



**CALIFORNIA
AMERICAN WATER**

EXHIBIT 3-A

Monterey Peninsula Water Supply Project

April 23, 2012

Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this presentation are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events and may relate to, among other things, its ability to obtain necessary regulatory approval for, and to finance and complete the Monterey Peninsula Water Supply Project, as well as rate adjustments related to the Project. Actual results could differ materially because of factors such as California American Water's inability to obtain regulatory commissions' approval of the Project and changes in rates, or, if approval is obtained, the timeliness of such approval; terms of financing or inability to obtain necessary financing for the Project; inability to secure any necessary modifications to laws, ordinances and regulations to enable construction of the Project; opposition to the Project by local water agencies, consumer, environmental and other governmental and non-governmental groups, and other parties; and adverse changes in laws, governmental regulations and policies, including environmental, health and water quality, and public utility regulations and policies. For further information regarding risks and uncertainties associated with American Water's business, please refer to American Water's annual, quarterly and other SEC filings. The company undertakes no duty to update any forward-looking statement.

Monterey Peninsula Water Supply Project

- Today's Application before the California Public Utilities Commission is extensive. To signup for project updates or view the application, visit our project website:
 - www.watersupplyproject.org

Project Overview

- Solve Monterey Peninsula water supply constraints to satisfy CDO

California American Water (Cal- Am) desires to construct a smaller desal facility and purchase Groundwater Replenishment (GWR) from public agencies

- 5,500 AFY from new Cal-Am desalination plant (rated capacity of 5.4 MGD)
- 3,500 AFY from MRWPCA/MPWMD GWR

Cal-Am will seek approval to build a 9,000 AFY desal facility in the event GWR is either not timely or not cost effective

- Cal-Am will utilize government subsidized loans, tax benefits and regulatory opportunities
- Cal-Am will propose modifications to its low-income payment plan for consideration by the PUC

Cal-Am Strategy to Limit Revenue Requirement

- We believe the entire project, including the pipeline, qualifies for SRF loans
- We will be proposing a rate base offset of \$100M through a surcharge on customers' bills
- We will use \$15M - \$20M of our short-term credit capacity to extend the period between draws and limit interest expense during construction
- The surcharge and SRF amounts are exempt from real property taxes, at an annual savings of \$2.5M

Why Cal-Am Supports Groundwater Replenishment (GWR):

- **Broad Stakeholder Support**
- **Cost Neutral to Desal & Drought-Proof**
- **Improve Water Quality in Monterey Bay**
- **Lower Carbon Footprint over Desal alone**
- **Advance State of California Recycled Water Goals**
- **Diversifies Water Supply**

System Production with and without GWR

WITH GROUNDWATER REPLENISHMENT

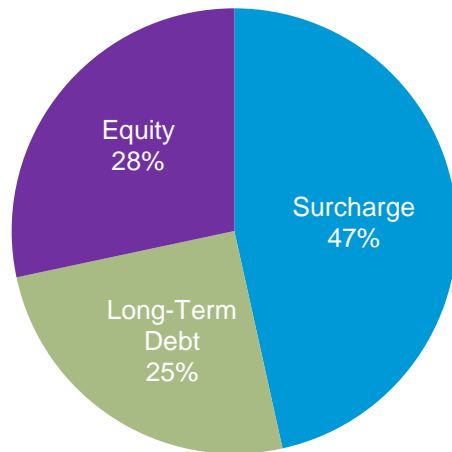
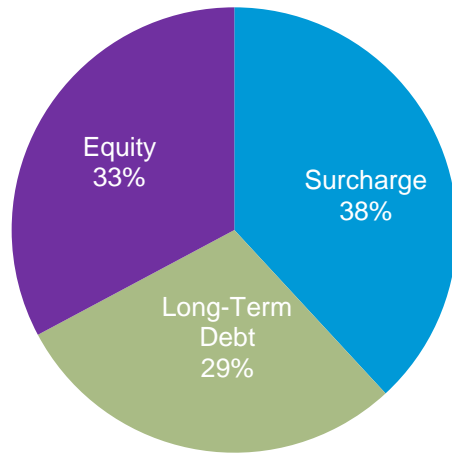
WITHOUT GROUNDWATER REPLENISHMENT

EIR Demand (AFY)	15,250	EIR Demand (AFY)	15,250
Seaside Wells (AFY)	1,474	Seaside Wells (AFY)	1,474
Sand City Desal (AFY)	94	Sand City Desal (AFY)	94
Carmel River Legal Right (AFY)	3,376	Carmel River Legal Right (AFY)	3,376
ASR Recovery (AFY)	1,300	ASR Recovery (AFY)	1,300
GWR Recovery (AFY)	3,500	Desal to CAW (AFY)	9,006
Desal to CAW (AFY)	5,506		
Required Plant Size* (MGD)	5.4	Required Plant Size* (MGD)	9.0

*By Comparison, North Marina Project proposed an 11 MGD (12,300 AFY) and the RDP proposed a 10 MGD Plant (11,200 AFY)

Capital & Financing Summary For Desal Plant

Capital Cost Financing



9.0 MGD (10,200 AFY)

	SRF	No SRF
Desal Plant Capital Cost	\$260M¹	\$260M¹
Weighted Average Cost of Financing	4.00%	4.73%
1st Year Revenue Requirement²	\$31.4M	\$34.2M

5.4 MGD (5,500 AFY) w/ 3,500 AFY GWR

	SRF	No SRF
Desal Plant Capital Cost	\$213M	\$213M
Weighted Average Cost of Financing	3.46%	4.09%
1st Year Revenue Requirement²	\$22.4M	\$24.2M
Purchased GWR Annual Cost³	\$8.7M	\$10.5M
1st Year Total Revenue Requirement²	\$31.1M	\$34.7M

¹ As compared to approved WPA equivalent of \$277.5M (\$297.5 original RDP cost, minus \$6M maintenance reserve and \$14M pre-effective costs)

² Includes Desal Plant only, Cal Am only Facilities Revenue Requirement estimated at an additional \$13.2M with SRF

³ Based on assumed cost of \$2,500/AFY with SRF and \$3,000/AFY without SRF

Sources & Uses of Cash

5.4 MGD Plant – SRF Financing

**** Construction Period ****

<i>\$ Millions</i>	2013	2014	2015	2016	Total
<i>Uses of Cash</i>					
Capital Spending	\$11.9	\$27.5	\$50.0	\$123.6	\$213.0
Cost of Financing	0.0	0.1	0.0	5.8	5.9
Total Uses of Cash	\$11.9	\$27.5	\$50.0	\$129.4	\$218.9
<i>Sources of Cash</i>					
Contributions	7.5	27.0	31.8	32.8	99.1
Net Short Term Debt	4.4	0.5	15.1	(20.0)	0.0
Net Long Term Debt	0.0	0.0	1.5	54.7	56.2
Net Equity	0.0	0.0	1.7	61.9	63.6
Total Sources of Cash	\$11.9	\$27.5	\$50.0	\$129.4	\$218.9

Sources & Uses of Cash

9.0 MGD Plant – SRF Financing

**** Construction Period ****

<i>\$ Millions</i>	2013	2014	2015	2016	Total
<i>Uses of Cash</i>					
Capital Spending	\$13.1	\$32.9	\$61.5	\$152.5	\$260.0
Cost of Financing	0.0	0.1	0.3	9.1	9.5
Total Uses of Cash	\$13.1	\$33.0	\$61.8	\$161.5	\$269.5
<i>Sources of Cash</i>					
Contributions	7.5	27.0	31.8	32.8	99.1
Net Short Term Debt	5.6	6.0	8.4	(20.0)	0.0
Net Long Term Debt	0.0	0.0	10.1	69.8	79.9
Net Equity	0.0	0.0	11.4	79.0	90.4
Total Sources of Cash	\$13.1	\$33.0	\$61.8	\$161.5	\$269.5

Annual Customer Surcharge

<i>\$ Millions</i>	2H 2013	1H 2014	2H 2014	2015	2016	Total
Surcharge	\$7.5	\$11.6	\$15.5	\$31.8	\$32.8	\$99.1
Months of Surcharge	6	6	6	12	12	
Surcharge as % of Rev Req	30.0%	45.0%	60.0%	60.0%	60.0%	

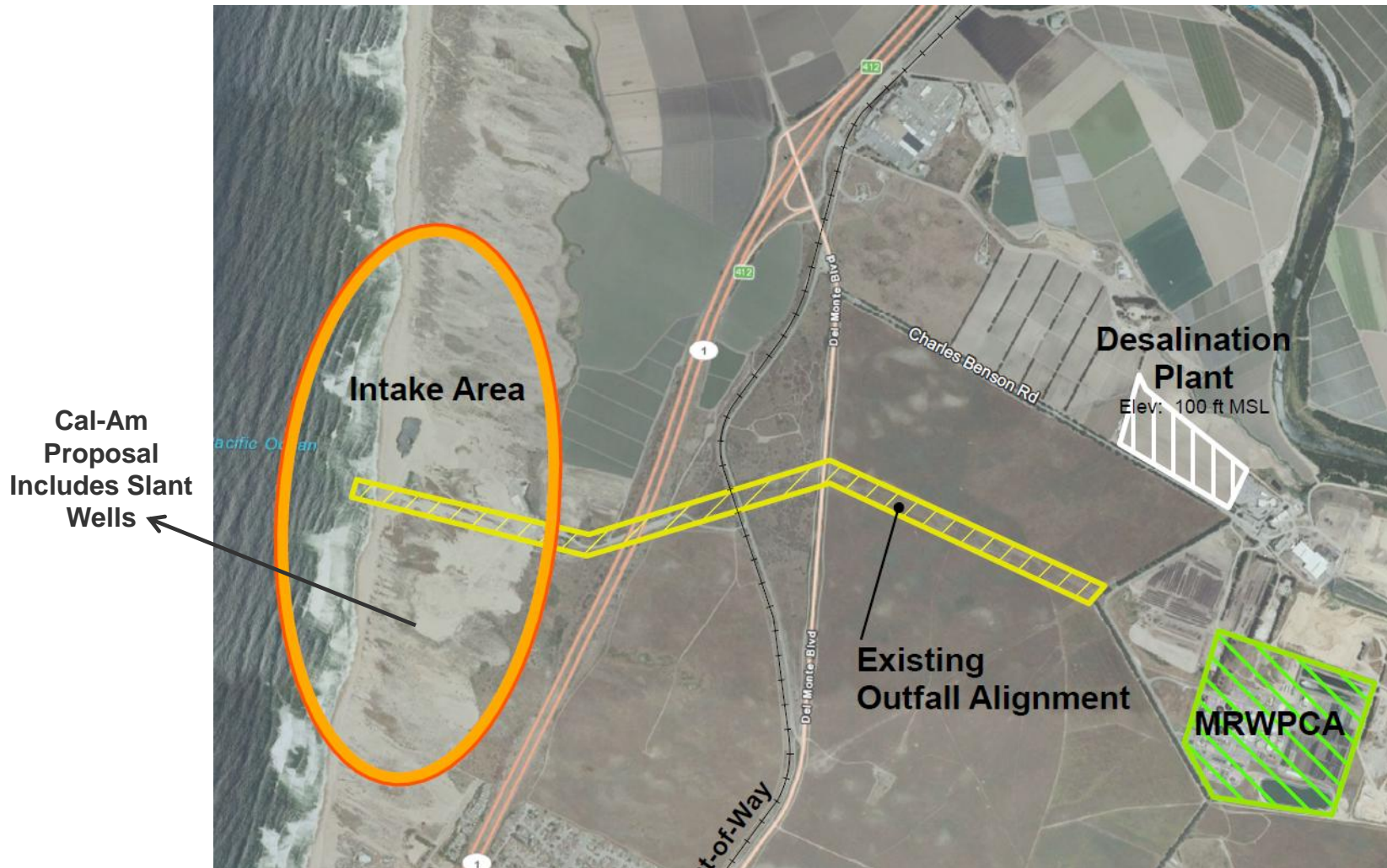
Projected Impact to Monterey Water Bills

Project	Usage (ccf)	2012 Current Monthly Bill	2017 Projected Monthly Bill Range	\$ Increase Related to Water Supply Project
25 th Percentile Bill	3	\$21.12	\$40 - \$56	\$17 - \$24
50 th Percentile Bill	5	\$28.90	\$54 - \$79	\$22 - \$33
75 th Percentile Bill	8	\$44.48	\$86 - \$120	\$35 - \$50
95 th Percentile Bill	16	\$146.58	\$308 - \$496	\$119 - \$198
Average Commercial Bill	62	\$348.97	\$709 - \$752	\$288 - \$317

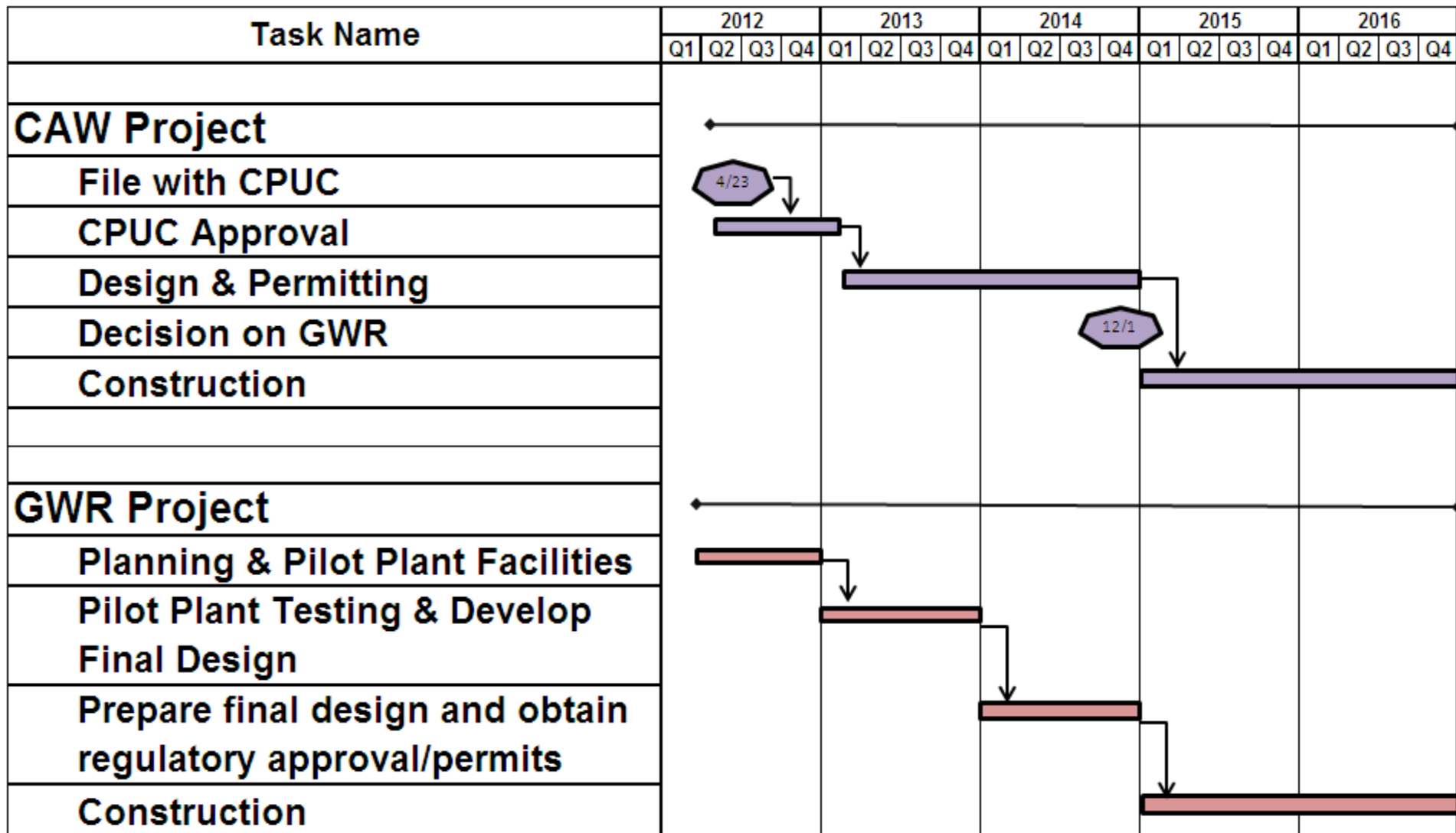
Assumptions:

- Usage = 1 ccf = 100 cubic feet = 748 gallons
- Proposed 2017 bill includes multiple estimates
- Reflects data from May 2011

Intake and Desal Plant Location



Project Schedule & Timeline



Proposed Regulatory Schedule

- **Project Filing** **April 23, 2012**
- **Prehearing Conference** **June 2012**
- **Public Participation Hearings** **July 2012**
- **Testimony & Hearings** **July 23 - September 21**
- **Briefing** **October 12-26**
- **Final Decision** **February 2013**

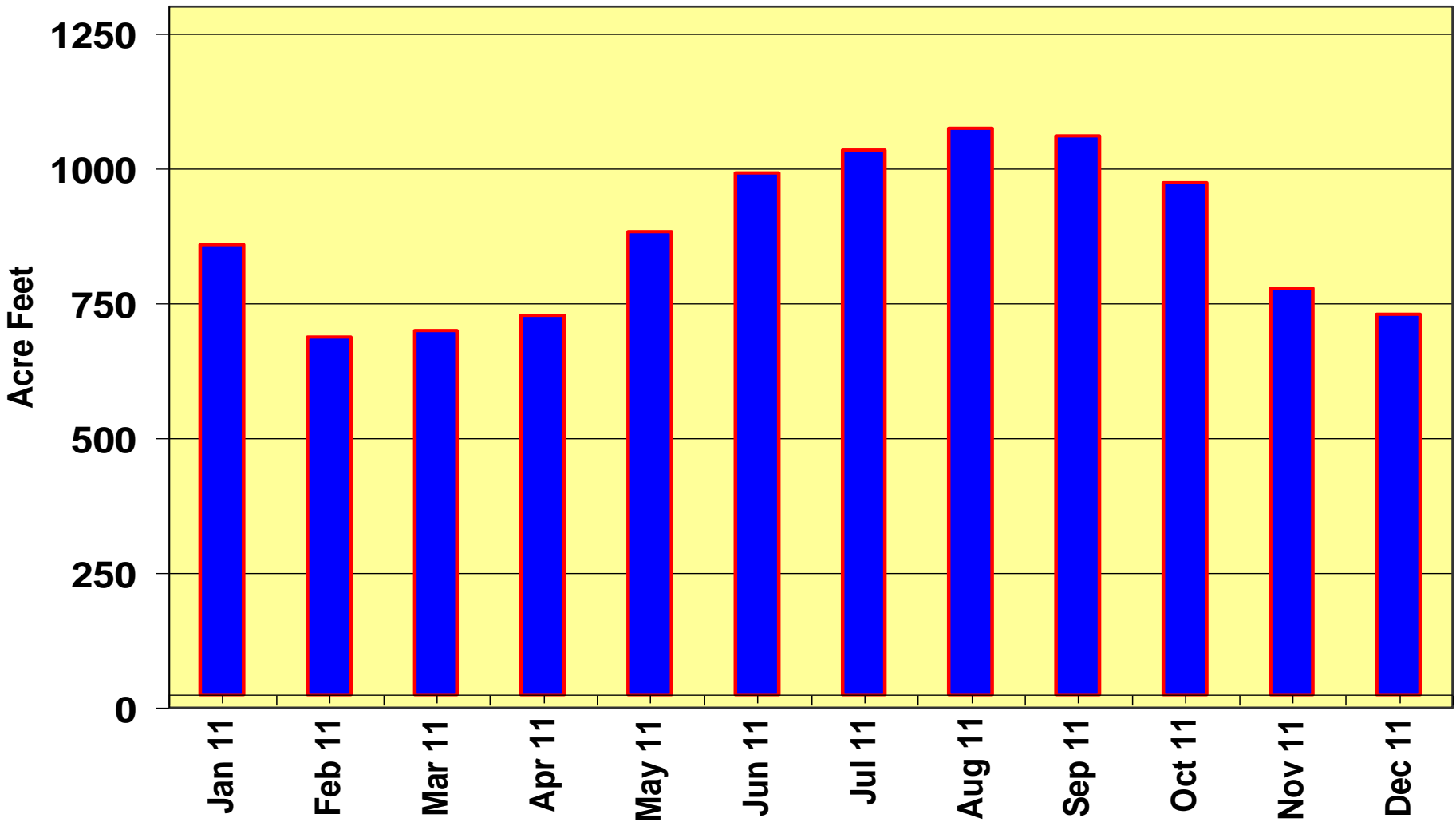
Thank you for Your Interest in our Water Supply

- www.watersupplyproject.org
- www.mrwpc.org
- www.californiaamwater.com

Appendix

Monterey Main System Water Sales

Water Sales



Central Division Consumption

