

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.

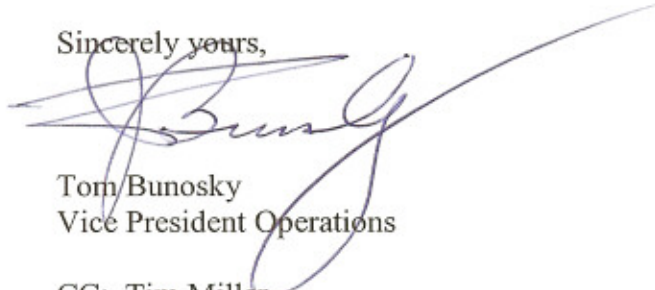
California American Water is requesting this credit as per the Seaside Basin Adjudication Decision, Case No. M66343 which states:

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,



Tom Bunosky
Vice President Operations

CC: Tim Miller
Craig Anthony
Jay Burnett

