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June 12, 2017

UPS OVERNIGHT & EMAIL

Leslie Grober
Deputy Director, Division of Water Rights
State Water Resources Control Board
P.O. Box 2000
Sacramento, California 95812

Re: Joint Annual Report – Satisfaction of Milestone 2

Dear Mr. Grober,

California-American Water Company (“Cal Am”) is providing this joint annual report in accordance with SWRCB Order 2016-0016 Section 3.b.viii.

Joint Annual Report: Commencing in water year 2016-2017, at least 120 days prior to each Milestone Deadline described in Condition 3.b.v, Cal-Am, in coordination with Applicants, shall submit a joint report to the Deputy Director for Water Rights, describing progress towards that Milestone, whether Applicants expect the Milestone to be achieved by its Deadline and, if not, whether the Milestone will be missed for reasons beyond Applicants’ control. Sufficient evidence supporting the reasons that missing a milestone is beyond the control of Applicants shall be included for any further action related to such a claim.

If requested, Cal-Am, in coordination with Applicants, shall present written and/or oral comments on the progress towards Milestones at a regularly scheduled State Water Board meeting that falls at least 60 days after submission of the report. If the report indicates that a Milestone is likely to be missed for reasons beyond Applicants’ control, the State Water Board may make a determination during that meeting or at a subsequent meeting whether the cause for delay is beyond Applicants’ control. If the State Water Board determines that the cause is beyond Applicants’ control, it may suspend any corresponding reductions under Condition 3.b.vi until such time as the Applicants can reasonably control progress towards the Milestone.

On September 21, 2016, Cal Am issued a Notice to proceed to its contractor, Garney Pacific, Inc., for construction of the Monterey Pipeline. A kickoff ceremony of the Monterey Peninsula Water Supply Project’s 7-mile pipeline construction project was held on October 17, 2016 at Colton Hall in Monterey. Actual construction of the pipeline commenced on January 3, 2017. A total of 9,188 feet of 36-inch pipe has been installed thus far and therefore California American Water is pleased to report that Milestone 2 has been satisfied. Notice to the SWRCB regarding Satisfaction of Milestone 2 was reported to the SWRCB in California American Water’s 2nd Quarterly CDO report on May 1, 2017. Completion of the pipeline installation is expected by the end of 2017.

In accordance with the Order, Milestone 3 must be satisfied by September 30, 2018.

Milestone 3 - Issuance of a Certificate of Public Convenience and Necessity to Construct the Monterey Peninsula Water Supply Project Desalination Plant ("MPWSP Desalination Plant") by the California Public Utilities Commission.

Significant progress is occurring with respect to Milestone 3 including issuance by the CPUC of the Draft Environmental Impact Report on January 12, 2017. Certification of the FEIR and issuance of the CPCN is expected in late 2017. The Joint Annual Report regarding Milestone 3 will be submitted in 2018.

Please let us know if you have any questions.

Sincerely,



Eric Sabolsice
Director of Operations, Coastal Division
California-American Water Company

cc: Felicia Marcus, State Water Resources Control Board
Frances Spivy-Weber, State Water Resources Control Board -
Tam Doduc, State Water Resources Control Board
Steven Moore, State Water Resources Control Board
Dorene D'Adamo, State Water Resources Control Board
Tom Howard, State Water Resources Control Board
John O'Hagan, State Water Resources Control Board
Marianna Aue, State Water Resources Control Board
David Stoldt, Monterey Peninsula Water Management District
Mayor Bill Kampe, Monterey Peninsula Regional Water Authority