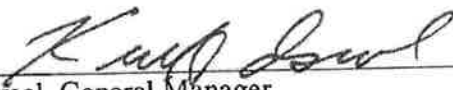
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Keith Israel, General Manager

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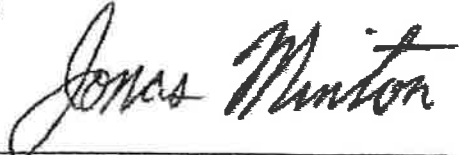
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July 31, 2013

PLANNING AND CONSERVATIONS  
LEAGUE

By:  \_\_\_\_\_  
Jonas Minton, Water Policy Advisor