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Eric J. Sabolsice
Director, Operations
Coastal Division
511 Forest Lodge Road, Suite 100
Pacific Grove, CA 93950
eric.sabolsice@amwater.com

P 831.646.3291
C 831.236.1011
F 831.375.4367

June 5, 2018

UPS OVERNIGHT & EMAIL

Erik Ekdahl
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 3

Dear Mr. Ekdahl,

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.

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

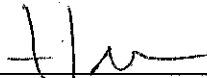
Milestone 3 - Issuance of a Certificate of Public Convenience and Necessity (CPCN) to Construct the Monterey Peninsula Water Supply Project Desalination Plant ("MPWSP Desalination Plant") by the California Public Utilities Commission.

On March 28, 2018 the Final Environmental Impact Report (EIR)/Environmental Impact Statement (EIS) for the Monterey Peninsula Water Supply Project was released by the California Public Utilities Commission ("CPUC"), as lead agency under the California Environmental Quality Act ("CEQA") and the Monterey Bay National Marine Sanctuary, as lead agency under the National Environmental Policy Act ("NEPA"). The document, which analyzes California American Water's proposed seawater desalination project's effect on the surrounding environment, is a key step toward completion of a more sustainable water supply for the Monterey Peninsula. Both CEQA and NEPA mandate that an EIR/EIS be conducted for the project. The report studies the potential impacts of the water supply project, providing comprehensive scientific and technical analysis, and concludes that the project is feasible, and with very few exceptions finds that with mitigation the project's impact on the environment will be less than significant.

Briefing on the Final EIR/EIS by parties to the proceeding before the CPUC was completed on May 3, 2018. The CPUC now has before it everything necessary to complete the environmental review and issue the CPCN, and there has been no indication that the CPUC will not approve the project and issue the CPCN by September 30, 2018.¹ California American Water is optimistic that the final decision will occur before the Milestone 3 deadline.

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
E. Joaquin Esquivel, 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
Eileen Sobeck, State Water Resources Control Board
Steve Westhoff, State Water Resources Control Board
David Stoldt, Monterey Peninsula Water Management District
Mayor Bill Kampe, Monterey Peninsula Regional Water Authority

¹ Certain project opponents continue efforts to delay certification of the Final EIR/EIS and issuance of a CPCN, and Cal Am will promptly update this status report if it appears that reasons beyond Applicant's control will delay the CPUC issuance of the CPCN.