

February 18, 2009

Kristi Markey, Chair  
Board Of Directors  
Monterey Peninsula Water Management District  
5 Harris Court, Bldg G  
P.O. Box 85  
Monterey, CA 93942-0085

Dear Ms. Markey,

The City of Monterey requests that the Monterey Peninsula Water Management District (MPWMD) Board of Directors consider all testimony related to whether the Ryan Ranch Water Distribution System (WDS) has sufficient physical supplies to accommodate existing and future development at Ryan Ranch. It is the City's belief that based upon California American Water Company's (CAW) comments and documentation that the Ryan Ranch WDS is capable of supporting the existing and future development in Ryan Ranch as originally planned. The following information is provided in support of this position:

1. At the October 29, 2008 meeting with staff from the MPWMD, CAW and the Monterey County Health Department, CAW stated that Ryan Ranch is supplied by three (3) wells. The strongest producing well is held as a reserve, with the remaining two (2) wells providing the Ryan Ranch water. During the period between October 1, 2007 and June 1, 2008, only one of the two wells was in operation at any given time. Beginning in June 2008, both production wells were in operation at the same time. It was during this eight-month period that CAW used an intertie to supply water to Ryan Ranch due to lost production as a result of repairs to the well and water lines, and two separate power failures.
2. CAW anticipates connecting the Ryan Ranch WDS with the Bishop WDS, both of which draw from the same aquifer, thereby providing a mutual back-up water supply on a temporary basis.
3. CAW has instituted a graduated water rate formula for Ryan Ranch tenants. These new rates will significantly impact the water use for existing and future development, resulting in a significant reduction in water consumption.
4. The Ryan Ranch water wells are intended to provide water on an interim basis, with the development of either the CAW desal plant at Moss Landing, or the Alternative Water project replacing the wells between the anticipated time frame of 2013 and 2015.
5. Condition of Approval #6 for annexation of the former Ryan Ranch Mutual Water Company as a subunit of the CAW system stated "No modification to the Cal-Am water allocation shall occur." The potential modifications to the capacity and/or connection limits as recommended appears to violate this condition.
6. It is the City of Monterey's understanding that only the Monterey County Health Department has the legal authority to declare a moratorium for new connections from the Ryan Ranch WDS based upon health considerations related to a lack of adequate water resources. The

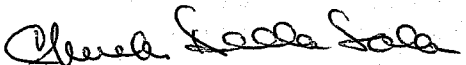
action proposed by the MPWMD could potentially be considered a defacto moratorium, and consequently could constitute a taking of the property rights of the undeveloped Ryan Ranch properties.

The City of Monterey respectfully submits the additional comments:

1. The responsible agency for the WDS at Ryan Ranch is the Monterey County Health Department. They are responsible for determining if there is a viable, long-term water system, and if not, then they would be the agency with authority to place a moratorium on new water connections. While the MPWMD has the authority to modify the existing water capacity and connection limits, the MPWMD Board is comprised of various individuals with different perspectives as it relates to development and the associated water consumption. Therefore, it would seem appropriate to eliminate the potential for a decision based upon individual biases and allow the Monterey County Health Department to evaluate the situation and make an informed and non-political determination on the ability of CAW to provide water resources to Ryan Ranch.
2. The City of Monterey has stated previously, and will repeat here, that the water associated with the former Fort Ord property annexed to the City can potentially be used as a last resort to augment the Ryan Ranch wells until the regional water project is on-line.

Based upon this information, the City of Monterey encourages the MPWMD Board to accept CAW's contention that they can continue to supply adequate water resources for Ryan Ranch. If the MPWMD Board feels that it is necessary, this issue can be revisited after the completion of the next water year to gauge the impacts of the new rate design and rate schedules, and if warranted, consider limiting water connections and the associated permits at that time. Continuing the water permit moratorium by prohibiting new connections would be in effect ignoring CAW's expert testimony. The City of Monterey strongly encourages the MPWMD Board to not modify the existing system capacity and/or the expansion capacity limits.

Sincerely,



Chuck Della Sala, Mayor  
City of Monterey

C: Councilmember Downey  
Councilmember Haferman  
Councilmember Selfridge  
Councilmember Solliceto