

The January 2008 Final Environmental Impact Report and Environmental Impact Statement ("EIR/EIS") regarding San Clemente Dam's stability contains analysis of the Reroute and Removal Project which would address the seismic and flood safety risks associated with continued operation of San Clemente Dam by permanently re-rerouting a portion of the Carmel River and removing the dam. Under this proposal, the Carmel River would be rerouted to bypass the 2.5 million cubic yards of silt that have accumulated behind the dam, thereby avoiding dredging, which has been deemed infeasible.

The Reroute and Removal Project improves the Carmel River environment by removing the dam, which serves as a barrier to fish passage, and satisfies government agencies' concerns that strengthening the dam could further threaten the South Central California Coast Steelhead and violate the federal Endangered Species Act. As part of this project, California will transfer 928 acres of watershed surrounding the San Clemente Dam to appropriate governmental or non profit agency, to ensure it is permanently maintained as open space. The California State Coastal Conservancy ("Coastal Conservancy") is leading

of Water Resources Division of Safety of Dams, has analyzed and taken steps to address the seismic stability of the San Clemente Dam. California American Water, the Department of Water Resources and Army Corps of Engineers studied many ways to ameliorate the safety issues including strengthening the dam and removing the dam.

Para ver este folleto en español, visite www.californiaamwater.com.

**CALIFORNIA-AMERICAN WATER COMPANY
NOTICE OF APPLICATION FILING FOR
AUTHORIZATION TO IMPLEMENT THE
CARMEL RIVER REROUTE AND SAN
CLEMENTE DAM REMOVAL PROJECT AND TO
RECOVER THE COSTS ASSOCIATED WITH THE
PROJECT IN RATES
(APPLICATION NO. A.10-09-018)**

On September 22, 2010, California America Water filed Application A.10-09-018 with the California Public Utilities Commission (CPUC) requesting permission to remove San Clemente Dam. The application seeks authority to increase rates for its customers on the Monterey Peninsula to cover costs for the Carmel River Reroute and San Clemente Dam Removal Project.

Background

The San Clemente Dam is a 106-foot high concrete arch dam constructed in 1921 located approximately 18.5 miles from the Pacific Ocean on the Carmel River. Historically, the San Clemente Dam provided water for California American Water's Monterey County District by diverting the surface flow of the Carmel River at the dam. California American Water has reduced over time the amount of water it takes from the Carmel River and, to address concerns regarding endangered species, ceased using the dam as a point of diversion beginning in 2002.

Over the last several decades, California American Water, as directed by the California Department

Rate Impact
The tables on the reverse show the impacts to the average customer (Table 1) and impacts to revenue for the company (Table 2).

About the Application
California American Water proposes review of the overall reasonableness of the Project, the estimated costs of the Project, California American Water's proposed ratemaking treatment, the historical San Clemente Dam costs, and the transfer of land. Within six months after the Project is completed, California American Water will file an application for review of the final Project costs. As part of this application, California American Water has proposed a schedule that would provide for a Commission decision in September 2011. Beginning January 1, 2012, California American Water seeks to begin recovering the cost of the Project over a twenty-year period.

A group of agencies and interested parties that is collaborating with California American Water on the removal of the San Clemente Dam and the restoration of a naturally functioning river channel. California American Water has obtained a commitment from the Coastal Conservancy to obtain public funding for \$34 million of the estimated \$83 million construction cost of the Reroute and Removal Project. California American Water is seeking to recover the remaining \$49 million from Monterey customers over a twenty-year period. California American Water estimates that it will complete the Project by 2016.

A copy of the proposed Application may be reviewed inspected at CPUC's formal file offices in San Francisco at 505 Van Ness Avenue, San Francisco, 94102 from 8:00 a.m. to noon Monday through Friday. An e-filed electronic version of the proposed Application may also be accessed at www.cpuc.ca.gov.

The CPUC's Process
As part of this proceeding, the CPUC may schedule formal evidentiary hearings whereby the formal parties of record provide testimony and are subject to cross examination before the CPUC's Administrative Law Judge (ALJ). These hearings are open to the public, but only those who are formal parties of record can participate. The CPUC has their own court reporters who will take the comment of those formal parties of record participating in the evidentiary hearings. California American Water will provide testimony at the hearings. The Division of Ratepayer Advocates (DRA) consists of engineers, accountants, economists and attorneys who independently evaluate the proposals of utilities for rate changes and present their analyses and recommendations for the CPUC at evidentiary hearings. Once all hearings are completed, the ALJ will consider all of the evidence presented and release the draft decision. The CPUC may approve the proposed requests for California American Water, approve the draft decision by the ALJ, or may approve an alternate decision filed by a CPUC Commissioner. The final decision may differ from California American Water's original request.

Additional Information
For additional information regarding this proposed Application filing, you may contact California American Water at (831) 646-3208. A copy of the application may be inspected at the business offices of California American Water at 511 Forest Lodge Road, Suite 100, Pacific Grove, CA 93950.

Public Comment

If Public Participation Hearings (PPHs) are scheduled, each customer will be notified of the dates, times and locations. PPHs are one opportunity to express your views regarding California American Water's application to increase its rates in order to remove San Clemente Dam. You may also write or email the Public Advisor's Office as shown below. All communications are circulated to the Commissioners, the assigned ALJ and appropriate CPUC staff. They also become part of the formal correspondence record of the proceeding.

Protesting the Application

Anyone wishing to protest this application can do so by contacting the CPUC's Public Advisor's Office by telephone, writing a letter or e-mail at the address below. The Public Advisor's Office was established to help consumers participate in CPUC proceedings. For assistance in filing comments or protests with the CPUC or to participate in this proceeding, please contact:

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

Please refer to Application Number A.10-09-018 in any communications.

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