

SEASIDE GROUNDWATER BASIN WATERMASTER
2600 Garden Road, Suite 228
Monterey, CA 93940
(831) 641-0113

BUDGET / FINANCE COMMITTEE

MEETING NOTICE AND AGENDA

Committee Members

City of Seaside

Ray Corpus - Chair

California American Water
Director Craig Anthony

City of Sand City
Steve Matarazzo

Coastal Subarea Landowners
Director Paul Bruno

Staff Members

Dewey Evans,
Watermaster CEO

Laura Dadiw, *Assistant to
the Watermaster CEO*

The next Watermaster Budget / Finance Committee meeting will be held on January 14, 2010 at 11:00 a.m. at the Seaside City Hall Conference Room.

The public may comment on any item within the committee's jurisdiction. Please limit comments to three minutes in length.

Teleconferencing is available for meeting participation. Contact the Watermaster CEO, Dewey D. Evans, at (831) 641-0113 for conference call connection information.

Action Item:

1. Determine whether the full amount of the credit requested by California American Water to offset Replenishment Assessment Fees for Water Year 2008/2009 is to be recommended to the Watermaster Board of Directors.
2. To discuss and determine what actions to recommend to the Watermaster Board of Directors regarding the Superior Courts concerns on the 2009 Annual Report submitted on November 15, 2009 by the Watermaster.

If requested, the agenda and documents in the agenda packet shall be made available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof.



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May 2, 2008

Dewey Evans, Chief Executive
Seaside Basin Watermaster
2600 Garden Road, Suite 228
Monterey, CA 93940

**Re: Response to Request for an Accounting of Expenditures
California American Has Made for Water Supply
Augmentation That it Contends Will Result in Replenishment
of the Seaside Groundwater Basin**

Dear Mr. Evans:

This letter is to augment Mr. Tom Bunosky's letter of March 5, 2008 which, on behalf of California American Water Company (CAW), requested credit toward the replenishment assessment fees for costs incurred for the Coastal Water Project (CWP) as authorized by the Decision in Case MM66343 issued March 27, 2006 as amended by order filed February 9, 2007 (the Decision). CAW hereby revises that request to cover costs incurred for the CWP that have already been reviewed, audited and approved by the California Public Utilities Commission (CPUC). The CPUC only recently concluded its approval process for costs incurred through 2006 in its Decision 08-01-007 issued January 10, 2008. The total approved costs for the CPUC through calendar year 2006 total \$12,305,924. CAW requests that amount be credited towards its outstanding Replenishment Assessments. CAW has submitted its 2007 costs for the CWP to the CPUC for review; a decision on those costs is expected by the end of 2008. Upon receipt of that approval, CAW will request credit for the 2007 approved costs.

I.

CAW'S OBLIGATIONS UNDER THE DECISION

CAW has an obligation to augment its water supply on a long-term and interim basis. (Decision, Section III.M.1.) Subsection a provides:

"Long-Term Supplemental Water Supplies. California American shall undertake all reasonable best efforts to promptly and diligently pursue, and if necessary collaborate

with other entities, to obtain and develop sufficient long-term supplemental Water supplies to augment the Water supply available for its service territory within Monterey County." Id. at page 41.

CAW for many years has pursued a long-term water supply to replace and/or supplement a major portion of its current water supply from the Carmel Valley Alluvial Aquifer and, more recently, the Seaside Groundwater Basin ("Seaside Basin" or "Basin"). CAW is regulated by the CPUC, which approves the rates that CAW charges its customers to recover the investments in water supply, storage, treatment and distribution that CAW makes on behalf of its customers. CAW must obtain CPUC permission before embarking on any major water supply project and the CPUC monitors and approves the costs incurred for such projects.

On July 14, 2005, CAW filed an application for a Certificate of Public Convenience and Necessity (CPCN) with the CPUC (Application No. A.04-09-019) which sought authority to evaluate the technical and environmental feasibility of the CWP, and then to design, build and operate it. At the same time, CAW filed the Proponent's Environmental Assessment (PEA) for the project required by the CPUC CEQA rules. Since then, the pilot plant for the desalination facility has been constructed at Moss Landing Power Plant and is now in operation. The CPUC is completing the Draft EIR for the CWP, which is scheduled for public release by the end of 2008 and the Final EIR is scheduled for certification by the CPUC in mid-2009.

The CWP is a combination of a desalination facility capable of producing up to 10 MGD of potable water plus an aquifer storage and recovery system (ASR) that can be used to store water in the Seaside Basin from the Carmel Valley Alluvial Aquifer, the desalination facility, or any other legal source. The CWP is projected to provide sufficient water supply to allow CAW to come into compliance with State Water Resources Control Board (SWRCB) Order 95-10 and to reduce CAW's withdrawals from the Seaside Basin to its allocation of the Natural Safe Yield of the Basin. CAW has undertaken all reasonable best efforts to promptly and diligently pursue the CWP.

II.

CAW'S COSTS INCURRED TO AUGMENT LONG-TERM WATER SUPPLY

The Decision set an assumed Natural Safe Yield for the Basin of 3000 acre feet per year (afy) and provides a ramp-down schedule to gradually reduce allocations to Natural Safe Yield. The overall goal of the Decision is to bring the Basin back into balance by a combination of reducing withdrawals and "replenishing" the Basin with Non-Native Water.

Standard Producers that exceed their share of the Natural Safe Yield for the water year are assessed an amount per acre foot of production in excess of Natural Safe Yield based upon the Watermaster's estimate of the cost of purchasing Non-Native Water. The Replenishment Fund shall be used solely for replenishment of the Basin Groundwater Supply with Non-Native Water. Decision, Section III.L.3.j.

The Decision recognizes that prior to the Decision, CAW was pursuing the CWP and other means of augmenting its water supply and that, as the public water purveyor, CAW has obligations imposed by various agencies and faces a number of challenges. The Decision also recognizes the value to the Basin of CAW developing a new water supply by providing that CAW can credit costs of water supply augmentation against its Replenishment Assessment. Decision, Section III.M.1.d. The most recent Watermaster Replenishment Fund Budget (Exhibit A) shows a Replenishment Assessment for CAW of \$1,641,004 for WY05/06, \$2,673,004.11 for WY 06-07 and projected assessment of \$5,867,830.50 for WY 07/08, for a total of \$10,647,486.61. The CWP is intended to and will augment CAW's long-term water supply. As set forth in detail below, the CPUC has reviewed and approved the costs for the CWP through 2006 that will be recovered in rates paid by CAW's customers.

III. CPUC APPROVAL OF CWP COSTS INCURRED BY CAW

As a regulated utility, CAW must obtain approval of all expenditures that are to be recaptured through rates charged to customers. Along with its Application for CPCN, on July 14, 2005, CAW also filed a request for interim rate relief to recover preconstruction costs incurred for the CWP. The CPUC bifurcated the proceeding and set a schedule for a hearing on the costs incurred through 2005. The final summary of requested costs through 2005 is shown in Exhibit B.

The CPUC considered the costs in three general categories: engineering and environmental costs; public outreach costs and project management costs.¹ Exhibit C is a detailed list of all invoices that supported the request for costs through 2005. The CPUC issued its decision 06-12-040 on December 14, 2006, which found that CAW was authorized to recover \$1,353,831.00 in public outreach costs and \$1,639,429.00 in other costs incurred through 2005. It authorized the Division of Ratepayer Advocates (DRA) to hire a consultant to review CAW's engineering and environmental costs. Thus, the

¹ The CPUC reviews and approves costs on a calendar year basis, whereas the Watermaster calculates Water Production and Replenishment Assessments on a Water Year basis.

decision on the reasonableness of engineering and environmental costs incurred through 2005 was deferred to allow DRA time to further review those costs. (D. 06-12-040, 2006 Cal. PUC LEXIS 422, ordering paragraph no. 9.)

In accordance with the CPUC's request, CAW submitted a report on March 31, 2007 on the reasonableness of its engineering and environmental preconstruction costs through 2005, and all of its preconstruction costs for 2006. Exhibit D is CAW's summary of 2006 costs and Exhibit E lists the supporting invoices.

Subsequently, in Decision 08-01-007 issued January 10, 2008, the CPUC approved a settlement between DRA and CAW that addressed CAW's engineering and environmental costs through 2005 and CAW's preconstruction costs for 2006. The settlement agreement authorized CAW to recover a total of \$9,312,664.00 as compensation in full for the 2005 engineering and environmental costs and all preconstruction costs incurred during 2006. D.08-01-007 held that the Settlement Agreement is reasonable, consistent with the law, and in the public interest. (D.08-01-007, Conclusion of Law No. 2). It further ordered that CAW is authorized to recover \$9,312,664 for its CWP preconstruction costs incurred through December 31, 2006.

To date, the CPUC has found preconstruction costs for the CWP incurred by CAW in the total amount of \$12,305,924 (\$2,993,266 pursuant to D.06-12-040 plus \$9,312,664 pursuant to D.08-01-007) to be reasonable and recoverable by means of a surcharge on CAW customer's bills. The surcharge was added to customer's bills beginning January 1, 2007. See D.08-01-007.

CAW's requested recovery and the CPUC authorized recovery are summarized as follows:

<u>Amount Requested By CAW</u>	<u>Amount Approved by CPUC</u>
Costs through 2005	\$1,353,831 for public outreach
Total Request \$8,663,334.44	\$1,639,429 for project management
	<u>\$5,670,073</u> for engineering
	\$8,663,333
Costs for 2006	
Total Request \$3,264,636	\$3,642,591 ²

² In D.08-01-007 the CPUC also awarded interest to compensate for the use of CAW's

On April 10, 2008, CAW filed its application for an order authorizing recovery of its preconstruction costs for the CWP incurred during calendar year 2007, which is pending before the CPUC. CAW requested a final decision on calendar year 2007 CWP costs by year-end 2008 and that the CPUC set a schedule for continued annual review of the CWP project costs, with the reasonableness report due March 31st of each year for the prior calendar year, a report by DRA by June 30th, and a final decision by that year-end. For example, for costs incurred in 2008, CAW would submit its reasonableness report by March 31, 2009, DRA would submit its report on those costs by June 30, 2009 and the CPUC would issue a final decision by year-end 2009.

CAW believes that it will save time and resources for all if the CPUC completes its standard review, audit and approval of CWP costs before CAW submits its request to the Watermaster to credit costs of the CWP against its Replenishment Assessment. CAW has requested that the CPUC complete this process on an annual basis and believes that CPUC will agree. This will give Watermaster the full benefit of the CPUC and the Division of Ratepayer Advocates' expertise in auditing costs and determining whether they are reasonable and necessary.

IV. REPLENISHMENT OF THE BASIN

CAW estimates that the CWP will be in full production in 2015. CAW's production allocation is 77.55% of the Operating Yield of the Coastal Subarea and 45.13% of the Operating Yield for Laguna Seca Subarea. Attached as Exhibit F is a table prepared by the Monterey Peninsula Water Management District showing how the ramp-down of Operating Yield will affect CAW's allocation. Beginning October 1, 2015, CAW's allocation of the Coastal Subarea will be 2,251 afy and its allocation of the Laguna Seca subarea will be 48 afa for a total allocation of 2,299 afa. Beginning October 1, 2021, CAW's allocation of the Coastal Subarea will reach its minimum of 1,494 afy, while its share of the Laguna Seca Subarea will become zero effective October 1, 2018.³ Reductions in CAW's withdrawals from the Basin due to the construction of the CWP will lessen the amount by which the annual groundwater production exceeds the Natural Safe Yield of the Basin.

The CWP includes the following facilities to provide replacement water for a portion of CAW's current withdrawals from the Carmel Valley Aquifer and the Seaside Basin:

capital to fund the CWP. The \$3,642,591 includes that interest.

³ This is based upon an assumption that the Assumed Natural Safe Yield remains at 3,000 afy.

- 10MGD desalination facility;
- Aquifer storage and recovery wells to be used for injection and extraction ;
- Conveyance and transmission facilities, including Segunda pump station expansion, pipelines, and storage tanks.

These facilities will provide CAW a variety of options that will vastly improve the reliability and redundancy of its water supply. The ASR wells and pump station will give CAW the ability to inject excess water available from the Carmel Valley Alluvial Aquifer (during the wet season) and/or water from the desalination facility or other Non-Native water for storage in the Seaside Basin for later use during dry periods. In addition, CAW estimates that current conservation efforts and the effects of our proposed conservation and General Rate Case filings might eventually result in a reduction of 2,000 afy compared to 2005 consumption. It also will allow CAW to forbear from producing its full production allocation of the Operating Yield from Seaside Basin. Beginning in 2015, when CAW's allocation of the Operating Yield will be 2,299 afy, CAW will be able to reduce its withdrawals from the Seaside Basin even further to CAW's final allocation of 1494 afy of the Natural Safe Yield. According to the Decision, "Artificial Replenishment" includes forbearance from exercising a Producer's full allocation. Decision, Section III.A.2. p.11.

The replenishment assessment documents produced by the Watermaster for 2006 and 2007 demonstrate that there are limited sources for replenishment water, which is not a defined term in the Decision. Inferentially, replenishment water is Non-Native water as well as Native water that stays in the Basin when a Producer agrees to refrain from exercising its right to produce its full Production Allocations. See Decision, Section II.A.2, p. 11. According to Watermaster reports on calculation of Replenishment Assessment, the potential sources of Non-Native water are limited and so far, there has been no Non-Native Water available. The Watermaster has declared Non-Availability of Water for Artificial Replenishment for Water Years 2007 and 2008. See Attachment 2 of Watermaster's 2007 Annual Report, .

Because CAW is and will continue to be the largest producer from the Seaside Basin, the sooner CAW can implement a substitute long-term water supply, the better for the Seaside Basin and the sooner it will recover. The Court recognized this by placing a requirement on CAW to undertake all reasonable best efforts to promptly and diligently pursue, and if necessary collaborate with other entities, to obtain and develop sufficient long-term supplemental water supplies to augment the water supply available for CAW's service territory. CAW is diligently pursuing the CWP.

Seaside Basin Watermaster

May 2, 2008

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It is evident that the CWP is capable of providing a replacement supply of sufficient magnitude within a reasonable timeframe to decrease CAW's reliance on the Seaside Basin as a substantial source of supply for its service territory. The CWP was underway well before the Adjudication was tried and the Decision rendered in March 2006. The Decision recognizes the value and critical need for a replacement water project by allowing CAW a credit against any replenishment assessment of all expenditures CAW has made for water supply augmentation that it contends has or will result in replenishment of the Basin. Because CAW is the single largest Producer of water from the Seaside Basin, providing a source of water that will allow CAW to reduce its withdrawals from the Basin will contribute immensely to replenishment of the Basin. It will reverse the trend of overdraft and allow Natural Replenishment of the Basin to get it back into equilibrium. In addition, the CWP will produce water that can be purchased for Artificial Replenishment of the Basin when available.

**V.
CONCLUSION**

The CPUC has already reviewed and approved \$12,305,924 in costs incurred through 2006 and will complete its review and approval of 2007 costs by the end of 2008. CAW's customers are bearing the cost of the development of a sufficient long-term supplemental water supply. They should be allowed the credit against the Replenishment Assessment as requested.

Sincerely,



David A. Berger
Manager Coastal Water Projects

JSD:cjb

Seaside Groundwater Basin Watermaster

Proposed Revised Replenishment Fund Budget

Fiscal Year 2006 (January 1, 2006 - December 31, 2006)

	<u>FY 2006 Adopted Budget</u>	<u>FY 2007 Adopted Budget</u>	<u>FY 2008 Revised Budget</u>	<u>Total to Date</u>
Assessments:	WY 05/06	WY 06/07	WY 07/08	
Replenishment Fund				
California American Water				
Expanding Natural Safe Yield				
Considering Alternative Producers	\$ 1,112,000.00	2,334,147.00	\$ 5,090,270.00	\$ 8,536,417.00
Operating Yield Overproduction				
Replenishment		75,000.00	1,250,000.00	\$ 1,325,000.00
(Credit Located Replenishment Assessment 2006)	<u>90,000.00</u>			
Total California American Water	<u>\$ 1,202,000.00</u>	<u>\$ 2,409,147.00</u>	<u>\$ 6,340,270.00</u>	<u>\$ 8,951,417.00</u>
City of Seaside				
Expanding Natural Safe Yield				
Considering Alternative Producers	\$ 1,112,000.00	1,211,214.00	\$ 1,869,120.00	\$ 4,192,334.00
Operating Yield Overproduction				
Replenishment	1,000.00	1,000.00	1,000.00	\$ 3,000.00
Total City of Seaside	<u>\$ 1,113,000.00</u>	<u>\$ 1,212,214.00</u>	<u>\$ 1,870,120.00</u>	<u>\$ 4,195,334.00</u>
Total Assessment	<u>\$ 2,315,000.00</u>	<u>\$ 3,621,361.00</u>	<u>\$ 8,210,390.00</u>	<u>\$ 13,141,751.00</u>
Paid Assessments	<u>\$ 1,912,810.00</u>			<u>\$ 1,912,810.00</u>
Unpaid Balance				<u>\$ 11,228,941.00</u>
NOTE: Cal Am has late payment penalty assessed 1/16/07 = \$82,050.00; 5% penalty assessed 1/16/08 = \$243,052.71				
City of Seaside 5% late payment penalty assessed 1/16/08 = \$9,109.10				

Summary of Costs Charged to CWP Through 2005

CALIFORNIA AMERICAN WATER COMPANY
COASTAL WATER PROJECT
EXHIBIT ON EXPENSES

Line No.	Item	Vendor	2002	2003	2004	2005	Total
1	Engineering						
2	Consulting, Hydrogeology	Padra Assoc; Feeney, Martin; Mont Pen Water			15,486.77	255.00	14,741.77
3	Consulting, Dual Phase Pilot Plant	Padra		591.27	115,971.14	656,572.05	1,073,876.16
4	Consulting, Engineering PEA Preparation	REB Consulting			1,421,336.40	3,127,667.51	4,549,003.91
5	Consulting, Property Acquisition	Euro Property Analysis	27,031.25				27,031.25
6	Analytical Laboratory	Mercury Bay Analytical			2,054.50		2,054.50
7		CPUC Filing				177,445.00	177,445.00
8		Nerulis Associates			315.00		315.00
9		Inchaji Direct (Peripherals)			54,650		54,650
10	Subtotal Engineering Excluded from recovery		27,031.25	591.27	1,553,012.21	4,286,243.20	5,047,618.19
11	Final Subtotal		27,031.25	591.27	1,553,012.21	4,286,243.20	5,047,618.19
12	CAW Labor Expense & Misc Expense						
13	Company Labor & Overhead			27,015.00	271,453.58	362,755.76	661,138.97
14	Misc Project Expense			58.23	65.00	17,567.82	17,764.32
15	Private Utility easements				10,292.88	4,595.52	14,888.40
16	Office Supplies	Office Mkr			794.50		794.50
17	Subtotal Labor, Expense, Misc Excluded from recovery			27,073.23	282,182.99	384,209.60	692,475.78
18	Final Subtotal			27,073.23	116,504.87	111,416.78	125,195.55
19	Temp Labor			25,901.37	271,028.08	372,852.91	670,282.34
20	Temporary Personnel Services	Vall Services Group			12,956.83	7,063.08	19,259.91
21	Temporary Personnel Services (Subtotal)	Office Team			15,089.50		15,089.50
22	Subtotal Temp Labor Excluded from recovery			28,045.70	7,023.00		35,078.41
23	Final Subtotal			28,045.70	7,023.00	7,023.00	35,078.41
24	Legal & Management						
25	Legal, Environmental	Allen Matkins Leck, Gimple		53,934.00	133,896.20	163,529.52	351,225.22
26	Legal, CPUC Matters	Osiele, Leitch & Wells		35,447.83	114,807.81	184,687.18	337,912.42
27	Legal, Water Rights	Somda, Simmons & Eern		13,331.50	4,361.76	2,290.00	20,083.26
28	Consulting, Management & Outreach	Hessaman, Gulliner, Knox, Bli		203,952.83	158,043.44	41,230.77	412,755.07
29	Subtotal Legal & Management Excluded from recovery			180,767.29	112,231.05	396,014.40	1,109,277.19
30	Final Subtotal			205,598.54	231,908.00	203,548.95	669,055.49
31	Public Education & Outreach						
32	Consulting, NCC Interface	Energy Resources Intl			73,585.67	166,705.51	240,291.18
33	Consulting, Community Outreach	Green, Cyros Media, Inc.		1,123.00		123,265.00	124,388.00
34	Consulting	Publicist Strategic		4,020.00			4,020.00
35	Consulting, Public Outreach	Woodbridge		32,258.72	28,992.44	60,028.93	121,280.09
36	Consulting	Direct Impact				4,320.24	4,320.24
37	Consulting	ES Rock Partner		8,796.20		10,365.22	19,161.42
38	Consulting, Community Outreach	Env Simulec Communications Mkt		13,174.80	298,635.27	21,116.70	332,926.77
39	Subtotal Public Education Excluded from recovery	Ammanco Public Relations		60,985.84	473,180.80	254,793.89	788,960.53
40	Final Subtotal			61,398.84	428,917.70	636,993.69	1,127,278.23
41	GRAND TOTAL BEFORE EXCLUSION		27,031.25	359,424.20	2,802,481.00	5,727,207.90	8,916,144.35
42	GRAND TOTAL EXCLUDED			142,165.18	119,103.21	16,332.07	277,600.46
43	GRAND TOTAL REQUESTED		27,031.25	359,259.02	2,683,377.79	5,670,671.59	8,693,734.44

1) This includes the purchase of distributive costs in the amount of \$5.93 from miscellaneous services; amounts not previously reported.
 2) This includes the purchase of an additional 17,310 for engineering fee from Management LLC that was not previously reported.

Note: Dollars shown above for each year reflect amounts paid to vendor during the year. Work associated with the dollar amounts may have been performed at an earlier date (i.e. a January 2005 invoice paid in 2005 may be for work done in December 2004)

CALIFORNIA AMERICAN WATER COMPANY
 COASTAL WATER PROJECT
 EXHIBIT OIL EXPENSES

Summary of Costs Charged to CWP Through 2005

Line No.	Item	Vendor	2002	2003	2004	2005	Total
<p>Please note that the Grand Totals reflected above do not include costs from vendors that California American Water removed entirely from its recovery request. These vendors and their associated costs are reflected below:</p>							
Box A							
	Decision Research					54,222.31	54,222.31
	Integrated Resources					5,112.49	5,112.49
	McCabe					56,503.21	56,503.21
	A Bright					163,373.60	163,373.60
	Cell					2,018.65	2,018.65
	See note					258,548.30	258,548.30
	Plus excluded editives from Lines 15 above					289,510.07	289,510.07
	ORIGINAL TOTAL EXCLUDED AMOUNT					549,499.37	549,499.37
	Additional Adjustments					11,323.00	11,323.00
	FINAL TOTAL EXCLUDED AMOUNT					557,781.37	557,781.37
	check					8,674,534.44	8,674,534.44
	▶ Add back the \$9,875 \$ \$7,750 previously included:					7,592,651.21	7,592,651.21
	Total pre-construction costs from Feiballahi testimony:					1,735,529.23	1,735,529.23
	Total public education/outreach costs from TDK&N testimony:					8,674,534.44	8,674,534.44
	Total Post Recovery Request:						

Originally excluded items that no longer appear above:

Decision Research	54,222.31
Integrated Resources	5,112.49
McCabe	56,503.21
A Bright	163,373.60
Cell	2,018.65
Excluded amount shown above	289,510.07
	549,499.37
Add back \$7,750 as follows:	11,323.00
ACTUAL TOTAL EXCLUDED	557,781.37

Excluded public education costs from TDK&N testimony
 Excluded public outreach costs from backstop public funds testimony

	925,044.55
	211,412.02
	546,459.37

Case Charged to CWP Through 2005

Year	Company Name	Employment/Revenue	W/C Rate %	Amount	Percentage of Cases	AI	Cost	LOS	Timeline	RII Score	Nature of Injury	Description
2002	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2003	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2004	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2005	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2006	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2007	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2008	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2009	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2010	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2011	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2012	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2013	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2014	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2015	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2016	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2017	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2018	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2019	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2020	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2021	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2022	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2023	AT&T	AT&T INFORMATION SERVICES	100%	100%								
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2025	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2026	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2027	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2028	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2029	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2030	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2031	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2032	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2033	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2034	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2035	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2036	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2037	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2038	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2039	AT&T	AT&T INFORMATION SERVICES	100%	100%								
2040	AT&T	AT&T INFORMATION SERVICES	100%	100%								

Costs Charged to OWP Through 2015

Year	General Ledger	EXPLANATION/ VENDOR	INVOICE NO.	AMOUNT	Recovery of Costs	AI	Deed	ASR	Pipeline	Bill Status	Name of Work	Description
2014	342024	W0000210 ASV141210	201642	1,326.65								STEELER CONSULTING
2014	342024	W0000210 ASV141210	201026	5,025.00								STEELER CONSULTING
2014	342024	W0000210 ASV141210	201026	3,361.00								CONSTRUCTION SERVICE
2014	342024	W0000210 ASV141210	201026	211,759.30								OWP BUCKING EXPENSE
2014	342024	W0000210 ASV141210	CA24120	5,025.00								STEELER CONSULTING SERVICE
2014	19202401	W0000210 ASV141210	65,712,540/121	20,762.00								STEELER CONSULTING SERVICE
2014	19202401	W0000210 ASV141210	201116	5,025.00								STEELER CONSULTING SERVICE
2014	19202401	W0000210 ASV141210	201117	5,025.00								STEELER CONSULTING SERVICE
2015	2192026	W0000210 ASV141210	201118	2,164.00								OWP FIELD SUPERVISOR SERVICES
2015	342026	W0000210 ASV141210	201252	5,025.00								STEELER CONSULTING SERVICE
2015	4182026	W0000210 ASV141210	201324	2,025.00								FIELD SUPERVISOR
2015	5112026	W0000210 ASV141210	201325	3,920.00								STEELER CONSULTING SERVICE
2015	5112026	W0000210 ASV141210	201338	3,920.00								STEELER CONSULTING SERVICE
2015	5112026	W0000210 ASV141210	201286	6,025.00								CONSTRUCTION
2015	5192026	W0000210 ASV141210	201329	5,025.00								STEELER CONSULTING SERVICE
2015	5192026	W0000210 ASV141210	201334	5,025.00								STEELER CONSULTING SERVICE
2015	5192026	W0000210 ASV141210	201334	5,025.00								STEELER CONSULTING SERVICE
2015	5112026	W0000210 ASV141210	201337	5,025.00								CONSTRUCTION
2015	5192026	W0000210 ASV141210	201334	4,835.00								FEASIBILITY
2015	5192026	W0000210 ASV141210	201338	7,825.00								FEASIBILITY
2015	5192026	W0000210 ASV141210	201320	1,175.00								CONSTRUCTION SUPERVISOR SERVICES
2015	5192026	W0000210 ASV141210	201320	1,175.00								CONSTRUCTION SUPERVISOR SERVICES
2015	5192026	W0000210 ASV141210	201334	2,120.00								FEASIBILITY
2015	5192026	W0000210 ASV141210	201334	2,120.00								FEASIBILITY
2015	5192026	W0000210 ASV141210	201337	3,520.00								CONSTRUCTION
2015	5192026	W0000210 ASV141210	201331	3,520.00								CONSTRUCTION
2015	5192026	W0000210 ASV141210	201331	3,520.00								CONSTRUCTION
2015	5192026	W0000210 ASV141210	201331	4,835.00								FEASIBILITY
2015	5192026	W0000210 ASV141210	201332	5,025.00								CONSTRUCTION
2015	5192026	W0000210 ASV141210	201334	2,485.00								FEASIBILITY
2015	5192026	W0000210 ASV141210	201324	3,520.00								CONSTRUCTION
2015	5192026	W0000210 ASV141210	201332	3,520.00								CONSTRUCTION
2015	5192026	W0000210 ASV141210	201332	3,920.00								CONSTRUCTION
2015	19202601	W0000210 ASV141210	192,264.21	103,299.34	103,299.34							CONSTRUCTION
2015	19202601	W0000210 ASV141210	192,264.21	103,299.34	103,299.34							CONSTRUCTION

Costs Charged to CWP Through 2005

Year	Cost/ Ledger	EXPLANATION/ENDORSE	PRICE NO	AMOUNT	Revised Cost	AI	Unit	ASB	Pipeline	Bid Issues	Hours of Work	Description
2004	532101	SPURIA/WORK	WILKINSON	2,710								
2004	532101	SPURIA/WORK	WILKINSON	7,750								
2004	532105	SPURIA/WORK	WILKINSON	2,114								
2004	532105	SPURIA/WORK	WILKINSON	1,710								
2004	532105	SPURIA/WORK	WILKINSON	14,509.32								
2004	532105	SPURIA/WORK	WILKINSON	8,184.22								
2004	532105	SPURIA/WORK	WILKINSON	11,000.00								
RECOVERY					8,033,914							
GRAND TOTAL:												

Summary of Costs Charged to CWP in 2006

**CALIFORNIA AMERICAN WATER COMPANY
COASTAL WATER PROJECT
EXHIBIT ON EXPENSES**

Line No.	Item	Vendor	2006
Engineering & Environmental			
1	Consulting Decal Plant & Pilot Plant	American Water Pridgen LLC	259,190.67
2	Consulting Engineering PEA Preparation	RBF Consulting	1,523,985.09
3	Design Engineering	ASR Systems, LLC	106,168.66
4	Environmental Consulting	Frohe, Jeffrey B.	540.00
5	Company Utility	Pacific Gas & Electric Co	8,463.00
6	Pilot Plant Permit	Monterey County Building and Planning	4,447.10
7	Process Equipment	Process Equipment Co	31,941.37
8	Adjustment	Duke Energy	-10.00
9	Pilot Plant	William Scotsman Inc	32,645.24
10		Subtotal Engineering	1,967,371.13
11		<i>Excluded from recovery</i>	<i>0.00</i>
12		Final Subtotal	1,967,371.13
Legal			
13	Legal Environmental	Allen Matkins Leck, Gamble & Mallory LLP	71,183.76
14	Legal Water Rights	Somach, Simmons & Dunn	-600.00
15	Legal CPUC Matters	Steele, Levitt & Weiss, PC	387,820.55
16	Legal Land Use	Johnson & Moncrief PLC	17,141.40
17		Subtotal Legal	475,485.71
18		<i>Excluded from recovery</i>	<i>0.00</i>
19		Final Subtotal	475,485.71
Public Outreach & Consulting			
20	Consulting NGO Interface	Energy Resources International	48,454.57
21	Consulting	Direct Impact Marketing	1,105.00
22	Consulting	Dan Stuelze Communications	14,776.54
23	Consulting	Bob Nelson Associates	57,876.54
24	Consulting Management & Strategy	Nossaman, Gunther, Knorr, Elliot	14,872.21
25	Consulting Public Outreach and Government Affairs	McCabe & Co	55,000.00
26	Consulting	GreenStripe Media	6,758.00
27		Subtotal Public Outreach	196,842.86
28		<i>Excluded from recovery</i>	<i>-70,172.21</i>
29		Final Subtotal	128,670.65
CAW Labor, Overhead and Miscellaneous Expense			
30	Company Labor & Overhead		307,914.11
31	Employee Picard Expenses		17,563.51
32	Utility Plant Overhead		220,066.57
33	AWWSC Charges		44,688.66
34		Subtotal Labor, Expense, Miscellaneous	589,632.85
35		<i>Excluded from recovery</i>	<i>0.00</i>
36		Final Subtotal	589,632.85
Miscellaneous Charges			
37	Permitting	North County Fire District	150.00
38	Hearing Preparation on Rate Recovery	MJ Solutions, Inc	5,247.77
39	Company Tax	2006 Sabrix Tax Account	902.69
40		Subtotal Miscellaneous Charges	6,302.46
41		<i>Excluded from recovery</i>	<i>0.00</i>
42		Final Subtotal	6,302.46
43	GRAND TOTAL BEFORE EXCLUSION		3,237,635.01
44	GRAND TOTAL EXCLUDED	see Box A below for additional details	-70,172.21
	GRAND TOTAL INTEREST		97,173.80
45	GRAND TOTAL REQUESTED		3,264,636.60

Please note that the Final Subtotals reflected above do not include the specific costs from vendors that California American Water removed from its recovery request. A summary of these vendors and associated costs are reflected below:

Note: Dollars shown above for each year reflect amounts paid to vendor during the year. Work associated with the dollar amounts may have been performed at an earlier date (ie, a January 2006 invoice, paid in 2006, may be for work done in December 2005).

Box A			
46	Public Outreach Exclusions		
47	Public Outreach, Advertising	Bob Nelson	-300.00
48	Public Outreach, Lobbying	Nossaman, Gunther, Knorr, Elliot	-14,872.21
49	Public Outreach, Lobbying	McCabe & Co	-55,000.00
	Subtotal Exclusions	Subtotal	-70,172.21

Coastal Water Project 2006 Expenditures

General Ledger Date	Explanation/Vendor	Task Order	Amount	Recovery of Costs	Desal	ASR	Conveyance	Description
11/8/2006	Laqual Environmental							
11/8/2006	Allen Mackay Leck Gamble & Malloy LLP	50057514	9,432.35					
11/8/2006	Allen Mackay Leck Gamble & Malloy LLP	50057514	2,892.00					
5/3/2006	Allen Mackay Leck Gamble & Malloy LLP	50057514	2,340.35					
3/15/2006	Allen Mackay Leck Gamble & Malloy LLP	50057514	4,375.49					
4/20/2006	Allen Mackay Leck Gamble & Malloy LLP	50057514	8,274.24					
6/18/2006	Allen Mackay Leck Gamble & Malloy LLP	50057514	4,387.20					
4/15/2006	Allen Mackay Leck Gamble & Malloy LLP	50057514	5,347.57					
3/5/2006	Allen Mackay Leck Gamble & Malloy LLP	50057514	2,841.12					
3/2/2006	Allen Mackay Leck Gamble & Malloy LLP	50057514	2,233.60					
10/8/2006	Allen Mackay Leck Gamble & Malloy LLP	50057514	20,527.76					
11/10/2006	Allen Mackay Leck Gamble & Malloy LLP	50057514	5,220.84					
11/10/2006	Allen Mackay Leck Gamble & Malloy LLP	50057514	-11,354.82					
	Total		71,180.76	71,180.76		0.00	0.00	Legal advice on CEQA review and environmental issues
	Engineering, Pilot Plant							
4/4/2006	American Water Projects LLC	50056745	176,630.05					Pilot Plant equipment
5/3/2006	American Water Projects LLC	50056745	27,113.10					Pilot Plant equipment and project management
6/1/2006	American Water Projects LLC	50056745	2,154.31					Customer changes and handover for Pilot Plant
6/1/2006	American Water Projects LLC	50056745	52,829.61					Pilot Plant equipment and project management
11/10/2006	American Water Projects LLC	50056745	150.00					Delivery cost for Pilot Plant equipment
11/28/2006	American Water Projects LLC	50056745	315.00					
	Total		259,190.07	259,190.07		0.00	0.00	Consulting services and Pilot Plant purchases
	Engineering, Pilot Plant							
1/6/2006	ES&S Systems, LLC	50056745	33,844.90					Design engineering and hydrogeologist
11/6/2006	ES&S Systems, LLC	50056745	25,263.23					Expanded CDDM for ASR component
12/5/2006	ES&S Systems, LLC	50056745	15,203.27					Design engineering, installation and installation of ASR well
12/27/2006	ES&S Systems, LLC	50056745	20,117.15					Consulting, initial design engineering
	Total		106,168.66	106,168.66		76,051.80	0.00	Engineering Pilot Plant
	Public Outreach, Advertising							
12/13/2005	EEB Nelson Associates	50056745	200.00					Corporate and financial mailing project, research and design
12/13/2005	EEB Nelson Associates	50056745	4,258.00					2x1 PEP Public Outreach & Reply Card
12/13/2005	EEB Nelson Associates	50056745	1,392.50					2x1 PEP Stakeholder Personalized Letter w/ Pocket Enclosure
12/13/2005	EEB Nelson Associates	50056745	3,276.20					2x1 PEP Stakeholder Personalized Letter w/ Pocket Enclosure & Reply Card
12/13/2005	EEB Nelson Associates	50056745	2,426.00					2x1 PEP News Media Support
12/14/2005	EEB Nelson Associates	50056745	3,250.00					2x1 PEP Outreach Print Ads (1), Program Billboard
12/14/2005	EEB Nelson Associates	50056745	2,035.50					2x1 PEP News Video Production/Master
12/20/2006	EEB Nelson Associates	50056745	75.00					Printing: PEP Public Summary
1/6/2006	EEB Nelson Associates	50056745	1,998.00					Printing: PEP Executive Overview
1/6/2006	EEB Nelson Associates	50056745	4,789.00					Printing: Advertiser
3/15/2006	EEB Nelson Associates	50056745	3,271.20					Printing and Postage: Outreach postcard for LUNAS
3/15/2006	EEB Nelson Associates	50056745	1,857.20					Printing and Postage: Opinion Letter with Pass Code
3/15/2006	EEB Nelson Associates	50056745	1,325.00					Customer Outreach Upgrade Letter
6/16/2006	EEB Nelson Associates	50056745	12,405.39					100% Opinion and production
6/28/2006	EEB Nelson Associates	50056745	3,210.00					Customer Outreach Opinion Letter Update
8/3/2006	EEB Nelson Associates	50056745	10,655.00					Printing: Customer Outreach
	Total		57,676.64	57,676.64		13,122.04	10,655.00	Public Outreach

Coastal Water Project 2006 Expenditures

General Ledger	Explanation Vendor	Task Order	Amount	Recovery of Costs	Dedat	ASR	Conveyance	Description
Public Outreach	Day Staffed Communications	50295715	1,202.17		1,202.17			Day Staffed Communications
5/24/2006	Day Staffed Communications	50295715	2,012.20		2,012.20			Public Outreach Meeting - 5/24/06
10/6/2005	Day Staffed Communications	50295715	5,113.85		5,113.85			Public Outreach Meeting - 10/6/05
11/27/2006	Day Staffed Communications	50295715	152		152			Public Outreach Meeting - 11/27/06
		Total	14,778.54		14,778.54		5,113.85	Public Outreach
Public Outreach	Used Import Materials	50295715	149.05		149.05			Public Outreach
10/6/2005	Used Import Materials	50295715	415.00		415.00			Public Outreach
10/6/2005	Used Import Materials	50295715	593.50		593.50			Public Outreach
		Total	1,107.55		1,107.55			Public Outreach
Engineering	Costs Engineering	50269745	-10.00		-10.00			Engineering
11/14/2006	Costs Engineering		-10.00		-10.00			Engineering
		Total	-10.00		-10.00			Engineering
Public Outreach Consulting	Energy Resources International	50295745	5,312.20		5,312.20			Public Outreach Consulting
12/13/2005	Energy Resources International	50295745	5,432.47		5,432.47			Public Outreach Consulting
4/4/2006	Energy Resources International	50295745	5,331.26		5,331.26			Public Outreach Consulting
1/16/2006	Energy Resources International	50295745	3,472.37		3,472.37			Public Outreach Consulting
6/28/2006	Energy Resources International	50295745	3,556.57		3,556.57			Public Outreach Consulting
8/22/2006	Energy Resources International	50295745	2,181.74		2,181.74			Public Outreach Consulting
8/22/2006	Energy Resources International	50295745	5,187.50		5,187.50			Public Outreach Consulting
8/13/2006	Energy Resources International	50295745	5,267.84		5,267.84			Public Outreach Consulting
10/6/2006	Energy Resources International	50295745	7,332.78		7,332.78			Public Outreach Consulting
11/16/2006	Energy Resources International	50295745	2,151.23		2,151.23			Public Outreach Consulting
12/27/2006	Energy Resources International	50295745	1,562.13		1,562.13			Public Outreach Consulting
12/27/2006	Energy Resources International	50295745	487.50		487.50			Public Outreach Consulting
		Total	48,454.87		48,454.87			Public Outreach Consulting
Environmental Consulting	Enviro Consulting	50295745	540.00		540.00			Environmental Consulting
4/25/2006	Enviro Consulting		540.00		540.00			Environmental Consulting
		Total	540.00		540.00			Environmental Consulting
Public Outreach Meeting	Seasite Media Inc	50269745	4,758.00		4,758.00			Public Outreach Meeting
12/27/2005	Seasite Media Inc		4,758.00		4,758.00			Public Outreach Meeting
		Total	4,758.00		4,758.00			Public Outreach Meeting
Legal Land Use	Proced & Merrill PC	50269745	7,758.00		7,758.00			Legal Land Use
11/23/2005	Proced & Merrill PC		4,707.70		4,707.70			Legal Land Use
11/23/2005	Proced & Merrill PC		4,707.70		4,707.70			Legal Land Use
		Total	17,141.40		17,141.40			Legal Land Use
Public Outreach Consulting	MCC & C	50295715	2,000.00		2,000.00			Public Outreach Consulting
11/16/2006	MCC & C		2,000.00		2,000.00			Public Outreach Consulting
11/16/2006	MCC & C		3,000.00		3,000.00			Public Outreach Consulting
11/16/2006	MCC & C		3,000.00		3,000.00			Public Outreach Consulting
4/28/2006	MCC & C		3,000.00		3,000.00			Public Outreach Consulting
5/21/2006	MCC & C		3,000.00		3,000.00			Public Outreach Consulting
5/21/2006	MCC & C		3,000.00		3,000.00			Public Outreach Consulting
6/28/2006	MCC & C		3,000.00		3,000.00			Public Outreach Consulting
6/28/2006	MCC & C		3,000.00		3,000.00			Public Outreach Consulting
8/22/2006	MCC & C		3,000.00		3,000.00			Public Outreach Consulting
11/16/2006	MCC & C		3,000.00		3,000.00			Public Outreach Consulting
11/16/2006	MCC & C		3,000.00		3,000.00			Public Outreach Consulting
12/31/2006	MCC & C		3,000.00		3,000.00			Public Outreach Consulting
		Total	55,000.00		55,000.00		0.00	Public Outreach Consulting

Coastal Water Project 2006 Expenditures

General Ledger Date	Explanation Vendor	Task Order	Amount	Recovery of Costs	Desal	ASR	Conveyance	Description
10/6/2006	Engineering and Environmental Monterey County Building & Pk	60066745	4,447.10	4,447.10	4,447.10	0.00	0.00	Permit fee
	Total		4,447.10	4,447.10	4,447.10	0.00	0.00	
3/22/2006	Consulting Project Management Nissimman, Guilford, Hines, Elko	50056745	473.91					
4/19/2006	Nissimman, Guilford, Hines, Elko	50056745	3,237.75					
5/12/2006	Nissimman, Guilford, Hines, Elko	50056745	1,613.25					
8/29/2006	Nissimman, Guilford, Hines, Elko	50056745	-1,931.25					Refund - cover/col
10/14/2006	Nissimman, Guilford, Hines, Elko	50056745	949.50					
10/14/2006	Nissimman, Guilford, Hines, Elko	50056745	5,537.66					
12/15/2006	Nissimman, Guilford, Hines, Elko	50056745	648.90					
12/15/2006	Nissimman, Guilford, Hines, Elko	50056745	4,108.00					
	Total		14,972.21	0.00				Lobbying and project management
8/8/2006	Engineering and Environmental Facts, Ink & E-ink Co-REM	50056745	8,403.00	8,403.00	8,403.00			Tariff schedule work
	Total		8,403.00	8,403.00	8,403.00			
9/29/2006	Engineering Process Equipment Co	50056745	97.50		13,760.00			
9/29/2006	Process Equipment Co	50056745	977.50		947.00			
10/10/2006	Process Equipment Co	50056745	14,590.00		14,590.00			
10/10/2006	Process Equipment Co	50056745	1,058.36		1,058.36			
10/11/2006	Process Equipment Co	50056745	1,527.41		1,527.41			
	Total		31,941.37	91,941.37	31,941.37			Desalination plant equipment
4/5/2006	Consulting, Engineering PRF Consulting	50056745	16,703.70			15,700.00		
4/5/2006	PRF Consulting	50056745	22,155.75				22,155.75	
4/11/2006	PRF Consulting	50056745	27,300.00		3,730.00			Tasks 3, 4, and 12
4/13/2006	PRF Consulting	50056745	16,973.71		16,973.71	11,190.45		Tasks 3, 4, 5, 6, 7, 9, 10, 11, and 12
4/14/2006	PRF Consulting	50056745	11,124.45				118,100.20	Tasks 3, 4, 5, 6, 7, 9, 10, 11, and 12
4/14/2006	PRF Consulting	50056745	116,192.62		16,276.24		160,977.40	Tasks 3, 4, 5, 6, 7, 9, 10, 11, and 12
4/15/2006	PRF Consulting	50056745	160,977.48		12,221.55			
6/10/2006	PRF Consulting	50056745	16,676.63		19,676.63			
6/10/2006	PRF Consulting	50056745	2,404.75		2,404.75			
7/17/2006	PRF Consulting	50056745	165,997.00			168,977.24		Tasks 3, 4, 5, 6, 7, 9, 10, 11, 12 and 13
7/17/2006	PRF Consulting	50056745	165,354.00				165,354.00	Tasks 4, 5, 6, 7, 9, 10, 12 and 13
8/16/2006	PRF Consulting	50056745	4,669.25		4,669.25			
8/23/2006	PRF Consulting	50056745	196,783.93		196,783.93			Tasks 3, 4, 5, 6, 9, 10, 11, 12 and 13
9/15/2006	PRF Consulting	50056745	97,389.34			93,951.99	107,399.34	Tasks 3, 4, 5, 6, 7, 9, 10, 11, and 12
12/5/2006	PRF Consulting	50056745	93,034.99			100,907.23		Tasks 3, 4, 6, 7, 10, and 12
12/5/2006	PRF Consulting	50056745	102,997.20					Tasks 3, 4, 6, 7, and 12
	Total		1,523,985.09	1,523,985.09	558,138.05	394,700.76	581,630.28	Engineering and environmental work, management support, and implementation of Pilot Plant
9/15/2006	Legal, Water Rights Sarnach Simmons & Dunn	50057614	-600.00	-600.00	-600.00			Adjustment
	Total		-600.00	-600.00	-600.00			
12/15/2006	Legal, CPUC Matters Shields Levin & Weis	50067614	19,926.12		19,926.12			
1/26/2007	Shields Levin & Weis	50067614	4,155.50		4,155.50			
2/1/2007	Shields Levin & Weis	50067614	20,073.31		20,073.31			

Coastal Water Project 2006 Expenditures

General Ledger Date	Explanation-Vendor	Task Order	Amount	Recovery of Costs	Desal	ASR	Conveyance	Description
4/23/2006	Steedal Leach & Wells	50067614	3,219.16		3,219.16			
4/23/2006	Steedal Leach & Wells	50067614	9,079.45		9,079.45			
5/8/2006	Steedal Leach & Wells	50067614	41,451.80		41,451.80			
5/29/2006	Steedal Leach & Wells	50067614	23,972.10		23,972.10			
5/29/2006	Steedal Leach & Wells	50067614	13,275.87		13,275.87			
5/29/2006	Steedal Leach & Wells	50067614	29,298.98		29,298.98			
5/29/2006	Steedal Leach & Wells	50067614	155,192.48		155,192.48			
5/29/2006	Steedal Leach & Wells	50067614	68,955.79		68,955.79			
10/24/2006	Steedal Leach & Wells	50067614	-42,564.76		-42,564.76			Refund - overpaid
12/27/2006	Steedal Leach & Wells	50067614	43,652.95		43,652.95			Legal advice on regulatory issues before the Public Utilities Commission
	Total		387,820.56	387,820.56	387,820.56	0.00	0.00	
1/5/2006	Williams Scottman Inc	50066745	23,145.54		23,145.54			Pilot Plant Equipment
5/22/06	Williams Scottman Inc	50066745	988.85		988.85			Initial Plant Payment
6/16/2006	Williams Scottman Inc	50066745	988.85		988.85			Plant Fabrication-March
6/16/2006	Williams Scottman Inc	50066745	988.85		988.85			Rent for trailer March-April
9/15/2006	Williams Scottman Inc	50066745	3,955.40		3,955.40			Rent for trailer April-August
11/2/2006	Williams Scottman Inc	50066745	1,977.60		1,977.60			Rent for trailer August-October
11/29/2006	Williams Scottman Inc	50066745	490.00		490.00			Excavation Plans
	Total		32,645.24	32,645.24	32,645.24	988.85	0.00	Pilot Plant Equipment, Laboratory and office trailer for the pilot plant
Company Labor, Overhead and Other Charges								
	Company Labor & Overhead		307,314.11		183,920.88		85,435.37	
	Employee Paid Expenses		220,063.57					
	Utility Plant Overhead		44,688.56		44,688.66			
	PWW SC Charges		589,612.85		229,612.54		85,435.37	
	Total		1,161,689.09	189,632.85	229,612.54	37,954.86	85,435.37	
Miscellaneous Charges								
5/15/2006	MJ S-Mitts Inc	50066745	5,247.77					Reentry protection on state property
12/27/2006	North County Fire District	50066745	152.00		152.00			Permitting Fee
12/31/2006	2006 Saha Tax Account	50056745	1,297.82		1,297.82			Saha Tax Account
12/31/2006	2006 Saha Tax Account	50056745	31.74		31.74			Saha Tax Account
12/31/2006	2006 Saha Tax Account	50056745	-426.97		-426.97			Saha Tax Account
	Total		6,902.46	6,902.46	152.00	5,247.77	0.00	
	Grand Total:		3,237,635.01					
	Totals:			3,187,452.80	1,637,203.51	534,527.53	712,602.12	
	Excluded From Recovery:		-70,172.91					
	Interest on 2006 Costs:		97,173.90					
	Total CWP 2006 Recovery Request:		3,264,636.80					

Note: Dollars shown above for each year reflect amounts paid to vendor during the year. Work associated with the dollar amounts may be performed at an earlier date (ie. a January 2006 invoice, paid in 2006, may be for work done in December 2005).

Monterey Peninsula Water Management District

Seaside Groundwater Basin Adjudication Allocations: Water Years 2006 - 2026

Water Years	Coastal Subareas				Laguna Seca Subarea				Basin
	Operating Yield (afy)	Alternative Production Allocation (afy)	Standard Production Allocation (afy)	CAW Share (afy)	Operating Yield (afy)	Alternative Production Allocation (afy)	Standard Production Allocation (afy)	CAW Share (afy)	Operating Yield (afy)
2006-2008	4,611	743	3,868	3,504	989	604	345	345	5,600
2009	4,265	743	3,522	3,157	915	644	271	271	5,130
2010-2011	4,150	743	3,407	3,067	890	644	246	246	5,040
2012-2014	3,639	743	2,946	2,569	791	644	147	147	4,480
2015-2017	3,228	743	2,485	2,257	692	644	48	48	3,920
2018-2020	2,752	743	2,009	1,820	608	608	0	0	3,360
2021-2023	2,392	743	1,649	1,454	608	608	0	0	3,000
2024-2026	2,392	743	1,649	1,454	608	608	0	0	3,000

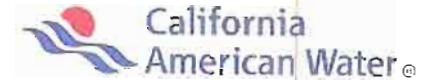
Source: *California American Water v. City of Seaside, et al.* (Case No. M56343, California Superior Court, Monterey County, March 27, 2006, as amended February 9, 2007).

Notes:

1. Values are based on the Court's decision at the January 12, 2007 hearing to switch to a Water Year-based accounting period (October 1 through September 30); the first "Administrative" Year began on October 1, 2006. However, consistent with the original decision, the first reduction in the Operating Yield will occur on January 1, 2007. Each reduction after January 1, 2009, will occur at the beginning of each triennial period, i.e., October 1, 2012, October 1, 2015, and so forth.
2. The Natural Safe Yield for the basin is 3,000 afy.
3. CAW's share of the Standard Production Allocation for the Coastal Subareas is calculated as 90.60% of the total Standard Production Allocation. For the first triennial period, i.e., Water Years 2006 through 2008, CAW's share is 3,504 afy. This calculation is consistent with the procedure described in the adjudication decision (pages 17 through 19) and Cal-Am's arguments in the *Joint Post-Judgment Motion to Request Clarification of the Court's Final Decision Relating to the Calculation of the Over-Production Replenishment Assignment* dated November 23, 2006 (pages 8 through 10).
4. For computation purposes, it is assumed that the 10% reduction in the Operating Yield is based on the initial Operating Yield specified by the Court, i.e., 5,600 afy. For example, at the beginning of Water Year 2010, the 10% reduction equals 560 afy ($5,600 \times 0.10 = 560$). Similarly, at the beginning of Water Year 2012, the 10% reduction also equals 560 afy ($5,600 \times 0.10 = 560$).
5. For computation purposes, it is assumed that the Natural Safe Yield for the basin is and remains at 3,000 afy, with 608 afy assigned to the Laguna Seca Subarea and the remainder, 2,392 afy, assigned to the Coastal Subareas within the basin.

March 5, 2008

Dewey D. Evans,
Chief Executive Officer
Seaside Basin Watermaster
2600 Garden Road, Suite 228
Monterey, CA 93940



RE: Credit Toward Replenishment Assessment

Dear Dewey,

California American Water is requesting a credit toward the replenishment assessment fees owed through December 31, 2007.

This credit claim is for the expenditures for the Coastal Water Project that we have expended through December 31, 2007 in the amount of \$13,469,120.00. This project once constructed will eliminate the need for California American Water to pump water above its natural safe yield amount and therefore, is classified as replenishment water. A complete detailed cost analysis is available for your inspection. Please indicate what information you would want to review. Currently, all the information resides in our Los Angeles office.

California American Water is requesting this credit as per the Seaside Basin Adjudication Decision, Case No. M66343 which states:

Credit Toward Replenishment Assessment:

California American's expenditures for water supply augmentation may also provide replenishment water for the Basin. Accordingly, on an annual basis, California American will provide the Watermaster with an accounting of all expenditures it has made for water supply augmentation that it contends has or will result in replenishment of the Basin. The Watermaster shall review these expenditures and if it concurs reduce California American's Replenishment Assessment obligation, for that year, by an amount equal to the amount claimed by California American. To the extent that the Watermaster rejects any of the claimed amounts, it shall provide California American with an explanation for the rejection and allow California American an opportunity to meet and confer on the disputed amount. In the event that the Watermaster and California American cannot agree, the matter may be referred to the Court through a request filed by California American.

Please contact me at (619) 409-7717 if you require any additional information.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Tom Bunosky", written over a light blue circular stamp.

Tom Bunosky
Vice President Operations

CC: Tim Miller
Craig Anthony
Jay Burnett

SEASIDE GROUNDWATER BASIN WATERMASTER	
RECONCILIATION TO CITY OF SEASIDE ACCOUNTING	
AS FISCAL AGENT FOR WATERMASTER	
7/1/06 - 12/31/09	
ADMINISTRATIVE FUND	
	Admin QB
Ordinary Income/Expense	
Income	
Assessment	395,592.20
PRA processing fee	15.40
Total Income	395,607.60
Legal Services	0.00
Outside Printing Service	0.00
Contract Services	271,322.50
Department Consumables	41,217.45
Rent	0.00
Total Expense 7/1/06-12/31/09	312,539.95
Restricted Reserve	-25,000.00
Cash Balance 12/31/09	58,067.65
M & M: CAPITAL OUTLAY FUND	
	M&M Cap QB
Ordinary Income/Expense	
Income	
Assessment	1,075,000.00
Transfer In from Operations Fund	44,199.00
Total Income	1,119,199.00
Dec 31, 2006 Total Expenses	0.00
Jun 30, 2007 Total Expenses	28,088.54
Jul 1 07 - Jan 12 09 Total Expenses	802,674.66
Jan 13 09 - Dec 31 09 Total Expenses	241,400.00
Total Expense	1,072,163.20
Cash Balance 12/31/09	47,035.80
M & M: OPERATIONS FUND	
	M&M Ops QB
Ordinary Income/Expense	
Income	
Assessment	1,835,319.84
PRA processing fee	0.00
Total Income	1,835,319.84
Dec 31, 2006 - Jun 30, 2007 Total Expenses	103,187.29
Jul 1, 2007-Jun 30, 2008 Total Expenses	\$ 497,817.10
7/1/08 -12/31/09 Total Expenses	707,788.80
Total Expense	1,308,793.19
Cash Balance 12/31/09	526,526.65

SEASIDE GROUNDWATER BASIN WATERMASTER	
RECONCILIATION TO CITY OF SEASIDE ACCOUNTING	
AS FISCAL AGENT FOR WATERMASTER	
7/1/06-11/30/09	
ADMINISTRATIVE FUND	
	Admin QB
Ordinary Income/Expense	
Income	
Assessment	395,592.20
PRA processing fee	15.40
Total Income	395,607.60
Legal Services	0.00
Outside Printing Service	0.00
Contract Services	262,972.50
Department Consumables	41,217.45
Rent	0.00
Total Expense 7/1/06-11/30/09	304,189.95
Restricted Reserve	-25,000.00
Cash Balance 11/30/09	66,417.65
M & M: CAPITAL OUTLAY FUND	
	M&M Cap QB
Ordinary Income/Expense	
Income	
Assessment	1,075,350.00
PRA processing fee	0.00
Total Income	1,075,350.00
Dec 31, 2006 Total Expenses	0.00
Jun 30, 2007 Total Expenses	28,088.54
Jul 1 07 - Jan 12 09 Total Expenses	802,674.66
Jan 13 09 - Nov 30 09 Total Expenses	11,625.00
Total Expense	842,388.20
Cash Balance 11/30/09	232,961.80
M & M: OPERATIONS FUND	
	M&M Ops QB
Ordinary Income/Expense	
Income	
Assessment	1,835,319.84
Total Income	1,835,319.84
Dec 31, 2006 - Jun 30, 2007 Total Expenses	103,187.29
Jul 1, 2007-Jun 30, 2008 Total Expenses	\$ 497,817.10
7/1/08 -11/30/09 Total Expenses	680,257.65
Total Expense	1,281,262.04
Cash Balance 11/30/09	554,057.80

AGREEMENT

Watermaster and CAW agree as follows:

1. At the end of each Water Year, Watermaster shall determine the Replenishment Assessments in accord with Section III.L.3.j.iii of the Decision. Within 40 days of CAW's receipt of Watermaster's notice of Replenishment Assessment against CAW for the preceding Water Year, CAW shall provide Watermaster any claim for a Replenishment Credit pursuant to Section III.M.1.d of the Decision. Such claim shall be based upon expenditures for a water supply augmentation project (such as the Coastal Water Project and/or other projects that produce water that can be used to replenish the Seaside Basin (hereinafter "Project(s)")) that CAW contends has or will result in replenishment of the Basin.

2. Watermaster agrees that the Project will result in replenishment of the Basin, and therefore:

(a) Watermaster hereby grants CAW's current request for a Replenishment Credit in the amount of \$12,305,924.00. Such Credit shall be immediately applied to CAW's Replenishment Assessments for Fiscal 2006 (Water Year 05/06), Fiscal Year 2007 (Water Year 06/07) and Fiscal Year 2008 (Water Year 07/08), which total \$10,166,640, subject to the condition that, upon completion and implementation of a water supply augmentation Project, CAW shall provide Watermaster, at no cost to Watermaster, and on a schedule that is Feasible either (1) water for Artificial Replenishment through direct replenishment and/or (2) cause in-lieu replenishment of the Basin by forbearing to produce water to which CAW is entitled as CAW's share of the Native Safe Yield, in an amount equal to CAW's total acre feet of Over-Production for the Water Years 05-06, 06-07, and 07-08, which total is 6,390.1 acre feet. Future CAW requests for Replenishment Credit shall be granted subject to the same conditions set forth in this Section 2 (a).

(b) In future Water years Watermaster shall address future requests by CAW for a Replenishment Credit as follows:

- i. For years in which Watermaster declares that water for Artificial Replenishment is not available, Watermaster shall grant CAW's request for a Replenishment Credit for that Water year, subject to CAW's obligation to provide future Artificial Replenishment as set forth in Section 2(a) herein.
- ii. For years in which Watermaster declares that water for Artificial Replenishment is available from sources other than a CAW water supply augmentation Project, Watermaster shall have the option of either: (i) requiring CAW to pay all or part of CAW's Replenishment Assessment for that Water Year for the purpose of providing Watermaster with funds to obtain Artificial Replenishment in sufficient quantities to replenish that quantity of Over-Production for which CAW pays a Replenishment Assessment; or (ii) granting CAW's request for a Replenishment Credit subject to CAW's obligation to provide future Artificial Replenishment as provided for in section 2(a) herein. . If Watermaster is unable to purchase Replenishment Water equal to CAW's total Over-Production for that Water Year,

the Watermaster shall grant CAW a Replenishment Credit for the balance of CAW's Over-Production for that Water year, subject to CAW's obligation to provide future Artificial Replenishment as set forth in Section 2(a) herein.

3. The sum of the acre feet of water to be provided to Watermaster for replenishment either by direct replenishment and/or in-lieu replenishment for each Water Year shall equal the number of acre feet for which CAW is assessed a Replenishment Assessment for the Water Year at issue. In no event shall the total amount of direct replenishment and/or forbearance by CAW be greater than the cumulative total of acre feet of CAW's Over-Production for all Water Years for which CAW is granted Replenishment Credits.

4. Upon completion and implementation of the Project(s), at any stage in CAW's direct replenishment and/or in-lieu replenishment pursuant to conditions set by Watermaster upon granting of Replenishment Credits, CAW shall have the right to request that the Court determine that, based upon principles of the physical solution set forth in the Decision, the Basin has been replenished in an amount sufficient to prevent seawater intrusion or the Basin has been protected by alternative seawater intrusion preventive measures. Upon such determination by the Court, CAW's obligations under conditions set by Watermaster upon granting of Replenishment Credits and any obligation under this Memorandum of Understanding to provide direct replenishment water and/or in-lieu replenishment at no cost to Watermaster shall be deemed fully satisfied.

5. All terms used in this Memorandum of Understanding that are defined terms in the Decision shall be defined herein as set forth in Section III.A of the Decision.

IN WITNESS WHEREOF the Parties hereby agree to the full performance of the terms set forth herein.

SEASIDE BASIN WATERMASTER



Chair, Seaside Basin Watermaster

Date: January 21, 2009

CALIFORNIA AMERICAN WATER



President, California American Water

Date: 1-29-2009