



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

FILED

04-12-10

04:59 PM

Application of California-American Water
Company (U210W) for an Order Authorizing
Recovery of Costs for the Lease of the Sand
City Desalination Facility and Associated
Operating and Maintenance Costs.

A.

A1004019

(Filed April 12, 2010)

**APPLICATION OF CALIFORNIA-AMERICAN WATER COMPANY (U210W) FOR AN
ORDER AUTHORIZING RECOVERY OF COSTS FOR THE LEASE OF THE SAND
CITY DESALINATION FACILITY AND ASSOCIATED OPERATING AND
MAINTENANCE COSTS**

MANATT, PHELPS & PHILLIPS, LLP
LORI ANNE DOLQUEIST
SARAH E. LEEPER
TRAVIS RITCHIE
One Embarcadero Center, 30th Floor
San Francisco, CA 94111
Telephone: (415) 291-7400
Facsimile: (415) 291-7474
Email: ldolqueist@manatt.com
Email: sleeper@amanatt.com
Email: tritchie@manatt.com

Attorneys for Applicant
California-American Water Company

Dated: April 12, 2010

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

Application of California-American Water Company (U210W) for an Order Authorizing Recovery of Costs for the Lease of the Sand City Desalination Facility and Associated Operating and Maintenance Costs.

A.

(Filed April 12, 2010)

**APPLICATION OF CALIFORNIA-AMERICAN WATER COMPANY (U210W) FOR AN
ORDER AUTHORIZING RECOVERY OF COSTS FOR THE LEASE OF THE SAND
CITY DESALINATION FACILITY AND ASSOCIATED OPERATING AND
MAINTENANCE COSTS**

I. INTRODUCTION

California-American Water Company (“California American Water”) makes this filing pursuant to Decision (“D.”) 09-07-021, in which the California Public Utilities Commission (“Commission”) authorized California American Water to file an application to “present clear and convincing evidence demonstrating that the costs and terms of the Sand City Desalination Plant lease are reasonable and prudent.”¹ As California American Water discusses in this Application and supporting testimony, the costs and terms of the Sand City Desalination Plant lease are reasonable and prudent. As already recognized by the State Water Resources Control Board (“SWRCB”) and the Commission, the Sand City Desalination Plant is a vital component of the Monterey Peninsula water supply. It will provide a new, cost effective source of water and will help California American Water meet the water reductions required by the SWRCB and the Seaside Groundwater Basin adjudication.

The Commission should authorize California American Water to recover the lease costs in rates and establish a balancing account for the associated costs of the Sand City

¹ D.09-07-021, *Application of California-American Water Company (U210W) for Authorization to Increase its Revenues for Water Service in its Monterey District*, 2009 Cal. PUC LEXIS 346, *225, Conclusion of Law ¶ 21.

Desalination Plant. Additionally, in a concurrently filed motion, California American Water requests that the Commission establish an expedited procedural schedule for review and resolution of this application.

II. PROCEDURAL HISTORY

On July 6, 1995, the SWRCB issued Order No. WR 95-10 (“Order 95-10”). Order 95-10 determined that, based on California American Water’s 14,106 acre feet production at the time and its recognized rights of 3,376 acre feet, California American Water had been diverting an average of 10,730 acre feet per year absent a valid basis of right from Carmel River Sources.² Order 95-10 directed California American Water to seek additional “water from other sources of supply,”³ often referred to as replacement water. Additional sources of supply are extremely difficult to come by on the Monterey Peninsula.

The 2006 judgment in the Seaside Groundwater Basin adjudication further reduced California American Water’s available water supply.⁴ The adjudication determined that the Seaside Basin was in overdraft, and required California American Water to reduce basin withdrawals over time to its ultimate share of the basin safe yield.⁵ Combined, Order 95-10 and the Seaside Basin adjudication reduce California American Water’s water supply by 13,326 acre feet.⁶

² SWRCB Order 95-10, *In the Matter of Complaints Against Diversion and Use of Water by the California-American Water Company (Respondent) by Carmel River Steelhead Association, et. al. (Complainants): Carmel River Tributary to Pacific Ocean in Monterey County*, July 6, 1995.

³ Order 95-10, Ordering Paragraph 2 at p.40.

⁴ *California American Water v. City of Seaside* (Mar. 27, 2006) Superior Court of California, Monterey County, Case No. M66343.

⁵ The Seaside Groundwater Basin adjudication will effectively reduce California American Water’s available supply by 2,506 acre feet by year 2021. That year will mark the planned date for California American Water to achieve its ultimate safe yield allocation of 1,494 acre feet. The current 2009/2010 water year operating yield is 3,582.5 acre feet. Direct Testimony of Eric J. Sabolsice, p. 3.

⁶ Direct Testimony of Eric J. Sabolsice, p. 3.

In response, California American Water has worked vigorously with its customers to conserve water by making improvements to its system, limiting unaccounted for water, and pursuing treated wastewater for irrigation. Additionally, several years ago California American Water entered into negotiations with the City of Sand City ("Sand City") to secure an additional source of replacement water. California American Water estimated that the Sand City Desalination Plant would provide approximately 300 acre feet per year of replacement water to meet, in part, the reduction requirements of Order 95-10 and the Seaside Groundwater Basin adjudication. The Sand City Desalination Plant offered the most reasonable option for a potential new source of drinking water supply available to California American Water.

On November 5, 2007, California American Water entered into a lease agreement with Sand City. California American Water requested authorization to recover the cost of the Sand City Desalination Plant in rates as part of its 2008 Monterey District general rate case. In its decision in that proceeding, the Commission denied California American Water's request to include the cost of the Sand City Desalination plant in rates, but provided California American Water the opportunity to file a separate application for recovery of these costs at a later date.⁷

The November 5, 2007 lease agreement required "completion and delivery (including completion of start-up testing) of the Project Improvements" before March 31, 2009. When Sand City failed to meet that deadline, California American Water exercised its right to terminate the November 5, 2007 lease agreement. Sand City and California American Water entered into a renegotiated real property lease and operations and maintenance agreement on October 20, 2009.⁸ After strenuous negotiations, California American Water was able to more than double the term of the lease from fifteen to thirty-one years, bringing the average annual lease payment to \$414,677 instead of \$850,000.⁹ California American Water estimates operating

⁷ D.09-07-021, *Application of California-American Water Company (U210W) for Authorization to Increase its Revenues for Water Service in its Monterey District*, 2009 Cal. PUC LEXIS 346, *107.

⁸ City of Sand City and California-American Water Company, Inc., Amended and Restated Lease Agreement, Oct. 20, 2009, attached as Appendix A.

⁹ Direct Testimony of Jeffrey M. Dana, pp. 3-4.

costs of \$242,386 annually (subject to inflation), with an additional \$122,764 annually in repair and replacement costs. This equates to a total average cost of \$2,956 per acre feet over the life of the project.¹⁰

The October 20, 2009 lease agreement specifies that California American Water will use the plant to produce 300 acre feet of potable water per year.¹¹ From this amount, Sand City may direct California American Water to use up to 206 acre feet per year on new and expanded water uses within Sand City if such demand exists. These new or expanded uses would become customers of California American Water and would be a part of California American Water's service obligations in its Monterey District.¹² This arrangement was recognized by the SWRCB in a Draft Cease and Desist Order it adopted on October 20, 2009 ("the Cease and Desist Order").¹³ Therefore, regardless of the amount of growth in Sand City, all of the 300 acre feet annual production from the Sand City Desalination Plant will go to meet California American Water's service obligations on the Monterey Peninsula.

III. REQUESTED RELIEF

California American Water seeks Commission authorization to include the costs associated with the Sand City Desalination Plant in rates. With the exception of the scheduled lease payments, California American Water is requesting authorization to establish balancing accounts for all of the costs associated with the Sand City Desalination Plant in order to ensure that recovery is fair for both customers and California American Water.

¹⁰ Direct Testimony of Eric Sabolsice, p. 9.

¹¹ Direct Testimony of Jeffrey M. Dana, p. 10.

¹² *Id.*

¹³ State Water Resources Control Board, *In the Matter of the Unauthorized Diversion and Use of Water by the California American Water Company*, Order WR 2009-0060, § 16.3 ("The City of Sand City is constructing a 300 afa desalinization plant...Cal-Am may use the water to meet the needs of its customers. Thus, using the production from the Sand City desalinization plant, Cal-Am can permanently reduce diversions from the river by 94 afa and, temporarily, by another 206 afa" (internal citations omitted)).

As the Commission directed in D.09-07-021, this application provides clear and convincing evidence that the costs and terms of the Sand City Desalination Plant lease are reasonable and prudent, and that it accomplishes the desired result of obtaining new water supply for the Monterey District at the lowest reasonable costs consistent with good utility practices.¹⁴ California American Water therefore respectfully requests that the Commission authorize it to recover the costs associated with the Sand City Desalination Plant in rates and through a balancing account.

A. Authorization for California American Water to Include the Costs Associated with the Sand City Desalination Plant Lease in Rates

Under the re-negotiated lease, the average annual lease payment for the Sand City Desalination Plant is \$414,677.¹⁵ California American Water will make lease payments of \$850,000 per year during the first fifteen years, and it will make lease payments of \$7,000 per year in the years sixteen through thirty. California will not make any lease payments in year thirty-one. Although Generally Accepted Accounting Principles (“GAAP”) require California American Water to recognize the lease expense on a straight-line basis for financial reporting purposes, California American Water requests that the Commission grant recovery on a cash basis at a rate of \$850,000 per year during the first fifteen years of the contract.¹⁶ This rate will match California American Water’s lease payments. California American Water will record the amount of cash collected in excess of the straight-line expense on the income statement as a regulatory liability in accordance with GAAP until such time that the balance is drawn down in the second half of the lease term.

¹⁴ D.09-07-021, *Application of California-American Water Company (U210W) for Authorization to Increase its Revenues for Water Service in its Monterey District*, 2009 Cal. PUC LEXIS 346, *107.

¹⁵ Direct Testimony of Jeffrey M. Dana, pp. 3-4.

¹⁶ *Id.*, pp. 4-7.

B. Authorization to Establish a Balancing Account for Operations and Maintenance Costs and Major Replacement Costs

California American Water also requests that the Commission authorize the establishment of a balancing account for its estimated \$242,386 per year in operating and maintenance costs, which includes \$156,374 for electricity, \$35,852 for chemicals, and \$50,160 for other operating costs.¹⁷ California American Water excluded labor costs from this request because it will run the plant with existing California American Water employees. California American Water further requests that the Commission also authorize a second component of the balancing account for Sand City Desalination Plant major replacement costs at an annual recovery of \$122,764, which costs would accumulate in the balancing account until such time that major replacement costs are incurred.¹⁸ California American Water based the requested amount of authorized recovery on estimates of expected major replacement costs over the term of the lease, and California American Water will adjust those estimates as needed in the future.¹⁹ Any connection fees collected by Sand City and remitted to California American Water will be taken into account in the balancing account and will reduce the amount to be collected from ratepayers.²⁰

The following table summarizes California American Water's requested recovery for San City Desalination Plant lease costs, operation and maintenance, and major replacement costs:

¹⁷ Direct Testimony of Eric J. Sabolsice, pp. 5-6.

¹⁸ *Id.*, pp. 5-6.

¹⁹ Direct Testimony of Jeffrey M. Dana, pp. 6-8.

²⁰ *Id.*, p. 8.

Cost Component	Recovery Requested
Lease Payment	\$850,000 per year during first 15 years of lease \$7,000 per year during years 16-30 of the lease.
Operation & Maintenance	\$242,386 per year (balancing account)
Major Replacement Costs	\$122,764 per year (balancing account)

IV. DISCUSSION

A. The Sand City Desalination Plant is a Vital Component of the Monterey Peninsula Water Supply

1. The SWRCB Included Sand City Water in its Cease and Desist Order.

On October 20, 2009, the SWRCB adopted Order WR 2009-0060, *Approving a Cease and Desist Order Against California American Water Company for Unauthorized Diversions from the Carmel River in Monterey County*. The Cease and Desist Order explained that Condition 2 of Order 95-10 requires California American Water to “diligently implement actions to terminate its unlawful diversions.”²¹ The Cease and Desist Order further noted that the Sand City Desalination Plant represented one of the only current achievements that will allow California American Water to reduce its mandatory diversions from the Carmel River.²² The Cease and Desist Order therefore includes the anticipated production from the Sand City Desalination Plant as a critical component of California American Water’s obligation to reduce diversions. “Thus, using the production from the Sand City desalinization plant, Cal-Am can permanently reduce diversions from the river by 94 [acre feet per year] and, temporarily, by another 206 [acre feet per year].”²³ The Cease and Desist Order went on to order California American Water as follows:

²¹ Cease and Desist Order, p. 55.

²² *Id.*, p. 36.

²³ *Id.*, p. 41.

Commencing on October 1, 2009, Cal-Am shall not divert more water from the river than the base of 10,978 [acre feet per year], as adjusted by the following:...(4) Sand City Desalination Plant: Once the Sand City Desalination Plant becomes operational, 94 [acre feet per year] shall be subtracted from the base. In addition, based on actual production from the plant, any other water that is produced and not served to persons residing within the City of Sand City shall be subtracted from the base amount for each water year.²⁴

The Cease and Desist Order assumes that production from the Sand City Desalination Plant will be available to allow California American Water to meet its overall water supply obligations on the Monterey Peninsula.

2. The Commission Included the Sand City Water in the Coastal Water Project Final Environmental Impact Report.

On October 20, 2009, the Commission completed the Final Environmental Impact Report (“FEIR”) for the Coastal Water Project.²⁵ Chapter 2 of the FEIR described the bases for the estimates of current and future water demand and supplies in the environmental analysis for the Coastal Water Project. In its estimates of potential water supply projects, the FEIR included 300 acre feet per year from the Sand City Desalination Plant beginning in 2010 and continuing through 2030.²⁶ The FEIR noted that, “Part of the 300 afy to be supplied by this project is expected to offset the current demands and part will meet future demands.”²⁷ As the lead agency under CEQA, the Commission approved the FEIR and therefore approved the expectation that the Sand City Desalination Plant will be available to provide 300 acre feet per year of water supply in California American Water’s Monterey service area.²⁸

²⁴ *Id.*, pp. 57-58.

²⁵ California American Water Company, Coastal Water Project: Final Environmental Impact Report, Oct. 30, 2009.

²⁶ California American Water Company, Coastal Water Project: Final Environmental Impact Report, Oct. 30, 2009, Vol. 1, p.2-16.

²⁷ *Id.*

²⁸ D.09-12-017, *Application of California-American Water Company (U210W) for a Certificate of Public Convenience and Necessity to Construct and Operate its Coastal Water Project to Resolve the Long-Term Water Supply Deficit in its Monterey District and to Recover All Present and Future Costs in Connection Therewith in Rates*, 2009 Cal. PUC LEXIS 764.

3. The Commission Relied on Sand City Water in Evaluating California American Water's Capacity to Meet Demand.

In its decision regarding the 2008 Monterey District general rate case, the Commission analyzed California American Water's available water capacity and ability to meet customer demand. Based on this analysis, the Commission did not grant California American Water's requests for certain capital projects.²⁹ The availability of water from the Sand City Desalination Plant played a key role in the Commission's analysis. According to the Commission, the Sand City Desalination Plant will "enhance Cal-Am's ability to meet its summer Maximum Daily Demand."³⁰ Indeed, the Commission concluded, based in part on Sand City water, that "as compared to the capacity reflected in the Comprehensive Planning Study, Cal-Am has significantly improved its capacity position."³¹

B. Conservation and Reduction of Non-Revenue Water are Insufficient to Meet the Monterey Peninsula's Water Supply Requirements.

Despite its aggressive commitment to conservation and the reduction of non-revenue water, California American Water must secure new sources of potable water supplies in order to meet the reductions demanded by Order 95-10 and the Seaside Basin Adjudication. Therefore, California American Water's efforts to increase conservation and reduce non-revenue water are complimentary to its overall water supply strategy on the Monterey Peninsula, but they do not provide an alternative that obviates the need for securing additional sources of water supply.

California American Water's conservation efforts include a revised tiered rate design that recognizes the unique water supply challenges and history of water availability on the Monterey Peninsula.³² The revised tiered rate design focuses on reducing water waste,

²⁹ D.09-07-021, *Application of California-American Water Company (U210W) for Authorization to Increase its Revenues for Water Service in its Monterey District*, 2009 Cal. PUC LEXIS 346, ** 26-28.

³⁰ *Id.* at *29.

³¹ *Id.* at *28.

³² D.00-03-053, *Application of the California-American Water Company (U210W) for an Order Authorizing it to Increase its Rates for Water Service in its Monterey Division*, 2000 Cal. PUC LEXIS 229, *35 ("In Monterey Division, CalAm faces extraordinary water supply challenges and needs tools to address them beyond those we

particularly as it relates to irrigation. Additional conservation programs include public outreach to inform the public of the need to conserve, rebates for water saving appliances including high efficiency toilets, dishwashers, washing machines, irrigation controllers, and rain catchment systems. California American Water also provides water saving devices such as low flow showerheads, sink aerators, and shut-off hose nozzles to customers at no charge. Certified conservation staff perform Water Wise house calls, which include visiting homes and businesses to check for leaks indoors and out, teaching customers to read their water meters, and designing personalized outdoor watering schedules.³³

A secondary component to California American Water's demand reduction program focuses on reducing water loss in the distribution system, referred to as non-revenue water loss. California American Water's efforts in reducing non-revenue water follow both the Commission's General Order 103-A and the guidelines of the American Water Works Association.³⁴ In addition to these measures, California American Water commissioned a comprehensive non-revenue water loss audit to assist in identifying areas of improvement.

As explained in more detail in the testimony of Eric Sabolsice, California American Water implemented several programs to reduce both apparent and real non-revenue water loss.³⁵ California American Water estimates that these measures resulted in a total water savings of approximately 323 acre feet in water year 2008-2009.³⁶ California American Water expects that its aggressive efforts to reduce non-revenue water will continue to result in additional water savings; however, the marginal savings from these efforts will diminish as the total percentage of non-revenue water decreases.

ordinarily would support.").

³³ Direct Testimony of Eric J. Sabolsice, p. 17.

³⁴ *Id.*, pp. 12-15.

³⁵ *Id.*

³⁶ *Id.*, pp. 15-16.

It is important to realize that – unlike the water supply from the Sand City Desalination Plant – the water savings gained from conservation and reductions in non-revenue water do not constitute a new source of supply for the Monterey District. Although California American Water will continue to pursue these programs, the Commission should consider these efforts as complimentary to California American Water’s efforts to secure new sources of supply rather than alternatives to such new sources.

C. The Costs for the Sand City Desalination Plant are Reasonable and Prudent

1. Management Engaged in a Thorough Deliberative Process Regarding the Sand City Desalination Plant Lease.

California American Water engaged in a prudent and reasonable managerial decision making process regarding the Sand City Desalination Plant. The standard of reasonableness of a particular management action depends on whether the utility shows that its decision making process was sound, that its managers considered a range of possible options in light of information that was or should have been available to them, and that its managers decided on a course of action that fell within the bounds of reasonableness.³⁷ In this case, California American Water’s decision to undertake the costs associated with the Sand City Desalination plant was the result of a thorough and sound deliberative process that resulted in a reasonable and prudent course of action that will benefit California American Water’s ratepayers.

California American Water assembled a team to review and renegotiate the Sand City Desalination Plant lease in order to ensure the maximum value for ratepayers. California American Water held a series of meetings with representatives from Sand City. These meetings included three multi-hour face-to-face meetings, four group conference calls, and multiple one-on-one discussions between the city attorney of Sand City and California American Water’s

³⁷ D.05-08-037, *Application of SAN DIEGO GAS & ELECTRIC COMPANY under the Catastrophic Event Memorandum Account (CEMA) for Recovery of costs related to the 2003 Southern California Wildfires. (U 902-M)*, 2005 Cal. PUC LEXIS 562, **14-15 (citing, D.89-02-074, *Re San Diego Gas and Electric Company*, 1989 Cal. PUC LEXIS 128).

counsel regarding lease terms. Finally, California American Water also undertook an audit of Sand City's claimed expenses before the October 20, 2009 execution of the lease agreement to ensure that actual expenditures reflected those claimed in Sand City's expense ledger. As a result of this extensive analysis and negotiation, California American Water and Sand City (the "Parties") amended the following provisions in the October 20, 2009:

- Lease duration – the Parties restructured the lease term from a fifteen-year lease with a fifteen-year option to a straight thirty-one year lease.

- Lease payments – the Parties amended the payment terms to reflect the longer term of the lease and structured the payment terms to address municipal finance constraints faced by Sand City.

- Demise of water rights – the Parties modified the water rights license from licensing the entirety of Sand City's rights under the Seaside Adjudication to only licensing the amount needed to produce 300 acre feet of potable water.

- Termination for delay in delivery – the original lease contained two termination provisions related to the timing of construction: one for starting construction and a second related to delivering an operating plant. Both of those dates had passed once the renegotiations started, so the Parties amended the delivery term to reflect the expectations at the time of the amendment.

- Connection fees – the original lease provided discretion to Sand City to collect and keep connection charges. The amended lease maintains Sand City's discretion to collect those charges, but it now requires Sand City to remit those fees to California American Water for California American Water to apply as proposed by California American Water.

- Condition of delivery – the original lease specified the conditions that the desalination plant must meet before it requires California American Water to accept delivery. The Parties refined those conditions to make them more specific.

- Prohibition on Sand City taxes against California American Water's interest in plant – the lease provisions regarding tax obligations clarified that the lease itself does

not provide a basis for Sand City to impose a future tax on California American Water.

- Responsibility for well replacement and other improvement costs – the original lease put the responsibility for well replacement with Sand City, but made all other costs the responsibility of California American Water, regardless of the useful life of the improvement. The amended lease treats well replacement the same as all other equipment replacements and requires Sand City and California American Water to share costs based on the expected useful life of the improvement. This change results in Sand City paying for that portion of the useful life of the replacement that will extend beyond the lease term.

- Allowance to expand plant capacity to offset existing supplies, California American Water negotiated a term that requires Sand City to negotiate an amendment to expand the plant's capacity, if such expansion is desired.

These modified terms and the overall process that California American Water engaged in to negotiate the October 20, 2009 lease agreement demonstrate that California American Water's management engaged in a thorough process to come to a reasonable and prudent decision regarding the development of a new water source on the Monterey Peninsula. The Sand City Desalination Plant provides the only potential water supply that is available today that will help California American Water reduce its water requirements from the Carmel River and Seaside Groundwater Basin.³⁸ The unique partnership formed between Sand City and California American Water also enables the customers of California American Water to benefit from the \$2.9 million in California Proposition 50 grant money. This grant money has reduced the overall cost of the project to ratepayers.

2. California American Water Considered Alternatives to the Sand City Desalination Plant.

As part of its deliberative process regarding the Sand City Desalination Plant,

³⁸ The lease – as opposed to ownership – is also reasonable because of potential restrictions on California American Water's ownership of a desalinization plant on the Monterey Peninsula. *See*, Monterey County Health and Safety Code, Chapter 10.72.030 ("All applicants for an operation permit as required by Section 10.72.010 shall: (B) Provide assurances that each [Desalinization] facility will be owned and operated by a public entity.").

California American Water considered potential alternatives to meet the critical water supply needs on the Monterey Peninsula.³⁹ For example, California American Water estimated that surplus recycled water may be available for use in the Pacific Grove area to supply a demand of 105 acre feet per year. California American Water calculated the total water cost for the Pacific Grove recycle facility at **\$4,441 per acre foot**.⁴⁰ California American Water also considered that an estimated 800 acre feet annually might become available from excess recycled water for the Monterey area. California American Water calculated the total cost of water for the Monterey Recycled Water Project at **\$8,220 per acre foot**.⁴¹ In addition, both recycled projects would require an environmental review and several other permits that could delay the operation of each facility for up to two years or more.

In contrast to the recycled water project alternatives, California American Water estimates that the total costs of the Sand City Desalination Plant – including lease payments, major replacement costs, operations and maintenance, and other costs – will result in a total cost of **\$2,956 per acre foot** over the thirty-one year term of the October 20, 2009 lease agreement. Overall, California American Water determined that, when compared with the limited potential new water sources available on the Monterey Peninsula, the Sand City Desalination Plant offers one of the least expensive alternatives for new water supply.

3. Future operations and maintenance costs are reasonable and justified for the Sand City Desalination Plant.

California American Water's obligation to pay for future operations and maintenance costs for the Sand City Desalination Plant is reasonable. The Direct Testimony of Eric Sabolsice explains the detailed cost analysis that California American Water conducted for the Sand City Desalination Plant.⁴² These estimated costs include: \$35,852 for chemicals;

³⁹ Direct Testimony of Eric J. Sabolsice, pp. 6-19.

⁴⁰ *Id.*, p. 11

⁴¹ *Id.*

⁴² Direct Testimony of Eric J. Sabolsice, pp. 5-6.

\$156,374 for electricity; and \$50,160 for other related costs.⁴³ California American Water is requesting a balancing account for these costs to ensure that recovery remains fair for both ratepayers and the company.⁴⁴ Each year, California American Water will compare the actual costs incurred for these items and compare it to the authorized rate of recovery. California American Water would then request that the Commission adjust the following year's authorized recovery to account for any difference between the actual costs and these estimates.

California American Water estimates an annual cost of \$122,764 for major replacement costs and requests balancing account treatment of these costs. The annual assessment of costs for major replacements will spread the burden of these costs over several years in order to avoid cost spikes for ratepayers in any given year.⁴⁵ In addition, California American Water negotiated for and attained lease provisions that will share the costs of major replacements with Sand City based on the expected useful life of the replacements as compared to the lease term. Section 11(b)(2) of the October 20, 2009 lease agreement requires Sand City to pay a pro-rata share of all capital costs that will have an expected life beyond the term of California American Water's lease.⁴⁶

4. The Thirty-One Year Term of the Lease is Reasonable.

Under the terms of the October 20, 2009 lease agreement, California American Water expects the Sand City Desalination Plant to provide at least 300 acre feet of water for use by California American Water in its Monterey District for thirty-one years. The water supply that the Sand City Desalination Plant will provide is a critical component of California American Water's long-term water supply strategy for the Monterey Peninsula. The Sand City Desalination Plant provides an immediate supply that California American Water needs to meet

⁴³ *Id.*

⁴⁴ Direct Testimony of Jeffrey M. Dana, pp. 8-9.

⁴⁵ *Id.*, pp. 5-7.

⁴⁶ City of Sand City and California-American Water Company, Inc., Amended and Restated Lease Agreement, Oct. 20, 2009.

its water reduction obligations imposed by SWRCB Order 95-10 and the Seaside Basin Adjudication. In addition, as previously noted the Final Environmental Impact Report for the Coastal Water Project assumes that the Sand City Desalination Plant will provide a long-term source of supply for the Monterey District.⁴⁷

California American Water negotiated a longer term for the October 20, 2009 lease agreement in exchange for front-loading the costs of the Sand City Desalination Plant in the first fifteen years of the lease term. California American Water will pay lease payments of \$850,000 per year to Sand City during the first fifteen years of the lease. Those payments will then drop to \$7,000 per year for years sixteen through thirty, and \$0 for the thirty-first year.⁴⁸ This split payment structure allows California American Water to significantly reduce its costs over the term of the October 20, 2009 lease agreement while still addressing Sand City's cash flow concerns. In order to meet its general plan and redevelopment obligations related to water supply, Sand City undertook bond financing and moved funds from various sources, including the Redevelopment Agency's Low Income Housing Fund, so that it could construct the Sand City Desalination Plant. Sand City required the front-loaded lease payments from California American Water so that it could recapture its capital costs within the time frame of its redevelopment plan.⁴⁹ In exchange, California American Water extended the lease term for an additional fifteen years at a dramatically lower price. The resulting lease structure provides a much lower cost of water for California American Water's ratepayers over the life of the October 20, 2009 lease agreement.

⁴⁷ California American Water Company, Coastal Water Project: Final Environmental Impact Report, Oct. 30, 2009, vol. 1, p.2-16.

⁴⁸ Direct Testimony of Jeffrey M. Dana, pp. 3-4.

⁴⁹ Direct Testimony of Steve Matarazzo, p. 7.

V. RATE IMPACT

Customer Class	Current Revenues	Proposed Revenues	\$ Increase	% Increase
Residential	\$23,708,900	\$24,550,500	\$841,600	3.55%
Low-Income	\$169,300	\$176,000	\$6,700	3.96%
Multi-Residential	\$3,318,800	\$3,438,800	\$120,000	3.62%
Commercial	\$9,005,100	\$9,329,700	\$324,600	3.60%
Industrial	\$235,500	\$244,100	\$8,600	3.65%
Public Authority	\$3,221,700	\$3,337,600	\$115,900	3.60%
Golf	\$707,500	\$733,400	\$25,900	3.66%
Construction	\$67,900	\$70,100	\$2,200	3.24%
Sale for Resale	\$21,500	\$22,300	\$800	3.72%
Total	\$40,456,200	\$41,902,500	\$1,446,300	

VI. SCOPING MEMORANDUM

A. Category:

Ratesetting

B. Are Evidentiary Hearings Necessary?

No. California American Water has included with this application all of the information necessary for the Commission to make a decision regarding California American Water's request.

C. Are Public Witness Hearings Necessary?

No.

D. Issues.

The issue in this Application is whether the costs and terms of the Sand City Desalination Plant lease are reasonable and prudent.

E. Schedule.

Pursuant to Rule 2.1(c) of the Commission's Rules of Practice and Procedure, California American Water submits the procedural schedule below for the Commission's consideration of the relief requested.

<u>Event</u>	<u>Date</u>
Application Filed	April 12, 2010
Protests due	Notice + 30 days
Proposed Commission Decision	+ 30 days
Commission Decision	+ 30 days

As discussed in California American Water's concurrently filed motion, it seeking this expedited procedural schedule in order to begin recovering costs as soon as possible after it begins incurring them.⁵⁰ California American Water recently received its permit from the California Department of Public Health (attached as Appendix C) and expects that the plant will begin operating in May 2010.

VII. OTHER FORMAL MATTERS AND PROCEDURAL REQUIREMENTS

A. Applicant's legal name is California-American Water Company.

California American Water's corporate office and post office address is 303 "H" Street, Suite 205, Chula Vista, California 91910. On or about May 11, 2009, California American Water's corporate office and address will change to 1033 B Avenue, Suite 200, Coronado, California 92118.

⁵⁰ In the meantime, California American Water will track the costs associated with the Sand City Desalination Plant in the memorandum account that the Commission approved in Resolution W-4824. It is appropriate for California American Water to track the costs in this memorandum account as an interim measure because, as discussed above, the Sand City Desalination Plant costs are "related to the CDO."

B. Applicant California American Water, a California corporation, organized under the laws of the State of California on December 7, 1965, is a Class A regulated water utility organized and operating under the laws of the State of California. California American Water provides water service in various areas in the following California counties: San Diego, Los Angeles, Ventura, Monterey, San Mateo, Sonoma, Sacramento, and Placer.

C. A certified copy of California American Water's articles of incorporation was filed with the Commission on January 6, 1966 in connection with Application 48170. A certified copy of an amendment to California American Water's articles of incorporation was filed with the Commission on November 30, 1989 in connection with Application 89-11-036. A certified copy of an Amendment to California American Water's Articles of Incorporation dated October 3, 2001 and filed with the office of the California Secretary of State on October 4, 2001, was filed with the Commission on February 28, 2002, in connection with Application 02-02-030. The Articles of Incorporation have not been subsequently amended.

D. None of the persons described in Section 2 of General Order No. 104-A has a material financial interest in any transaction involving the purchase of materials or equipment or the contracting, arranging, or paying for construction, maintenance work, or service of any kind to which Applicant has been a party during the period subsequent to the filing of California American Water's last Annual Report with this Commission or to which California American Water proposed to become a party at the conclusion of the year covered by said Annual Report.

VIII. CORRESPONDENCE CONCERNING APPLICATION

Correspondence and communications concerning this Application should be addressed to the following person:

James Reilly, Esq.
California-American Water Company
333 Hayes St., #202
San Francisco, CA 94102
Telephone: (415) 863-2057
Email: James.M.Reilly@amwater.com

Copies of such correspondence and communications should be sent to:

Lori Anne Dolqueist, Esq.
Manatt, Phelps & Phillips, LLP
One Embarcadero Center, 30th Floor
San Francisco, CA 94111
Telephone: (415) 291-7400
Email: LDolqueist@manatt.com

IX. NOTICE AND SERVICE

California American Water will mail and publish a customer notice in accordance with the requirements of Rule 3.2(b)-(d) of the Commission's Rules of Practice and Procedure. California American Water has provided a draft customer notice, attached as Appendix D, to the Commission's Public Advisor's Office for review. A copy of this Application has been served upon the service list attached hereto. Unless otherwise noted on the service list, recipients will receive a copy of the Application only, exclusive of the supporting appendices and testimony, as provided for in Rule 1.9(c). A Notice of Availability is attached to this Application.

X. APPENDICES AND TESTIMONY

The appendices and testimony listed below support this application.

APPENDICES	TESTIMONY
<u>Appendix A</u> October 20, 2009 Lease Agreement	Direct Testimony of Jeffrey M. Dana
<u>Appendix B</u> Financial Model	Direct Testimony of Steve Matarazzo
<u>Appendix C</u> CDPH Permit	Direct Testimony of Eric J. Sabolsice
<u>Appendix D</u> Draft Customer Notice	

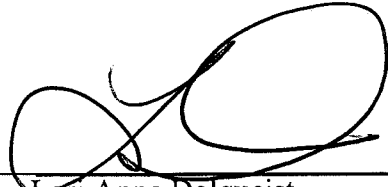
XI. CONCLUSION

As demonstrated by this Application, appendices, and supporting testimony, the costs and terms of the Sand City Desalination Plant lease are reasonable and prudent. California

American Water respectfully requests that the Commission issue a decision authorizing California American Water to include the costs associated with the Sand City Desalination Plant in rates.

Dated: April 12, 2010

By:



Lori Anne Dolqueist

MANATT, PHELPS & PHILLIPS, LLP
One Embarcadero Center, 30th Floor
San Francisco, CA 94111
Telephone: (415) 291-7400

Attorneys for Applicant
California-American Water Company

VERIFICATION

I, the undersigned, say:

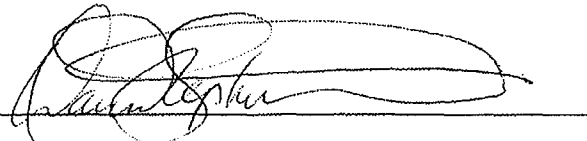
I am an officer of CALIFORNIA-AMERICAN WATER COMPANY, a corporation, and am authorized to make this verification for and on behalf of CALIFORNIA-AMERICAN WATER COMPANY, and I make this verification for that reason. I have read the foregoing application, am informed, and believe the matters therein are true, and, on that ground, allege that the matters stated therein are true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed at Sacramento, California, April 12, 2010.

CALIFORNIA-AMERICAN WATER COMPANY

By

A handwritten signature in dark ink, appearing to read "David P. Stephenson", is written over a horizontal line.


David P. Stephenson

NOTICE OF AVAILABILITY

The appendices and testimony in support of California-American Water Company's ("California American Water") Application listed below exceed 50 pages in length and exceed 3.5 MB in size. Therefore, pursuant to Rules 1.9(c)(1) and (2), California American Water hereby provides this Notice of Availability of the appendices and testimony in support of this Application. Upon written request, California American Water will provide a copy of the appendices and testimony on parties on whom this Notice of Availability is served. Parties that wish to obtain copies should contact:

Cinthia Velez
Manatt, Phelps & Phillips, LLP
One Embarcadero Center, 30th Floor
San Francisco, CA 94111
(415) 291-7585
(415) 291-7474 (Facsimile)
cvelez@manatt.com

Dated: April 12, 2010

By: 
Cinthia A. Velez

APPENDICES	TESTIMONY
<u>Appendix A</u> October 20, 2009 Lease Agreement	Direct Testimony of Jeffrey M. Dana
<u>Appendix B</u> Financial Model	Direct Testimony of Steve Matarazzo
<u>Appendix C</u> CDPH Permit	Direct Testimony of Eric J. Sabolsice
<u>Appendix D</u> Draft Customer Notice	

PROOF OF SERVICE

I, Cinthia A. Velez, declare as follows:

I am employed in San Francisco County, 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. On April 12, 2010, I served the within:

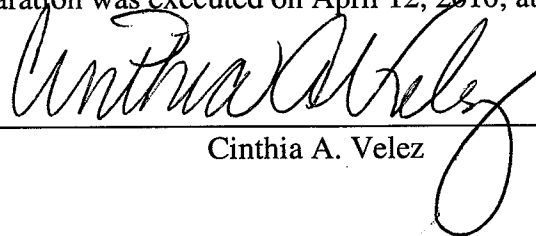
APPLICATION OF CALIFORNIA-AMERICAN WATER COMPANY (U210W) FOR AN ORDER AUTHORIZING RECOVERY OF COSTS FOR THE LEASE OF THE SAND CITY DESALINATION FACILITY AND ASSOCIATED OPERATING AND MAINTENANCE COSTS

on the interested parties in this action addressed as follows:

See Attached Service List

- ☒ **(BY 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.
- ☒ **(BY OVERNIGHT MAIL)** By placing such document(s) in a sealed envelope, for collection and overnight 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 overnight service mailing, said practice being that in the ordinary course of business, correspondence is deposited with the overnight messenger service, April 12, 2010, for delivery as addressed.
- ☒ **(BY PUC E-MAIL SERVICE)** By transmitting such document(s) electronically from Manatt, Phelps & Phillips, LLP, San Francisco, California, to the electronic mail addresses listed above. I am readily familiar with the practices 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 2.3(b) of the Public Utilities Commission of the State of California and all protocols described therein.

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 April 12, 2010, at San Francisco, California.


Cinthia A. Velez

300084508.1

SERVICE LIST

***With Appendices and Testimony**

A.08-01-027 Service List

Via E-Mail

(Updated April 6, 2010)

terrance.spann@hqda.army.mil
carlwwood@verizon.net
kdursa@salinas.net
sheri@lomgil.com
mickey3643@aol.com
Glen.Stransky@LosLaurelesHOA.com
dave@laredolaw.net
mpo@cpuc.ca.gov
ldolqueist@manatt.com
edwardoneill@dwt.com
jimmosher@sbcglobal.net
cs1001@co.santa-cruz.ca.us
dstephens@amwater.com
mccay4213@comcast.net
samweinstein@uwua.net
uwua@redhabanero.com
carrie.gleeson@amwater.com

robert.maclean@amwater.com
lflowrey@nheh.com
ffarina@cox.net
stuart@brandon-tibbs.com
memoman2@gmail.com
aengusj@horanlegal.com
bobmac@qwest.net
joshdavidson@dwt.com
lweiss@manatt.com
sleeper@manatt.com
salleyoo@dwt.com
jmueller@slvwd.com
clara@cwo.com
jcm@cpuc.ca.gov
jws@cpuc.ca.gov
lwa@cpuc.ca.gov
mab@cpuc.ca.gov
mlm@cpuc.ca.gov
llk@cpuc.ca.gov
sst@cpuc.ca.gov

SERVICE LIST FOR MONTEREY DISTRICT

Via Federal Express

***Rami Kahlon, Director**
Division of Water and Audits
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

***Karen Clopton**
Chief Administrative Law Judge
California Public Utilities Commission
505 Van Ness Ave, Room 5118
San Francisco, CA 94102

***Danilo Sanchez**
Director, Division of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

***Frank Rich Lindh, General Counsel**
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Via US Mail

Edmund G. Brown, Jr., Attorney General
State of California
Department of Justice
P.O. Box 944255
Sacramento, CA 94244-2550

Mr. David Maxwell-Jolly, Director
California Department of Health Care Services
Director's Office
MS 0000
P.O. Box 997413
Sacramento, CA 95899-7413

Charlene Wiseman
City Clerk
300 Forest Ave., 2nd Fl.
Pacific Grove, CA 93950

Charles J. McKee
Monterey County Counsel
168 West Alisal Street, 3rd Floor
Salinas, CA 93901

David C. Laredo
Pacific Grove City Attorney
300 Forest Ave., 2nd Fl.
Pacific Grove, CA 93950

Terrance Spann
US Army Legal Services Agency
US Department of Defense
901 N. Stuart Street, Room 713
Arlington, VA 22203-1837

Fort Ord Reuse Authority
100 12th Street, Building 2880
Marina, CA 93933

Mr. Ron Diedrich, Acting Director
Department of General Services
Executive Office
707 Third Street
West Sacramento, CA 95605-2811

Dr. Mark Horton, Director
California Department of Public Health
Division of Drinking Water and Environmental
Management
MS 7400
P.O. Box 997413
Sacramento, CA 95899-7413

Stephen L. Vagnini
Monterey County Clerk
168 West Alisal St. 3rd Floor
Salinas CA 93901

Monterey Peninsula Water Management
District
P.O. Box 85
Monterey, CA 93942

Ann Camel
City Clerk
City of Salinas
200 Lincoln Avenue
Salinas, CA 93901

Vanessa Vallarta
Salinas City Attorney
200 Lincoln Avenue
Salinas, CA 93901

James Heisinger
City of Sand City Attorney
City Hall
1 Sylvan Park
Sand City, CA 93955

Linda Scholink
City of Sand City Clerk
1 Sylvan Park
Sand City, CA 93955

Ronald Langford
Del Rey Oaks City Clerk
City Hall
650 Canyon Del Rey Road
Del Rey Oaks, CA 93940

Donald G. Freeman
City Attorney for Carmel-by-the-Sea and
Seaside
P.O. Box 805
Carmel-by-the-Sea, CA 93921

Debra Mall
Monterey City Attorney
City Hall
Pacific & Madison
Monterey, CA 93940

Alco Water Service
249 Williams Road
Salinas, CA 93905

Rob Wellington
Del Rey Oaks City Attorney
City Hall
650 Canyon Del Rey Road
Del Rey Oaks, CA 93940

Heidi Burch
Carmel-by-the-Sea City Clerk
P.O. Box CC
Carmel-by-the-Sea, CA 93921

Bonnie Gawf
City of Monterey Clerk
City Hall
Pacific & Madison
Monterey, CA 93940

Joyce Newsome
Seaside City Clerk
City Hall
440 Harcourt Avenue,
Seaside, CA 93955

APPENDIX A

CITY OF SAND CITY

and

CALIFORNIA-AMERICAN WATER COMPANY, INC.

AMENDED AND RESTATED LEASE AGREEMENT

Dated as of 10/30, 2009

TABLE OF CONTENTS

	<u>Page</u>
1. DEMISE; ASSIGNMENT OF WATER RIGHTS	1
2. TERM	2
3. RENT	2
4. USE	3
5. DELIVERY OF LEASED PROPERTY PREMISES UPON COMPLETION OF PROJECT IMPROVEMENTS	3
6. TAXES AND OTHER CHARGES; LEGAL REQUIREMENTS; COMPANY'S RIGHT TO CONTEST	3
7. LEGAL REQUIREMENTS; NEW OR EXANDED WATER USES.....	5
8. LIENS	5
9. INDEMNIFICATION; FEES AND EXPENSES.....	5
10. ENVIRONMENTAL MATTERS	6
11. MAINTENANCE AND REPAIR; MODIFICATIONS; ASSIGNMENT OF WARRANTIES	7
12. CONDEMNATION AND CASUALTY	8
13. INSURANCE.....	9
14. QUIET ENJOYMENT.....	11
15. SUBLETTING; ASSIGNMENT	11
16. EVENTS OF DEFAULT AND REMEDIES	12
17. NOTICES	14
18. ESTOPPEL CERTIFICATES	14
19. SURRENDER.....	15
20. SEPARABILITY	15
21. RECORDING	15
22. LIMITATION ON RECOURSE	16
23. FORCE MAJEURE	16
24. MISCELLANEOUS	16
 SCHEDULE X	Definitions
SCHEDULE A	Description of Land Parcel
SCHEDULE B	Basic Rent
SCHEDULE C	Acceptance Testing Protocols

THIS AMENDED AND RESTATED LEASE AGREEMENT, dated as of 10/30, 2009 (the "Amended Lease"), is between the CITY OF SAND CITY, a municipal corporation (the "City"), having an address at City Hall, 1 Sylvan Park, Sand City, CA 93955, as City, and CALIFORNIA-AMERICAN WATER COMPANY a California corporation (the "Company"), having an address at 1033 B Avenue, Suite 200, Coronado, CA 92118. City and Company are hereinafter sometimes referred to collectively as the "Parties".

RECITALS:

WHEREAS, pursuant to Section 9 of Article XI of the California Constitution and the general municipal laws of the State of California and City's other general authority and power, City has undertaken to construct a reverse osmosis desalination facility (the "Project") with a projected annual production capacity of three hundred (300) acre-feet per year to better serve the needs of its inhabitants for potable water; and

WHEREAS, City desires to enter into an operating lease (within the meaning of GAAP) with Company to maintain and operate the Project; and

WHEREAS, Company is the certificated water purveyor for the Monterey Peninsula, including, but not limited to, the City of Sand City.

WHEREAS, the parties wish to set forth their relationship which will enable the operation of the Project, in furtherance of the corporate purposes of the City.

WHEREAS, Company and City entered into the original Lease for the operation the Project on November 9, 2007;

WHEREAS, the California Coastal Commission acted in April of 2005 to approve the issuance of a Coastal Development Permit for the Project;

WHEREAS, the Monterey Peninsula Water Management District acted in October of 2007 to approve issuance of Water Distribution System permits necessary for the operation of the Project in the manner contemplated by this Lease;

WHEREAS, the California Coastal Commission acted in February of 2008 to approve amendments to the Coastal Development Permit necessary for the Project to be operated by Company in the manner contemplated by this Lease;

WHEREAS, the Coastal Development Permit ("CDP") issued by the California Coastal Commission for the development of the Project, limits the Project to the production of no more than 300 acre feet per year of potable water.

WHEREAS, the time to challenge the approval of the Coastal Development Permit and Water Distribution Permits approved for the Project has expired;

WHEREAS, the Coastal Development Permits and Water Distribution Permits approved for the Project have been issued;

WHEREAS, Company has identified a need for water supplies that exceed the existing term of the Lease;

WHEREAS, City desires the Project to be operated over a longer term than originally agreed in the Lease;

WHEREAS, Company has paid the first two rent payments of \$850,000 due under the Lease;

WHEREAS, the Monterey Peninsula Water Management District currently charges connection fees to new or expanded water connections within Company's service area;

WHEREAS, City and Company desire to continue to have an operating lease within the meaning of GAAP to maintain and operate the Project;

NOW, THEREFORE, City and Company hereby agree, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and agreed, one to the other, as follows:

1. Demise; Assignment of Water Rights.

(a) In consideration of the agreements and provisions of this Lease, City hereby grants, demises and lets to Company, and Company hereby leases from City, subject to the terms and conditions hereinafter set forth and for the Term as described in Article 2 hereof, all of City's right, title and interest in the Land Parcel and the Project Improvements as of the Basic Term Commencement Date, which includes all tangible equipment and personal property described in or contemplated by the Approved Plans, or now or hereafter constructed or placed on, affixed or appurtenant to, or used in connection with, the Project and the Land Parcel, together with any and all accessions, additions, improvements, substitutions and replacements thereto or therefor, (all of the foregoing, collectively, the "Leased Property"). As further reflected in the Approved Plans, the Project Improvements include, but are not limited to (i) offsite extraction wells, pumps and feed-water pipelines, (ii) the reverse osmosis desalination facility, (iii) a concentrate discharge pipeline and related blending station, (iv) a horizontal injection well adjacent to the beach, (v) a backup electrical power generator, and (vi) a pipeline connection between the desalination facility and the Company's transmission main located at the intersection of Catalina and Olympia Streets. During the Term, Company shall have: (i) an exclusive right to occupy and possess the Land Parcel and all Project Improvements installed thereon for the purposes described in this Lease; (ii) an exclusive right to use all Project Improvements not located on the Land Parcel; and (iii) a non-exclusive right to use and possess any rights-of-way where the Project Improvements are installed outside of the Land Parcel for the purposes described in this Lease.

(b) In addition to the demise of the Leased Property, City hereby assigns to Company, for as long as the Lease remains in effect, that portion of City's rights under the Final Decision entered in California American Water vs. City of Seaside, et al (Superior Court Case No. M66343, Monterey County) to produce brackish water from the Aromas Sands formation of the Seaside Groundwater Basin which is necessary to produce no more than 300 acre feet of potable water each year.

2. Term.

(a) Subject to the provisions hereof, Company shall have and hold the Leased Property for a term (the "Basic Term") which shall begin on the Basic Term Commencement Date and continue for thirty-one (31) years, unless sooner terminated or extended as hereinafter provided. Prior to the Basic Term, it is contemplated this agreement shall be deemed to be a binding agreement by City and Company to commence the Lease on the Basic Term Commencement Date, subject to the terms hereof.

(b) Twelve (12) months prior to the expiration of the Basic Term, the Parties shall meet and confer to discuss the operation of the Project Improvements at the conclusion of the Basic Term.

(c) Notwithstanding any other provision of this Lease, at Company's sole option, this Lease may be terminated if the Basic Term Commencement Date does not occur prior to December 31, 2009 (the "Outside Date").

(d) Notwithstanding any other provision of this Lease, either City or Company may terminate this Lease prior to the Basic Term Commencement Date if, after both Parties have used their best efforts to secure such entitlements, either City or Company have not obtained all government approvals necessary to construct or operate the Project Improvements.

3. Rent.

(a) Company shall pay the rent provided for in Schedule B (as the same may be amended, modified, supplemented or replaced from time to time pursuant to the terms of this Lease) annexed hereto ("Basic Rent"), on the dates and in the amounts therein set forth, to City, by check to City's address or by bank wire transfer or electronic funds transfer of immediately available funds to any place within the continental United States to which bank wire or electronic funds transfers can be made as City may from time to time designate to Company in writing at least ten (10) days prior to the applicable payment date.

(b) Company shall not be obligated to pay any rent other than Basic Rent, it being agreed that this is not a "net lease." Company will, however, be directly responsible for paying its costs of operating and maintaining the Leased Property, including costs relating to materials, supplies, cleaning, maintenance, routine repairs, liability insurance and utilities.

(c) The Parties agree that City may, in its sole discretion, charge connection fees, hookup charges or similar fees or charges to new or expanded water uses within City's city limits. If City chooses to impose such fees or charges, then such fees or charges, less a reasonable administration fee, shall be paid to Company within 15 days of the end of the calendar month such charge or fee was collected to Company. Company shall apply such fee in the manner directed by the CPUC.

4. Use. Company may only use the Leased Property as a desalination facility. Company shall operate the Leased Property, consistent with Prudent Industry Practices, to produce 300 acre feet of potable water per year throughout the Term, and deliver the water produced by the Leased Property to Company's water distribution system for Monterey County.

Potable water produced from the desalination facility may be used only to: (i) offset production from Company's existing sources of supply for its Monterey County water distribution system; or (ii) to serve connections for new and expanded water uses within Sand City authorized by the Monterey Peninsula Water Management District. As a material obligation under this Lease, Company shall supply up to 206 acre feet per year of production from the desalination facility for new and expanded water uses within Sand City as directed by the City. Company shall report the volume of potable water actually it produces from the Leased Property to City on a bi-weekly basis throughout the Term.

5. Delivery of Leased Property Upon Completion of Project Improvements. The Project Improvements are to be built in accordance with the Approved Plans and are to be delivered to the Company for testing in accordance with the protocols set forth in Schedule C. (the "Acceptance Testing Protocols"), at the time the California Department of Public Health determines that water produced by the Project can be delivered into the Company's water distribution system. The Project Improvements shall be substantially complete (with the exception of the relocation of intake well no. 3 as provided in Paragraph 11(b)(ii) which will be completed and delivered to Company on or before June 30, 2010) and free of any mechanics liens. Company shall make a complete inspection to ensure it is satisfied with the condition of the Leased Property before accepting delivery for testing.

Company shall conduct all of its testing in accordance with the Acceptance Testing Protocols. City shall cause the Acceptance Test Report to be prepared as specified Acceptance Test Protocols. Upon completion of Acceptance Test Report stating results reasonably satisfactory to Company, the parties shall sign a certificate evidencing Company's acceptance of the Project and the Engineer's Operations and Maintenance Manual, and the Basic Term shall commence. The certificate will be accompanied by a schedule of all equipment that comprises the Leased Property, as agreed to by City and Company upon completion of startup testing. If the Project does not perform in accordance with its design specifications prior to the Outside Date, then the Parties may agree to extend the Outside Date or either of the Parties terminate this Lease.

6. Taxes and Other Charges; Company's Right to Contest.

(a) Company acknowledges that the possessory interest created under this Lease may be subject to property taxation and Company may be subject to the payment of such property taxes. Except as set forth below, Company shall pay and discharge, on or before the last day upon which the same may be paid without interest or penalty, all taxes, assessments, levies, fees, water and sewer rents and other governmental and similar charges, general and special, ordinary or extraordinary, and whether or not the same shall have been within the express contemplation of the parties hereto, and any interest and penalties thereon, which are levied or assessed or are otherwise due during the Term and which relate to or arise out of (i) the use, occupancy, operation or possession of the Leased Property, or any part thereof, or the transactions contemplated by this Lease, (ii) the Leased Property or the interest of Company therein, (iii) Basic Rent payable by Company hereunder or, (iv) gross receipts from the Leased Property. If any tax or assessment levied or assessed against any Leased Property may legally be paid in installments, Company shall have the option to pay such tax or assessment in installments; provided, however, that, upon the termination or expiration of the Term, Company

shall pay any such tax or assessment which it has been theretofore paying in installments in full on or prior to such termination or expiration date. Such taxes, assessments, fees, water and sewer rents and other governmental charges shall be apportioned between City and Company as of the date on which this Lease terminates or expires with respect to the Leased Property so long as such taxes, assessments, fees, rents or charges would otherwise be payable by City.

(b) Notwithstanding the foregoing, nothing in this Lease shall require payment by Company of (i) any franchise, estate, inheritance, succession, transfer (other than transfer taxes, recording fees, or similar charges payable in connection with a conveyance hereunder to Company pursuant to any provision hereof), gross or net income or profits or gross receipts taxes of City or any other Indemnified Party, (ii) any taxes (including any minimum taxes and withholding taxes) imposed by any federal, state or local government on, or measured by, the gross or net income of City or any other Indemnified Party, or any tax preferences or dividends paid, or (iii) any taxes in the nature of capital gains, excess profits, accumulated earnings or personal holding Company taxes, unless any such tax is in lieu of, or a substitute for, any other tax or assessment upon, or with respect to, the Leased Property, which, if such other tax or assessment were in effect, would be payable by Company hereunder. Company shall furnish to City promptly (and in any event within thirty (30) days after the later of (i) the date the same becomes due and payable and (ii) the date of written demand by City, as the case may be) proof of the payment of any such tax, assessment, fee, rent or charge which is payable by Company. Such taxes, assessments, fees, water and sewer rents and other governmental charges shall be apportioned between City and Company as of the date on which this Lease terminates or expires with respect to the Leased Property.

(c) City shall not impose a tax, fee, or other charge upon the Company's interest in the Leased Property, or the Company's operation of the Leased Property, nor shall the value of the Leased Property, the Company's interest therein or the value of the operation of the Leased Property be added to the value of the Company's other property or operations within the City in determining the amount the City is due from the Company for any other lawful tax, fee, or charge.

(d) Notwithstanding the provisions of paragraphs (a) and (b) of this Article 6 and the provisions of Article 8 hereof, Company shall have the right to contest, by appropriate legal proceedings, any tax, charge, levy, assessment or Lien, and/or any Legal Requirement affecting the Leased Property, and to postpone payment of, or compliance with, the same during the pendency of any such contest, provided that (i) the commencement and continuation of such proceedings shall suspend the collection thereof from, and suspend the enforcement thereof against City, the other Indemnified Parties, and the Leased Property; (ii) no part of the Leased Property nor any Basic Rent or other sums payable by Company hereunder shall be in imminent danger of being sold, forfeited, attached or lost; (iii) there shall not exist (A) any material interference with the use and occupancy of the Leased Property or any part thereof, or (B) any interference with the payment of Basic Rent; (iv) Company shall diligently prosecute such contest to a final settlement or conclusion, or, if Company deems it advisable to abandon such contest, Company shall promptly pay or perform the obligation which was the subject of such contest; and, (v) during the permitted contest there shall not be a risk of the imposition of criminal liability on City or any other Indemnified Party for failure to comply with the obligation which was the subject of such contest.

7. Legal Requirements; New or Expanded Water Uses

(a) City shall use reasonable efforts to obtain all necessary approvals from all Governmental Authorities requisite to the construction and operation of the Project. City shall obtain all approvals necessary to increase connections for new and expanded water uses in Sand City as provided in Article 4, and Company shall provide any assistance requested by City to secure all other necessary approvals for the construction and operation of the Project for the purposes described in Article 4.

(b) During the Term, City shall provide Company, at the Company's expense, any assistance it requests to help Company maintain or renew existing permits, licenses and authorizations or to obtain new approvals which may be required, provided that new approvals of a specified duration and that have a useful life that extends beyond the Basic Term shall be prorated in the manner provided in Paragraph 11(b)(ii). The Parties shall cooperate to secure any Governmental Action required to make improvements to the Project to allow the production capacity of the Project to be increased to more than 300 acre feet annually ("Additional Project Improvements"). Any additional production resulting from the Additional Project Improvements shall be delivered to the Company's water distribution system and used to further offset production from Company's existing sources of supply for its Monterey County water distribution system until such time as the City directs that such additional production be used to serve connections for new and expanded water uses in Sand City or as the City may otherwise direct. The costs of entitling, constructing and maintaining the Additional Project Improvements shall be specified in a subsequent amendment to this Amended and Restated Lease.

(c) Company shall, at all times during the Term, at Company's own cost and expense, (i) perform and comply, and cause the Leased Property to comply, in all material respects with all Legal Requirements, provided that City shall not impose any new zoning or other requirements applicable to the Project during the Lease (ii) comply in all material respects with all provisions of insurance policies required pursuant to Article 13 hereof and (iii) comply in all material respects with the provisions of all material contracts, agreements, instruments and restrictions existing and approved by Company at the commencement of this Lease, or thereafter suffered or permitted by Company, affecting the Leased Property or any part thereof, or the ownership, occupancy, use, operation or possession thereof.

(d) Nothing in this Lease shall be construed as requiring Company to obtain permits, licenses, or any other entitlement on behalf of a developer seeking to develop a new or expanded water use.

(e) Nothing in this Lease shall be construed as obligating Company to construct at its expense any infrastructure or other improvements necessary to serve new or expanded water uses. All infrastructure expenses for new and expanded water uses will be allocated pursuant to California Public Utilities Commission rules and regulations for investor-owned water utilities, or other applicable law.

8. Liens. Company acknowledges that good title to the Leased Property will be vested in City prior to the Basic Term Commencement Date. The Project Improvements shall be delivered to Company at the commencement of the Basic Term without any Liens or other claims. During the Basic Term, subject to the provisions of paragraph (d) of Article 6 hereof, Company will promptly, but no later than sixty (60) days after its Actual Knowledge of the filing thereof, at its own expense remove and discharge of record, by bond or otherwise, any Lien (other than Permitted Encumbrances) upon the Leased Property which arises solely out of Company's possession, use, operation and occupancy of the Leased Property.

9. Indemnification; Fees and Expenses.

(a) Prior to the Basic Term Commencement Date, City shall fully indemnify Company and all applicable Indemnified Parties against any and all liabilities, obligations, losses, damages, costs, expenses, actions, suits and causes of action or claims of any kind or nature relating to this Lease or the Leased Property or the transactions contemplated hereby, except to the extent that such liabilities, obligations, losses, damages, costs, expenses, actions, suits, and causes of action or claims are a result of, or claimed to be a result of, the failure of Company to perform any Legal Requirement or contractual obligation on its part to be performed, or the negligence, recklessness or intentional acts of Company.

(b) During the Basic Term, and subject to the limits in (c) below, Company shall indemnify the City and other applicable Indemnified Parties against all liabilities, obligations, losses, damages, costs, expenses, actions, suits and causes of action or claims, of any kind or nature, (the foregoing, collectively, "Losses", and, individually, a "Loss") arising from the use, operation, maintenance, or management of the Leased Property during the Basic Term in connection with any of the following events: (A) any injury to or death of any person, and/or any damage to, or loss of, Property on the Leased Property directly connected with the, use, nonuse, occupancy, operation, possession, condition, construction, maintenance, repair or rebuilding of the Leased Property; (B) any claims by third parties relating to any violation or alleged violation of (1) any provision of this Lease, or (2) any Legal Requirement affecting the Leased Property or the operation of the Leased Property as described in Article 4.

(c) Notwithstanding the foregoing or the provisions of Article 10 hereof, Company shall not be required pursuant to this Article 9, Article 10 hereof or otherwise hereunder to indemnify: (i) City or any other Indemnified Party for any property or other damage that is covered or should have been covered by the insurance to be maintained by City, (ii) City or any particular Indemnified Party for any Losses resulting from, arising out of, or which would not have occurred but for City's or such other Indemnified Party's own negligence, fraud or willful misconduct; (iii) City or any particular Indemnified Party for any Losses resulting from, arising out of, or which would not have occurred but for a breach by City or such Indemnified Party of any representation, warranty or covenant made by City or such Indemnified Party in this Lease or any other related document; (iv) any Indemnified Party for any taxes, except as set forth in Article 6 hereof; (v) any Indemnified Party for any losses resulting from the authorization or giving or withholding of any future amendments, supplements, waivers or consents with respect to the Lease or the Leased Property by such Indemnified Party other than such as have been consented to in writing by the Company; (vi) any Indemnified Party for any Losses resulting from, arising out of or which would not have occurred but for acts or events

solely with respect to any portion of the Leased Property that occur after return of possession thereof to the City or its designee pursuant to and in accordance with the terms of this Lease; or (vii) for Loss or Losses arising from a defect in the design or construction of the Leased Property. City shall also indemnify Company against all liabilities solely to the extent that such liabilities are a result of a defect in the design or construction of the Leased Property.

(d) Nothing in this Article 9 or in Article 10 hereof shall be construed to give rise to any third party beneficiary rights with respect to any Person who is not an Indemnified Party.

10. Environmental Matters.

(a) Without limiting the generality of any of the provisions of this Lease, Company covenants that, at all times during the Term, the Leased Property, the Company, all sublessees and any assignee of Company shall comply in all material respects with all applicable Environmental Laws and Environmental Permits.

(b) Without limiting the generality of the provisions of Article 9 hereof, Company agrees to indemnify, defend and hold harmless each of the City and the Indemnified Parties and each of their respective employees, assigns, officers, directors, shareholders, partners, trustees and beneficiaries (each an "Environmental Indemnity Party"), from and against any and all Losses which may be suffered or incurred by, or asserted against, such Environmental Indemnity Party to the extent arising directly or indirectly out of any environmental contamination of the Land Parcel or Leased Property or resulting from Company's operation of the Leased Property, including, without limitation, (i) the presence, use, storage, transportation, disposal, release, threatened release, discharge, emission or generation of any Hazardous Substances or of any material, waste or substance which is directly or indirectly a product of, or contains, petroleum, including crude oil or any fraction thereof, natural gas, or synthetic gas usable for fuel or any mixture thereof, from, on, over, under or in the Leased Property in violation of any Environmental Law or Environmental Permit, whenever discovered, and including any such liability with respect to other Property caused by such Hazardous Substances and/or environmental contamination located on or emanating from the Land Parcel and/or Leased Property, or (ii) the violation or alleged violation by Company, or any Person claiming by, through or under Company, of any Environmental Law or Environmental Permit, provided, however, that (A) Company shall in no event be required to indemnify any Environmental Indemnity Party for any liability caused by such Hazardous Substances and/or such environmental contamination occurring after Company has returned the Leased Property to City in accordance with the terms of this Lease, unless such liability relates to the period prior to such return of the Leased Property; (B) Company shall not be liable for any violation relating to Hazardous Substances in the Project Improvements built by City, it being agreed that City shall indemnify Company and its applicable Environmental Indemnity Parties against any such related liabilities; and (C) Company shall not be liable for any violation arising from a defect in the design or construction of the Leased Property.

(c) Notwithstanding paragraph (a) and (b) of this Article 10, City shall be responsible for compliance with the Coastal Development Permit issued for, relating to, or connected with its work reconstructing wells pursuant to paragraph 11(b)(i) and shall cooperate with Company in complying with all other Environmental Laws and Environmental Permits

issued for, or relating to, or connected with Company's work reconstructing wells pursuant to paragraph 11(b)(i).

11. Maintenance and Repair; Modifications; Assignment of Warranties.

(a) On and as of the Basic Term Commencement Date, Company shall deliver to City an Officer's Certificate certifying that it has received the Project Improvements in new condition, repair and appearance, subject only to minor "punchlist items", if any, which are approved by Company and set forth in writing on such date with respect to the Project Improvements. All "punchlist items" shall be corrected by City within 30 days after the Basic Term Commencement Date. Any punchlist items not corrected within that 30 day period may, at the sole option of Company: (i) be corrected by Company and City shall reimburse Company for all costs incurred to correct said punchlist items; (ii) be corrected pursuant to other agreement between City and Company; or (iii) remain uncorrected with a pro rata reduction in Basic Rent to correspond to the Project's shortfall in meeting its specifications.

(b) Except as provided in Paragraphs 11(b)(i) and 11(b)(ii), Company will, at its own cost and expense, keep and maintain the Leased Property, including any altered, rebuilt, additional or substituted equipment, structures and other improvements or Modification thereto (as defined herein), in the same condition as delivered to Company on the Basic Term Commencement Date, ordinary wear and tear and the consequences of casualty (described in paragraph (c) of Article 12 hereof), condemnation or taking excepted, and (except as otherwise provided in paragraph (c) of Article 12 hereof with respect to repairs following a casualty to be made by City, as owner) will make all ordinary repairs and replacements, foreseen or unforeseen, which may be required, as reasonably determined by Company, to be made upon, or in connection with, the Leased Property in order to keep the same in such condition, ordinary wear and tear and the consequences of casualty (described in paragraph (c) of Article 12 hereof), condemnation or taking excepted, including taking, or causing to be taken, all actions necessary to maintain the Leased Property in compliance, in all material respects, with any applicable Legal Requirements, including all applicable Environmental Laws and Environmental Permits. Without limiting the generality of any of the foregoing, Company shall keep the Project Improvements in good working order and operating condition, in accordance with: (i) applicable manufacturer's standard operating and maintenance procedures; and (ii) operating, maintenance, repair and replacement procedures recommended by the DB Contractor and agreed to by Company, as necessary to enforce warranty claims against any vendor or manufacturer of any portion of the Equipment.

(i) Notwithstanding the foregoing, in the event it becomes necessary to relocate any of the intake wells or the discharge well during the Basic Term, the parties shall meet and confer regarding such necessary relocation and City shall approve the location of such new wells. City's approval shall not be unreasonably withheld.

(ii) Provided that Company operates the Project Improvements as provided in the Engineer's Operations and Maintenance Manual, Company's obligation for any repairs, maintenance, alterations, upkeep, replacement, rebuilding, substitutions, or modifications – including such work necessary to

keep the premises in compliance with Legal Requirements, including all applicable Environmental Laws and Environmental Permits – that must be made by Company under Paragraph 11.(b), but that will also have a useful life that exceeds the Basic Term, including but not limited to the relocation of intake or discharge wells, shall be prorated. Company shall pay for that portion of the work equal to percentage of the work's useful life that remains under the Basic Term. The City shall pay for the balance. For example, if work is required under Paragraph 11(b) three years prior to the expiration of the Basic Term and that work has a useful life of 10 years, Company shall pay 30 percent of the cost of the work and City shall pay 70 percent of the cost of the work. The useful life of the work shall be determined with reference to National Association of Regulatory Utility Commissioners, American Water Works Association, or similar regulated water utility association standard.

(c) City hereby assigns to Company whatever claims and rights City may have against the DB Contractor, any other contractor, vendor, engineer, architect or manufacturer under the provisions of the respective construction, design, sales or manufacturer's warranty agreements or other agreements, and City agrees to execute and deliver, at Company's expense, such documents as may be necessary to enable Company to obtain customary warranty service and servicing obligations furnished by all such contractors, vendors, sellers or manufacturers.

(d) During the Term, so long as no Event of Default hereunder has occurred and is continuing, Company may make any modifications, alterations, additions and/or improvements to the Leased Property, whether or not structurally integrated with the Project Improvements (each a "Modification"); provided that no such Modification: (i) materially or adversely affects the value, utility, operation and/or useful life of the Leased Property, or (ii) violates in any material respect any agreement or restriction (including, without limitation, any Legal Requirement, Environmental Law or Environmental Permit) to which the Leased Property is subject; and provided further that such Modification is of comparable style, quality, workmanship and materials to the Project Improvements as originally constructed, as certified in writing by Company. City and Company shall meet and confer regarding any material Modifications to the Leased Property. Title to any Modification (i) required to be made to the Leased Property to ensure that the Leased Property was and/or would continue to be in compliance with any Legal Requirements applicable thereto; or, (ii) that cannot be removed without (A) causing material damage to the Leased Property or (B) materially and adversely affecting the value, utility, operation or useful life of the Leased Property (as determined by reference to the value, utility, operation and useful life of the Leased Property without regard to such Modification), as certified in writing by Company (collectively, "Non-severable Modifications"), shall vest with City and be subject to this Lease without any increase in Basic Rent as a result of such Non-severable Modifications. Subject to the immediately succeeding sentence, title to all other Modifications (collectively, "Severable Modifications") shall vest with Company. In the event that Company returns the Leased Property to City, Company shall be entitled to remove any Severable Modifications prior to such return of the Leased Property, provided, however, that if any such Severable Modifications are not so removed prior to the return of the Leased Property to City by Company, title thereto shall thereupon vest with City subject to City's acceptance thereof. If City does not accept such Severable Modification upon return of the Leased Property, Company shall remove such Severable Modification from the

Leased Property upon demand of City. Any Modification shall be made at the sole cost and expense of Company, unless otherwise agreed with City that it should be made by and at the cost of City.

12. Condemnation and Casualty

(a) City agrees that it will not initiate any condemnation, eminent domain or other similar proceedings against the Leased Property.

(b) If the Leased Property, or any part thereof shall be damaged or destroyed by fire or other casualty, and Company may not, or does not, elect to terminate this Lease pursuant to paragraph (c) of this Article 12, then Company shall give prompt written notice of such casualty to City. City shall, at City's own cost and expense, proceed with diligence and promptness to carry out any necessary demolition and to restore, repair, replace, and/or rebuild the Leased Property in order to restore the Leased Property to a condition and fair market value, utility and remaining useful life not less than the condition and fair market value, utility and remaining useful life thereof immediately prior to such casualty. City and Company shall meet and confer regarding casualty repairs, including but not limited to, the nature of the repairs, the replacement equipment, contractor qualifications, potential disruptions to operations, and schedule. No repair work done by City pursuant to this paragraph shall violate the terms of any restriction, easement, condition or covenant or other matter affecting title to the Leased Property, and all repair work done by City pursuant to this paragraph (b) of Article 12 shall be undertaken and completed in a good and workmanlike manner and in compliance in all material respects with all Legal Requirements then in effect with respect to the Leased Property. During the period that the Leased Property is inoperable, Basic Rent shall fully abate hereunder by reason of any damage to or destruction of, the Leased Property. If the proceeds of any casualty insurance policy maintained by City are less than the estimated cost of restoring, replacing or rebuilding the Leased Property to the condition and fair market value required above in this paragraph (b), then City shall make-up any such deficiency with its own funds. Loss of any intake or discharge wells shall not be considered a 'casualty' loss for the purposes of this Lease. Replacement or rebuilding of intake or discharge wells due to such natural causes shall be performed by Company and the cost of any such replacement or rebuilding shall be shared by Company and City in accordance with Paragraph 11(b)(ii).

(c) If, at any time during the Basic Term, (i) all or a substantial portion of the Leased Property shall be condemned or taken in the exercise of the power of eminent domain by any sovereign, municipality or other public or private authority; or (ii) shall be damaged or destroyed by fire or other casualty, and the Leased Property cannot readily be fully restored within six (6) months with funds available from City or under its casualty insurance, then Company may, in any such case, give written notice to City of Company's intention to terminate this Lease with respect to the Leased Property not later than one hundred twenty (120) days after the occurrence of such casualty, condemnation or taking.

(d) Company's notice to City shall (i) contain a description of the relevant condemnation, taking or casualty, and (ii) specify the date on which this Lease shall terminate with respect to the Leased Property. Upon any complete termination of this Lease, City shall reimburse to Company of any advance rent applicable to the period after the termination. Upon

termination, Company shall have no further obligations hereunder except pursuant to any provisions of this Lease which, by their terms, expressly survive such termination.

13. Insurance.

(a) Prior to the commencement of the Basic Term, City shall, at its own cost and expense, maintain or cause to be maintained (by the DB Contractor building the Project Improvements) with respect to the Leased Property valid and enforceable insurance of the following character:

- (i) Commercial General Liability Insurance or Comprehensive General Liability Insurance with Broad Form CGL endorsement with limits of not less than \$1,000,000 each occurrence and \$2,000,000 general aggregate. Completed Operations coverage shall extend two years beyond completion of performance under the DB Contract. The DB Contractor and any related architects and/or engineers shall also obtain adequate Professional Liability or Errors and Omissions insurance.
- (ii) Worker's Compensation Insurance as required by laws and regulations applicable to and covering employees performing under this Lease. Employer's Liability Insurance protecting employer against common law liability, in the absence of statutory liability, for employee bodily injury arising out of the master-servant relationship with a limit of not less than \$1,000,000 each accident, \$1,000,000 disease-policy limit, \$1,000,000 disease-each employee.
- (iii) All-Risk Property Insurance with a limit equal to the replacement cost of the Leased Property during the Basic Term.

(b) During the Basic Term, Company shall be responsible for maintaining the type of insurance described in clause (a)(i) and (a)(ii) and City shall maintain the insurance in clause (a)(iii). City may elect to self-insure the risks related to the losses under the clause (a)(iii) insurance.

(c) In addition to the foregoing, every insurance policy maintained in accordance with this Article 13 shall: (i) name the other party as additional loss payee as its interest may appear w'th respect to (a)(iii);; (ii) provide that the issuer waives all rights of subrogation against City or Company or any other person insured under such policy, (iii) provide that thirty (30) days advance written notice of cancellation, modification, termination or lapse of coverage shall be given to City and Company; and (iv) be primary relative to the respective use, occupancy and operations of premises by City or Company and without right or provision of contribution as to any other insurance carried by City or Company or any other interested party.

(d) Company and City shall deliver to the other prior to the Basic Term certificates of insurance, reasonably satisfactory to City and Company, evidencing all of the insurance required under paragraph (a) of this Article 13; provided, however, that City shall not

be obligated to deliver such certificates of insurance with respect to required insurance coverages as to which City has retained the risk of loss (self-insured). After the expiration of any required insurance policy, the primary insured shall deliver to the other party certificates of insurance evidencing the renewal of any such policy. City shall provide Company with written notice of any determination to self-insure with respect to any risk theretofore covered by externally procured insurance.

(e) Company and City shall comply with all of the terms and conditions of each insurance policy maintained pursuant to the terms of this Lease to the extent necessary to avoid invalidating such insurance policy or impairing the coverage available thereunder.

14. Quiet Enjoyment.

(a) So long as no Event of Default under this Lease shall have occurred and be continuing, City covenants that Company shall and may at all times peaceably and quietly have, hold and enjoy the Leased Property during the Term without hindrance by City or any Person claiming through or under City.

15. Subletting; Assignment.

(a) Neither this Lease nor the Leased Property shall be mortgaged, by Company. Any such mortgage or pledge shall be null and void.

(b) Company may only assign its interest in this Lease in connection with the consolidation or merger of Company into any other Person or the sale, lease or other transfer or disposal of all or substantially all of Company's assets in the Monterey Peninsula area (whether in one transaction or in a series of related transactions), if and only if (i) the assignee of Company's interest, or the corporation or other Person which results from any such consolidation, merger, acquisition, sale, lease, transfer and/or disposition of assets, if not Company, assumes all of Company's obligations, duties and liabilities under this Lease; and (ii) any such assignment, consolidation, merger, acquisition, sale, lease, transfer and/or disposition of assets would not result in a violation of any regulatory requirement applicable to City, including but not limited to any and all licensing requirements applicable to the operator of the Leased Property.

16. Events of Default and Remedies.

(a) Any of the following occurrences or acts shall constitute an event of default under this Lease (each an "Event of Default"):

- (i) if Company shall default in making payment of any installment of Basic Rent, which default shall continue for ninety (90) days after the same first becomes due and payable; or
- (ii) if Company or City shall default in the performance of any covenant, agreement or obligation on the part of Company or City, as applicable, to be performed under this Lease, and such default shall continue for a period of thirty (30) days after written notice

thereof is received by the defaulting party, unless such default is curable and the defaulting party shall be diligently proceeding to correct such default (but in no event for a total period of longer than one hundred eighty (180) days after the receipt of such notice as provided above); or

- (iii) if Company or City shall file a petition in bankruptcy or for reorganization or for an arrangement pursuant to the Bankruptcy Code, or shall be adjudicated bankrupt or become insolvent or shall make an assignment for the benefit of its creditors, or shall admit in writing its inability to pay its debts generally as such debts become due, or shall be dissolved, or shall suspend payment of its obligations, or shall take any corporate action in furtherance of any of the foregoing; or
- (iv) if a petition or answer shall be filed proposing the adjudication of Company or City as bankrupt, or proposing its reorganization pursuant to the Bankruptcy Code, and (A) Company or City, as applicable, shall consent to the filing thereof, or (B) such petition or answer shall not be discharged or denied within sixty (60) days after the filing thereof; or
- (v) if a receiver, trustee or liquidator (or other similar official) shall be appointed for, or take possession or charge of, Company or City, or of all or substantially all of the business or assets of Company or City or its estate or interest in the Leased Property, and such official shall not be discharged within sixty (60) days thereafter, or if Company or City shall consent to or acquiesce in such appointment; or
- (vi) if, as of the time when the same shall have been made, any representation or warranty of Company or City set forth herein, or in any consent, notice, certificate, demand, request or other instrument delivered by or on behalf of Company or City, as applicable, in connection with or pursuant to this Lease shall prove to have been incorrect or untrue in any material respect as of the time when made, and the condition or circumstance giving rise to such incorrect or untrue representation or warranty shall continue for a period of thirty (30) days after Company or City has Actual Knowledge thereof, unless such condition or circumstance is curable and Company or City shall be diligently proceeding to correct such condition or circumstance (but in no event for a total period of longer than one hundred eighty (180) days after Company or City has Actual Knowledge thereof); or

(b) This Lease and the term and estate hereby granted are subject to the limitation that, whenever an Event of Default shall have occurred and be continuing, the non-

defaulting party may, at its option, elect to exercise any one or more of the rights and remedies set forth in the following paragraphs.

- (i) Terminate this Lease upon giving an additional 30 days written notice and in the case of default by Company, the City may re-enter the Leased Property upon termination. Such notice shall specify the date of such termination, and the Term with respect to the Leased Property shall expire by limitation at midnight on the date specified in such notice as fully and completely as if said date were the date herein originally fixed for the expiration of the Term hereby granted, and Company shall thereupon quit and peacefully surrender the Leased Property to City, and, upon the date following the date specified in such notice, or at any time thereafter, City may re-enter the Land Parcel.
- (ii) Sue to collect damages caused by the breach by the other party, including, if applicable, following a default by Company, make a claim for accrued unpaid Basic Rent through the time of any re-entry by City. City shall only be entitled to sue for the present value of the balance of Basic Rent due under the Lease to the extent the Basic Rent exceeds the greater of (A) fair market rental of the Leased Property or (B) the actual rental obtained by City upon a reletting. City shall have a duty to mitigate Company's damages by diligently trying to relet the Leased Property at the best available rent.

(c) The non-defaulting party may exercise any other right or remedy which may be available to it under applicable law or at equity, including, without limitation, bringing a suit for specific performance, and the non-defaulting party may proceed by appropriate court action to enforce the terms hereof or to recover damages for the breach hereof or to rescind this Lease.

(d) If an action shall be brought for the enforcement of any provision of this Lease in which it is found that an Event of Default has occurred, the non-defaulting prevailing party shall be entitled to seek reimbursement of its attorneys' fees and expenses.

(e) No right or remedy herein is intended to be exclusive of any other right or remedy, and every right and remedy shall be cumulative and in addition to any other legal or equitable right or remedy given hereunder, or at any time existing hereunder or at law. The failure of City or Company to insist upon the strict performance of any provision or to exercise any option, right, power or remedy contained in this Lease shall not be construed as a waiver or a relinquishment thereof for the future.

17. Notices. All notifications, notices, demands, requests and other communications herein provided for or made pursuant hereto shall be in writing and shall be sent by (i) registered or certified mail, return receipt requested, and the giving of such communication shall be deemed complete on the third (3rd) Business Day after the same is deposited in a United States Post

Office with postage charges prepaid, (ii) reputable overnight delivery service, and the giving of such communication shall be deemed complete on the immediately succeeding Business Day after the same is deposited with such delivery service or (iii) legible fax with original to follow in due course (failure to send such original shall not affect the validity of such fax notice), and the giving of such communication shall be complete when such fax is received:

- (a) if to City, addressed to such party at its address set forth in the first paragraph of this Lease, or at such other address in the continental United States as City may furnish to Company in writing, or
- (b) if to Company, addressed to such party at its address set forth in the first paragraph of this Lease, or at such other address in the continental United States as Company may furnish to City in writing.

18. Estoppel Certificates. Each party hereto agrees that, at any time and from time to time during the Term, it will promptly, but in no event later than thirty (30) days after written request by the other party hereto or more than once per year, execute, acknowledge and deliver to such other party or to any prospective purchaser, assignee or mortgagee or other Person designated by such other party, a certificate stating, to such party's Actual Knowledge, (a) that this Lease is unmodified and in full force and effect (or if there have been modifications, that this Lease is in full force and effect as modified, and setting forth any modifications); (b) the date to which Basic Rent and other sums payable hereunder have been paid; (c) whether or not a default by Company in the payment of Basic Rent or any other sum of money due or required to be paid hereunder has occurred and is continuing, and whether or not any other default by Company hereunder has occurred and is continuing with respect to which a notice of default has been served or of which the signer of the estoppel certificate has Actual Knowledge, and, if there is any such default, specifying the nature and extent thereof; (d) whether or not there are any setoffs, defenses or counterclaims against enforcement of the obligations to be performed hereunder existing in favor of the party executing such certificate; and (e) stating that Company is in possession of the Leased Property or, alternatively, setting forth the parties in possession and identifying the instruments pursuant to which they took possession.

19. Surrender.

(a) Upon the expiration or earlier termination of the Term, Company shall peaceably surrender the Leased Property to City in the condition required by Article 11 of this Lease.

(b) Without limiting the generality of the foregoing, upon the surrender and return of the Leased Property to City pursuant to this Article 19, the Leased Property shall be (i) in accordance and compliance with all Legal Requirements and (ii) free and clear of any Lien.

(c) Company acknowledges and agrees that a breach of any of the provisions of this Article 19 may result in damages to City that are difficult or impossible to ascertain and that may not be compensable at law. Accordingly, upon application to any court of equity having jurisdiction over the Leased Property, City shall be entitled to a decree against

Company requiring specific performance of the covenants of Company set forth in this Article 19.

20. Separability. If any provision of this Lease or the application thereof to any Person or circumstance shall to any extent be invalid and unenforceable, the remainder of this Lease, or the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each provision of this Lease shall be valid and shall be enforceable to the fullest extent permitted by law.

21. Recording. Simultaneously with the execution of this Lease, City and Company have executed a mutually acceptable form of memorandum of lease which shall be promptly recorded in the real property records of Monterey County, California.

22. Limitation on Recourse. All obligations of the Company under this Lease shall be on a non-recourse basis to its shareholders, officers, and directors and their respective parent companies, subsidiaries and affiliates (other than the Company). The sole recourse of the City or any other Person for any obligation of the Company under this Lease shall be to the Company and its assets; provided that the limitation on recourse set forth in this Article 22 shall not limit any rights of the City or any other Person under applicable law relating to fraudulent transfers or voidable preferences.

23. Force Majeure.

(a) If by reason of "force majeure," as defined in this Article 23, a party is rendered unable, wholly or in part, to carry out its obligations under this Lease, and if such party gives notice and reasonably full particulars of such force majeure in writing to the other party promptly after the occurrence of the cause relied on, the affected party, and only so far as and to the extent that it is affected by such force majeure, shall be excused from performance hereunder without liability; provided, however, such cause shall be remedied with all reasonable dispatch.

(b) For purposes of this Agreement, "force majeure" shall mean an event that creates an inability to perform that could not be prevented or overcome by the due diligence of the affected party, including but not limited to, any act, omission or circumstance occasioned by or in consequence of any acts of God, strikes, lockouts, acts of the public enemy, wars, sabotage, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, hurricanes, tornadoes, floods, washouts, civil disturbances, explosions, power outages the failure or inability to obtain any necessary governmental authorization which has been sought or requested, as the case may be, in good faith by all reasonable legal means, and any other cause, whether of the kinds herein enumerated or otherwise, not reasonably within the control of the affected party.

(c) For "force majeure" events occurring prior to City filing a Notice of Assignment with the Monterey Peninsula Water Management District pursuant to that District's Sand City Water Supply Project Ordinance, where such "force majeure" event cannot be cured within six (6) months, then either party shall have the right to terminate this Lease. For "force majeure" events occurring after to City's filing a Notice of Assignment with the Monterey Peninsula Water Management District pursuant to that District's Sand City Water Supply Project

Ordinance, where such "force majeure" event cannot be cured within six (6) months, then Company shall have the right to terminate this Lease.

24. Miscellaneous.

(a) This Lease embodies the entire agreement between City and Company relating to the subject matter hereof and supersedes all prior agreements and understandings, written or oral, relating to such subject matter.

(b) This Lease shall be binding upon, and shall inure to the benefit of and be enforceable by, the parties hereto and their respective successors and assigns permitted hereunder.

(c) No term or provision hereof or Appendix, Exhibit or Schedule hereto may be amended, changed, waived, discharged, terminated or replaced orally except by a written instrument, in accordance with applicable terms and provisions hereof, executed by each of the parties hereto.

(d) No failure, delay, forbearance or indulgence on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, or as an acquiescence in any breach, nor shall any single or partial exercise of any right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege

(e) Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

(f) This Lease shall be construed, governed and applied in accordance with the laws of the State of California, without regard to the conflicts of law principles thereof.

(g) In connection with this Lease, Company and City hereby agree that any action, proceeding, or dispute regarding this lease shall be filed in the Superior Court of the State of California, in and for the County of Monterey. Nothing in this paragraph shall be construed as a waiver of Company's rights under California Code of Civil Procedure section 394.

(h) **Mandatory Non-binding Mediation.** If a dispute arises out of, or relates to this Agreement, or the breach thereof, and if said dispute cannot be settled through normal contract negotiations, the Parties agree to first endeavor to settle the dispute in an amicable manner, using mandatory non-binding mediation under the Construction Industry Mediation Rules of the American Arbitration Association before having recourse in a court of law. The expenses of witnesses for either side shall be paid by the party producing such witnesses. All other expenses of the mediation, including required travel and other expenses of the mediator, and the cost of any proofs or expert advice produced at the direct request of the mediator, shall be borne equally by the Parties, unless they agree otherwise. Any resultant agreements from mediation shall be documented in writing. All mediation proceedings, results, and

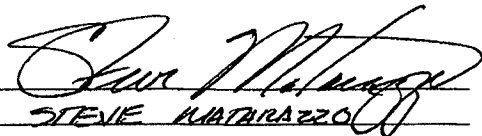
documentation shall be inadmissible for any purpose in any legal proceeding (pursuant to California Evidence Codes sections 1115 thru 1128), unless such admission is otherwise agreed upon in writing by both parties. Mediators shall not be subject to any subpoena or liability, and their actions shall not be subject to discovery.

(i) This Lease may be executed in any number of counterparts, each of which shall be an original, and such counterparts together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, City and Company hereto have each caused this Lease to be duly executed and delivered in their name and on their behalf, respectively, as of the day and year first written above.

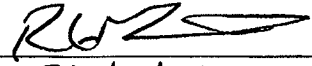
City:

CITY OF SAND CITY

By: 
Name: STEVE NATARAZZO
Title: CITY ADMINISTRATOR

Company:

CALIFORNIA AMERICAN WATER

By: 
Name: Robert Maclean
Title: President

SCHEDULE X

Definitions

“Actual Knowledge” means actual knowledge of (i) an Authorized Officer or (ii) any other officer or official whose responsibilities include administration of the transactions contemplated by the Lease.

“Affiliate” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person or, in the case of a specified Person which is a partnership, any general partner of such partnership. For purposes of this definition, “control” when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether by contract, through the ownership of voting securities or the power to appoint and remove directors or trustees, or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Approved Plans” means the plans for the Project Improvements, in the form existing as of the date hereof, a copy of which have been received and approved by Company.

“Authorized Officer” means with respect to Company, the chief financial officer, any vice president, the treasurer or any assistant treasurer of the Company, or any other officer of the Company designated by the Company as an Authorized Officer of the Company from time to time, and with respect to City, any official or any officer whose responsibilities include Administration of this transaction.

“Bankruptcy Code” means Title 11 of the United States Code, as amended, or any successor statutory provisions.

“Basic Rent” has the meaning set forth in Article 3 of the Lease.

“Basic Term” has the meaning set forth in Article 2 of the Lease.

“Basic Term Commencement Date” means the Completion Date or, if such day is not the first day of a calendar month, the first day of the calendar month next succeeding the Completion Date.

“Business Day” means a day when banks are open for business in California.

“Code” means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute.

“Complete” or “Completion” means that (a) the materials and equipment for the Project Improvements have been installed and checked for alignment, lubrication, rotation and hydrostatic and pneumatic pressure integrity, (b) the electrical systems have been installed and tested, (c) the electrical continuity and ground fault tests and mechanical tests and calibration have been completed, (d) the instrumentation has been loop checked, (e) the Project Improvements have been flushed and cleaned out as necessary, (f) the Project Improvements are

ready to commence start-up and testing, (g) the Project Improvements have been constructed substantially in accordance with the Approved Plans, including, without limitation, the specifications applicable thereto, and (h) the Project Improvements are capable of operating safely. The following shall not prevent certification of Substantial Completion, but shall be remedied, cured or resolved within sixty (60) days after the Basic-Term Commencement Date:

- (i) any redundant part or piece of equipment which is missing or inoperable which does not affect the safe operation of the Project Improvements;
- (ii) any disputed contract issue which has been submitted for arbitration;
- (iii) any non-conforming item which has been agreed to be corrected and the material placed on order which does not affect the safe operation of the Project Improvements; or
- (iv) any punchlist items which will not prevent start-up of the Project Improvements.

“Completion Date” means the date, if any, on or before the Outside Completion Date, on which the following have occurred: (i) Substantial Completion has been achieved, and (ii) Company has satisfactorily completed all start-up commissioning for the Project Improvements.

“Construction Period” means the period of time from the Closing Date to the Basic Term Commencement Date.

“DB Contract” means the Contract for Water Supply Project, Water Treatment Facilities for Brackish Water to Domestic Water, Sand City, California” by and between City and the DB Contractor, as originally executed or as the same may from time to time be supplemented, modified, amended or replaced in accordance with the applicable provisions thereof and the approval of the Company.

“DB Contractor” means CDM Constructors, Inc., and any successors and permitted assigns thereof.

“Economic Abandonment” has the meaning set forth in paragraph (c) of Article 11 of the Lease.

“Engineer’s Operations and Maintenance Manual” shall mean and refer to the instructions and procedures for the operation, maintenance and repair of the Project Improvements which are delivered to Company on the Basic Term Commencement Date. The Engineer’s Operations and Maintenance Manual shall not be changed after the Basic Term Commencement Date without the review and approval of City.

“Environmental Indemnity Party” has the meaning set forth in paragraph (b) of Article 10 of the Lease.

“Environmental Laws” means and includes, but shall not be limited to, the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.), as amended by the Hazardous and

Solid Waste Amendments of 1984, the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. § 9601 et seq.), as amended by the Superfund Amendments and Reauthorization Act of 1985, the Hazardous Materials Transportation Act (49 U.S.C. § 1801 et seq.) the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.), Clean Air Act (42 U.S.C. § 7401 et seq.), the Clean Water Act (33 U.S.C. § 1251 et seq.) the Federal Insecticide, Fungicide and Rodenticide Act (7 U.S.C. § 136 et seq.), the Occupational Safety and Health Act (29 U.S.C. § 651 et seq.) and all applicable federal, state and local environmental laws, including obligations under the common law, ordinances, rules, regulations, private agreements (such as covenants, conditions and restrictions) and publications, as any of the foregoing may have been or may be from time to time amended, supplemented or supplanted, and any other federal, state or local laws, including obligations under the common law, ordinances, rules, regulations, private agreements (such as covenants, conditions and restrictions) and publications, now or hereafter existing relating to regulation or control of Hazardous Substances or environmental health and safety.

“Environmental Permits” means all permits, licenses and any other authorizations to conduct operations at the Leased Property that are required under any and all applicable Environmental Laws.

“Fair Market Rental Value” means an amount equal to the fair market rental value that would be obtained in an arm’s-length transaction between an informed and willing City and an informed and willing Company, in either case under no compulsion to rent, and neither of which is related to the City, calculated as the value of the Leased Property for its use at its present location determined on the basis of the value of the Land Parcel subject to existing governmental zoning and use restrictions and with regard to the value of the Project Improvements.

“Final Determination” means, with respect to a private letter ruling or a technical advice memorandum of the Internal Revenue Service, written notice thereof in a proceeding in which the Company had an opportunity to participate and otherwise means written notice of a determination from which no further right of appeal exists or from which no appeal is timely filed with any court of competent jurisdiction in the United States in a proceeding to which the Company was a party or in which the Company had the opportunity to participate.

“GAAP” means generally accepted accounting principles as in effect in the United States of America at the time of application.

“Governmental Action” means all permits, authorizations, registrations, consents, approvals, waivers, exceptions, variances, orders, judgments, decrees, licenses, exemptions, publications, filings, notices to and declarations of or with, or required by, any Governmental Authority, or required by any Legal Requirements, and shall include, without limitation, all citings, environmental and operating permits and licenses that are required for the use, occupancy, zoning and operation of the Project Improvements.

“Governmental Authority” means any foreign or domestic federal, state, county, municipal or other governmental or regulatory authority, agency, board, body, commission, instrumentality, court or quasi-governmental authority or any political subdivision thereof.

"Hazardous Substances" means (i) those substances included within the definitions of or identified as "hazardous substances", "hazardous materials", or "toxic substances" in or pursuant to, without limitation, the Comprehensive Environmental Response Compensation and Liability Act of 1980 (42 U.S.C. § 9601 et seq.) ("CERCLA"), as amended by Superfund Amendments and Reauthorization Act of 1986 (Pub. L. 99-499, 100 Stat. 1613) ("SARA"), the Resource Conservation and Recovery Act of 1976 (42 U.S.C. § 6901 et seq.) ("RCRA"), the Occupational Safety and Health Act of 1970 (29 U.S.C. § 651 et seq.) ("OSHA"), and the Hazardous Materials Transportation Act, 49 U.S.C. § 1801 et seq., and in the regulations promulgated pursuant to said laws, all as amended; (ii) those substances listed in the United States Department of Transportation Table (40 CFR 172.101 and amendments thereto) or by the Environmental Protection Agency (or any successor agency) as hazardous substances (40 CFR Part 302 and amendments thereto); (iii) any material, waste or substance which is or contains (A) asbestos, (B) polychlorinated biphenyls, (C) designated as "hazardous substance" pursuant to Section 311 of the Clean Water Act, 33 U.S.C. § 1251 et seq., (33 U.S.C. § 1321) or listed pursuant to Section 307 of the Clean Water Act (33 U.S.C. § 1317); (D) flammable explosives; (E) petroleum products and substances; (F) radioactive materials; and (iv) such other substances, materials and wastes which are or become regulated as hazardous, toxic or "special wastes" under applicable local, state or federal law, or the United States government, or which are classified as hazardous, toxic or as "special wastes" under federal, state or local laws or regulations.

"Indemnified Parties" means the City or Company, as applicable, and all shareholders, officers, directors, employees, attorneys and agents of any of the foregoing, and any Person holding any beneficial interest in any of the foregoing.

"Indenture" means the Indenture of Trust, dated as of August 1, 1997, from Issuer to Indenture Trustee, as originally executed or as the same may from time to time be supplemented, modified, amended or replaced in accordance with the applicable provisions thereof and of the Operative Documents.

"Land Parcel" means the land situated in Monterey County, California, more particularly described in Schedule A to the Lease.

"Leased Property" means the Project Improvements, together with the Land Parcel, as further defined in Paragraph 1.a.

"Legal Requirements" means all applicable laws, rules, orders, ordinances, regulations and requirements and conditional permissions now existing or (except to the extent any exemption or so called "grandfathering" provision is available) hereafter enacted or promulgated, of every government and municipality and of any agency thereof having jurisdiction over the Company, City or the Leased Property, relating to the ownership, use, occupancy, maintenance or operation of the Leased Property, or the improvements thereon, or the facilities or equipment thereon or therein, or the streets, sidewalks, vaults, vault spaces, curbs and gutters adjoining the Leased Property, or the appurtenances to the Leased Property, or the franchises and privileges connected therewith or the transactions contemplated by the Lease, including but not limited to the operation of the Lease Property in the manner described in Article 4 and including, without

limitation, all applicable building laws, health codes, safety rules, handicapped access, zoning and subdivision laws and regulations and Environmental Laws.

"Lien" means any mortgage, pledge, security interest, production payment, encumbrance, lien or charge of any kind whatsoever. For the purposes of the Lease, any Person shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a City or vendor under any capital lease or other title retention agreement relating to such asset.

"Outside Completion Date" has the meaning set forth in Article 2 of the Lease.

"Permitted Encumbrances" means, with respect to the Leased Property: (a) rights reserved to or vested in any municipality or public authority to condemn, appropriate, recapture or designate a purchaser of the Leased Property; (b) any Liens thereon for taxes, assessments and other governmental charges and any Liens of mechanics, materialmen and laborers for work or services performed or material furnished in connection with the Leased Property, which are not due and payable, or the amount or validity of which are being contested as permitted by Article 6 of the Lease; and (c) Liens granted by City in connection with any bonds issued to fund the Project, as long as such lender receiving such lien has granted Company satisfactory rights of non-disturbance.

"Person" means an individual, a corporation, a partnership, an association, a joint stock Company, a trust, an unincorporated organization, a governmental body or a political subdivision, a municipal corporation, a public corporation or any other group or organization of individuals.

"Project Improvements" has the meaning set forth in Article 1 of the Lease.

"Prudent Industry Practices" means any of the practices, methods and acts engaged in or approved by a significant portion of the municipal water treatment and supply industry operating in the immediate area surrounding the Leased Property during the Term of this Agreement. Prudent Industry Practices are not to be interpreted, construed or limited to the optimum industry practices, methods or acts, but rather as a range of acceptable practices, methods or acts consistent with the duties and obligations of Contractor under this Agreement.

"Regulations" means the applicable proposed, temporary or final Income Tax Regulations promulgated under the Code, as such regulations may be amended and/or supplemented from time to time.

"Sublessee" means the Lessee or any other Person who is lessee of the Project Improvements and sublessee of the Demised Premises pursuant to a Sublease.

"Subsidiary" means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Company.

"Term" means (a) the Basic Term which may be effected pursuant to Article 2 of the Lease or (b) such shorter period as may result from earlier termination of the Lease as provided therein.

"Term Termination Date" means the last day of the Basic Term, as applicable.

"Termination Date" has the meaning set forth in paragraph (c) of Article 2 of the Lease.

"Work" means all items of work required by the Design/Build Contract and the Approved Plans necessary to design, acquire, construct and install the Project Improvements.

SCHEDULE A

LEGAL DESCRIPTION

For the

**SAND CITY DESALINATION PLANT FACILITY LAND PARCEL
LANDS OF THE SAND CITY REDEVELOPMENT AGENCY**

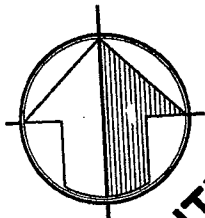
ALL THAT REAL PROPERTY LOCATED IN THE CITY OF SAND CITY, COUNTY OF MONTEREY, STATE OF CALIFORNIA DESCRIBED AS FOLLOWS:

BEING LOTS 2, 4, 6, 8, 10, AND 12, AND THE SOUTHERLY 10.00 FEET OF LOTS 1, 3, 5, 7, 9, AND 11 OF BLOCK 17, "MAP OF EAST MONTEREY" FILED OCTOBER 18, 1887 IN VOLUME 1 OF CITIES AND TOWNS, AT PAGE 22, IN THE OFFICE OF THE COUNTY RECORDER FOR THE COUNTY OF MONTEREY, CALIFORNIA.

CONTAINING 12,750 S.F. MORE OR LESS

EFFECTS:

APN 011-243-002 AND A PORTION OF APN 011-243-006



ROUTE 1
STATE OF CALIFORNIA

GRAPHIC SCALE

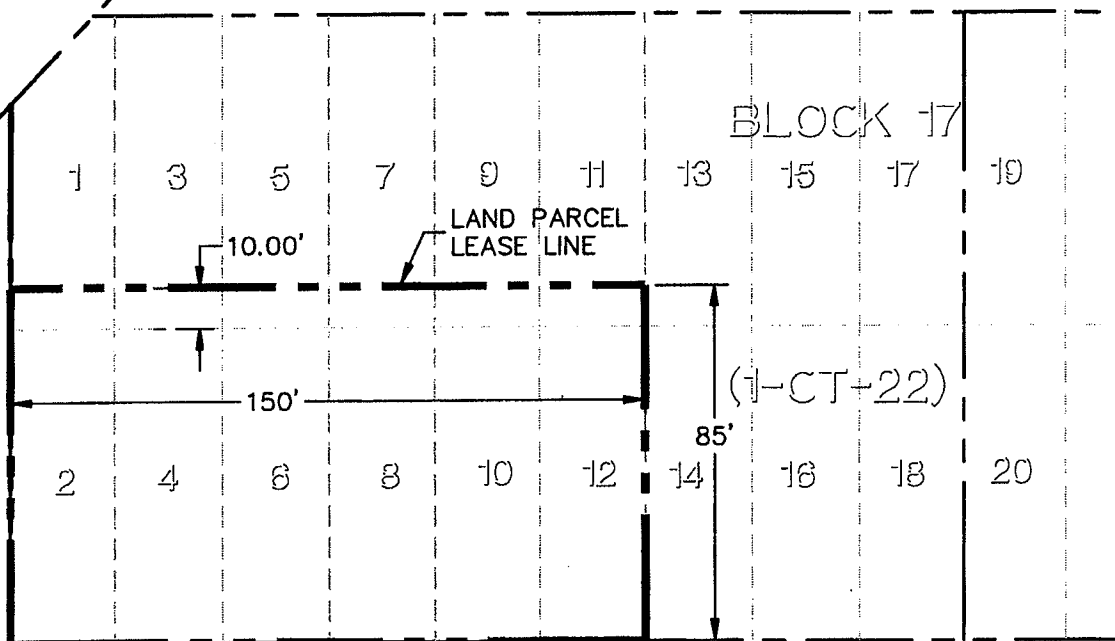


(IN FEET)
1 inch = 40 ft.

ELDER AVENUE

REY STREET

CITY OF SEASIDE
CITY OF SAND CITY



SHASTA AVENUE



Creegan+D'Angelo
INFRASTRUCTURE
ENGINEERS

225 Cannery Row, Suite H
Monterey, CA 93940
Tel (831) 373-1333
Fax (831) 373-0733

www.cdengineers.com

SCHEDULE 'A'

**SAND CITY DESALINATION FACILITY
LANDS OF THE SAND CITY**

9/25/07 **REDEVELOPMENT AGENCY** 1"=40'
707003 SHEET 2 OF 2

SCHEDULE B

Basic Rent

<u>Payment Due</u> <u>Date</u>	<u>Amount</u>	<u>Year Applicable to</u>
<u>2008</u>	<u>\$850,000</u>	<u>Year 15</u>
<u>2009</u>	<u>\$850,000</u>	<u>Year 1</u>
<u>June 15, 2010</u>	<u>\$850,000</u>	<u>Year 2</u>
<u>June 15, 2011</u>	<u>\$850,000</u>	<u>Year 3</u>
<u>June 15, 2012</u>	<u>\$850,000</u>	<u>Year 4</u>
<u>June 15, 2013</u>	<u>\$850,000</u>	<u>Year 5</u>
<u>June 15, 2014</u>	<u>\$850,000</u>	<u>Year 6</u>
<u>June 15, 2015</u>	<u>\$850,000</u>	<u>Year 7</u>
<u>June 15, 2016</u>	<u>\$850,000</u>	<u>Year 8</u>
<u>June 15, 2017</u>	<u>\$850,000</u>	<u>Year 9</u>
<u>June 15, 2018</u>	<u>\$850,000</u>	<u>Year 10</u>
<u>June 15, 2019</u>	<u>\$850,000</u>	<u>Year 11</u>
<u>June 15, 2020</u>	<u>\$850,000</u>	<u>Year 12</u>
<u>June 15, 2021</u>	<u>\$850,000</u>	<u>Year 13</u>
<u>June 15, 2022</u>	<u>\$850,000</u>	<u>Year 14</u>
<u>2023</u>	<u>\$0</u>	<u>Year 15</u>
<u>June 15, 2024</u>	<u>\$7,000</u>	<u>Year 16</u>
<u>June 15, 2025</u>	<u>\$7,000</u>	<u>Year 17</u>
<u>June 15, 2026</u>	<u>\$7,000</u>	<u>Year 18</u>
<u>June 15, 2027</u>	<u>\$7,000</u>	<u>Year 19</u>
<u>June 15, 2028</u>	<u>\$7,000</u>	<u>Year 20</u>
<u>June 15, 2029</u>	<u>\$7,000</u>	<u>Year 21</u>
<u>June 15, 2030</u>	<u>\$7,000</u>	<u>Year 22</u>
<u>June 15, 2031</u>	<u>\$7,000</u>	<u>Year 23</u>
<u>June 15, 2032</u>	<u>\$7,000</u>	<u>Year 24</u>
<u>June 15, 2033</u>	<u>\$7,000</u>	<u>Year 25</u>
<u>June 15, 2034</u>	<u>\$7,000</u>	<u>Year 26</u>
<u>June 15, 2035</u>	<u>\$7,000</u>	<u>Year 27</u>
<u>June 15, 2036</u>	<u>\$7,000</u>	<u>Year 28</u>
<u>June 15, 2037</u>	<u>\$7,000</u>	<u>Year 29</u>
<u>June 15, 2038</u>	<u>\$7,000</u>	<u>Year 30</u>
<u>2039</u>	<u>\$0</u>	<u>Year 31</u>

SCHEDULE C

Sand City Brackish Water Desalination Facility ACCEPTANCE TESTING

PURPOSE

The purpose of the Acceptance Test Plan is to provide standards and a protocol that are accepted by both California American Water and the City of Sand City as demonstrating that the Brackish Water Desalination Facility (Facility) complies with the performance and reliability requirements specified in the Engineer's Design Report (Design Report) prepared by CDM and dated March 28, 2008. The Acceptance Test is a prerequisite for California American Water to accept the facility under Paragraph 5 of the Amended and Restated Lease.

TEST OBJECTIVES

Provided that during the Testing Phase the Facility is operated and maintained pursuant to the requirements of the Engineer's Operations and Maintenance Manual, the Acceptance Test shall demonstrate:

- (i) The Facility and its equipment perform in a manner that substantially complies with the design for the Facility;
- (ii) Facility equipment operates approximately at the nominal ratings established by the equipment manufacturer for the equipment;
- (iii) The pretreatment system can reliably produce a sufficient quantity of treated water at a quality that meets the membrane system supplier's reverse osmosis (RO) system feed water specifications so that the Facility can produce up to 0.3 mgd of Product Water with one (1) primary RO equipment train in service;
- (iv) The pretreatment system can reliably produce a sufficient quantity of treated water at a quality that meets the membrane system supplier's RO system feed water specifications so that the Facility can produce 0.28 million gallons of Product Water on days when RO racks are rotated.;
- (v) The Facility can reliably meet the Product Water quality standards contained in the Engineer's design report (Tables 2-3 & 2-8) provided incoming feed water quality matches the membrane manufacturer's specifications;
- (vi) The Facility has achieved the specified Product Water production capacity, the Product Water Quality Standards, and has not exceeded the Maximum Chemical Utilization Rate detailed in Section 4 of the Engineer's Design Report.
- (vii) The Facility Maximum Electricity Utilization Rate shall not exceed 5,524 kWh per million gallons or 1800 kWh per acre foot for the entire duration of the Acceptance Test.

In addition, the Acceptance Test shall confirm the accuracy and precision of Facility instrumentation and provide a verification of the information obtained from the Facility's PLC system that is used for the test.

TEST SEQUENCE AND SCHEDULE

The Acceptance Test shall be conducted by the City of Sand City and California American Water over a fourteen (14) day consecutive period to verify pretreatment system and Facility performance criteria are satisfied. The Acceptance Test period shall be preceded by a fourteen (14) consecutive day run-in period during which the Facility maintains a Product Water output of 0.30 mgd with one (1) primary RO equipment train in service. The Acceptance Test shall commence immediately at the end of the fourteen (14) consecutive day run-in period. Together, the fourteen (14) consecutive day run-in period and the fourteen (14) day Acceptance Test shall constitute a single twenty-eight (28) day reliability demonstration.

FACILITY ACCEPTANCE CRITERIA

Facility Acceptance criteria:

(i) General:

- a. The Facility is operated and maintained pursuant to the requirements of the Engineer's Operations and Maintenance Manual for the entire duration of the twenty-eight (28) day reliability demonstration;
- b. The Facility and its equipment performs in a manner consistent with the Design Report; and

(ii) Pretreatment system effluent water quantity, quality and delivery conditions:

a. Effluent Quantity:

1. The pretreatment system can reliably produce a sufficient quantity of RO system feed water at a quality that meets the membrane supplier's RO system feed water requirements so that the Facility can produce up to 0.30 mgd of Product Water for a fourteen (14) consecutive day period during the Acceptance Test;
2. The Acceptance Test commences immediately after the completion of the fourteen (14) consecutive day run-in period;

b. RO system feed water requirements (to be adjusted as necessary if new membranes from another manufacturer are installed):

1. Turbidity < 1 NTU;
2. SDI < 4.0;
3. pH 3.0 – 10.0 standard units;
4. TDS range – 17,000 to 28,000 mg/L

c. Delivery Point – Feed water Sample Station

(iii) Product Water quantity, quality and delivery conditions;

a. Product Water Quantity:

1. 0.30 mgd at a quality that meets the Product Water Quality Standards for fourteen (14) consecutive day period during the Acceptance Test; and

b. Product Water Quality – meets all California Department of Public Health requirements for drinking water and shall comply with the Product Water

Quality Standards (contained in the Engineer's Design Report – Tables 2.3 & 2.8);

- c. Delivery Point – Prior to blending with system water
- (iv) Product Water treatment efficiency pursuant to the Engineer's stated design parameters for:
 - a. Facility electricity consumption shall not exceed 5,524 kWh per million gallons, excluding building loads;
 - b. Treatment process chemical consumption (Section 4);
- (v) Environmental Compliance – Compliance with permit conditions provided in the California Department of Health (CDH) Drinking Water Permit, California Coastal Development Permit, Concentrate Disposal Permit, Sanitary Sewer Discharge Permit, and the Monterey Bay Unified Air Pollution Control District - Air Permit for Emergency Generator
- (vi) Facility Operation and Maintenance;
 - a. For the entire duration of the fourteen (14) consecutive day run-in period before the Acceptance Test and the fourteen (14) day Acceptance Test, the Facility shall be operated and maintained such that the Facility is in full compliance with all operating parameter provisions established by equipment manufacturer's warranties at all times;
 - b. Except for rotation of RO trains, maintenance activities that result in a decrease in Product Water output below 0.30 mgd during the fourteen (14) day Acceptance Test period or a decrease in Product Water output below 0.30 mgd during the fourteen (14) consecutive day run-in period before the Acceptance Test shall constitute a failure condition;
 - c. A ten percent (10%) decrease in normalized permeate flow, a ten percent (10%) decrease in normalized permeate quality, or a ten percent (10%) increase in normalized pressure drop as measured between the feed and concentrate headers for any RO membrane train during the twenty-eight (28) day reliability demonstration shall constitute failure conditions; and
 - d. The need for any CIP operations or more than one (1) cartridge filter replacement operations to maintain the conformance with manufacturer's recommendations for equipment operation during the fourteen (14) day Acceptance Test shall constitute a failure condition.

TEST PREREQUISITES

Test prerequisites shall include:

- (i) A certification that all instruments needed for the test are functional and calibrated and that the Facility PLC system is fully functional and all PLC, and analyzer information has been verified;
- (ii) The facility shall be permitted in accordance with California Department of Health requirements and authorized to produce drinking water for human consumption;

- (iii) Baseline RO Membrane data for normalization calculations was obtained within 48 hours of initial operation of each of the membrane trains; and
- (iv) A fourteen (14) day run-in period pursuant to the requirements above has been successfully completed without the need to perform CIP operations or more than one (1) cartridge filter replacement operation in order to maintain the conformance with manufacturer's recommendations for equipment operation.
- (v) At least one (1) well from the Bay well field and one (1) well from the Tioga well field are operating simultaneously to provide feed water for operation of the facility.

KEY ACCEPTANCE TEST FEATURES

Key Acceptance Test features are presented below:

- (i) A log specifically prepared for the Acceptance Test, and approved by California American Water prior to the fourteen (14) day run-in period shall be maintained.
- (ii) PLC readings taken from centralized control system displays shall be verified by readings taken from process-mounted instruments or, as applicable, laboratory analysis.
- (iii) The total Facility power consumption, excluding building loads, shall be determined based on the kilowatt hour readings from a PQM monitor (or equal).
- (iv) Product Water flow shall be measured at the discharge of the product pumps and prior to blending.
- (v) Product Water quality shall be measured by taking water samples before and after blending and shall be within the parameters stated in the Engineer's Design Report (Tables 2-3 and 2-8).
- (vi) All Facility maintenance activities shall be logged for the duration of the fourteen (14) day run-in period prior to the Acceptance Test and the fourteen (14) day Acceptance Test.
- (vii) All analytical testing shall be conducted by California American Water staff or an agreed certified lab to demonstrate that Product Water Quality Standards are met.
- (viii) Chemical consumption measurements shall be completed according to Engineer's Operations and Maintenance Manual. For chemical consumption, the following parameters shall be reported:
 - a. Chemical grade (as delivered);
 - b. Dosing rate, mg/l;
 - c. Solution concentration (as dosed); and
 - d. Storage tank levels, deliveries, and changes in inventory amounts;
- (ix) Maintenance activities during the fourteen (14) day run-in period and the fourteen (14) day Acceptance Test shall be logged and reported.

Notes:

1. As applicable, data shall be normalized by the City of Sand City, its Engineer, or California American Water in accordance with membrane manufacturer's procedures.

ACCEPTANCE TEST REPORT

Within twenty (20) days following conclusion of the Acceptance Test, the City of Sand City shall furnish California American Water with the Acceptance Test Report. The Acceptance Test Report shall present all data, calculations, and other information obtained in the course of the Acceptance Test. All calculations used or prepared by the City of Sand City shall be sufficiently documented in the Acceptance Test Report so that they can be independently verified.

APPENDIX B

Lease / Bulk Water Purchase: Sand City, CA

Financial Statements - California American

		half year						
ALLOWED RECOVERY	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
REVENUE REQUIREMENT (proposed):								
Lease Payment								
Base Lease Payments		\$ 425,000	\$ 850,000	\$ 850,000	\$ 850,000	\$ 850,000	\$ 850,000	\$ 850,000
Major Repair and Replacement		61,382	122,764	122,764	122,764	122,764	122,764	122,764
Connection Charges Refunded		-	-	-	-	-	-	-
Revenue Requirement: Lease Related		\$ 486,382	\$ 972,764	\$ 972,764	\$ 972,764	\$ 972,764	\$ 972,764	\$ 972,764
Balance Sheet Effects (1)								
Working Cash - 2008 Payment (to be recouped in year 15 of lease)		\$ 850,000	\$ 850,000	\$ 850,000	\$ 850,000	\$ 850,000	\$ 850,000	\$ 850,000
Lead/Lag (lease payments made 10.5 months before beginnin of lease year)		1,168,750	1,168,750	1,168,750	1,168,750	1,168,750	1,168,750	1,168,750
Prepaid Expense in 2011		\$ 2,018,750	\$ 2,018,750	\$ 2,018,750	\$ 2,018,750	\$ 2,018,750	\$ 2,018,750	\$ 2,018,750
Weighted Average Cost of Capital, including Income Tax Effects		11.26%	11.26%	11.26%	11.26%	11.26%	11.26%	11.26%
Revenue Requirement: Return on 2011 Balance Sheet Effects		113,656	227,311	227,311	227,311	227,311	227,311	227,311
Recovery of O&M Expenses								
Power		\$ 78,187	\$ 156,374	\$ 156,374	\$ 156,374	\$ 156,374	\$ 156,374	\$ 156,374
Other O&M, including Chemicals		43,006	86,012	86,012	86,012	86,012	86,012	86,012
Labor (already included in base rates)		-	-	-	-	-	-	-
Revenue Requirement: Other O&M Expenses		\$ 121,193	\$ 242,386	\$ 242,386	\$ 242,386	\$ 242,386	\$ 242,386	\$ 242,386
Total Revenue Requirement (1)	Average	2,956	\$ 721,230	\$ 1,442,461	\$ 1,442,461	\$ 1,442,461	\$ 1,442,461	\$ 1,442,461

(1) Assumes any balance sheet effects associated specifically with this lease will be incorporated as part of normal rate base calculations in the general rate case and not be con

Lease / Bulk Water Purchase: Sand City, CA**Financial Statements - California American**

ALLOWED RECOVERY	2017E	2018E	2019E	2020E	2021E	2022E	2023E
REVENUE REQUIREMENT (proposed):							
Lease Payment							
Base Lease Payments	\$ 850,000	\$ 850,000	\$ 850,000	\$ 850,000	\$ 850,000	\$ 850,000	\$ 850,000
Major Repair and Replacement	122,764	122,764	122,764	122,764	122,764	122,764	122,764
Connection Charges Refunded	-	-	-	-	-	-	-
Revenue Requirement: Lease Related	\$ 972,764	\$ 972,764	\$ 972,764	\$ 972,764	\$ 972,764	\$ 972,764	\$ 972,764
Balance Sheet Effects (1)							
Working Cash - 2008 Payment (to be recouped in year 15 of lease)	\$ 850,000	\$ 850,000	\$ 850,000	\$ 850,000	\$ 850,000	\$ 850,000	\$ 850,000
Lead/Lag (lease payments made 10.5 months before beginnin of leas	1,168,750	1,168,750	1,168,750	1,168,750	1,168,750	1,168,750	1,168,750
Prepaid Expense in 2011	\$ 2,018,750	\$ 2,018,750	\$ 2,018,750	\$ 2,018,750	\$ 2,018,750	\$ 2,018,750	\$ 2,018,750
Weighted Average Cost of Capital, including Income Tax Effects	11.26%	11.26%	11.26%	11.26%	11.26%	11.26%	11.26%
Revenue Requirement: Return on 2011 Balance Sheet Effects	227,311	227,311	227,311	227,311	227,311	227,311	227,311
Recovery of O&M Expenses							
Power	\$ 156,374	\$ 156,374	\$ 156,374	\$ 156,374	\$ 156,374	\$ 156,374	\$ 156,374
Other O&M, including Chemicals	86,012	86,012	86,012	86,012	86,012	86,012	86,012
Labor (already included in base rates)	-	-	-	-	-	-	-
Revenue Requirement: Other O&M Expenses	\$ 242,386	\$ 242,386	\$ 242,386	\$ 242,386	\$ 242,386	\$ 242,386	\$ 242,386
Total Revenue Requirement (1)	Average 2,956	\$ 1,442,461	\$ 1,442,461	\$ 1,442,461	\$ 1,442,461	\$ 1,442,461	\$ 1,442,461

(1) Assumes any balance sheet effects associated specifically with this lease are considered separately in this docket.

Lease / Bulk Water Purchase: Sand City, CA
Financial Statements - California American

ALLOWED RECOVERY	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
REVENUE REQUIREMENT (proposed):								
Lease Payment								
Base Lease Payments	\$ 850,000	\$ 428,500	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000
Major Repair and Replacement	122,764	122,764	122,764	122,764	122,764	122,764	122,764	122,764
Connection Charges Refunded	-	-	-	-	-	-	-	-
Revenue Requirement: Lease Related	\$ 972,764	\$ 551,264	\$ 129,764	\$ 129,764	\$ 129,764	\$ 129,764	\$ 129,764	\$ 129,764
Balance Sheet Effects (1)								
Working Cash - 2008 Payment (to be recouped in year 15 of lease)	\$ 850,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000
Lead/Lag (lease payments made 10.5 months before beginnin of leas	1,168,750	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500
Prepaid Expense in 2011	\$ 2,018,750	\$ 10,500	\$ 10,500	\$ 10,500	\$ 10,500	\$ 10,500	\$ 10,500	\$ 10,500
Weighted Average Cost of Capital, including Income Tax Effects	11.26%	11.26%	11.26%	11.26%	11.26%	11.26%	11.26%	11.26%
Revenue Requirement: Return on 2011 Balance Sheet Effects	227,311	1,182	1,182	1,182	1,182	1,182	1,182	1,182
Recovery of O&M Expenses								
Power	\$ 156,374	\$ 156,374	\$ 156,374	\$ 156,374	\$ 156,374	\$ 156,374	\$ 156,374	\$ 156,374
Other O&M, including Chemicals	86,012	86,012	86,012	86,012	86,012	86,012	86,012	86,012
Labor (already included in base rates)	-	-	-	-	-	-	-	-
Revenue Requirement: Other O&M Expenses	\$ 242,386	\$ 242,386	\$ 242,386	\$ 242,386	\$ 242,386	\$ 242,386	\$ 242,386	\$ 242,386
Total Revenue Requirement (1)	Average 2,956	\$ 1,442,461	\$ 794,832	\$ 373,332	\$ 373,332	\$ 373,332	\$ 373,332	\$ 373,332

(1) Assumes any balance sheet effects associated specifically with this lea

Lease / Bulk Water Purchase: Sand City, CA
Financial Statements - California American

ALLOWED RECOVERY	2032E	2033E	2034E	2035E	2036E	2037E	2038E	2039E
REVENUE REQUIREMENT (proposed):								
Lease Payment								
Base Lease Payments	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000
Major Repair and Replacement	122,764	122,764	122,764	122,764	122,764	122,764	122,764	122,764
Connection Charges Refunded	-	-	-	-	-	-	-	-
Revenue Requirement: Lease Related	\$ 129,764	\$ 129,764	\$ 129,764	\$ 129,764	\$ 129,764	\$ 129,764	\$ 129,764	\$ 129,764
Balance Sheet Effects (1)								
Working Cash - 2008 Payment (to be recouped in year 15 of lease)	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000
Lead/Lag (lease payments made 10.5 months before beginnin of leas	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500
Prepaid Expense in 2011	\$ 10,500	\$ 10,500	\$ 10,500	\$ 10,500	\$ 10,500	\$ 10,500	\$ 10,500	\$ 10,500
Weighted Average Cost of Capital, including Income Tax Effects	11.26%	11.26%	11.26%	11.26%	11.26%	11.26%	11.26%	11.26%
Revenue Requirement: Return on 2011 Balance Sheet Effects	1,182	1,182	1,182	1,182	1,182	1,182	1,182	1,182
Recovery of O&M Expenses								
Power	\$ 156,374	\$ 156,374	\$ 156,374	\$ 156,374	\$ 156,374	\$ 156,374	\$ 156,374	\$ 156,374
Other O&M, including Chemicals	86,012	86,012	86,012	86,012	86,012	86,012	86,012	86,012
Labor (already included in base rates)	-	-	-	-	-	-	-	-
Revenue Requirement: Other O&M Expenses	\$ 242,386	\$ 242,386	\$ 242,386	\$ 242,386	\$ 242,386	\$ 242,386	\$ 242,386	\$ 242,386
Total Revenue Requirement (1)	Average 2,956	\$ 373,332	\$ 373,332	\$ 373,332	\$ 373,332	\$ 373,332	\$ 373,332	\$ 373,332

(1) Assumes any balance sheet effects associated specifically with this lea

Lease / Bulk Water Purchase: Sand City, CA**Financial Statements - California American**

	half year	
ALLOWED RECOVERY	2040E	2041E

REVENUE REQUIREMENT (proposed):

Lease Payment

Base Lease Payments	\$ 3,500	\$ -
Major Repair and Replacement	122,764	61,382
Connection Charges Refunded	-	-
Revenue Requirement: Lease Related	\$ 126,264	\$ 61,382

Balance Sheet Effects (1)

Working Cash - 2008 Payment (to be recouped in year 15 of lease)	\$ 7,000	
Lead/Lag (lease payments made 10.5 months before beginnin of leas	\$ 3,500	
Prepaid Expense in 2011	\$ 10,500	
Weighted Average Cost of Capital, including Income Tax Effects	11.26%	
Revenue Requirement: Return on 2011 Balance Sheet Effects	1,182	-

Recovery of O&M Expenses

Power	\$ 156,374	\$ 78,187
Other O&M, including Chemicals	86,012	43,006
Labor (already included in base rates)	-	-
Revenue Requirement: Other O&M Expenses	\$ 242,386	\$ 121,193

Total Revenue Requirement (1)

Average	2,956
---------	-------

 \$ 369,832 \$ 182,575

(1) Assumes any balance sheet effects associated specifically with this lea

Lease / Bulk Water Purchase: Sand City, CA
Assumptions

INPUT IN YELLOW BOXED CELLS WITH BOLD BLUE FONT

GENERAL ASSUMPTIONS

First Projection Year

2010E

SAND CITY RELATED

Minimum Connection Fee Sand City Must Charge per Contract

-

Total Acre/Feet to be Developed

206

Beginning in Year 2, Percent of Total Acre/ Feet to be Developed Each Year Thereafter

5.0%

Admin Fee Retained by Sand City

1.0%

Avoided Property Insurance Costs per \$100 of Plant Value

0.104112

Yield on Foregone Investments

5.40%

Grant Funding Received

2,900,000

Funding from PG&E

103,315

Costs to Rebuild Wells

152,000

Frequency of Rebuilding Wells

60

Length of Lease

31

Inflation for Operating Expenses

Inflation for Major Repair & Replacement

3.5%

Refund Net Asset Value for Major Repair / Replacements to Cal Am?

Yes

Lease / Bulk Water Purchase: Sand City, CA

Chemicals - California American

	Units	Normal Operation (production)		Maintenance RO
		Pretreatment	Post treatment	
Antiscalant, 55 Gal / Sp Gr = 1.0				
Dosage Rate	29.3 per thousand gallons treated			
Annual Use	3,340			
Cost	1.80 \$ / lb	6,011.55		
Carbon dioxide				
Dosage Rate	4.5 per thousand gallons treated			
Annual Use	21,900			
Cost	0.45 \$ / lb		9,855.00	
Sodium hypochlorite (12.5%)				
Dosage Rate	67.0 per thousand gallons treated			
Annual Use	1,460			
Cost	2.49 \$ / lb		3,635.40	
Calcite				
Dosage Rate	2.1 per thousand gallons treated			
Annual Use	45,625			
Cost	0.20 \$ / lb		9,125.00	
Sodium hydroxide (25%)				
Dosage Rate	133.9 per thousand gallons treated			
Annual Use	730			
Cost	3.98 \$ / gal		2,905.40	
Low pH clean, 2% chemical by volume, 9 lb chemical/gallon				
Dosage Rate	216 lbs per cleaning, 4/year			
Annual Use	864			
Cost	2.50 \$ / lb			2,160.00
High pH clean, 2% chemical by volume, 9 lb chemical/gallon				
Dosage Rate	216 lbs per cleaning, 4/year			
Annual Use	864			
Cost	2.50 \$ / lb			2,160.00
		6,011.55 a	25,520.80 a	4,320.00 a

Σ of a = 35,852
 PB 50,160
 86,012 pl

Lease / Bulk Water Purchase: Sand City, CA

Maintenance Expenses - California American

QUANTITIES:

	Normal Operation (production)				Maintenance			
	Supply	Pretreatment	RO	Post treatment	Supply	Pretreatment	RO	Post treatment
Filters, 5 micron, #/yr							176	
Process Pump maintenance, \$/yr								
Analytical services, \$/yr								
UV bulb replacement, #/yr								6
Waste truck for cleaning chemicals, loads/yr							8	
Well maintenance								
Electrical maintenance								
Generator maintenance								

COSTS:

	Normal Operation (production)				Maintenance			
	Supply	Pretreatment	RO	Post treatment	Supply	Pretreatment	RO	Post treatment
Filters, 5 micron, #/yr		\$1,760						\$1,760
Process Pump maintenance, \$/yr							\$5,000	\$5,000
Analytical services, \$/yr				\$4,000				\$4,000
UV bulb replacement, #/yr								\$4,800
Waste truck for cleaning chemicals, loads/yr							\$4,000	\$4,000
Well maintenance					\$25,000			\$25,000
Electrical maintenance					\$2,000		\$2,000	\$4,000
Generator maintenance							\$1,600	\$1,600

Annual expenses \$50,160

p7

Lease / Bulk Water Purchase: Sand City, CA

Electricity - California American

	kWh / Year	Note:	Price / kWh (a)	Production RO
Well pumps	419,400	40hp motor running 80% @ 3 wells	0.15	62,910
Plant Load - RO	540,000	estimate from CDM	0.15	81,000
Building Loads	83,092	estimate from CDM	0.15	12,464
				<u>156,373.80 gal</u>

(a) Average price from PG&E

Lease / Bulk Water Purchase: Sand City, CA

Lease Calculations Schedule

31

						Total
Base Lease Payment from Cal-Am to Sand City during Lease Term						
Inflation Factor For Replacements						3.50%

Name	Replacement Frequency	Replacement Cost / Unit	Quantity	Entity	Total
EXPECTED MAJOR REPAIR AND REPLACEMENTS DURING LEASE TERM					
Well field					
Wells	60	152,000	1	Sand City	\$0
Well pump	2	16,500	4	Cal-Am	\$2,061,658
Flow transmitter sensor	1	500	3	Cal-Am	\$92,127
Flow transmitter	5	2,000	3	Cal-Am	\$71,002
Well level transmitter	1	1,000	3	Cal-Am	\$184,254
Pretreatment					
Turbidity monitor	5	3,000	1	Cal-Am	\$35,501
ORP monitor	5	2,700	1	Cal-Am	\$31,951
Conductivity monitor	5	2,700	1	Cal-Am	\$31,951
Antiscalant pump	5	1,141	1	Cal-Am	\$13,502
RO trains					
RO feed pump motor	8	5,000	2	Cal-Am	\$86,328
RO feed pump major maintenance, 2	2	2,500	2	Cal-Am	\$156,186
RO feed pump major maintenance, 5	5	1,500	2	Cal-Am	\$35,501
ERD booster pump motor	8	5,000	2	Cal-Am	\$86,328
RO elements	8	400	168	Cal-Am	\$580,121
Flow transmitter	8	4,000	13	Cal-Am	\$448,904
Rosemount Transmitter	8	2,000	12	Cal-Am	\$207,186
Post Treatment					
Hypochlorite pumps	8	1,200	2	Cal-Am	\$20,719
Sodium hydroxide pump	8	1,200	2	Cal-Am	\$20,719
Product booster pump motor	8	5,000	2	Cal-Am	\$86,328
Product blend pump motor	8	5,000	2	Cal-Am	\$86,328
Turbidity monitor	10	3,000	1	Cal-Am	\$19,273
Chlorine analyzer	10	4,500	1	Cal-Am	\$28,910
Control system					
SCADA interface panel	10	5,000	1	Cal-Am	\$32,122
SCADA terminal	10	1,500	1	Cal-Am	\$9,637
HVAC					
Air handling equipment	20	38,500	1	Cal-Am	\$79,288
TOTALS					\$4,505,822
Sand City					
Cal-Am					
Other					

Lease / Bulk Water Purchase: Sand City, CA

Lease Calculations Schedule

31

Name	Replacement Frequency	Replacement Cost / Unit	Quantity	Entity	Total
EXPECTED REPLACEMENTS DURING LEASE TERM: ASSOCIATED BOOK DEPRECIATION (For Sand City)					
Well field					
Wells	60	152,000	1	Sand City	\$0
Well pump	2	16,500	4	Cal-Am	\$1,958,964
Flow transmitter sensor	1	500	3	Cal-Am	\$92,127
Flow transmitter	5	2,000	3	Cal-Am	\$64,030
Well level transmitter	1	1,000	3	Cal-Am	\$184,254
Pretreatment					
Turbidity monitor	5	3,000	1	Cal-Am	\$32,015
ORP monitor	5	2,700	1	Cal-Am	\$28,813
Conductivity monitor	5	2,700	1	Cal-Am	\$28,813
Antiscalant pump	5	1,141	1	Cal-Am	\$12,176
RO trains					
RO feed pump motor	8	5,000	2	Cal-Am	\$59,098
RO feed pump major maintenance, 2	2	2,500	2	Cal-Am	\$148,406
RO feed pump major maintenance, 5	5	1,500	2	Cal-Am	\$32,015
ERD booster pump motor	8	5,000	2	Cal-Am	\$59,098
RO elements	8	400	168	Cal-Am	\$397,139
Flow transmitter	8	4,000	13	Cal-Am	\$307,310
Rosemount Transmitter	8	2,000	12	Cal-Am	\$141,835
Post Treatment					
Hypochlorite pumps	8	1,200	2	Cal-Am	\$14,184
Sodium hydroxide pump	8	1,200	2	Cal-Am	\$14,184
Product booster pump motor	8	5,000	2	Cal-Am	\$59,098
Product blend pump motor	8	5,000	2	Cal-Am	\$59,098
Turbidity monitor	10	3,000	1	Cal-Am	\$13,173
Chlorine analyzer	10	4,500	1	Cal-Am	\$19,759
Control system					
SCADA interface panel	10	5,000	1	Cal-Am	\$21,955
SCADA terminal	10	1,500	1	Cal-Am	\$6,586
HVAC					
Air handling equipment	20	38,500	1	Cal-Am	\$51,537
TOTALS					\$3,805,669
Sand City					\$0
Cal-Am					\$3,805,669

@ 3,805,669 ÷ 31 years = 122,764 p1

11

Check			Invoice			Vendor		Year
<u>Date Issued</u>	<u>Number</u>	<u>Amount Paid</u>	<u>Date</u>	<u>Number</u>	<u>Amount Due</u>	<u>Name</u>	<u>Services / Product</u>	
06/23/09	20166	125.59	06/02/09	516507	125.59	Granite Rock	3/4 drain rock for Desal Plant	2009
10/17/05	14940	105.08	09/30/05	561242	105.08	Dept. of Health	AB 2995 Water System Fees	2005
12/17/08	19507	3,600.00	11/28/08	813320	3,600.00	SWRCB	Annual Fee for Waste Discharge	2008
08/02/07	17454	2,800.00	No Date	No #	2,800.00	Monterey Peninsula Water	Application Fee	2007
9/17/07	17645	2,105.75	09/09/07	No #	2,105.75	David Martin	Architect	2007
12/03/07	17960	118.25	11/07/07	No #	118.25	David Martin	Architect	2007
12/26/07	18059	555.75	12/11/07	No #	555.75	David Martin	Architect	2007
02/11/08	18243	968.25	12/11/07	No #	968.25	David Martin	Architect	2008
02/25/08	18305	200.75	02/14/08	No #	200.75	David Martin	Architect	2008
04/21/08	18524	187.75	04/08/08	No #	187.75	David Martin	Architect	2008
05/12/08	18608	187.75	03/11/08	No #	187.75	David Martin	Architect	2008
05/27/08	18659	278.75	05/14/08	No #	278.75	David Martin	Architect	2008
02/02/09	19627	181.75	01/14/09	No #	181.75	David Martin	Architect	2009
04/17/09	19928	181.75	03/16/09	No #	181.75	David Martin	Architect	2009
06/30/00	6865	323.00	06/29/00	No #	323.00	Heisinger & Morris	Attorney	2000
08/04/00	6989	340.00	07/26/00	No #	340.00	Heisinger & Morris	Attorney	2000
10/13/00	7245	255.00	09/26/00	No #	255.00	Heisinger & Morris	Attorney	2000
12/19/00	7491	51.00	11/28/00	No #	51.00	Heisinger & Morris	Attorney	2000
06/13/01	8242	340.00	05/29/01	No #	340.00	Heisinger & Morris	Attorney	2001
07/07/01	8333	1,190.00	06/26/01	No #	1,190.00	Heisinger & Morris	Attorney	2001
10/09/01	8714	136.00	09/27/01	No #	136.00	Heisinger & Morris	Attorney	2001
11/13/01	8859	306.00	10/30/01	No #	306.00	Heisinger & Morris	Attorney	2001
12/11/01	8970	1,360.00	11/27/01	No #	1,360.00	Heisinger & Morris	Attorney	2001
04/09/02	9455	425.00	02/25/02	No #	425.00	Heisinger & Morris	Attorney	2002
05/14/02	9601	595.00	04/30/02	No #	595.00	Heisinger & Morris	Attorney	2002
06/30/02	9819	527.00	06/27/02	No #	527.00	Heisinger & Morris	Attorney	2002
09/24/02	10145	119.00	08/29/02	No #	119.00	Heisinger & Morris	Attorney	2002
11/25/02	10419	3,536.00	10/29/02	No #	3,536.00	Heisinger & Morris	Attorney	2002
12/17/02	10526	68.00	11/27/02	No #	68.00	Heisinger & Morris	Attorney	2002
01/14/03	10633	2,448.00	12/24/02	No #	2,448.00	Heisinger & Morris	Attorney	2003
03/11/03	10918	85.00	02/01/03	No #	85.00	Heisinger & Morris	Attorney	2003
03/18/03	10929	2,193.00	02/27/03	No #	2,193.00	Heisinger & Morris	Attorney	2003
04/16/03	11076	476.00	03/27/03	No #	476.00	Heisinger & Morris	Attorney	2003

Check			Invoice			Vendor		Year
<u>Date Issued</u>	<u>Number</u>	<u>Amount Paid</u>	<u>Date</u>	<u>Number</u>	<u>Amount Due</u>	<u>Name</u>	<u>Services / Product</u>	
08/20/03	11616	255.00	07/30/03	No #	255.00	Heisinger & Morris	Attorney	2003
02/18/04	12365	170.00	01/29/04	No #	170.00	Heisinger & Morris	Attorney	2004
05/17/04	12729	374.00	04/29/04	No #	374.00	Heisinger & Morris	Attorney	2004
06/08/04	12810	323.00	05/28/04	No #	323.00	Heisinger & Morris	Attorney	2004
07/19/04	12986	323.00	07/06/04	No #	323.00	Heisinger & Morris	Attorney	2004
08/30/04	13205	221.00	07/30/04	No #	221.00	Heisinger & Morris	Attorney	2004
09/13/04	13263	391.00	09/02/04	No #	391.00	Heisinger & Morris	Attorney	2004
10/12/04	13385	459.00	09/28/04	No #	459.00	Heisinger & Morris	Attorney	2004
11/15/04	13532	527.00	10/28/04	No #	527.00	Heisinger & Morris	Attorney	2004
01/11/05	13751	68.00	12/30/04	No #	68.00	Heisinger & Morris	Attorney	2005
01/11/05	13751	0.00	12/30/04	No #	40.00	Heisinger & Morris	Attorney	2005
02/07/05	13860	1,496.00	01/28/05	No #	1,496.00	Heisinger & Morris	Attorney	2005
03/14/05	14015	136.00	03/01/05	No #	136.00	Heisinger & Morris	Attorney	2005
04/18/05	14146	238.00	03/30/05	No #	238.00	Heisinger & Morris	Attorney	2005
05/16/05	14257	68.00	05/03/05	No #	68.00	Heisinger & Morris	Attorney	2005
06/14/05	14369	3,077.00	05/29/05	No #	3,077.00	Heisinger & Morris	Attorney	2005
07/11/05	14506	646.00	06/30/05	No #	646.00	Heisinger & Morris	Attorney	2005
09/19/05	14827	1,666.00	08/30/05	No #	1,666.00	Heisinger & Morris	Attorney	2005
10/12/05	14918	1,802.00	09/25/05	No #	1,802.00	Heisinger & Morris	Attorney	2005
01/17/06	15310	1,496.00	12/28/05	No #	1,496.00	Heisinger & Morris	Attorney	2006
02/06/06	15395	255.00	01/29/06	No #	255.00	Heisinger & Morris	Attorney	2006
03/13/06	15528	1,207.00	03/02/06	No #	1,207.00	Heisinger & Morris	Attorney	2006
04/10/06	15621	1,535.10	03/30/06	No #	1,535.10	Heisinger & Morris	Attorney	2006
05/01/06	15702	447.95	No date	No #	-	Heisinger & Morris	Attorney	2006
07/11/06	15968	267.75	06/28/06	No #	267.75	Heisinger & Morris	Attorney	2006
08/21/06	16131	981.75	07/29/06	No #	981.75	Heisinger & Morris	Attorney	2006
09/12/06	16195	981.75	08/30/06	No #	267.75	Heisinger & Morris	Attorney	2006
10/11/06	16313	589.05	09/27/06	No #	589.05	Heisinger & Morris	Attorney	2006
11/13/06	16438	1,660.05	11/02/06	No #	428.40	Heisinger & Morris	Attorney	2006

Check			Invoice			Vendor		Year
<u>Date Issued</u>	<u>Number</u>	<u>Amount Paid</u>	<u>Date</u>	<u>Number</u>	<u>Amount Due</u>	<u>Name</u>	<u>Services /Product</u>	
01/03/07	16609	1,606.50	11/30/06	No #	1,606.50	Heisinger & Morris	Attorney	2007
02/12/07	16773	606.90	01/31/07	No #	606.90	Heisinger & Morris	Attorney	2007
02/12/07	16773	0.00	01/31/07	No #	-	Heisinger & Morris	Attorney	2007
03/12/07	16878	1,178.10	03/02/07	No #	1,178.10	Heisinger & Morris	Attorney	2007
04/23/07	17030	321.30	03/28/07	No #	321.30	Heisinger & Morris	Attorney	2007
05/07/07	17086	1,499.40	05/01/07	No #	1,499.40	Heisinger & Morris	Attorney	2007
06/04/07	17181	3,819.90	05/24/07	No #	3,819.90	Heisinger & Morris	Attorney	2007
8/6/07	17470	4,319.70	07/26/07	No #	4,319.70	Heisinger & Morris	Attorney	2007
9/17/07	17643	3,891.30	09/03/07	No #	3,891.30	Heisinger & Morris	Attorney	2007
10/15/07	17768	3,220.20	10/03/07	No #	3,220.20	Heisinger & Morris	Attorney	2007
11/06/07	17861	10,281.60	10/29/07	No #	10,281.60	Heisinger & Morris	Attorney	2007
12/10/07	17996	3,784.20	11/28/07	No #	3,784.20	Heisinger & Morris	Attorney	2007
01/14/08	18128	1,981.35	12/30/07	No #	1,981.35	Heisinger & Morris	Attorney	2008
10/17/05	14952	7,500.00	09/26/05	979330	7,500.00	Orrick,Herrington	Attorney	2005
11/07/05	15038	5,133.75	09/26/05	979330	5,133.75	Orrick,Herrington	Attorney	2005
04/01/08	18452	1,000.00	02/04/08	352	1,000.00	Tom Roth	Attorney	2008
08/17/99	5568	531.25	07/31/99	22-99-7	531.25	Foy	Consultant	1999
09/08/99	5658	1,581.25	08/31/99	22-99-7	1,581.25	Foy	Consultant	1999
10/07/99	5771	625.00	09/30/99	22-99-7	625.00	Foy	Consultant	1999
11/03/99	5883	3,043.30	10/31/99	22-99-7	3,043.30	Foy	Consultant	1999
12/06/99	6014	656.25	11/30/99	22-99-7	656.25	Foy	Consultant	1999
01/12/00	6180	625.00	12/31/99	22-99-7	625.00	Foy	Consultant	2000
02/14/00	6307	1,156.25	01/31/00	22-99-7	1,156.25	Foy	Consultant	2000
03/06/00	6382	625.00	02/29/00	22-99-7	625.00	Foy	Consultant	2000
04/12/00	920	343.75	03/31/00	22-99-7	343.75	Foy	Consultant	2000
06/05/00	936	1,375.00	05/31/00	22-99-7	1,375.00	Foy	Consultant	2000
08/14/00	955	1,281.25	07/31/00	22-99-7	1,281.25	Foy	Consultant	2000
11/16/00	974	1,281.25	10/31/00	22-99-7	1,281.25	Foy	Consultant	2000

Check			Invoice			Vendor		
Date Issued	Number	Amount Paid	Date	Number	Amount Due	Name	Services / Product	Year
03/15/01	7837	437.50	02/28/01	22-99-7	437.50	Foy	Consultant	2001
01/28/02	9145	1,187.00	10/31/01	22-99-7	1,187.00	Foy	Consultant	2002
01/28/02	9145	531.25	10/31/01	22-99-7	-	Foy	Consultant	2002
06/30/02	9817	1,062.50	06/30/02	22-99-7	1,062.50	Foy	Consultant	2002
10/22/02	10268	593.75	09/30/02	22-99-7	593.75	Foy	Consultant	2002
02/10/03	10770	250.00	02/01/03	22-99-7	250.00	Foy	Consultant	2003
06/18/03	11330	218.75	06/01/02	22-99-7	218.75	Foy	Consultant	2003
05/09/05	14236	20,000.00	04/15/05	No #	20,000.00	McCabe & Assoc.	Consultant	2005
05/31/05	14321	5,000.00	05/15/05	No #	5,000.00	McCabe & Assoc.	Consultant	2005
07/11/05	14510	426.58	06/30/05	No #	426.58	McCabe & Assoc.	Consultant	2005
08/30/05	14735	156.38	08/01/05	No #	156.38	McCabe & Assoc.	Consultant	2005
07/02/01	8321	2,311.88	06/04/01	1901	2,311.88	Separation Processes	Consultant	2001
07/16/01	8369	8,885.00	7/36/01	1919	8,885.00	Separation Processes	Consultant	2001
08/21/01	8525	21,352.50	08/02/01	1922	21,352.50	Separation Processes	Consultant	2001
09/25/01	8670	6,756.74	09/04/01	1960	6,756.74	Separation Processes	Consultant	2001
10/19/01	8782	6,287.50	10/02/01	1981	6,287.50	Separation Processes	Consultant	2001
03/07/05	14000	6,131.08	02/15/05	1342	6,131.18	Stratecon	Consultant	2005
10/04/04	1301	2,258.22	09/20/04	2004-SCP4dP1	2,258.22	Zander & Associates	Consultant	2004
11/29/04	1313	87.50	11/05/04	2004-SCP4dP3	5,172.59	Zander & Associates	Consultant	2004
04/25/05	14178	1,151.56	04/07/05	2005-SCP4dP6	1,151.56	Zander & Associates	Consultant	2005
9/24/07	17688	1,014.08	09/06/07	2007-SCP7ap2	1,014.08	Zander & Associates	Consultant	2007
10/15/07	17789	6,245.66	10/05/07	2007-SCP7p3	6,245.66	Zander & Associates	Consultant	2007
11/19/07	17921	1,309.14	11/07/07	2007-SCP7p4	1,309.14	Zander & Associates	Consultant	2007
12/17/07	18044	3,281.38	12/06/07	2007-SCP7p5	3,281.38	Zander & Associates	Consultant	2007
01/14/08	18144	380.82	01/04/08	2008-SCP7p1	380.82	Zander & Associates	Consultant	2008
03/17/08	18404	2,760.35	03/06/08	2008-SCP8p2	2,760.35	Zander & Associates	Consultant	2008
04/14/08	18512	32,303.58	04/04/08	2008-SCP8p2	32,303.58	Zander & Associates	Consultant	2008
05/27/08	18677	10,036.03	05/13/08	2008-SCP8p3	10,036.03	Zander & Associates	Consultant	2008
06/16/08	18772	2,034.46	06/06/08	2008-SCP8p4	2,036.46	Zander & Associates	Consultant	2008
08/18/08	19033	1,818.43	08/07/08	2008-SCP8p5	1,818.43	Zander & Associates	Consultant	2008
08/18/08	19001	500.07	08/07/08	2008-SCP8p5	500.07	Zander & Associates	Consultant	2008
10/20/08	19272	2,303.11	10/06/08	2008-SCP8p7	2,303.11	Zander & Associates	Consultant	2008
11/03/08	19312	2,540.78	09/04/08	2008-SCP8p6	2,540.78	Zander & Associates	Consultant	2008
12/15/08	19495	15,749.34	12/05/08	2 Invoices	15,749.34	Zander & Associates	Consultant	2008

Check			Invoice			Vendor		Year
Date Issued	Number	Amount Paid	Date	Number	Amount Due	Name	Services / Product	
01/12/09	19576	568.85	11/06/08	2008-SCP8p8	568.85	Zander & Associates	Consultant	2009
02/14/08	18262	274,457.43	12/29/07	1	274,457.43	CDM Constructors	Contractor	2008
03/17/08	18385	72,495.27	01/26/08	2	72,495.27	CDM Constructors	Contractor	2008
06/16/08	18750	188,109.00	03/29/08	3	188,109.00	CDM Constructors	Contractor	2008
06/30/08	18805	231,334.65	06/12/08	4	231,334.65	CDM Constructors	Contractor	2008
08/18/08	19009	382,618.12	06/28/08	5	382,618.12	CDM Constructors	Contractor	2008
08/18/08	19000	114,288.53	06/28/08	5	114,288.53	CDM Constructors	Contractor	2008
09/08/08	19096	167,925.96	08/21/08	6	167,925.96	CDM Constructors	Contractor	2008
11/10/08	19324	205,704.00	10/22/08	8	205,704.00	CDM Constructors	Contractor	2008
11/24/08	19402	130,389.30	09/18/08	7	130,389.30	CDM Constructors	Contractor	2008
02/02/09	19619	369,852.30	11/21/08	9	369,852.30	CDM Constructors	Contractor	2009
02/23/09	19700	402,257.25	12/19/08	10	402,257.25	CDM Constructors	Contractor	2009
03/09/09	19758	2,041,408.89	01/27/09	11	2,041,408.89	CDM Constructors	Contractor	2009
04/13/09	19887	370,098.90	02/27/09	12	370,098.90	CDM Constructors	Contractor	2009
05/04/09	19978	62,807.40	03/31/09	13	62,807.40	CDM Constructors	Contractor	2009
05/11/09	20001	417,812.25	04/22/09	14	417,812.25	CDM Constructors	Contractor	2009
06/08/09	20103	58,078.00	05/28/09	15	58,078.00	CDM Constructors	Contractor	2009
07/27/09	20291	36,250.00	06/29/09	16	36,250.00	CDM Constructors	Contractor	2009
10/27/08	19276	474,080.00	10/03/08	10032008	474,080.00	Directed Technologies	Contractor	2008
11/17/08	19362	118,520.00	10/17/08	172008	118,520.00	Directed Technologies	Contractor	2008
02/23/09	19704	73,323.00	11/24/08	11242008CO	73,323.00	Directed Technologies	Contractor	2009
06/23/09	20167	834.00	06/08/09	2819-4534	834.00	JM Electric	Contractor	2009
04/21/08	18527	375,937.17	03/31/08	101264	375,937.17	MGE Underground	Contractor	2008
05/19/08	18639	229,408.82	40/30/08	10274	229,408.82	MGE Underground	Contractor	2008
07/14/08	18875	165,515.39	06/30/08	101294	165,515.39	MGE Underground	Contractor	2008
08/18/08	19019	298,937.76	07/31/08	101299	298,937.76	MGE Underground	Contractor	2008
09/15/08	19133	49,846.50	08/29/08	101311	49,846.50	MGE Underground	Contractor	2008
11/03/08	19305	121,711.58	09/30/08	101320	121,711.58	MGE Underground	Contractor	2008
11/24/08	19403	82,492.99	10/31/08	101342	82,492.99	MGE Underground	Contractor	2008
12/15/08	19486	200,938.94	12/01/08	101349	200,938.94	MGE Underground	Contractor	2008
02/02/09	19628	107,421.03	12/30/08	101373	107,421.03	MGE Underground	Contractor	2009
03/16/09	19795	31,435.20	01/30/09	101382	31,435.20	MGE Underground	Contractor	2009
03/30/09	19841	21,458.52	02/27/09	101390	21,458.52	MGE Underground	Contractor	2009
04/27/09	19953	23,005.36	03/31/09	101400	23,005.36	MGE Underground	Contractor	2009
04/30/09	19968	10,068.10	04/29/09	No #	10,068.10	MGE Underground	Contractor	2009
06/08/09	20116	304,124.94	04/30/09	101408	304,124.94	MGE Underground	Contractor	2009
07/27/09	20294	60,182.52	05/31/09	101422	60,182.52	MGE Underground	Contractor	2009
05/26/09	20065	3,750.00	04/30/09	04-13	3,750.00	Mtry Peninsula Engineering	Contractor	2009

Check			Invoice			Vendor		Year
Date Issued	Number	Amount Paid	Date	Number	Amount Due	Name	Services / Product	
11/29/05	15115	5,710.51	10/31/05	10457	5,710.51	Roy Alsep Pump	Contractor	2005
09/08/08	19085	23,876.00	08/18/08	19150-IN	23,876.00	Salinas Pump Co.	Contractor	2008
09/08/08	19115	20,000.00	No Date	No #	-	Salinas Pump Co.	Contractor	2008
04/21/09	19940	4,450.00	02/27/09	No #	4,450.00	Salinas Pump Co.	Contractor	2009
03/18/02	9371	4,465.31	03/12/02	843	4,465.31	MRWPCA	Energy Usage for Test Well at Seaside	2002
10/18/99	5792	2,936.42	10/08/99	65896.C	2,936.42	Creegan & D'Angelo	Engineering Consultant	1999
11/22/99	5951	2,189.60	11/09/99	66097.C	2,189.60	Creegan & D'Angelo	Engineering Consultant	1999
12/21/99	6060	908.80	12/07/99	66269.C	908.80	Creegan & D'Angelo	Engineering Consultant	1999
02/01/00	6241	1,515.50	01/11/00	66474.C	1,515.50	Creegan & D'Angelo	Engineering Consultant	2000
02/28/00	6348	349.00	02/08/00	66647.C	349.00	Creegan & D'Angelo	Engineering Consultant	2000
04/03/00	6478	459.00	03/10/00	66823.D	459.00	Creegan & D'Angelo	Engineering Consultant	2000
04/24/00	6579	204.00	04/07/00	66992.C	204.00	Creegan & D'Angelo	Engineering Consultant	2000
05/19/00	6682	577.00	05/11/00	67205.C	577.00	Creegan & D'Angelo	Engineering Consultant	2000
06/27/00	6826	6,647.40	06/08/00	67437.C	6,647.40	Creegan & D'Angelo	Engineering Consultant	2000
07/27/00	6951	4,894.25	07/11/00	67640.C	4,894.25	Creegan & D'Angelo	Engineering Consultant	2000
08/24/00	7065	1,781.73	08/10/00	67861	1,781.73	Creegan & D'Angelo	Engineering Consultant	2000
09/27/00	7185	610.50	09/13/00	68110	610.50	Creegan & D'Angelo	Engineering Consultant	2000
11/03/00	7313	923.75	10/11/00	68324	923.75	Creegan & D'Angelo	Engineering Consultant	2000
11/16/00	7387	3,339.75	11/06/00	68534	3,339.75	Creegan & D'Angelo	Engineering Consultant	2000
12/22/00	7545	801.25	12/13/00	68745	801.25	Creegan & D'Angelo	Engineering Consultant	2000
02/02/01	7680	451.50	01/09/01	68945	451.50	Creegan & D'Angelo	Engineering Consultant	2001
02/22/01	7759	328.00	02/08/01	69140	328.00	Creegan & D'Angelo	Engineering Consultant	2001

Check			Invoice			Vendor		Year
<u>Date Issued</u>	<u>Number</u>	<u>Amount Paid</u>	<u>Date</u>	<u>Number</u>	<u>Amount Due</u>	<u>Name</u>	<u>Services / Product</u>	
04/02/01	7945	731.10	03/06/01	69357	731.10	Creegan & D'Angelo	Engineering Consultant	2001
04/30/01	8065	1,753.30	04/10/01	69568	1,753.30	Creegan & D'Angelo	Engineering Consultant	2001
05/23/01	8166	883.25	05/10/01	69775	883.25	Creegan & D'Angelo	Engineering Consultant	2001
06/27/01	8288	2,832.10	06/08/01	70032	2,832.10	Creegan & D'Angelo	Engineering Consultant	2001
07/16/01	8352	917.50	07/05/01	70179	917.50	Creegan & D'Angelo	Engineering Consultant	2001
09/10/01	8597	6,337.00	08/17/01	70358	6,337.00	Creegan & D'Angelo	Engineering Consultant	2001
09/25/01	8647	4,924.03	09/07/01	70549	4,924.03	Creegan & D'Angelo	Engineering Consultant	2001
10/19/01	8765	11,947.00	10/04/01	70743	11,947.00	Creegan & D'Angelo	Engineering Consultant	2001
11/27/01	8904	8,684.47	11/08/01	70944	8,684.47	Creegan & D'Angelo	Engineering Consultant	2001
12/27/01	9021	13,523.70	12/11/01	71151	13,523.70	Creegan & D'Angelo	Engineering Consultant	2001
01/28/02	9140	6,871.80	01/09/02	71345	6,871.80	Creegan & D'Angelo	Engineering Consultant	2002
02/19/02	9231	1,550.87	02/08/02	71505	1,550.87	Creegan & D'Angelo	Engineering Consultant	2002
04/02/02	9423	3,512.10	03/13/02	71695	3,512.10	Creegan & D'Angelo	Engineering Consultant	2002
04/23/02	9508	3,894.70	04/10/02	71938	3,894.70	Creegan & D'Angelo	Engineering Consultant	2002
05/21/02	9631	1,686.00	05/08/02	72094	1,686.00	Creegan & D'Angelo	Engineering Consultant	2002
06/25/02	9762	1,373.00	06/13/02	72269	1,373.00	Creegan & D'Angelo	Engineering Consultant	2002
07/23/02	9888	3,600.00	07/12/02	72443	3,600.00	Creegan & D'Angelo	Engineering Consultant	2002
08/20/02	10006	14,271.16	08/07/02	72601	14,271.16	Creegan & D'Angelo	Engineering Consultant	2002
10/08/02	10194	5,741.98	09/12/02	72766	5,741.98	Creegan & D'Angelo	Engineering Consultant	2002
11/05/02	10340	5,596.65	10/09/02	72954	5,596.65	Creegan & D'Angelo	Engineering Consultant	2002

Check			Invoice			Vendor		Year
<u>Date Issued</u>	<u>Number</u>	<u>Amount Paid</u>	<u>Date</u>	<u>Number</u>	<u>Amount Due</u>	<u>Name</u>	<u>Services / Product</u>	
12/10/02	10480	2,294.62	11/11/02	73137	2,294.62	Creegan & D'Angelo	Engineering Consultant	2002
01/14/03	10627	2,742.45	12/06/02	73329	2,742.45	Creegan & D'Angelo	Engineering Consultant	2003
02/03/03	10736	3,399.60	01/10/03	73488	3,399.60	Creegan & D'Angelo	Engineering Consultant	2003
02/24/03	10825	4,273.99	02/11/03	73709	4,273.99	Creegan & D'Angelo	Engineering Consultant	2003
03/24/03	10965	1,500.00	03/07/03	73831	1,500.00	Creegan & D'Angelo	Engineering Consultant	2003
05/05/03	11150	10,454.34	04/08/03	73992	10,454.34	Creegan & D'Angelo	Engineering Consultant	2003
05/27/03	11230	3,140.75	05/07/03	74160	3,140.75	Creegan & D'Angelo	Engineering Consultant	2003
06/18/03	11325	660.00	06/06/03	74340	660.00	Creegan & D'Angelo	Engineering Consultant	2003
08/04/03	11585	4,301.07	07/09/03	74527	4,301.07	Creegan & D'Angelo	Engineering Consultant	2003
09/22/03	11777	293.07	09/05/03	74873	293.07	Creegan & D'Angelo	Engineering Consultant	2003
10/28/03	11913	3,908.52	08/12/03	74718	3,908.52	Creegan & D'Angelo	Engineering Consultant	2003
11/10/03	11975	1,025.00	10/09/03	75041	1,025.00	Creegan & D'Angelo	Engineering Consultant	2003
12/08/03	12078	1,307.44	11/12/03	75213	1,307.44	Creegan & D'Angelo	Engineering Consultant	2003
01/05/04	12187	1,320.06	12/09/03	75383	1,320.06	Creegan & D'Angelo	Engineering Consultant	2004
02/09/04	12328	1,875.00	01/09/04	75552	1,875.00	Creegan & D'Angelo	Engineering Consultant	2004
02/23/04	12388	3,253.30	02/06/04	75710	3,253.30	Creegan & D'Angelo	Engineering Consultant	2004
04/20/04	12604	645.00	03/05/04	75914	645.00	Creegan & D'Angelo	Engineering Consultant	2004
05/12/04	12700	6,970.94	04/14/04	76124	6,970.94	Creegan & D'Angelo	Engineering Consultant	2004
06/01/04	12792	7,737.04	05/13/04	76332	7,737.04	Creegan & D'Angelo	Engineering Consultant	2004

Check			Invoice			Vendor		Year
<u>Date Issued</u>	<u>Number</u>	<u>Amount Paid</u>	<u>Date</u>	<u>Number</u>	<u>Amount Due</u>	<u>Name</u>	<u>Services / Product</u>	
06/28/04	12882	8,439.41	06/09/04	76414	8,439.41	Creegan & D'Angelo	Engineering Consultant	2004
08/02/04	13048	8,125.49	07/15/04	76620	8,125.49	Creegan & D'Angelo	Engineering Consultant	2004
08/30/04	13198	5,351.87	08/09/04	76736	5,351.87	Creegan & D'Angelo	Engineering Consultant	2004
10/04/04	13349	11,675.63	09/13/04	76870	11,675.63	Creegan & D'Angelo	Engineering Consultant	2004
11/01/04	13465	9,741.11	10/13/04	77123	9,741.11	Creegan & D'Angelo	Engineering Consultant	2004
11/22/04	13553	10,267.10	11/08/04	77219	10,267.10	Creegan & D'Angelo	Engineering Consultant	2004
01/11/05	13748	6,907.23	12/15/04	77316	6,907.23	Creegan & D'Angelo	Engineering Consultant	2005
01/19/05	13786	9,978.59	01/12/05	1000701	9,978.59	Creegan & D'Angelo	Engineering Consultant	2005
02/07/05	13852	3,201.97	01/14/05	77580	3,201.97	Creegan & D'Angelo	Engineering Consultant	2005
03/07/05	13974	6,320.61	02/10/05	77746	6,320.61	Creegan & D'Angelo	Engineering Consultant	2005
03/21/05	14035	2,070.86	03/09/05	77893	2,070.86	Creegan & D'Angelo	Engineering Consultant	2005
05/09/05	14227	990.00	04/14/05	78053	990.00	Creegan & D'Angelo	Engineering Consultant	2005
05/31/05	14314	3,521.81	05/12/05	78269	3,521.81	Creegan & D'Angelo	Engineering Consultant	2005
06/20/05	14394	2,897.57	06/08/05	78366	2,897.57	Creegan & D'Angelo	Engineering Consultant	2005
08/09/05	14618	5,299.14	07/15/05	78586	5,299.14	Creegan & D'Angelo	Engineering Consultant	2005
08/30/05	14729	5,473.25	08/12/05	78766	5,473.25	Creegan & D'Angelo	Engineering Consultant	2005
09/26/05	14846	8,569.81	09/13/05	78882	8,569.81	Creegan & D'Angelo	Engineering Consultant	2005
11/07/05	15030	4,564.49	10/10/05	79011	4,564.49	Creegan & D'Angelo	Engineering Consultant	2005
12/05/05	15142	3,353.82	11/09/05	79176	3,353.82	Creegan & D'Angelo	Engineering Consultant	2005
01/03/06	15271	2,384.25	12/14/05	79365	2,384.25	Creegan & D'Angelo	Engineering Consultant	2006

Check			Invoice			Vendor		Year
<u>Date Issued</u>	<u>Number</u>	<u>Amount Paid</u>	<u>Date</u>	<u>Number</u>	<u>Amount Due</u>	<u>Name</u>	<u>Services / Product</u>	
01/30/06	15361	13,266.48	01/16/06	79512	13,266.48	Creegan & D'Angelo	Engineering Consultant	2006
03/06/06	15502	4,881.83	02/13/06	79628	4,881.83	Creegan & D'Angelo	Engineering Consultant	2006
03/27/06	15569	8,345.95	03/10/06	79876	8,345.95	Creegan & D'Angelo	Engineering Consultant	2006
05/01/06	15695	10,679.48	04/07/06	79983	10,679.48	Creegan & D'Angelo	Engineering Consultant	2006
05/30/06	15790	3,049.82	05/09/06	80184	3,049.82	Creegan & D'Angelo	Engineering Consultant	2006
06/26/06	15899	2,794.50	06/13/06	80344	2,794.50	Creegan & D'Angelo	Engineering Consultant	2006
08/07/06	16044	10,021.95	07/17/06	80571	10,021.95	Creegan & D'Angelo	Engineering Consultant	2006
08/21/06	16128	17,945.85	08/09/06	80660	17,945.85	Creegan & D'Angelo	Engineering Consultant	2006
10/02/06	16274	24,503.89	09/14/06	80956	24,503.89	Creegan & D'Angelo	Engineering Consultant	2006
10/16/06	16336	3,835.66	10/09/06	81016	3,835.66	Creegan & D'Angelo	Engineering Consultant	2006
12/04/06	16505	4,113.08	11/07/06	81266	4,113.08	Creegan & D'Angelo	Engineering Consultant	2006
01/03/07	16601	18,254.31	12/14/06	82062	18,254.31	Creegan & D'Angelo	Engineering Consultant	2007
02/12/07	16767	9,812.15	01/10/07	82171	9,812.15	Creegan & D'Angelo	Engineering Consultant	2007
03/06/07	16848	23,091.72	02/16/07	82428	23,091.72	Creegan & D'Angelo	Engineering Consultant	2007
04/09/07	16973	23,932.42	03/13/07	82522	23,932.42	Creegan & D'Angelo	Engineering Consultant	2007
04/30/07	17046	16,265.73	04/19/07	82735	16,265.73	Creegan & D'Angelo	Engineering Consultant	2007
05/21/07	17117	14,149.49	05/11/07	82806	14,149.49	Creegan & D'Angelo	Engineering Consultant	2007
07/02/07	17290	11,546.38	06/15/07	82974	11,546.38	Creegan & D'Angelo	Engineering Consultant	2007
07/23/07	17392	21,652.97	07/12/07	83141	21,652.97	Creegan & D'Angelo	Engineering Consultant	2007
8/27/07	17551	40,874.58	08/09/07	83323	40,874.58	Creegan & D'Angelo	Engineering Consultant	2007
10/9/07	17739	21,485.86	09/12/07	83380	21,485.86	Creegan & D'Angelo	Engineering Consultant	2007

Check			Invoice			Vendor		Year
<u>Date Issued</u>	<u>Number</u>	<u>Amount Paid</u>	<u>Date</u>	<u>Number</u>	<u>Amount Due</u>	<u>Name</u>	<u>Services / Product</u>	
10/31/07	17822	18,115.68	10/11/07	83581	18,115.68	Creegan & D'Angelo	Engineering Consultant	2007
11/26/07	17925	18,716.99	11/09/07	83730	18,716.99	Creegan & D'Angelo	Engineering Consultant	2007
01/22/08	18154	15,642.79	12/13/07	83891	15,642.79	Creegan & D'Angelo	Engineering Consultant	2008
01/22/08	18154	6,674.81	01/10/08	83946	6,674.81	Creegan & D'Angelo	Engineering Consultant	2008
02/25/08	18297	17,526.44	02/12/08	84106	17,526.44	Creegan & D'Angelo	Engineering Consultant	2008
03/21/08	18408	14,980.83	03/13/08	84227	14,980.83	Creegan & D'Angelo	Engineering Consultant	2008
04/21/08	18521	27,684.87	04/09/08	84287	27,684.87	Creegan & D'Angelo	Engineering Consultant	2008
06/09/08	18723	29,889.27	05/06/08	84398	29,889.27	Creegan & D'Angelo	Engineering Consultant	2008
06/23/08	18777	31,894.79	06/09/08	84509	31,894.79	Creegan & D'Angelo	Engineering Consultant	2008
07/21/08	18893	38,546.31	07/06/08	84621	38,546.31	Creegan & D'Angelo	Engineering Consultant	2008
09/08/08	19100	33,527.59	08/14/08	84804	33,527.59	Creegan & D'Angelo	Engineering Consultant	2008
09/29/08	19168	8,156.53	09/10/08	84878	8,156.53	Creegan & D'Angelo	Engineering Consultant	2008
10/20/08	19256	17,791.92	10/07/08	84958	17,791.92	Creegan & D'Angelo	Engineering Consultant	2008
12/08/08	19450	25,464.33	11/12/08	85116	25,464.33	Creegan & D'Angelo	Engineering Consultant	2008
01/12/09	19557	28,224.88	12/10/08	85223	28,224.88	Creegan & D'Angelo	Engineering Consultant	2009
02/09/09	19653	8,708.76	01/09/09	85264	8,708.76	Creegan & D'Angelo	Engineering Consultant	2009
03/30/09	19837	9,415.66	02/11/09	85400	9,415.66	Creegan & D'Angelo	Engineering Consultant	2009
04/13/09	19891	9,466.79	03/09/09	85488	9,466.79	Creegan & D'Angelo	Engineering Consultant	2009
04/27/09	19945	9,864.72	04/08/09	85564	9,864.72	Creegan & D'Angelo	Engineering Consultant	2009
05/26/09	20054	7,047.94	05/13/09	85722	7,047.94	Creegan & D'Angelo	Engineering Consultant	2009
06/23/09	20161	13,250.48	06/08/09	85783	13,250.48	Creegan & D'Angelo	Engineering Consultant	2009
07/27/09	20292	24,762.13	07/10/09	85912	24,762.13	Creegan & D'Angelo	Engineering Consultant	2009

Check			Invoice			Vendor		Year
Date Issued	Number	Amount Paid	Date	Number	Amount Due	Name	Services / Product	
04/14/08	18505	9,030.89	03/31/08	03-08	9,030.89	Monterey Peninsula Eng	Engineering Consultant	2008
04/16/02	9481	6,512.70	04/10/02	4418	6,512.70	David Powers & Assoc.	Environmental Consultant - EIR	2002
05/21/02	9633	3,223.75	05/13/02	4503	3,223.75	David Powers & Assoc.	Environmental Consultant - EIR	2002
06/25/02	9763	4,261.17	06/14/02	4596	4,261.17	David Powers & Assoc.	Environmental Consultant - EIR	2002
07/23/02	9889	1,877.13	07/16/02	4684	1,877.13	David Powers & Assoc.	Environmental Consultant - EIR	2002
08/28/02	10023	3,875.47	08/14/02	4763	3,875.47	David Powers & Assoc.	Environmental Consultant - EIR	2002
09/24/02	10137	3,503.27	09/18/02	4844	3,503.27	David Powers & Assoc.	Environmental Consultant - EIR	2002
11/05/02	10342	969.22	10/17/02	4927	969.22	David Powers & Assoc.	Environmental Consultant - EIR	2002
12/03/02	10447	6,066.13	11/14/02	5020	6,066.13	David Powers & Assoc.	Environmental Consultant - EIR	2002
01/14/03	10628	17,102.13	12/19/02	5123	17,102.13	David Powers & Assoc.	Environmental Consultant - EIR	2003
02/03/03	10737	4,381.97	01/17/03	5211	4,381.97	David Powers & Assoc.	Environmental Consultant - EIR	2003
03/11/03	10900	23,183.94	02/21/03	5302	23,183.94	David Powers & Assoc.	Environmental Consultant - EIR	2003
04/02/03	11006	11,922.20	03/18/03	5387	11,922.20	David Powers & Assoc.	Environmental Consultant - EIR	2003
05/05/03	11151	2,008.16	04/17/03	5479	2,008.16	David Powers & Assoc.	Environmental Consultant - EIR	2003
08/26/03	11644	2,521.65	08/14/03	5829	2,521.65	David Powers & Assoc.	Environmental Consultant - EIR	2003
10/07/03	11836	7,792.64	09/23/03	5904	7,792.64	David Powers & Assoc.	Environmental Consultant - EIR	2003
10/28/03	11914	4,649.78	10/15/03	6010	4,649.78	David Powers & Assoc.	Environmental Consultant - EIR	2003
01/05/04	12189	4,346.82	12/18/04	6162	4,346.82	David Powers & Assoc.	Environmental Consultant - EIR	2004
03/09/04	12473	9,316.21	02/19/04	6345	9,316.21	David Powers & Assoc.	Environmental Consultant - EIR	2004
04/05/04	12566	637.12	03/18/04	6423	637.12	David Powers & Assoc.	Environmental Consultant - EIR	2004
05/04/04	12677	773.58	04/19/04	6501	773.58	David Powers & Assoc.	Environmental Consultant - EIR	2004
06/30/04	12920	4,995.76	06/24/04	6673	4,995.76	David Powers & Assoc.	Environmental Consultant - EIR	2004
07/27/04	13005	2,631.71	07/13/04	6764	2,631.71	David Powers & Assoc.	Environmental Consultant - EIR	2004
09/27/04	13311	6,521.09	09/20/04	6957	6,521.09	David Powers & Assoc.	Environmental Consultant - EIR	2004
11/08/04	13500	881.25	10/21/04	7052	881.25	David Powers & Assoc.	Environmental Consultant - EIR	2004
11/15/04	13528	1,457.50	11/08/04	7153	1,457.50	David Powers & Assoc.	Environmental Consultant - EIR	2004
01/31/05	13820	1,894.20	01/12/05	7339	1,894.20	David Powers & Assoc.	Environmental Consultant - EIR	2005
01/31/05	13820	1,454.94	01/12/05	7339	-	David Powers & Assoc.	Environmental Consultant - EIR	2005
03/28/05	1342	2,513.75	02/23/05	7495	2,513.75	David Powers & Assoc.	Environmental Consultant - EIR	2005
10/1/07	17701	3,914.65	09/20/07	1435	3,914.65	David Powers & Assoc.	Environmental Consultant - EIR	2007
11/06/07	17859	4,500.57	10/23/07	1555	4,500.57	David Powers & Assoc.	Environmental Consultant - EIR	2007
06/30/08	18851	1,294.00	06/23/08	2201	1,294.00	David Powers & Assoc.	Environmental Consultant - EIR	2008
07/20/09	20269	250.00	06/05/09	15156	250.00	California Site Services	Fence Rental	2009
06/30/09	20220	1,674.25	06/22/09	No #	1,674.25	Annette Yee and Company	Financial Advisory Services	2009
08/31/09	20455	1,369.00	08/21/09	No #	1,369.00	Annette Yee and Company	Financial Advisory Services	2009
01/07/08	18111	2,017.00	11/12/07	SAL174460	2,017.00	Hayashi & Wayland	Financial Advisory Services	2008
05/26/00	6717	2,613.75	05/16/00	2000-57	2,613.75	Martin B Feeney	Hydrogeologist Services	2000

Check			Invoice			Vendor		Year
<u>Date Issued</u>	<u>Number</u>	<u>Amount Paid</u>	<u>Date</u>	<u>Number</u>	<u>Amount Due</u>	<u>Name</u>	<u>Services / Product</u>	
06/08/00	6768	350.00	06/02/00	2000-62	350.00	Martin B Feeney	Hydrogeologist Services	2000
06/30/00	6863	3,982.00	07/03/00	2000-65	3,982.00	Martin B Feeney	Hydrogeologist Services	2000
08/04/00	6987	7,585.40	07/24/00	2000-76	7,585.40	Martin B Feeney	Hydrogeologist Services	2000
09/18/00	7161	3,210.20	09/11/00	2000-87	3,210.20	Martin B Feeney	Hydrogeologist Services	2000
10/19/00	7277	3,664.21	10/02/00	2000-93	3,664.21	Martin B Feeney	Hydrogeologist Services	2000
11/29/00	7414	2,430.00	11/03/00	2000-96	2,430.00	Martin B Feeney	Hydrogeologist Services	2000
12/22/00	7547	13,416.61	12/07/00	2000-99	13,416.61	Martin B Feeney	Hydrogeologist Services	2000
01/29/01	7658	8,400.39	01/06/01	2001-07	8,400.39	Martin B Feeney	Hydrogeologist Services	2001
02/22/01	7761	1,645.00	02/04/01	2001-10	1,645.00	Martin B Feeney	Hydrogeologist Services	2001
03/22/01	7870	1,810.00	03/06/01	2001-21	1,810.00	Martin B Feeney	Hydrogeologist Services	2001
04/17/01	8019	5,471.04	04/01/01	2001-26	5,471.04	Martin B Feeney	Hydrogeologist Services	2001
06/06/01	8222	2,922.50	05/07/01	2001-39	2,922.50	Martin B Feeney	Hydrogeologist Services	2001
06/27/01	8290	4,172.95	06/11/01	2001-48	4,172.95	Martin B Feeney	Hydrogeologist Services	2001
07/16/01	8353	9,215.00	07/05/01	2001-56	9,215.00	Martin B Feeney	Hydrogeologist Services	2001
09/04/01	8574	2,850.00	08/06/01	2001-65	2,850.00	Martin B Feeney	Hydrogeologist Services	2001
10/15/01	8746	1,030.00	09/05/01	2001-73	1,030.00	Martin B Feeney	Hydrogeologist Services	2001
12/27/01	9022	7,365.79	12/03/01	2001-85	7,365.79	Martin B Feeney	Hydrogeologist Services	2001
01/28/02	9143	6,024.98	01/04/02	2001-92	6,024.98	Martin B Feeney	Hydrogeologist Services	2002
03/05/02	9305	1,950.00	02/21/02	2002-12	1,950.00	Martin B Feeney	Hydrogeologist Services	2002
03/18/02	9365	1,600.00	03/06/02	2002-14	1,600.00	Martin B Feeney	Hydrogeologist Services	2002
04/23/02	9510	3,836.91	04/02/02	2002-19	3,836.91	Martin B Feeney	Hydrogeologist Services	2002
05/28/02	9659	5,425.00	05/03/02	2002-23	5,425.00	Martin B Feeney	Hydrogeologist Services	2002
06/25/02	9766	6,014.45	05/31/02	2002-39	6,014.45	Martin B Feeney	Hydrogeologist Services	2002
05/01/08	72003544	29,401.22	05/01/08	No #	29,401.22	Bond Interest Payment	Loan Payment	2008
11/01/08	72004734	58,156.25	11/01/08	No #	58,156.25	Bond Interest Payment	Loan Payment	2008
05/01/09	72005743	58,156.25	No Date	No #	58,156.25	Bond Interest Payment	Loan Payment	2009
02/19/08	18268	875.00	12/04/07	20071204	875.00	C12 Restoration	Materials	2008
07/14/08	18882	219.43	06/09/08	Sale Receipts	219.43	Ferguson Enterprises	Materials	2008
05/18/09	20036	52.86	05/12/09	Sales Receipt	52.86	Ferguson Enterprises	Materials	2009
04/07/08	18474	747.44	03/11/08	Sales Receipt	747.44	Home Depot	Materials	2008
07/14/08	18873	2,390.48	Various	Sale Receipts	2,390.48	Home Depot	Materials	2008
05/11/09	20009	307.76	04/13/09	Sales Receipt	307.76	Home Depot	Materials	2009
06/15/09	20145	69.34	05/27/09	Sales Receipt	69.34	Home Depot	Materials	2009
07/13/09	20246	57.80	06/02/09	Sales Receipt	57.80	Home Depot	Materials	2009
07/13/09	20246	78.38	05/28/09	Sales Receipt	78.38	Home Depot	Materials	2009
08/10/09	20365	7.83	07/20/09	Sales Receipt	7.83	Orchard Supply	Materials	2009

Check			Invoice			Vendor		Year
<u>Date Issued</u>	<u>Number</u>	<u>Amount Paid</u>	<u>Date</u>	<u>Number</u>	<u>Amount Due</u>	<u>Name</u>	<u>Services / Product</u>	
08/10/09	20365	36.39	07/22/09	Sales Receipt	36.39	Orchard Supply	Materials	2009
06/01/09	20095	23.30	05/28/09	Sales Receipt	23.30	Petty Cash	Materials	2009
06/08/09	20122	14.75	06/03/09	Sales Receipt	14.75	Petty Cash	Materials	2009
06/15/09	20151	26.06	06/10/09	Sales Receipt	26.06	Petty Cash	Materials	2009
06/23/09	20177	1,185.82	06/02/09	35006672	1,185.82	Rain for Rent	Materials	2009
03/10/08	18379	13.42	03/06/08	Sales Receipt	13.42	United Rentals	Materials	2008
9/24/07	17679	50.00	09/20/07	Sales Receipt	50.00	Monterey County Clerk	Misc Fees	2007
12/17/07	18039	50.00	12/14/07	Sales Receipt	50.00	Monterey County Clerk	Misc Fees	2007
01/28/08	18183	50.00	01/28/08	No #	50.00	Monterey County Clerk	Misc Fees	2008
04/28/08	18549	50.00	04/25/08	No #	50.00	Monterey County Clerk	Misc Fees	2008
06/08/09	20120	4,215.00	06/03/09	No #	4,215.00	Northwest Signs	Monument Sign	2009
12/17/07	18034	106.53	11/30/07	No #	106.53	The Herald	Notice of Public Hearing	2007
04/16/07	17007	332.59	No Date	No #	332.59	The Herald	Notice to Contractor	2007
11/19/07	17906	1,496.68	No date	No #	1,496.68	The Herald	Notice to Contractor	2007
06/30/08	18852	120.75	No Date	No #	-	Dept. of Conservation	Permit	2008
08/25/09	20430	1,553.00	No Date	No #	1,553.00	Monterey County Health Dept	Permit	2009
05/12/08	18615	28,175.00	04/28/08	No #	28,175.00	Mtry Peninsula Water Mgmnt.	Permit	2008
10/20/08	19263	350.00	10/16/08	No #	350.00	Mtry Peninsula Water Mgmnt.	Permit	2008
12/01/00	7436	800.00	No Date	No #	800.00	MRWPCA	Permit for Connection to Electrical Supply	2000
12/20/04	13672	800.00	12/20/04	No #	800.00	MRWPCA	Permit for Connection to Electrical Supply	2004
11/29/00	7424	952.50	11/10/00	13126	952.50	PMC	Planning Services	2000
01/05/01	7601	1,120.00	12/15/01	13227	1,120.00	PMC	Planning Services	2001
02/02/01	7692	110.00	01/12/01	13313	110.00	PMC	Planning Services	2001
02/20/01	7748	467.50	02/07/01	13377	467.50	PMC	Planning Services	2001
04/30/01	8078	330.00	04/05/01	13553	330.00	PMC	Planning Services	2001
07/02/01	8319	30.00	06/15/01	13832	30.00	PMC	Planning Services	2001

Check			Invoice			Vendor		
Date Issued	Number	Amount Paid	Date	Number	Amount Due	Name	Services / Product	Year
07/16/01	8355	130.00	07/06/01	13850	130.00	PMC	Planning Services	2001
03/26/02	9407	140.00	11/08/01	14363	140.00	PMC	Planning Services	2002
12/20/04	13676	4,452.50	12/03/04	17765	4,452.50	PMC	Planning Services	2004
01/31/05	13833	606.25	01/10/05	1788	606.25	PMC	Planning Services	2005
03/21/05	14045	77.50	03/07/05	18126	77.50	PMC	Planning Services	2005
04/25/05	14176	233.75	04/13/05	18311	233.75	PMC	Planning Services	2005
06/27/05	14440	1,540.00	06/09/05	18550	1,540.00	PMC	Planning Services	2005
10/03/05	14900	85.00	05/11/05	18422	85.00	PMC	Planning Services	2005
10/31/05	15008	240.00	10/10/05	19153	240.00	PMC	Planning Services	2005
11/21/05	15094	940.00	11/10/05	19330	940.00	PMC	Planning Services	2005
02/27/06	15474	1,740.00	02/15/06	19830	1,740.00	PMC	Planning Services	2006
03/27/06	15581	4,380.00	03/15/06	19982	4,380.00	PMC	Planning Services	2006
04/24/06	15678	7,040.30	04/12/06	20107	7,040.30	PMC	Planning Services	2006
10/16/06	16349	318.75	10/06/06	21207	318.75	PMC	Planning Services	2006
11/21/06	16475	467.50	11/07/06	21425	467.50	PMC	Planning Services	2006
02/27/07	16824	2,130.00	02/09/07	22105	2,130.00	PMC	Planning Services	2007
04/23/07	17038	330.00	04/13/07	Draft	330.00	PMC	Planning Services	2007
05/29/07	17157	297.50	05/10/07	22799	297.50	PMC	Planning Services	2007
06/18/07	17249	361.25	06/07/07	22925	361.25	PMC	Planning Services	2007
8/6/07	17458	1,615.00	07/16/07	23202	1,615.00	PMC	Planning Services	2007
10/20/03	11873	919.33	10/06/03	11484	919.33	A & R Plumbing	Plumbing Contractor	2003
01/29/07	16712	835.57	01/15/07	30274	835.57	A & R Plumbing	Plumbing Contractor	2007
06/29/09	20182	2,995.00	06/02/09	46223	2,995.00	A & R Plumbing	Plumbing Contractor	2009
10/9/07	17746	102.00	10/02/07	No #	102.00	Monterey Peninsula Water	Postage Fees	2007
04/03/02	166429	10,000.00	No Date	No #	10,000.00	Campos Payment	Property Payment	2002
05/20/02	1117	41,078.22	No Date	No #	41,078.22	Campos Payment	Property Payment	2002
11/22/02	178432	28,144.43	No Date	No #	28,144.43	Campos Payment	Property Payment	2002
05/27/03	184526	28,144.43	No Date	No #	28,144.43	Campos Payment	Property Payment	2003
11/26/03	193756	28,144.43	No Date	No #	28,144.43	Campos Payment	Property Payment	2003
06/01/04	20145	28,144.43	No Date	No #	28,144.43	Campos Payment	Property Payment	2004
12/21/04	210970	28,144.43	No Date	No #	28,144.43	Campos Payment	Property Payment	2004

Check			Invoice			Vendor		Year
Date Issued	Number	Amount Paid	Date	Number	Amount Due	Name	Services / Product	
12/21/04	210970	0.00	No Date	No #	-	Campos Payment	Property Payment	2004
05/25/05	217724	28,144.43	No Date	No #	28,144.43	Campos Payment	Property Payment	2005
11/28/05	226000	28,144.43	No Date	No #	28,144.43	Campos Payment	Property Payment	2005
06/05/06	253101	28,144.43	No Date	No #	28,144.43	Campos Payment	Property Payment	2006
11/30/06	720003	28,144.43	No Date	No #	28,144.43	Campos Payment	Property Payment	2006
05/29/07	72001529	28,144.43	No Date	No #	28,144.43	Campos Payment	Property Payment	2007
11/26/07	72002665	28,144.43	No Date	No #	28,144.43	Campos Payment	Property Payment	2007
05/28/08	72003775	28,144.43	No Date	No #	28,144.43	Campos Payment	Property Payment	2008
11/25/08	72004923	28,144.43	No Date	No #	28,144.43	Campos Payment	Property Payment	2008
05/28/09	1001	28,144.43	No Date	No #	28,144.43	Campos Payment	Property Payment	2009
05/12/08	18597	41,770.80	03/31/08	101264	41,770.80	Bank of Sacramento	Retention	2008
05/19/08	18631	25,489.87	04/30/08	10274	25,489.87	Bank of Sacramento	Retention	2008
07/14/08	18867	18,390.59	06/30/08	101294	18,390.59	Bank of Sacramento	Retention	2008
08/18/08	19006	33,215.30	07/31/08	101299	33,215.30	Bank of Sacramento	Retention	2008
09/15/08	19121	5,538.51	08/29/08	101311	5,538.51	Bank of Sacramento	Retention	2008
11/03/08	19298	13,523.52	09/30/08	101320	13,523.52	Bank of Sacramento	Retention	2008
11/24/08	19401	9,165.90	10/31/08	101342	9,165.90	Bank of Sacramento	Retention	2008
12/15/08	19479	22,326.55	12/01/08	101349	22,326.55	Bank of Sacramento	Retention	2008
02/02/09	19617	11,935.67	12/30/08	101373	11,935.67	Bank of Sacramento	Retention	2009
03/16/09	19781	3,492.80	01/30/09	101382	3,492.80	Bank of Sacramento	Retention	2009
03/30/09	19835	2,384.28	02/27/09	101390	2,384.28	Bank of Sacramento	Retention	2009
04/27/09	19942	2,556.15	03/31/09	101400	2,556.15	Bank of Sacramento	Retention	2009
06/08/09	20101	33,791.66	04/30/09	101408	33,791.66	Bank of Sacramento	Retention	2009
07/27/09	20290	6,686.95	05/31/09	101422	6,686.95	Bank of Sacramento	Retention	2009
07/01/02		25,763.20	2002-2009		25,763.20	Staff Expense	Staff	2002
07/01/03		27,427.00	2002-2009		27,427.00	Staff Expense	Staff	2003
07/01/04		28,799.15	2002-2009		28,799.15	Staff Expense	Staff	2004
07/01/05		31,884.85	2002-2009		31,884.85	Staff Expense	Staff	2005
07/01/06		34,704.75	2002-2009		34,704.75	Staff Expense	Staff	2006
07/01/07		39,498.10	2002-2009		39,498.10	Staff Expense	Staff	2007
07/01/08		41,347.55	2002-2009		30,731.95	Staff Expense	Staff	2008

Check			Invoice			Vendor		Year
Date Issued	Number	Amount Paid	Date	Number	Amount Due	Name	Services / Product	
07/01/09		21,068.70	2002-2009		14,633.70	Staff Expense	Staff	2009
07/01/09		0.00				Travel Expenses	Travel	2009
10/14/08	19249	20,014.05	09/15/08	No #	20,014.05	P G & E	Utility	2008
11/05/08	19314	13,914.88	No Date	No #	13,914.88	P G & E	Utility	2008
12/01/08	19407	314.40	09/06/08	No #	314.40	P G & E	Utility	2008
12/01/08	19426	2,368.19	09/06/08	No #	2,368.19	P G & E	Utility	2008
03/30/09	19824	10.11	03/19/09	No #	10.11	P G & E	Utility	2009
04/27/09	19961	132.45	04/20/09	No #	132.45	P G & E	Utility	2009
05/26/09	20072	58.93	05/18/09	No #	58.93	P G & E	Utility	2009
06/08/09	20123	946.59	06/03/09	No #	946.59	P G & E	Utility	2009
06/23/09	20174	1,011.59	06/16/09	No #	1,011.59	P G & E	Utility	2009
06/29/09	20189	1,807.42	06/26/09	No #	1,807.42	P G & E	Utility	2009
07/20/09	20275	2,529.47	07/17/09	No #	2,529.47	P G & E	Utility	2009
07/27/09	20298	3,608.98	07/27/09	No #	3,608.98	P G & E	Utility	2009
08/17/09	20408	29.40	08/10/09	No #	29.40	P G & E	Utility	2009
08/24/09	20426	1,977.96	08/12/09	No #	1,977.96	P G & E	Utility	2009
08/24/09	20426	1,199.04	08/12/09	No #	1,199.04	P G & E	Utility	2009
08/24/09	20426	694.19	08/12/09	No #	694.19	P G & E	Utility	2009
02/13/08	18259	0.00	02/12/08	E-Mail	1,380.00	Seaside Groundwater Basin	Watermaster Well Testing Fee	2008
08/31/09		18.81			18.81	Home Depot		2009
08/31/09		21,692.97			21,692.97	Creegan & D'Angelo		2009
09/08/09		22.84			22.84	Home Depot		2009
09/08/09		1,159.00			1,159.00	Monterey Bay Unified Air Pollution		2009
09/08/09		650.37			650.37	Martins Irrigation		2009
09/14/09		164.86			164.86	Drought Resistant Nursery		2009
09/14/09		45.10			45.10	Home Depot		2009
09/14/09		69.33			69.33	Martins Irrigation		2009
09/21/09		3,178.69			3,178.69	P G & E		2009
09/21/09		57.64			57.64	Home Depot		2009
09/28/09		937.81			937.81	A & R Plumbing		2009
09/28/09		99.10			99.10	Martins Irrigation		2009
10/05/09		11,876.75			11,876.75	Creegan & D'Angelo		2009
10/13/09		44.59			44.59	Granite Construction		2009
10/13/09		121.87			121.87	Granite Rock		2009

Check			Invoice			Vendor		Year
<u>Date Issued</u>	<u>Number</u>	<u>Amount Paid</u>	<u>Date</u>	<u>Number</u>	<u>Amount Due</u>	<u>Name</u>	<u>Services / Product</u>	
10/13/09		596.55			596.55	Home Depot		2009
12/31/09		26,000.00			26,000.00	P G & E	Utility	2009
12/31/09		152,000.00			152,000.00	Martin B Feeney	Hydrogeologist Services	2009
12/31/09		18,000.00			18,000.00	Creegan & D'Angelo	Engineering Consultant	2009
12/31/09		15,049.05			15,049.05	Staff Expense	Staff	2009
12/31/09		12,000.00			12,000.00	Creegan & D'Angelo	Engineering Consultant	2009
12/31/09		20,000.00			20,000.00	Dept. of Health	Permit	2009
12/31/09		196,583.00			196,583.00	CDM Constructors	Contractor	2009
12/31/09		25,000.00			25,000.00	Salinas Pump Co.	Contractor	2009
12/31/09		573.75			573.75	PMC	Planning Services	2009
08/31/09		8,221.36			8,221.36	Creegan & D'Angelo	Engineering Consultant	2009
TOTALS		11,634,168.44						

on Schedule
 1999 12,471.87
 2000 68,764.30
 2001 149,746.24
 2002 223,768.72
 2003 201,129.64
 2004 202,437.22
 2005 221,420.19
 2006 220,184.30
 2007 401,766.69
 2008 4,711,759.31
 2009 5,220,719.96

11,634,168.44 Total Sand City Invoices

APPENDIX C



MARK B HORTON, MD, MSPH
Director

State of California—Health and Human Services Agency
California Department of Public Health
Northern California Drinking Water Field Operations Branch
Monterey District



ARNOLD SCHWARZENEGGER
Governor

March 30, 2010

System No. 2710004

Mr. Craig Anthony, General Manager
Cal Am Water Company-Monterey
PO Box 951
Monterey, CA 93942

Dear Mr. Anthony:

**California American Water – Monterey District
Permit No. 79-007, Amendment No. 16**

The California American Water Company (Cal Am) has applied for a water system permit amendment to add three (3) new water sources, designated as Bay Street Well Nos. 1 and 2 and Tioga Well No. 4, and a 0.3 million gallon per day reverse osmosis desalination treatment plant to the Monterey District water system.

It is the Finding of the State Department of Public Health (Department) that Cal Am can meet Sections 116270 through 116751 of the California Health and Safety Code. This finding is based upon the Engineering Report, dated March 2010, prepared by the Department's Monterey District office of the Drinking Water Field Operations Branch.

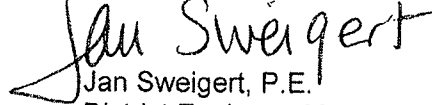
Therefore, the Department has issued an amendment to the domestic water supply permit for the Monterey District water system approving the addition of three (3) new water sources, designated as Bay Street Well Nos. 1 and 2 and Tioga Well No. 4, and a 0.3 million gallon per day reverse osmosis desalination treatment plant. The permit amendment and engineering report are enclosed.

Please be advised that failure to comply with the any of the permit amendment provisions could result in the Department taking enforcement action against Cal Am of revoking the approval to operate the wells and the reverse osmosis treatment plant.

Mr. Anthony/Cal Am - Monterey
March 30, 2010
Page 2

If you have any questions regarding this permit amendment, please contact Querube Moltrup of my staff at (831) 655-6933 or me at (831) 655-6934.

Sincerely,

A handwritten signature in black ink that reads "Jan Sweigert". The signature is written in a cursive style with a large, stylized "J" and "S".

Jan Sweigert, P.E.

District Engineer, Monterey District

DRINKING WATER FIELD OPERATIONS BRANCH

Certified Mail No. 7006 2760 0002 8678 6690

Enclosures

cc (w/enclosures): Monterey County Health Department



MARK B HORTON, MD, MSPH
Director

State of California—Health and Human Services Agency
California Department of Public Health
Northern California Drinking Water Field Operations Branch
Monterey District



ARNOLD SCHWARZENEGGER
Governor

STATE OF CALIFORNIA

AMENDMENT TO THE
DOMESTIC WATER SUPPLY PERMIT ISSUED TO

California American Company – Monterey District
Public Water System No. 2710004

ORIGINAL PERMIT NO. 79-007
PERMIT AMENDMENT NO. 16

DATE OF ISSUE: **February 9, 1979**
EFFECTIVE DATE: **March 22, 2010**

WHEREAS:

1. The **California American Water Company** submitted an application to the California Department of Public Health dated **June 24, 2009** for an amendment to its Domestic Water Supply Permit issued on February 9, 1979.
2. The purpose of the amendment, as stated in the application, is to allow the **California Water Service Company** to make the following modifications to the **Monterey District** public water system:
 - a) Add three (3) new groundwater wells designated as Bay Street Well Nos. 1 and 2, and Tioga Street Well No. 4; and
 - b) Add a reverse osmosis filtration surface water treatment plant with ultra-violet and sodium hypochlorite disinfection for the water produced from the Bay Street Well Nos. 1 and 2, and the Tioga Street Well No. 4.
3. The **California American Water Company** has submitted all of the supporting information required to evaluate the amendment application.

THEREFORE:

It is the finding of the California Department of Public Health, Drinking Water Field Operations Branch, that Sections 116270 through 116750, inclusive of the California Health and Safety

Code can be met by the **California American Water Company**. It is therefore recommended that the existing domestic water supply permit, issued to the **California American Water Company's Monterey District water system** on March 16, 1995, be amended to add the *Bay Street Well Nos. 1 and 2, the Tioga Street Well No. 4 as new sources; and add a surface water treatment plant with reverse osmosis filtration and ultraviolet and sodium hypochlorite disinfection for the water produced from the Bay Street Well Nos. 1 and 2, and the Tioga Street Well No. 4*, subject to the following provisions:

General Provisions

1. The water system must comply with all the requirements set forth in the California Safe Drinking Water Act, California Health and Safety Code, California Code of Regulations, and any orders or directives issued by the Department of Public Health.
2. All water supplied by the water system for domestic purposes must meet all applicable drinking water standards established by the State Department of Public Health.
3. The only sources approved to provide feed water to the RO treatment plant are designated as Bay Street Well Nos. 1 and 2, and Tioga Well No. 4. Feed water to the RO treatment plant from any other source is prohibited.
4. The drinking water treatment process equipment approved in this permit includes the following:

Eden Equipment Company cartridge filters (Model No. 88ECFCT4-4C150)
PROTEC reverse osmosis pressure vessels (Model No. 348)
Toray reverse osmosis membrane elements (Model No. TM820L-400)
Trojan UV Swift (Model No. SC-B6).

The equipment listed above is the only equipment approved for use in this treatment plant. Cal Am is prohibited from modifying or repairing any of the listed equipment with parts that are not approved by the manufacturer for the specified model numbers.

5. The treatment plant reverse osmosis filtration and disinfection processes shall be operated to achieve a total combined pathogen removal and inactivation of 6-log virus, 5-log *Giardia*, and 4-log *Cryptosporidium* at all times.
6. Cal Am shall comply with all mitigation measures and permit requirements identified in the Sand City Water Supply Project Environmental Impact Report and Addendum.
7. Cal Am shall make no changes, additions, or modifications to the approved drinking water sources and treatment processes in this permit amendment without prior approval from the Department and the issuance of an amended domestic water supply permit.
8. All water produced from the Bay Street Well Nos. 1 and 2 and Tioga Well No. 4 must receive full treatment through the RO treatment plant before entering the potable water distribution system.
9. All chemicals used in the treatment processes and for cleaning the reverse osmosis membranes must be certified as meeting the specifications of ANSI/ NSF Standard 60 for drinking water direct additives.

10. The following Primary Station (PS) Codes are assigned to the reverse osmosis treatment plant and the feed water wells for the purpose of electronic submittal of raw and treated water monitoring data to the Department:

Monitoring Site	PS Code
Sand City RO Plant Effluent (Before Blending)	2710004-068
Bay Street Well No. 1	2710004-075
Bay Street Well No. 2	2710004-076
Tioga Street Well No. 4	2710004-077
Sand City RO Plant Combined Influent	2710004-080
Sand City RO Plant Effluent (After Blending)	2710004-081
Sand City RO Permeate (Before Disinfection)	2710004-082

11. All personnel who operate the treatment facilities shall be certified in accordance with Title 22, Section 63765 of the California Code of Regulations (CCR). The reverse osmosis plant is classified as a T3 water treatment plant requiring a lead operator with a minimum of T3 certification. All shift operators must have a minimum of T2 certification. All operators with responsibilities related to operation, monitoring, or reporting of the surface water treatment facilities shall be appropriately certified.
12. Cal Am shall comply with Title 17 of the CCR, to prevent the water system and treatment facilities from being contaminated from possible cross-connections. Cal Am shall maintain a program for the protection of the domestic water system against backflow from premises having dual or unsafe water systems in accordance with Title 17. All backflow prevention devices shall be tested annually.
13. All water quality samples shall be analyzed by a State Certified laboratory for drinking water.

Reverse Osmosis (RO) Membrane Filtration Process Operation

14. The RO membrane filtration process shall achieve 2-log removal of Giardia, Cryptosporidium, and viruses. The reverse osmosis filtration process shall be deemed out of compliance with the 2-log removal requirement if the PLC calculation of conductivity log reduction through the RO membrane train is less than 1.91 for a period not to exceed fifteen (15) continuous minutes.
15. Cal Am is prohibited from operating two (2) RO trains simultaneously.
16. The treatment plant instrumentation and control system shall be configured to prevent the simultaneous operation of two (2) high pressure RO feed pumps and/ or two (2) ERD RO feed booster pumps.
17. The flow entering any one (1) RO filtration train shall not exceed 650 gallons per minute (gpm) and the treatment plant instrumentation and control system shall be configured to activate an automatic shutdown alarm if the flow entering an RO train exceeds 650 gpm for a period not to exceed fifteen (15) continuous minutes.
18. Cal Am shall only operate an RO filtration train with twelve (12) vessels on-line that contain seven (7) approved membrane elements each (84 total membrane elements).

19. The RO membrane filtration process shall be operated to meet the following turbidity performance standards:

- a) The RO permeate turbidity shall be equal to or less than 0.1 NTU in 95 percent of the measurements taken each month and shall not exceed 1.0 NTU at any time.
- b) The RO permeate turbidity shall not exceed 0.5 NTU in more than two (2) samples collected consecutively while the plant is in operation.

20. When any individual membrane vessel or element is placed back into service, the RO permeate water turbidity shall not exceed 0.1 NTU after the filter has been in operation for 4 hours.

21. The RO membrane filtration process shall be operated at a flux rate that does not exceed 8.9 gallons per square foot of membrane area at any time.

22. The RO treatment process trains shall not be operated during the implementation of the chemical cleaning procedures for the RO membranes.

23. An evaluation of the TDS and conductivity correlation for the plant influent and RO permeate must be conducted quarterly and the programming of the 2-log reduction shutdown alarm set point must be adjusted to reflect the findings of the evaluation as necessary. A summary Report of the evaluation and the results must be submitted to the Department by the tenth day of the month following the end of each calendar quarter.

Reverse Osmosis Membrane Filtration Process Monitoring

24. Cal Am must monitor and record the turbidity of the combined RO permeate, prior to disinfection, at least once every fifteen (15) minutes when the treatment system is in operation. Monitoring shall be conducted in accordance with the approved operations plan.

25. Cal Am must conduct continuous specific conductance monitoring of the RO influent and permeate.

26. The treatment plant instrumentation and control system must be configured to activate an automatic shutdown alarm when an RO train fails to achieve a 2-log reduction in specific conductance for more than fifteen (15) continuous minutes.

27. Cal Am must conduct Total Dissolved Solids (TDS) monitoring of the RO process influent and permeate on a weekly basis.

28. Cal Am shall calibrate turbidimeters and conductivity meters in accordance with the manufacturer recommendations. Cal Am must maintain calibration records including date, model, and location of monitoring equipment, and submit monthly reports to the Department.

29. When an RO train is returned to service after a shutdown, the RO permeate specific conductance from each RO vessel in the train must be monitored hourly during the initial four (4) hours of operation. If any of the hourly monitoring results indicate a treatment failure of an RO membrane vessel(s), Cal Am shall immediately shutdown operation of

the RO train. The RO train shall not be allowed to return to service until the failed RO membrane vessel(s) are repaired and successfully tested.

Ultra-violet (UV) Disinfection Treatment Process Operation

30. The UV disinfection treatment process shall be operated to achieve a minimum of 3-log Giardia and Cryptosporidium inactivation at all times.
31. The UV disinfection treatment process shall be operated to meet the following performance standards at all times:
 - a) The UV intensity must be maintained at a minimum of 41 W/m^2 at all times.
 - b) The UV Transmittance must be maintained at a minimum of 95% at all times.
 - c) The UV dose must be maintained at a minimum of 40 mJ/cm^2 .
32. The treatment plant instrumentation and control system must be configured to prevent permeate flow from entering a UV reactor until the minimum UV dose, intensity, and transmittance performance levels are reached for treatment in the UV reactor.
33. The treatment plant instrumentation and control system must be configured to activate an automatic shutdown alarm when a UV reactor fails to achieve any of the UV performance standards for a period not to exceed fifteen (15) continuous minutes.
34. Cal Am is prohibited from operating two (2) Trojan UV SC-B6 reactors simultaneously and the treatment plant instrumentation and controls shall be configured to prevent the simultaneous operation of two (2) UV reactors.
35. The flow entering any one (1) UV reactor shall not exceed 250 gallons per minute (gpm) and the treatment plant instrumentation and controls shall be configured to activate an automatic shutdown alarm if the flow entering a UV reactor exceeds 250 gpm for a continuous period not to exceed fifteen (15) minutes.

UV Disinfection Treatment Process Monitoring

36. Continuous monitoring of UV intensity, transmittance, reactor temperature, lamp status and age, flow and UV dose shall be conducted when the treatment plant is in operation.
37. The UV intensity sensors must be checked for calibration monthly and calibrated every 10,000 hours. The duty UV sensor must be checked against a reference intensity sensor. The ratio of the duty sensor to the reference sensor must less than or equal to 1.2. If the calibration ratio is greater than 1.2 the duty intensity sensor must be replaced a properly calibrated intensity sensor. The reference sensor must be calibrated at least annually by a qualified facility using a National Institute of Standards and Technology (NIST) traceable standard.

Sodium Hypochlorite Disinfection Treatment Process Operation

38. The sodium hypochlorite disinfection treatment process shall be operated to achieve a minimum of 4.0 log virus inactivation.
39. A minimum free chlorine residual of 0.5 mg/L shall be maintained at the discharge from the calcite contactors and the treatment plant instrumentation and control system shall

be configured to activate an automatic shutdown alarm if the free chlorine residual at the discharge from the calcite contactors is not maintained at 0.5 mg/L or greater for a period not to exceed fifteen (15) continuous minutes.

40. The water entering the distribution system shall contain a disinfectant residual of not less than 0.2 mg/L for more than four (4) hours in any 24-hour period. Furthermore, a disinfectant residual shall be detectable in at least 95 percent of the samples taken from the distribution system and residual measurements shall be made in conjunction with coliform sampling.

Sodium Hypochlorite Disinfection Treatment Process Monitoring

41. The RO permeate shall be continuously monitored after completion of the chemical disinfection contact period and before blending with Cal Am distribution system water, for chlorine residual, temperature, and pH.
42. The RO permeate shall be monitored quarterly after completion of the chemical disinfection contact period and before blending with Cal Am distribution system water, for TTHM, HAA5, and Bromate.
43. Cal Am shall submit to the Department for approval prior to use, the specifications for any new brand or type of calcite chemical and include revised CT calculations demonstrating disinfection treatment compliance with 4-log virus inactivation.

Chemical Water Quality Monitoring – Bay Street Well Nos. 1 & 2 and Tioga Well No. 4

44. The Bay Street Well Nos. 1 and 2, and the Tioga Well No. 4 must be monitored annually for all secondary standards (except iron and manganese) and general physical characteristic. **The annual monitoring must begin within seven (7) days of initiating operation to serve water into the distribution system.**
45. The Bay Street Well Nos. 1 and 2, and the Tioga Well No. 4 must be monitored monthly for nitrate. **The monthly monitoring must begin within seven (7) days of initiating operation to serve water into the distribution system.**
46. The Bay Street Well Nos. 1 and 2, and the Tioga Well No. 4 must be monitored for Gross Alpha and Radium-228 over four (4) consecutive quarters. **The quarterly monitoring must begin within seven (7) days of initiating operation to serve water into the distribution system.** Thereafter, the monitoring frequency will be based on the analytical results from the quarterly samples from the Bay Street Well Nos. 1 and 2, and the Tioga Well No. 4.
47. The Bay Street Well Nos. 1 and 2, and the Tioga Well No. 4 must be monitored for all regulated VOCs over four (4) consecutive quarters followed by two (2) annual samples. The annual samples must be collected during first quarter of each year (January – March). **The quarterly monitoring must begin within seven (7) days of initiating operation to serve water into the distribution system.** If the analytical results for all four (4) quarterly samples and two (2) annual samples are below the detection limit, subsequent VOC monitoring may be reduced to an annual basis with samples collected during the first quarter of each calendar year (January-March).
48. The Bay Street Well Nos. 1 and 2, and the Tioga Well No. 4 must be monitored for Alachlor, Atrazine, Bentazon, 2,4-D, Endothal, Ethylene Dibromide, Lindane, Oxyamyl, and Simazine over four (4) consecutive quarters. The quarterly monitoring must be

initiated within thirty (30) days of initiating operation to serve water into the distribution system. If the analytical results for all four (4) quarterly samples are below the detection limit, SOC monitoring may be reduced to sampling two (2) consecutive quarters every three (3) years.

Chemical Water Quality Monitoring - Reverse Osmosis Filtration Permeate

49. The reverse osmosis filtration permeate must be monitored annually for all regulated inorganics (except cyanide) and iron and manganese. **The annual monitoring must begin within seven (7) days of initiating operation to serve water into the distribution system.**
50. The reverse osmosis filtration permeate must be monitored for nitrite once every three (3) years, with the next scheduled nitrite monitoring due **within seven (7) days of initiating operation to serve water into the distribution system.**
51. The reverse osmosis filtration permeate must be monitored for perchlorate by collection of two (2) samples, five (5) to seven (7) months apart. The first sample must be collected between **May 1, 2010 and September 30, 2010**. Thereafter, the RO permeate must be monitored for perchlorate on an annual basis.
52. The reverse osmosis filtration permeate must be monitored for Carbofuran and Diquat over four (4) consecutive quarters. **The quarterly monitoring must begin within seven (7) days of initiating operation to serve water into the distribution system.** If the analytical results for all four (4) quarterly samples are below the detection limit, SOC monitoring may be reduced to sampling two (2) consecutive quarters every three (3) years.

Blended Plant Product Water Monitoring

53. The blended treatment plant effluent and Cal Am distribution system water must be monitored for Boron monthly. **The annual monitoring must begin within seven (7) days of initiating operation to serve water into the distribution system.**
54. The blended treatment plant effluent and Cal Am distribution system water must be monitored daily for chlorine residual and pH.

Bacteriological Water Quality Monitoring

55. The Bay Street Well Nos. 1 and 2 and Tioga Well No. 4 must be monitored weekly for total coliform and *E. Coli* bacteria using an enumeration method. All results shall be submitted to the Department by the 10th day of the following month.
56. The blended treatment plant effluent and Cal Am distribution system water must be monitored monthly for total coliform and *E. Coli* bacteria using an enumeration method. All results shall be submitted to the Department by the 10th day of the following month.

Reporting Requirements

57. Treatment plant operational records shall be maintained for at least two (2) years.

58. A monthly report on the water treatment plant operations shall be submitted to the Department by the tenth (10th) of the following month. The report shall include, as a minimum the following information:

- (1) Identification of the treatment process train in operation each day.
- (2) The daily highest raw water and RO permeate turbidity recorded measurements.
- (3) The daily highest RO train recorded influent flow and maximum flux.
- (4) The daily RO permeate turbidity recorded results collect at fifteen minute increments.
- (5) Determination of the 95th percentile of the RO permeate turbidity based on the total number of turbidity result recorded every fifteen minutes during operation.
- (6) The daily lowest recorded chlorine residual, temperature, and the highest pH of the RO permeate after chemical disinfection and the associated CT calculations.
- (7) The daily lowest virus inactivation achieved through the sodium hypochlorite disinfection process.
- (8) The daily highest RO influent and permeate conductivity measurements and the lowest log reduction calculations.
- (9) Weekly RO influent and permeate TDS measurements and log reduction calculations.
- (10) The daily lowest recorded UV intensity, dose, and transmittance measurements and the highest recorded UV reactor temperature.
- (11) The highest daily flow through the UV reactor.
- (12) The lowest daily water level in the product water storage tank.
- (13) All hourly conductivity field measurements from the individual RO vessels collected after an RO train startup.
- (14) The analytical results of the monthly raw water and blended water boron monitoring.
- (15) The analytical results for the daily chlorine residual and pH monitoring of the blended water.
- (16) The field measured conductivity results for the RO membrane vessel integrity testing conducted after each RO train changeover.
- (17) All of the instrument and equipment calibrations performed during the month.

- (18) A list of all shutdown alarm activated, a description of the cause(s) of the shutdown(s), and corrective actions implemented.
 - (19) The dates of any Clean-in-Place procedures performed on an RO train during the month and the completed operator checklist.
 - (20) A list of any water quality complaints and the corrective actions taken by Cal Am.
59. Cal Am shall contact the Department immediately by telephone concerning any treatment plant failures, acute violations, or the occurrence of hazardous situations.
60. After operating the plant for one (1) full year, an engineering report shall be prepared that includes (1) a description of the effectiveness of each treatment process operation, (2) the results of all water quality analysis conducted and an evaluation of compliance with performance standards under actual operating conditions, (3) an assessment of any problems experienced and the corrective actions taken to achieve resolution, and (4) a plan and time schedule for implementation of any treatment plant process changes or improvements. The report shall be submitted to the Department within sixty (60) days of the one (1) year anniversary of the plant operating to serve the distribution system.
61. All chemical water quality monitoring results obtained in a calendar month shall be submitted via electronic data transfer (EDT) to the Department by the tenth day of the following month.

Operations Plan

62. The Sand City Brackish Water Treatment Plant shall be operated in accordance with the approved Operations Manual. The Operations Manual shall be updated, as necessary, to reflect any and all changes in the plant operations, maintenance, or monitoring that may occur as a result of operational experience or Department directive.
63. All substantive revisions to the Operations Manual must be approved by the Department prior to their implementation.
64. All plant operators and supervisory personnel involved with the operation and/ or oversight of the plant operations shall be familiar with, and have unrestricted access to the Operations Manual and the provisions of this permit amendment.
65. Cal Am shall submit an updated Operations Plan to the Department by April 30, 2010. The updated Plan must include the CIP procedures and operator checklist for the RO membranes. Cal Am must receive approval of the updated Plan prior to conducting the CIP process on the RO membranes.

Lead and Copper Monitoring

66. Cal Am shall develop a Lead and Copper tap sampling plan that targets representative sites within the distribution system that will be receiving the blended product water. The sampling plan shall be submitted to the Department for approval by May 31, 2010. The sampling plan must include two (2) rounds of sampling with the first round conducted during the period of May 2010 through September 2010 and the second round of sampling conducted six (6) months after completion of the first round of sampling.

This amendment shall be appended to and shall be considered to be an integral part of the Domestic Water Supply Permit issued to the **California American Water Company's Monterey District water system** on **February 9, 1979**.

FOR THE CALIFORNIA DEPARTMENT OF PUBLIC HEALTH

3/30/2010
Date

Jan Sweigert
Jan R. Sweigert, P.E.
District Engineer, Monterey District
Drinking Water Field Operations Branch

APPENDIX D

APPLICATION OF CALIFORNIA AMERICAN WATER COMPANY (U 210 W) FOR
AN ORDER AUTHORIZING RECOVERY OF COSTS FOR THE LEASE OF THE
SAND CITY DESALINATION FACILITY AND ASSOCIATES OPERATING AND
MAINTENANCE COSTS

PUBLIC NOTICE

California American Water has filed an application (Insert Number) with the California Public Utilities Commission, requesting cost recovery for its lease of the Sand City desalination facility.

About the Facility

The desalination facility is owned by the City of Sand City and will produce 300 acre-feet of potable water per year. In the near-term, the 300-acre feet will serve to offset diversions from the Carmel River system and Seaside groundwater basin.

The additional water supply generated by the Sand City desalination plant has been recognized as an essential part of future water supply planning for the Monterey Peninsula in studies and decisions by the State Water Resources Control Board and the California Public Utilities Commission. However, the California Public Utilities Commission will not approve the cost of the lease unless it is deemed to be reasonable and prudent.

California American Water's requested recovery for the Sand City desalination lease is \$1,442,461 annually. Costs to existing customers will be reduced if new development occurs in San City.

How this could affect you:

The following table shows the proposed revenue increase by customer class. An average residential customer with a 3 person household on a ¼ acre lot using 70 units per month would see a monthly bill increase of \$1.16 or 3.06%, from \$37.98 to \$39.14, excluding applicable taxes.

Customer Class	Current Revenues	Proposed Revenues	\$ Increase	% Increase
Residential	\$23,708,900	\$24,550,500	\$841,600	3.55%
Low-Income	\$169,300	\$176,000	\$6,700	3.96%
Multi-Residential	\$3,318,800	\$3,438,800	\$120,000	3.62%
Commercial	\$9,005,100	\$9,329,700	\$324,600	3.60%
Industrial	\$235,500	\$244,100	\$8,600	3.65%
Public Authority	\$3,221,700	\$3,337,600	\$115,900	3.60%
Golf	\$707,500	\$733,400	\$25,900	3.66%
Construction	\$67,900	\$70,100	\$2,200	3.24%
Sale for Resale	\$21,500	\$22,300	\$800	3.72%
Total	\$40,456,200	\$41,902,500	\$1,446,300	

* Cost to existing customers will decline if new development occurs in Sand City.

The CPUC Process

The CPUC's independent Division of Ratepayer Advocates (DRA) is an independent arm of the CPUC created by the Legislature to present the interests of all utility customers throughout the state to obtain the lowest possible rates for service consistent with reliable and safer service levels. DRA has a multidisciplinary staff with expertise in economics, finance, accounting and engineering. DRA will review the Application and offer its assessment of California American Water's proposal.

After considering all proposals and evidence presented, the assigned ALJ will issue a proposed decision. When the CPUC issues a final decision on the application, it may adopt, amend, or modify all or part of the ALJ's proposed decision as written. The CPUC's decision may be different than California American Water's request.

As part of this proceeding, the CPUC may hold evidentiary hearings before an Administrative Law Judge (ALJ) where parties of record will present their proposals through evidence and testimony and will be subject to cross-examination. Evidentiary hearings are open to the public, but only formal parties of record may participate in the hearing by presenting evidence or cross-examining witnesses. Members of the public are allowed to attend these hearings to listen, but they are not allowed to participate.

Examination of California American Water's Application and Related Exhibits

A copy of the application filing and related exhibits may be inspected at the business offices of California American Water at 511 Forest Lodge Road, Suite 100, Pacific Grove, CA 93950. To further accommodate customers of California American Water, you may also review the application filings at the CPUC's Northern California office location: CPUC's Central Files Office, Room 2002, 505 Van Ness Avenue, San Francisco, CA 94102.

Public Advisor's Office

The Public Advisor's Office (PAO) was established to assist members of the public and utility customers to participate in CPUC proceedings. This means sending comments, opinions or protests on proceedings before the CPUC or to participate in CPUC sponsored Public Participation Hearings (PPHs). If the CPUC schedules PPHs, California American Water will notify each customer of the dates, times, and locations of the PPHs. PPHs provide an opportunity for members of the public and customers of California American Water to express their opinions, views or protest any portion of the application. You may also write or email the PAO at the address shown below. All communications are circulated to the Commissioners, the assigned ALJ and assigned staff. The letters and e-mails also become part of the formal correspondence record of the proceeding for public comment.

Protesting the Application

If you wish to participate in this proceeding or if you would like to send written comments or protest this application, please notify the CPUC's PAO at the address listed below. When sending an email or writing a letter, please refer to (Insert Number).

CPUC Public Advisor's Office
505 Van Ness Avenue, Room 2103
San Francisco, CA 94102
1-866-849-8390 (toll-free) or 1-415-703-2074
TTY 1-866-836-7825 (toll-free) or 1-415-703-5282
Email: public.advisor@cpuc.ca.gov

300082921.3