

ATTACHMENT 1

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of California-American Water Company (U 210 W) for an Order Authorizing a Special Conservation Program and Modifications to Its Rate Design in Its Monterey District, and Authorization to Increase Its Rates for Water Service in Its Monterey District

A.07-12-010
(Filed December 14, 2007)

**SETTLEMENT AGREEMENT AMONG THE DIVISION OF RATEPAYER
ADVOCATES, MONTEREY PENINSULA WATER MANAGEMENT DISTRICT AND
CALIFORNIA-AMERICAN WATER COMPANY ON CONSERVATION ISSUES FOR
THE MONTEREY DISTRICT**

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October 10, 2008

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I. GENERAL

- A. Pursuant to Article 12 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), the Division of Ratepayer Advocates ("DRA"), the Monterey Peninsula Water Management District ("MPWMD") and California-American Water Company ("California American Water" or "CAW") (collectively, "the Parties") have agreed on the terms of this Settlement Agreement which they now submit for approval. This Settlement Agreement addresses conservation for the Monterey District.
- B. Since this Settlement Agreement represents a compromise by them, the Parties have entered into each stipulation contained in the Settlement Agreement on the basis that its approval by the Commission not be construed as an admission or concession by any Party regarding any fact or matter of law in dispute in this proceeding. Furthermore, the Parties intend that the approval of this Settlement Agreement by the Commission not be construed as a precedent or statement of policy of any kind for or against any Party in any current or future proceeding. (Rule 12.5, Commission's Rules on Practice and Procedure.)
- C. The Parties agree that no signatory to the Settlement Agreement assumes any personal liability as a result of their agreement. All rights and remedies of the Parties are limited to those available before the Commission. Furthermore, the Settlement Agreement is being presented as an integrated package such that parties are agreeing to the Settlement Agreement as a whole, as opposed to agreeing to specific elements of the Settlement Agreement. If the Commission adopts the Settlement Agreement with modifications, all Parties must consent to the modifications or the Settlement Agreement is void.
- D. Parties agree to use their best efforts to obtain Commission approval of the Agreement. The Parties shall request that the Commission approve the Agreement without change and find the Agreement to be reasonable, consistent

with the law, and in the public interest. The Parties shall take no action in opposition to this Settlement.

- E. Nothing in this Settlement Agreement precludes California American Water from pursuing its "Stand Alone" plan for rationing, as described in the testimonies of David Stephenson and David Morse in this proceeding, if California American Water and MPWMD fail to develop a mutually shared rationing program in accordance with the CAW/MPWMD Agreement. Nothing in this Settlement Agreement precludes MPWMD and DRA from opposing California American Water's "Stand Alone" plan for rationing.
- F. The Parties acknowledge that execution of this Settlement Agreement by the MPWMD General Manager is required by law to be subject to ratification by the MPWMD Board of Directors.
- G. This Settlement 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.

II. BACKGROUND

- A. The Parties desire to develop a conservation plan for California American Water's Monterey District that includes the smaller distribution systems along State Route 68 between Monterey and Salinas that derive their source of supply from the Laguna Seca Subarea of the Seaside Basin (referred to hereafter as the "Sub-Systems") and updates the triggers to include both the State Water Resources Control Board ("SWRCB") Order WR95-10 and the ruling in *California American Water v. City of Seaside, et al*, Case No. M66343, California Superior Court, Monterey County, California ("Seaside Basin Adjudication").
- B. California American Water and MPWMD entered into an agreement, memorialized in a document entitled CAW/MPWMD Settlement Agreement Addressing Conservation / Rationing Plan, dated August 11, 2008 ("CAW/MPWMD Agreement"), which was ratified by the Board of Directors of the Monterey Peninsula Water Management District (the "MPWMD Board") during its August 18, 2008 Regular Meeting. In the CAW/MPWMD Agreement, MPWMD agreed to amend the definition of Monterey Peninsula Water Resource System ("MPWRS") to include the Laguna Seca Subarea of the Seaside Basin, including the Sub-Systems, so that the California American Water conservation plan can be implemented no later than October 31, 2008.
 - 1. During its August 18, 2008 Regular Meeting, the MPWMD Board adopted the Revised Ordinance No. 134 – An Ordinance of the Board of Directors of the Monterey Peninsula Water Management District Amending Regulation XV, Expanded Water Conservation and Standby Rationing Plan ("Ordinance 134"), which amended Regulation XV.
 - 2. During its August 18, 2008 Regular Meeting, the MPWMD Board conducted a first reading of Ordinance No. 135 *with Urgent Effect – Include the Inland Subareas of the Seaside Basin into the Monterey*

Peninsula Water Resource System ("Ordinance 135"). Rather than taking urgency action, the Board approved first reading.

3. During its September 22, 2008 Meeting, the MPWMD Board conducted a second reading and adopted Ordinance 135. Ordinance 135 amends the definition of the MPWRS in Regulation XV to include the Sub-Systems. As a result, Stages 1-3 shall apply to California American Water's customers who derive their source of supply from the MPWRS.

- C. The current Tariff Rule 14.1 *Water Conservation Plan for the Monterey District* adopted in 1999 shall be revised as described herein to implement the conservation program Stages 1-3 to assist California American Water to not exceed its permitted water production levels as set forth in the Revised Rule.

III. REVISED RULE 14.1: STAGES 1-3 CONSERVATION PROGRAM

- A. The Parties agree that:

1. The Revised Rule 14.1 Conservation Stages 1-3 ("Revised Rule 14.1") will apply to all customers in the Monterey District except Toro, Ambler Park, Ralph Lane and Chualar. Revised Rule 14.1 will apply to the Sub-Systems.
2. The Revised Rule 14.1 will specifically reference the California Superior Court, Monterey County's Seaside Basin Adjudication, which limits the Company's production from the Seaside Basin.
3. Water Production Table: The production limits for the Seaside Basin will be included in the Revised Rule 14.1. The legal production limits from both the Carmel River System and the Seaside Basin will be considered in triggering the conservation program. Table 1 to the Revised Rule 14.1 will include updates to include the current production limits for the Carmel River System and the Seaside Basin. Table 2 in the Revised Rule 14.1 will include the current production limits for the Laguna Seca Subarea. Table 2 is intended to provide assurances to Laguna Seca Subarea customers that their production limits are exceeded before customers are subject to Stages 2 and 3. California American Water shall update the Revised Rule 14.1 via advice letter to reflect any changes to the water production limits in Table 1 and Table 2.
4. Water Waste Fees: Revised Rule 14.1 will only impose water waste fees on multifamily residential water waste in lieu of a flow restrictor.
5. Tariff Schedule MO-14.1: Flow restrictors will be installed on customer meters after three or more notices of water waste violations from California American Water or MPWMD. Fees for removal of flow restrictors will be consistent with Standard Practice U-40-W. The removal charge, or multi-family dwelling unit charge for residential customers, will be included on the customer's bill. California American Water will replace Tariff Schedule MO-8 with a new Tariff Schedule MO-14.1 setting fees for flow restrictor removal and in lieu fees for multi-family dwelling customers.

6. Variances: Revised Rule 14.1 provides California American Water a procedure to grant variances for flow restrictor requirements based upon medical need.
 7. Customer Notification: Revised Rule 14.1 will require notice for any change in stages up or down and no less than 30 days advance notice for any increased customers rates.
 8. Revised Rule 14.1 will include references to MPWMD Regulation XV as amended by Ordinances 134 and 135 rather than MPWMD Ordinance 92.
 9. Revised Rule 14.1 will include an attached copy of the MPWMD Rule 172, which requires landscape water audits and budgets.
 10. Stage 3: Stage 3 trigger will include a phase in of triggers as the water year proceeds to the higher use months by providing a slightly more stringent trigger for each quarter in the water year and monthly triggers in the second quarter. The trigger mirrors Regulation XV, as revised by Ordinance 134.
 11. Stage 3: Stage 3 will require implementation of Commission-approved emergency rate schedules.
 12. The Revised Rule 14.1 will become effective immediately upon a Commission decision adopting the proposed settlement.
- B. Appendix A: Appendix A to this Settlement Agreement reflects the Rule 14.1 changes described in Section III.A and other changes agreed to by the Parties.
- C. Consistent Plan.
1. Requirements under Revised Rule 14.1 and Regulation XV as amended by Ordinances 134 and 135 shall be consistent, including notice requirements and production triggers.

IV. OTHER ISSUES

The Parties agree that California American Water shall provide MPWMD customer data that is necessary for MPWMD to prepare for, test, implement and enforce Stages 1-3. The Parties recommend that California American Water provide the information listed in the table attached hereto as Appendix C. The Parties acknowledge MPWMD's regulatory authority to secure compliance with its Rules and Regulations. The Parties further acknowledge that on October 3, 2008, MPWMD filed a motion in support of its need to access California American Water customer data. These data shall be deemed a trade secret, and shall not be available for public review.

V. SCHEDULES

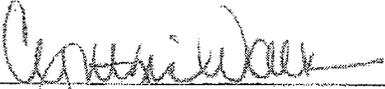
Appendix A: Stages 1-3 of Proposed Rule 14.1, *Water Conservation Plan- Monterey District*.

Appendix B: Tariff Schedule MO-14.1 setting fees for flow restrictor removal and in lieu fees for multi-family dwelling customers.

Appendix C: MPWMD's Need to Access California American Water Data for Stage 1 – 3 Only.

Respectfully submitted,

By:



Cynthia Walker
THE DIVISION OF RATEPAYER ADVOCATES

By:



David P. Stephenson
CALIFORNIA-AMERICAN WATER COMPANY

By:

Darby Fuerst
MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

October 10, 2008

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Respectfully submitted,

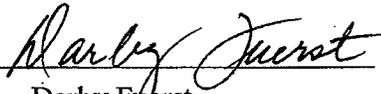
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MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

October 10, 2008

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APPENDIX

A

RULE 14.1
WATER CONSERVATION PLAN
MONTEREY DISTRICT

A. GENERAL INFORMATION

The Monterey District of California-American Water Company ("Company") has been ordered by the State Water Resources Control Board ("SWRCB") to limit its production of water from the Carmel River System to less than 14,106 acre feet annually, with a goal, in Water Year 2007-2008 of no more than 11,285 acre feet annually. This limitation is the result of complaints filed against the Company for unlawful diversion from the Carmel River System. The SWRCB found the Company was diverting water without the benefit of permit. The SWRCB issued Order WR 95-10 which, in addition to setting the water-production limits, authorizes the Chief, Division of Water Rights, to refer any violation of the ordering conditions to the Attorney General for action under Section 1052 of the Water Code or to initiate other enforcement action as may be appropriate under the Water Code.

As of March 27, 2006, the Company's production from the Seaside Basin is also restricted pursuant to *California American Water v. City of Seaside, et. al*, Case No. M66343, California Superior Court, Monterey County (the "Seaside Basin Decision"). The Company has wells in both the Coastal Subareas and Laguna Seca Subarea of the Seaside Basin that are affected by the Seaside Basin Decision. Specifically, the Seaside Basin Decision limits the Company's production from the Seaside Basin to no more than 3,849 acre feet in Water Year 2008.

This conservation plan, filed in response to the adoption by the Monterey Peninsula Water Management District's ("MPWMD") Regulation XV, the Expanded Water Conservation and Standby Rationing Plan, is intended to help insure that all responsible measures are instituted to enable the Company's Monterey District to comply with the limitations on productions found in SWRCB Order WR 95-10 and the Seaside Basin Decision.

The Commission shall authorize Tariff Schedule MO-14.1, which sets forth charges for the removal of flow restrictors and in lieu fees for multi-residential Customers. The Company will continue to make water conservation devices available to its Customers as required by its Rule 21 and to remind Customers of the availability of conservation devices and all rebate programs.

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B. DEFINITIONS

1. "AF" means acre feet;
2. "Carmel River System" means the surface water in the Carmel River and its tributaries, and groundwater in the underlying Alluvial Aquifer;
3. "Ccf" means one hundred cubic feet, which equals 748 gallons;
4. "Commission" means the California Public Utilities Commission;
5. "Company" means California-American Water Company;
6. "Customer" means any person who uses water supplied by the Company in its Monterey District;
7. "Dedicated Irrigation Meter" means a water meter exclusively used to measure outdoor water consumption;
8. "Large Residential Customers" means Customers categorized with residential water service that consume a monthly average of 32 Ccf or more annually;
9. "Main System" means the Company's largest distribution system in its Monterey District that serves Customers in the Cities of Carmel-by-the-Sea, Del Rey Oaks, Monterey, Sand City, Seaside, and Pacific Grove, and portions of unincorporated Monterey County in the Carmel Valley, Del Monte Forest, and Carmel Highland areas. The Main System derives its source of supply from the Carmel River System and Coastal Subareas of the Seaside Basin;
10. "MPWMD" means the Monterey Peninsula Water Management District and its designated representatives acting on its behalf;
11. "Monterey Peninsula Water Resource System" or "MPWRS" means the surface water in the Carmel River and its tributaries, groundwater in the Carmel Valley Alluvial Aquifer which underlies the Carmel River, and groundwater in the Seaside Groundwater Basin;
12. "Person" means any individual, person, firm, partnership, association;
13. "Regulation XV" means MPWMD Regulation XV, The Expanded Water Conservation and Standby Rationing Plan as modified by Ordinances 134 and 135;

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14. "Rule" means this Rule 14.1;
15. "Sub-Systems" means the Company's smaller distribution systems along State Route 68 between Monterey and Salinas that derive their source of supply from the Laguna Seca Subarea of the Seaside Basin. These Sub-systems include the Ryan Ranch, Hidden Hills, and Bishop systems;
16. "Seaside Basin" means the water in the Seaside Groundwater Basin as described in the Seaside Basin Decision;
17. "Seaside Basin Decision" means the *California American Water v. City of Seaside, et. al*, Case No. M66343, California Superior Court, Monterey County;
18. "SWRCB" means the California State Water Resources Control Board;
19. "SWRCB Order" means Order WR 95-10 issued by the SWRCB;
20. "System Production Limit" means the Company's maximum annual production from the Carmel River System and the Seaside Basin as summarized in Table 1 of this Rule;
21. "Water" means water supplied by the Company;
22. "Water Year" means the period from October 1 of any year to September 30 of the following year;

C. APPLICABILITY

This Rule applies to most Customers of the Monterey District of the Company served under rate schedules authorized by the Commission. This Rule applies to Customers supplied by water from the Carmel River System and Seaside Basin (including the Laguna Seca Subarea, which provides water for Customers within the Ryan Ranch, Hidden Hills and Bishop systems). It does not apply to Customers in Toro, Ambler Park, Ralph Lane and Chualar.

Stages 2 or 3 will be triggered for the Company's Main System when the Company exceeds its permitted production levels set forth in Table 1 for the combined MPWRS, which shall take into consideration the legal limitations imposed by the SWRCB and the Seaside Basin Decision; and will only be triggered for the Sub-Systems when the Company exceeds both its permitted production levels set forth in Tables 1 and 2 for the combined MPWRS, and the production allowed by the Watermaster in the Seaside Basin Decision for the Laguna Seca Subarea of the Seaside Basin.

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D. TERRITORY

The territory includes the incorporated Cities of Monterey, Pacific Grove, Carmel-by-the-Sea, Del Rey Oaks, Sand City, a portion of Seaside, and certain unincorporated areas in the County of Monterey which include the Ryan Ranch, Bishop and Hidden Hills systems, except for Toro, Ambler Park, Ralph Lane and Chualar.

E. LANDSCAPE IRRIGATION LIMITATIONS

Landscape irrigation restrictions apply to Customers who derive their source of supply from the MPWRS. Unless watering is by drip irrigation, through a hand-held hose with a positive action shut-off nozzle, or performed by a professional gardener or landscaper, the following schedule shall apply:

1. Odd numbered properties shall water after 5:00 PM or before 9:00 AM on Saturdays and Wednesdays only. This schedule shall also apply to properties located on the South or West side of the street in cities and unincorporated areas where no street address is available.
2. Even numbered properties shall water after 5:00 PM or before 9:00 AM on Sundays and Thursdays only. This schedule shall also apply to properties located on the North or East side of the street in cities and unincorporated areas where no street address is available.

F. WATER CONSERVATION INITIATION

This Rule shall commence immediately upon approval of the Commission. Trigger criteria for the various Stages are found in this Rule and Regulation XV.

G. COMMISSION NOTIFICATION

The Company will provide the Commission a courtesy notification of a change in Stages immediately upon their implementation. The notification shall be in the form of a letter directed to the Director of the Commission's Water Division and copied to the Director of the Division of Ratepayer Advocates, and any other parties as directed by the Commission or the Director of the Water Division.

H. CUSTOMER NOTIFICATION

The Company shall notify Customers via direct mailing of the effective date of any change in Stages either moving up Stages, *e.g.* from Stage 2 to Stage 3, or moving down Stages, *e.g.* from Stage 3 to Stage 1. Customers will be notified no less than thirty (30) days before any increased Customer rates. In addition, the Company shall

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maintain communication with Customers regarding the ongoing water supply situation and related conservation requirements via direct mail and/or advertising in local print and/or broadcast media.

I. WATER CONSERVATION

1. Customers' Responsibilities

- a. Hotels, motels, and other hospitality businesses should not change linens on a daily basis during guest stays, unless specifically requested.
- b. Hotels, motels, and other hospitality businesses are not to change towels for guest stays more than once every three days, unless specifically requested.

2. Nonessential Water Use shall mean the indiscriminate or excessive dissipation of water which is unproductive, or does not reasonably sustain life or economic benefit. Nonessential water use includes, but is not limited to, the following:

- a. Serving drinking water to any Customer unless expressly requested, by a restaurant, hotel, café, cafeteria and other public place where food is sold, served or offered for sale.
- b. Operation of fountains, ponds, lakes or other ornamental use of potable water without recycling.
- c. Using unmetered fire hydrant water by individuals for any reason other than fire suppression or utility system maintenance purposes.
- d. Draining and refilling swimming pools or spas except to prevent or correct structural damage or to comply with public health regulations.
- e. Unreasonable or excessive use of potable water for dust control or earth compaction without prior written approval of MPWMD.

3. Water Waste shall mean the indiscriminate, unreasonable, or excessive running or dissipation of water. Water waste shall include, but not be limited to, the following:

- a. Waste caused by correctable leaks, breaks or malfunctions. This loss of potable water may be cited for water waste after a reasonable period of time has passed in which the leak or malfunction could have been corrected.

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- b. Use of potable water for washing buildings, structures, driveways, patios, parking lots, tennis courts, or other hard surfaced areas, except in the cases where health and safety are at risk.
- c. Indiscriminate or excessive water use which allows excess to run to waste.
- d. Use of potable water to irrigate turf, lawns, gardens or ornamental landscaping between 9:00 AM and 5:00 PM by means other than drip irrigation, or hand watering without quick acting positive action shut-off nozzles. Exceptions may be granted by MPWMD to professional gardeners where the only option is to water between 9:00 AM and 5:00 PM.
- e. Individual private washing of cars with a hose except with the use of a positive action shut-off nozzle. Use of water for washing commercial aircraft, cars, buses, boats, trailers or other commercial vehicles at any time, except at commercial or fleet vehicle or boat washing facilities operated at a fixed location where equipment using water is properly maintained to avoid wasteful use.
- f. Operation of commercial car washes without recycling at least 50% of the potable water used per cycle.
- g. Use of potable water for more than minimal landscaping, as defined in the landscaping regulations of the local jurisdiction or as described in California Government Code, sections 65591 *et seq.*
- h. Use of potable water for street cleaning.
- i. Misrepresentation of the number of persons permanently residing on a property where water is supplied by the Company.
- j. Failure to maintain water use within a mandatory landscape water budget.
- k. Transportation of water from the MPWRS without prior written authorization from the MPWMD shall be deemed water waste. Emergency or health situations may qualify for an MPWMD variance in accordance with its rules.

J. STAGE 1 - WATER CONSERVATION

Stage 1 Water Conservation is the first stage of water conservation measures as defined in this Rule and Regulation XV. Action is to be taken to maintain the Company's production of water from the MPWRS within the current Water Year limits of the SWRCB Order and the Seaside Basin Decision by increasing conservation activities and preparing for further stages of conservation. The SWRCB Order and Seaside Basin Decision currently limit production, including production from the Laguna Seca Subarea, to the production levels listed in Table 1. The Seaside Basin Decision limits production in the Sub-Systems to the production level listed in Table 2. Each Customer in the Company's Monterey District whose water supply is derived from the MPWRS shall comply with the water waste and nonessential water use prohibitions as stated in this Rule.

The Company, in coordination with the MPWMD, shall conduct Landscape Water Audits and establish landscape water budgets for all Customers subject to MPWMD Rule 172. These include customers with a Dedicated Irrigation Meter, an irrigated area of greater than three acres, or Large Residential Customers. Annually, at the beginning of the Water Year, the Company shall review its records to verify that all Customers required by Rule 172 to have a landscape water budget have met the requirement. The Company shall notify Customers who have not met this requirement within thirty (30) days.

K. STAGE 2 - WATER CONSERVATION

Stage 2 Water Conservation is the second stage of water conservation as defined in this Rule and Regulation XV. The requirements of Stage 1 shall remain in effect during Stage 2. In addition, the following shall apply in Stage 2 Water Conservation.

1. Action is to be taken to maintain the Company's production of water from the MPWRS below the limits of the SWRCB Order and the Seaside Basin Decision by increasing conservation activities as set forth in this section.
2. The Company shall provide an annual reminder notice to Customers served from sources within the MPWRS with landscape water budgets to report modifications in landscaping which could alter an existing budget.
3. The Company shall provide quarterly compliance status notices to each Customer required to follow a mandatory Landscape Water Budget.

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4. Stage 2 Water Conservation shall be enforced on Company Customers supplied by water from Carmel River System and Seaside Basin, excluding the Sub-Systems, when the Company's production from the MPWRS has exceeded the year-to-date at month-end production as shown in Table 1.
5. Stage 2 Water Conservation shall be enforced on the Sub-Systems when the Company's production of water from the combined MPWRS has exceeded the year-to-date at month-end production as shown in Table 1 and the Sub-Systems have exceeded the year-to-date at month-end production adjudicated allocation noted in Table 2.
6. Table 1 provides current triggers for use in determining Stage 2 and Stage 3 for the Company's Customers supplied by water from the Carmel River System and Seaside Basin, excluding Customers in the Sub-Systems. Table 2 and Table 1 provide triggers for use in determining Stages 2 and 3 for the Sub-Systems.

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Table 1
Stage 2 and Stage 3 Production Triggers
MPWRS

| Month | Monthly Production | Year-to-Date |
|-----------|--|-------------------------------|
| | (Includes Carmel, Seaside & Sub-Systems) AF | Production at Month End AF |
| October | 1,377 | 1,377 |
| November | 1,082 | 2,458 |
| December | 993 | 3,452 |
| January | 961 | 4,413 |
| February | 878 | 5,291 |
| March | 1,012 | 6,302 |
| April | 1,124 | 7,427 |
| May | 1,424 | 8,850 |
| June | 1,522 | 10,372 |
| July | 1,640 | 12,012 |
| August | 1,633 | 13,645 |
| September | 1,489 | 15,134 |
| TOTAL | 15,134 | |

Table 2
Stage 2 and Stage 3 Production Triggers
Sub-Systems (Laguna Seca)

| Month | Monthly Production | Year-to-Date |
|-----------|---------------------------|-------------------------|
| | Sub-Systems (Laguna Seca) | Production at Month End |
| | AF | AF |
| October | 34 | 34 |
| November | 23 | 57 |
| December | 19 | 75 |
| January | 16 | 91 |
| February | 15 | 106 |
| March | 19 | 125 |
| April | 24 | 149 |
| May | 33 | 183 |
| June | 38 | 221 |
| July | 43 | 264 |
| August | 42 | 305 |
| September | 40 | 345 |
| TOTAL | 345 | |

7. The requirements of Stage 1 Water Conservation shall remain in effect in Stage 2 Water Conservation.
8. All large irrigators of three acres or more, Large Residential Customers, and Customers with Dedicated Irrigation Meters are required to obtain a budget and are required to manage outdoor irrigation within the budget assigned to the property.
9. The Company shall notify Customers via direct mailing that Stage 2 Water Conservation will be implemented with a specified effective date. Customers identified in section K.8. will be notified that: 1) they are required to comply with a landscape water budget; 2) they are required to manage outdoor irrigation within the landscape water budget assigned to their property; 3) water use in excess of the established landscape water budget shall be considered water waste;

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4) Customers with use above the landscape water budget may have a flow restrictor installed in accordance with Section M.

10. Stage 2 Water Conservation shall be rescinded and revert to Stage 1 Water Conservation upon compliance with the year-to-date at month-end production targets noted for the MPWRS for two consecutive months in the subsequent Water Year.

L. STAGE 3 - WATER CONSERVATION

Stage 3 Water Conservation is the third stage of water conservation as defined in this Rule and Regulation XV. The requirements of Stage 2 Water Conservation shall remain in effect in Stage 3 Water Conservation. In addition, the following shall apply in Stage 3 Water Conservation:

1. Action is taken to maintain the Company's production of water from the MPWRS below the limits of the SWRCB Order and the Seaside Basin Decision by increasing conservation activities as set forth in this section.
2. Stage 3 Water Conservation shall be enforced on the Company's Customers supplied by water from the Carmel River System and Seaside Basin, excluding Customers in the Sub-Systems, when the Company's production from the MPWRS exceeds specified levels as described in Table 1. Stage 3 shall be in effect:
 - a. if Company production from the MPWRS on a year-to-date basis exceeds the year-to-date target by 5% or more at the end of the first quarter of the Water Year, i.e., December 31; or
 - b. if Company production from the MPWRS on a year-to-date basis exceeds the year-to-date target by 4% or more at the end of January, or the year-to-date target by 2.5% or more at the end of February, or the year-to-date target by 1% or more at the end of March; or
 - c. if Company production from the MPWRS on a year-to-date basis exceeds the year-to-date targets for a consecutive seven-day period during the months of April, May or June; or
 - d. if Company production from the MPWRS on a year-to-date basis exceeds the year-to-date target on any single day during July, August, or September.
3. Stage 3 Water Conservation shall be enforced on the Company's Customers in the Sub-Systems, when the Company's production from the MPWRS exceeds specified levels as described above in

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Section L.2. of this Rule and also the production in the Sub-Systems exceed specified levels as described in Table 2. Stage 3 shall be in effect:

- a. if Company production from the MPWRS on a year-to-date basis exceeds the year-to-date target by 5% or more at the end of the first quarter of the Water Year, i.e., December 31 and if Company production from the Sub-Systems on a year-to-date basis exceeds the year-to-date target by 5% or more at the end of the first quarter of the Water Year, i.e., December 31; or
 - b. if Company production from the MPWRS on a year-to-date basis exceeds the year-to-date target by 4% or more at the end of January, or the year-to-date target by 2.5% or more at the end of February, or the year-to-date target by 1% or more at the end of March and if Company production from the Sub-Systems on a year-to-date basis exceeds the year-to-date target by 4% or more at the end of January, or the year-to-date target by 2.5% or more at the end of February, or the year-to-date target by 1% or more at the end of March; or
 - c. if Company production from the MPWRS on a year-to-date basis exceeds the year-to-date targets for a consecutive seven-day period during the months of April, May or June and if Company production from the Sub-Systems on a year-to-date basis exceeds the year-to-date targets for a consecutive seven-day period during the months of April, May or June; or
 - d. if Company production from the MPWRS on a year-to-date basis exceeds the year-to-date target on any single day during July, August, or September and if Company production from the Sub-Systems on a year-to-date basis exceeds the year-to-date target on any single day during July, August, or September.
4. The Company shall implement all Commission-approved emergency conservation rate schedules to respond to Stage 3.
 5. The Company shall notify Customers via direct first class mailing thirty (30) days before Stage 3 Water Conservation may take effect. Customers will be notified: 1) that the provisions of Stage 2 are still in effect; and 2) the emergency rates that will go into effect for the customer.
 6. Stage 3 Water Conservation shall be rescinded and revert to Stage 1 Water Conservation upon compliance with the year-to-date at

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month-end production targets noted for the MPWRS for two consecutive months of the subsequent Water Year.

M. INSTALLATION AND REMOVAL OF FLOW RESTRICTORS

1. Installation: The Company is authorized to install flow restrictors on Customer meters for repeated water waste.
 - a. Customers who have three or more notices of water waste violations from the Company or the MPWMD.
 - b. Water Waste is defined in Section I.3 of this Rule.
2. Flow Restrictor Removal: The Company is authorized to remove the flow restrictor when conditions are reduced to Stage 2 or if the Company is notified by the MPWMD in writing to remove the restrictor.
 - a. Flow restrictor installation and removal will be performed only during normal business hours.
 - b. The Company is authorized to include the amount of the removal charge, or multi-family dwelling unit charges as part of the bill amount due for the next Customer bill.
 - c. Failure to pay the entire bill, including the removal charges or multi-family dwelling unit charges, will be used by the Company to proceed with its authorized procedures for late fees and service disconnect.
 - d. A schedule of removal and multi-family dwelling unit charges is described in Tariff Schedule MO-14.1.
3. Variances: The Company may grant exceptions for flow restrictor installation and removal as set forth in Section O of this Rule.

N. ACCOUNTS FOR FLOW RESTRICTOR GENERATED REVENUES AND COSTS

The Company shall book revenues received from removal of flow restrictors and multi-family dwelling unit charges as noted in Section M above in an interest bearing balancing account and shall amortize this amount each year as a refund to Customers.

O. VARIANCES

1. The Company is authorized to provide individual Customer variances from flow restrictor requirements for medical needs currently

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certified by a doctor. Customers may also seek variances from flow restrictor requirements through the appeal process set forth in MPWMD Rule 114.1

P. CUSTOMER COMPLAINTS

Any Customer not satisfied with the Company's responses to their inquiries concerning this Rule may file a complaint with the Commission by addressing a letter to the Consumer Affairs Branch, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, California 94101-3298. The Customer and the Company will be notified of the disposition of such complaint by letter from the Commission.

If the Customer disagrees with such disposition, the Customer shall have the right to file a formal complaint with the Commission. Except as set forth in this Section, no person shall have any right or claim in law or in equity against the Company or any of its officers, employees or agents because of, or as a result of, any matter or thing done or threatened to be done pursuant to the provisions of this Rule.

Q. PUBLICITY

The Company shall provide Customers with periodic updates regarding the water supply situation and results of the Customer conservation efforts. Updates may be provided by bill insert, special mailing, poster, flyer, newspaper, television or radio spot/advertisement, community bulletin board, or other appropriate method(s).

APPENDIX

B

Tariff Schedule No. MO – 14.1

A. Background

As described in Rule 14.1, the Company is authorized to install flow restrictors for water waste and charge fees for the removal of flow restrictors as described in this tariff.

B. Removal Charges

1. Rule 14.1 authorizes the Company to charge customers for the removal of flow restrictors.
2. Customers will be charged the following rates for removal of flow restrictors:

| Meter size | Removal Charge |
|-------------------|-----------------------|
| 5/8" to 1" | \$25 |
| 1.5" to 2" | \$50 |
| 3" & Larger | Actual Cost |

3. Installation and removal of flow restrictors shall be done only during normal business hours.

C. Multi-family Units

1. An exemption on flow restrictor installations shall be made for water meters serving two or more multi-family dwelling units by substituting an excess water use charge of \$150 times the number of dwelling units located on the meter during each month in which a violation of the water waste has been determined. The excess water use charge shall be separately identified on each bill.

APPENDIX C

MPWMD's Need to Access California American Water Data for Stage 1 – 3 Only

| Rule | Requirement | Data Needed | Frequency |
|---|---|---|---|
| 170-A Water Use Survey | (1) Access to survey data during Stages 1-3; (2) Summary of survey results by census tract annually | (1) Type of service (residential, commercial, industrial, public authority, etc.), Jurisdiction, Service zip code, Survey number (for residential), Property size (for residential), Allotment (for non-residential/commercial uses), Factors used to determine allotment (for non-residential/commercial uses), census tract. (2) Visual access to above, upon request | As requested; Annually for survey summary |
| 170-C-1 Water Use Survey | Access to all data as required by MPWMD General Manager; Annual summary of survey information | Monthly meter consumption (units or hundred cubic feet [Ccf], Date of meter reading, Meter size, Number of service days, Type of service (residential, commercial, industrial, public authority, etc.), Jurisdiction, Connect Date, Meter Install Date, Meter or Account number, Meter make, Service Address or Street, Service zip code, Survey number (for residential), Property size (for residential), Allotment (for non-residential/commercial uses), Factors used to determine allotment (for non-residential/commercial uses) | As requested by General Manager; Annually for survey summary |
| 171 Water Waste and Non-Essential Water Use Enforcement | Water waste or non-essential water use notification for enforcement. | Monthly meter consumption (units or hundred cubic feet [Ccf], Date of meter reading, Meter size, Number of service days, Type of service (residential, commercial, industrial, public authority, etc.), Jurisdiction, Meter Install Date (for portable meters), Meter or Account number, Meter make, Service Address or Street, Service zip code, Survey number (for residential), Property size (for residential), Allotment (for non-residential/commercial uses), Factors used to determine allotment (for non-residential/commercial uses), mailing address, telephone number | As needed |

| Rule | Requirement | Data Needed | Frequency |
|--------------------------------------|---|--|--|
| 172-B Landscape Water Audits | (1) Provide MPWMD with copies of all completed landscape water audits and budgets;(2) CAW identifies new high water users, dedicated irrigation meters and large landscaped areas annually; | Copy of completed water audit and budgets, review list of high water users with MPWMD to identify need for audits/budgets | Ongoing as audits and budgets are completed; Annually for newly identified users |
| 172-B-4 Landscape Water Audits | CAW forwards all non-CAW completed audits/budgets to MPWMD within 10 days for MPWMD review and acceptance | Copy of completed water audit/budget and, upon request to facilitate review of the audit/budget: Monthly meter consumption (units or hundred cubic feet [Ccf], Date of meter reading, Meter size, Number of service days, Type of service (residential, commercial, industrial, public authority, etc.), Jurisdiction, Connect Date, Meter Install Date, Meter or Account number, Meter make, Service Address or Street, Service zip code, Survey number (for residential), Property size (for residential), Allotment (for non-residential/commercial uses), Factors used to determine allotment (for non-residential/commercial uses) | 10 days after audit/budget received |
| 172-D Landscape Water Audits | (1) Monthly during Stages 2-3, CAW notifies MPWMD of water users that have exceeded their budgets; (2) quarterly, CAW reports the account information and comparison of landscape water budget to actual consumption. | Monthly meter consumption (units or hundred cubic feet [Ccf], Date of meter reading, Meter size, Number of service days, Type of service (residential, commercial, industrial, public authority, etc.), Jurisdiction, Connect Date, Meter Install Date, Meter or Account number, Meter make, Service Address or Street, Service zip code, Survey number (for residential), Property size (for residential), Allotment (for non-residential/commercial uses), Factors used to determine allotment (for non-residential/commercial uses). NOTE: CAW must maintain water records and budgets for the entire duration of Regulation XV for all customers that have been subject to this provision of law. | Monthly and quarterly |

PROOF OF SERVICE

I, Kim O.T. Trinh, declare as follows:

I am employed in the City and County of San Francisco, California. I am over the age of eighteen years and not a party to this action. My business address is MANATT, PHELPS & PHILLIPS, LLP, One Embarcadero Center, 30th Floor, San Francisco, California 94111-3719. On October 10, 2008, I served the within:

**MOTION FOR ADOPTION OF SETTLEMENT AGREEMENT BETWEEN
MONTEREY PENINSULA WATER MANAGEMENT DISTRICT AND
CALIFORNIA-AMERICAN WATER COMPANY, AS TO PHASE I
CONSERVATION ISSUES FOR THE MONTEREY DISTRICT AND MOTION TO
SHORTEN COMMENT PERIOD; ATTACHMENTS**

on the interested parties in this action addressed as follows:

See attached service list.

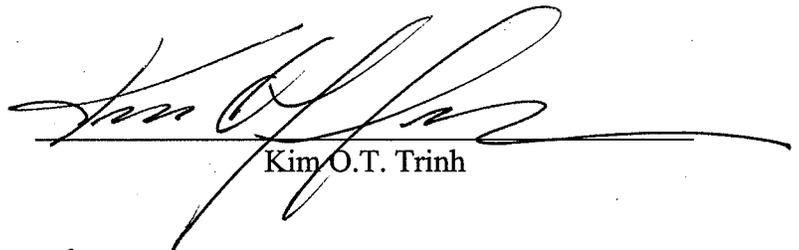


(BY PUC E-MAIL SERVICE) By transmitting such document electronically from Manatt, Phelps & Phillips, LLP, San Francisco, California, to the electronic mail addresses listed above. I am readily familiar with the practice of Manatt, Phelps & Phillips, LLP for transmitting documents by electronic mail, said practice being that in the ordinary course of business, such electronic mail is transmitted immediately after such document has been tendered for filing. Said practice also complies with Rule 1.10(b) of the Public Utilities Commission of the State of California and all protocols described therein.



(BY U.S. MAIL) By placing such document(s) in a sealed envelope, with postage thereon fully prepaid for first class mail, for collection and mailing at Manatt, Phelps & Phillips, LLP, San Francisco, California following ordinary business practice. I am readily familiar with the practice at Manatt, Phelps & Phillips, LLP for collection and processing of correspondence for mailing with the United States Postal Service, said practice being that in the ordinary course of business, correspondence is deposited in the United States Postal Service the same day as it is placed for collection.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration was executed on October 10, 2008, at San Francisco, California.



Kim O.T. Trinh

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A.07-12-010
[Updated October 2, 2008]

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U.S. Mail Service List
A.07-12-010
[Updated October 2, 2008]

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