EXHIBIT 13-D

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TO: David Stoldt, General Manager

FROM: David C. Laredo, General Counsel

RE: Cal-Am Water Service Obligation

This memo addresses questions posed by your Board inquiring as to whether any provision of law may compel Cal-Am to serve a residence within the Cal-Am service area, where the home had previously relied solely on private well water, and where the structure is not connected to the Cal-Am water system, but for some reason the well can no longer deliver sufficient potable water to the structure.

Under the current limitation on expanded water service by Cal-Am, our office is unaware of any general provision of law that compels delivery of Cal-Am water service to structures within the Cal-Am service area where the structure had not previously been connected to the Cal-Am water system.

State Water Resources Control Board (State Water Board) Order No. 2009-0060, *inter alia*, included a Cease and Desist Order (CDO) that imposed a moratorium which in general prevents Cal-Am from installing water connections for new and expanded water uses. Based upon limits set by the CDO, and also due to decreased in Cal-Am's right to use water from the Seaside Basin, as limited by the statutory groundwater adjudication in *California American Water Company v. City of Seaside et. al,* Monterey Superior Court, M66343, Cal-Am is required to institute a moratorium on new connection by the California Public Utilities Commission (CPUC Decision 11-03-048, dated March 24, 2011 related to A. 10-05-020).

Decision 11-03-048, sets forth the general rule that provides in part,

> In portions of the Monterey District served, in whole or part, by Carmel River diversions, and subject to the following conditions and restrictions, California-American Water Company shall deny requests for new service connections and prohibit any increase use of water at existing service addresses resulting from a change in zoning or use:
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> a. California-American Water Company shall not deny such requests or prohibit such increased use where all necessary written approvals for project construction and connection to California-American Water

Company's system had been obtained prior to October 20, 2009.

b. California-American Water Company shall not deny the installation of additional meters at an existing service provided that the additional metering does not result in an increase in water use.

Under the scenario posed by the inquiry, the affected residence previously relied solely on private well water, and the structure was not connected to the Cal-Am water system. This circumstance would not qualify for the moratorium exception enunciated in Decision 11-03-048 as referenced in a) above. That exception applies only where "all necessary written approvals for project construction and connection to California-American Water Company's system" were obtained prior to October 20, 2009. Similarly, the moratorium exception referenced in b) above would not apply because the residence would not qualify as "an existing service" and also because the new metered connection would "result in an increase in water use."

Irrespective of the general rule noted above, specific moratorium exemptions are recognized by CPUC Decision 11-03-048 for the following unique circumstances:

- The proposed new connection was based upon a CAWD/PBCSD water entitlement as contemplated by MPWMD ordinances No. 39 or 109 (Rule 23.5).

- The proposed new connection was based upon a Sand City water entitlement as contemplated by MPWMD ordinance No. 132 (Rule 23.6).

- The proposed new connection was located within the Ralph Lane, Chaluar, Ambler Park, Ryan Ranch, Hidden Hills or Toro subsystems.

- The connection was made pursuant to the prior express written authorization by an official of the SWRCB.

Although these exceptions are quite narrow and limited in scope, relief can be provided in these unusual scenarios.

Finally, as an addition to the foregoing exceptions and general moratorium provision of CPUC Decision 11-03-048, an additional provision enables Cal-Am to make written request to the SWRCB for relief from the moratorium for permission "to serve demonstrated and compelling institutional public health and safety water needs within the Monterey District." This latter provision has not been used to date, and it is unclear as to whether Cal-Am would seek its use for the benefit of a single structure, and whether the SWRCB would deem the circumstance to qualify as a "compelling institutional public health and safety water need."

Our office is unaware of any case, statute or regulation, other than discussed above, that would compels delivery of Cal-Am water service to structures within the Cal-Am service area where the structure had not previously been connected to the Cal-Am water system.