

Exhibit CAW-030II



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April 14, 2004

Victoria Whitney, Division Chief
Division of Water Rights
State Water Resources Control Board
1001 I Street
Sacramento, CA 95812

Re: SWRCB Order No. WR 95-10, as amended 2nd Quarterly Report for Water
Year October 1, 2003 through September 30, 2004

Dear Ms. Whitney:

Pursuant to Condition 13 of the subject order as amended, this letter is Cal-Am's *second quarterly* report for the water year October 1, 2003 through September 30, 2004.

Condition 13, as amended, requires:

13. Starting with the first full month following adoption of this Order, Cal-Am shall file quarterly with the Chief, Division of Water Rights:
 - (a) Reports of the monthly total amounts being: (1) pumped from wells; and (2) diverted from the Carmel River. Reports of the total monthly amount being pumped from wells shall show the amount being pumped from each well and shall show the location of each well.
 - (b) Reports of the progress being made in complying with the schedule submitted to comply with Condition 11,
 - (c) Reports of the progress being made in complying with Conditions 4, 5, 6, 7, 8, and 9, and
 - (d) Cal-Am shall submit a quarterly water budget thirty days after approval by the District."

RESPONSES

- I. Condition 13(a). The total amounts being: (1) pumped from wells and (2) diverted from the Carmel River by month for each well location for the second Quarter of the Water Year, October 1, through March 31, 2004 is shown on Attachment 1. Attachment 2 shows the monthly production data through March 2004 from specific sub-units in the Carmel Valley via Carmel

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Exhibit CAW 03011

Valley wells. Carmel Valley Filter Plant produced 0.0AF from San Clemente Reservoir, with 206.1 AF from Aquifers No. 1 and No. 2; Water West 22.1AF; Aquifer No. 3 – 3,396.1 AF; Aquifer No. 4 – 1,508.7 AF. Total production through the month of March 2004 was 5,133.0AF. Net production, which includes ASR diversions, was 4968.1 AF. Los Padres releases are listed in Attachment 4.

- II. Condition 13(b). Condition No. 11 has been satisfied because The Monterey Peninsula Water Management District has continued to implement the Mitigation Program for the District's Water Allocation Program Environmental Impact Report.
- III. Condition 13(c). Progress being made in complying with Conditions 4, 5, 6, 7, 8, and 9 is as follows:

• CONDITION NO. 4

Cal-Am shall maximize production from the Seaside aquifer for the purpose of serving existing connections, honoring existing commitments (allocations), and to reduce diversions from the Carmel River to the greatest practicable extent during periods of low flow. Cal-Am shall minimize diversions from the Seaside aquifer whenever flow in the Carmel River exceeds 40 cfs at the Highway 1 Bridge from November 1 to April 30. The long-term yield of the basin shall be maintained by using the practical rate of withdrawal method.

Response No. 4:

Attachment 3 shows Net System Production Water Year to Date.

• CONDITION NO. 5

To the maximum extent feasible without inducing seawater intrusion or unreasonably affecting the operation of other wells, Cal-Am shall satisfy the water demands of its customers by extracting water from its most downstream wells.

Response No. 5:

In July 2003, US Fish & Wildlife Service and Cal-Am executed the Second Amended Agreement for protection of the California Red-legged frog for Cal-Am's Carmel Valley operations (Agreement with USFWS). The Agreement states that, provided that Cal-Am complies with its terms and the Biological Opinion, incidental take of California Red-legged frog shall be exempt from the take prohibitions of Section 9 of the Endangered Species Act. One of the requirements of the Agreement with USFWS is to pump from downstream wells to the extent practicable, which is consistent with Condition No. 5.

On March 21, 2002, the State Board adopted WRO 2002-0002, which modified Cal-Am's operation of the upper Carmel Valley wells in a manner that is consistent with Condition No. 5.

• CONDITION NO. 6

Cal-Am shall conduct a study of the feasibility benefits and estimated costs of supplying water to the areas now served by the Carmel Valley Filter Plant from its more nearby wells downstream of the plant and shall also conduct a similar study of utilizing the existing or expanded Begonia Treatment Plant or other facilities located further downstream in lieu of the Carmel Valley Filter Plant. This latter study shall be completed within one year of the date of entry of this Order. Petitioner shall have an opportunity to comment on the scope of the study. The study shall be under the direction of the Division of Water Rights, and will be conducted by a consultant approved by the Division. If the Chief, Division of Water Rights, finds that the measures identified in the studies are feasible, Cal-Am must implement supplying water from the facilities identified by the Division according to a schedule approved by Division of Water Rights. The objective of supplying water from the wells is to maintain surface flow in the stream as far downstream as possible by releasing water from San Clemente Dam for maintenance of fish habitat. The results of the study and recommendations shall be provided to the District and DF&G for comment.

Response No. 6:

In accordance with the terms of Order Nos. 95-10 and 98-04, two studies were done. The first was completed and submitted to the State Board in September 1996. The Reconnaissance-Level Feasibility Study of the Operational Reconfiguration of Lower Carmel Valley Wells was completed and was submitted to the State Board on June 21, 1999. In April 2001, the State Board issued Order 2001-04 in which it found these studies adequate. The order was protested and after a hearing, the State Board adopted WRO 2002-0002 on March 21, 2002 and confirmed the studies were adequate.

In past years, operation of the upper Carmel Valley wells has been limited during the months of May through December. WRO 2002-0002 changed the trigger for reducing operation of upper Carmel Valley Wells from specific months to "low flow periods", defined as times when stream flow in the Carmel River at the Don Juan Bridge (RM 10.8) gage is less than 20 cfs for five consecutive days. WRO 2002-0002 also required installation of certain facilities to facilitate usage of the more downstream aquifers and to determine whether the Carmel Valley Village Zone water supply needs can be supplied from the Begonia Zone.

In compliance with WRO 2002-0002, Cal-Am installed a pump that delivers water from the Begonia zone to the Carmel Valley Village in March 2002. During low flow periods, Cal-Am has ceased diversions from San Clemente Reservoir, is pumping from Russell

Wells 2 and 4, and has limited its pumping of the other upper Carmel Valley Wells to a schedule of maintenance pumping, which is set forth below. The maintenance-pumping schedule and the complete cessation of diversions from San Clemente Reservoir are being monitored and evaluated by NMFS and Cal-Am and are subject to adjustment in order to satisfy the needs of Cal-Am's customers and the needs of the steelhead. Since the pump has been installed, production from the Russell Wells has been limited to 0.5 cfs during low flow periods and the majority of Carmel Valley Village demand has been met by pumping water from the Begonia zone, which includes water well production facilities in AQ 3, AQ 4 and the Seaside Groundwater Basin. This mode of operation is being evaluated to address the adequacy of Cal-Am's distribution system and the new pump to accommodate the water supply needs of the Carmel Valley Village from the Begonia Zone.

Status of wells during January through March 2004:

Lower Carmel Valley Wells

Rancho Canada – On-line
San Carlos – Emergency Stand-by only (under influence of surface water)
Cypress – On Line
Pearce – On Line
Schulte – On Line
Manor – On line
Begonia #2 – On Line
Berwick #7 – Out of Service until further notice.
Berwick #8 – On Line

Upper Carmel Valley Wells

Panetta 2 – Off Line (run 8hrs/day for 1 to 2 days per month for maintenance)
Panetta 4 – Off Line (run 8hrs/day for 1 to 2 days per month for maintenance)
Garzas 3 – On Line
Garzas 4 – On Line
Los Laureles 5 – Off Line (run 1 to 2 hours once a week for maintenance)
Los Laureles 6 – Off Line (run 1 to 2 hours once a week for maintenance)
Scarlett 8 – On Line
Robles – On Line
Russell 2 – On Line
Russell 4 – On Line

, On January 3, 2004, the low flow period as defined by the Conservation Agreement and Order 2002-02 ended. The upper valley wells remained off line until the end of the low flow period.

- CONDITION NO. 7

Cal-Am shall evaluate the feasibility of bypassing early storm runoff at Los Padres and San Clemente Dams to recharge the subterranean stream below San Clemente Dam in order to restore surface water flows in the river at an earlier date. The results of the study and recommendations shall be provided to the District and CDF&G for comment.

- CONDITION NO. 8

Cal-Am shall conduct a study of the feasibility, benefits, and costs of modifying critical stream reaches to facilitate the passage of fish. The study shall be designed and carried out in consultation with DF&G and the District. The results of the study and recommendations shall be provided to the district and DF&G for comment.

Response Nos. 7 & 8:

See prior quarterly reports.

Cal-Am has proposed an alternate water supply project to meet the Order 95-10 as modified by subsequent orders. After diligent review of the options for technical, political and environmental merit, Cal-Am amended its application for a new reservoir on the Carmel River to include the desalination/ASR project originally developed by the CPUC, entitled *Plan B*. Additionally, Cal-Am requested that the CPUC be the lead agency for the Company's project, which has been named the Coastal Water Project. The CPUC has agreed to be the lead agency for the environmental work. The Proponents Environmental Assessment (PEA) consultants have been retained and have initiated the scoping phase of the PEA. Cal-Am is working closely with Monterey County Water Resources Agency and the CPUC to ensure that the PEA satisfies the needs of all concerned agencies.

Other items:

The Department of Safety of Dams has directed Cal-Am to permanently lower San Clemente Reservoir at all times possible. That order has been revised and directs Cal-Am to lower the reservoir whenever the inflow to San Clemente drops below 30 cfs. Additionally, DSOD has agreed to complete the environmental work on the dam safety remediation project. The EIR is expected to be completed within 20 months.

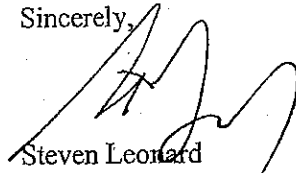
The Seaside Ground Water Basin Adjudication lawsuit against the other pumpers in the aquifer continues. The parties are seeking a stipulated judgment and the establishment of a water master for the basin. Cal-Am continues to study the yield of basin for the law suit and its operational planning.

Victoria Whitney, Division Chief
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Should your staff have any questions please call me at (831) 646-3214.

Sincerely,

A handwritten signature in black ink, appearing to read "S. Leonard", is written over the typed name.

Steven Leonard
Vice-President /Manager
Coastal Division
California American Water

SDL
Enclosures

cc: K. Urquardt
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