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August 7, 2013

Dear Valued Customer:

The California Public Utilities Commission is expected to approve a new rate design for customers in Monterey County (Application A.10-07-007). Under the new rate design, commercial customers will no longer be billed according to water allotments. Instead, commercial customers' billing will be based on their amount of water use and compliance with water conservation practices, also known as Rate Best Management Practices (BMP).

Under the current rate design, your business is allowed a certain amount of water at lower rates. That amount, called an allotment, is calculated according to your type of business and other factors such as square footage. Any water use above an individual business' allotment is charged at higher rates. This system proved problematic for customers who have found that their water allotment does not match their business' actual water needs, particularly as business volume fluctuates.

A coalition of local commercial businesses approached our company last year and asked that we look at a different billing system – one that charges lower rates to businesses who have conserved water through the installation of water efficient devices – and higher rates to those businesses that have not. This new system has been endorsed by the Coalition of Peninsula Businesses, the Monterey County Hospitality Association and The Monterey Peninsula Water Management District, among others.

Under the new system, there will be four different rates for four divisions of commercial customers. The definition of each division and new rates for each division will be as follows:

Division 1 - Commercial customers that are fully Rate Best Management Practice compliant – indoors and outdoors – and irrigate no more than 10% of their property - **67 cents per unit***

Division 2 - Commercial customers that are fully Rate Best Management Practice compliant – indoors and outdoors – and have a business where outdoor watering is essential to their business (example: nurseries, golf courses and public parks, ball fields and cemeteries) – **75 cents per unit***

Division 3 - Commercial customers that are fully Rate Best Management Practice compliant – indoors and outdoors – and irrigate more than 10% of their total property. Also included in this division are Rate Best Management Practice compliant irrigation meter customers – **83 cents per unit***

Division 4 - Commercial customers that are not Rate Best Management Practice compliant in one or more aspect of their indoor or outdoor usage - **\$1.67 per unit***

*A water unit = 75 gallons

In order to ensure your business is placed into the correct category, you must fill out and return the enclosed survey by September 25, 2013. Your new rates are anticipated to be effective on October 21, 2013, depending on California Public Utilities Commission approval. **It is important to note that if a business does not return a completed survey by the due date they will automatically be placed in Division 4 until a survey is received.**

It is important to note that the Monterey Peninsula Water Management District (MPWMD) has water efficiency requirements for commercial businesses (MPWMD Rule 143) that differ from the Rate BMPs listed in the enclosed survey. Your water rates will be based solely on your compliance with the Rate BMPs described in this survey. To learn more about the MPWMD's regulations, please contact the agency at (831) 658-5601, email conserve@mpwmd.net or visit www.montereywaterinfo.org for more information.

California American Water will be hosting workshops on the new design to answer any questions you may have. These workshops will be noticed by mail to all customers. If you have any questions about our new commercial rates, please contact California American Water's conservation department at: (831) 646-3205. Visit www.californiaamwater.com for a copy of our new tariff including a list of Rate Best Management Practices.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Eric Sabolsice', with a horizontal line extending to the right.

Eric Sabolsice
Director of Operations

Para una version en Español de este aviso usted puede visitar nuestro sitio web en www.californiaamwater.com.