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For Immediate Release

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CPUC APPROVES REMOVAL OF THE SAN CLEMENTE DAM

Largest Dam Removal Project in California History

PACIFIC GROVE, Calif. (June 21, 2012) –The California Public Utilities Commission (CPUC) has approved California American Water’s request to permanently remove the aging San Clemente Dam from the Carmel River on the Monterey Peninsula.

“This momentous decision will enable us to move forward with the largest dam removal project in California history, which will bring numerous benefits to customers, the environment and the public at large,” said California American Water President Rob MacLean. “This decision represents a major victory for the river, its habitat and generations of Monterey Peninsula residents to come.”

The San Clemente Dam is a 106-foot high concrete-arch dam built in 1921, eighteen miles from the ocean on the Carmel River, to supply water to the Monterey Peninsula’s then-burgeoning population and tourism industry. Today the reservoir is more than 90 percent filled with sediment and is no longer in compliance with state seismic safety requirements.

“Removing San Clemente Dam is among the most important things we can do to help improve the health of the Carmel River,” said Rep. Sam Farr, D-Carmel. “So I am happy that we are finally moving forward to take this action - something that could not have happened without a full public/private partnership that has moved this project from dream to reality. It is a good example of how government and industry can work together to generate jobs, address public safety and improve our environment.”

The project is unique in its approach because rather than remove the sediment, which would fill 250,000 truckloads, the accumulated sediment will be left in place and located between two new, stabilized, natural, earthen structures. The Carmel River will be rerouted 1/2 mile to bypass the sediment and as the final step, the dam will be removed. California American Water will donate the 928-acre property where the dam is located to the Bureau of Land Management. The project area adjoins two regional parks, creating over 5,400 acres of combined open space available for hiking and passive recreation.

Removing the San Clemente Dam will restore access to 25 miles of spawning and rearing habitat, critical to the South Central California Coast Steelhead's recovery. Restoring the river's ecological connectivity will also benefit other threatened species like the California red-legged frog. Enabling sediment to move past the dam will also help replenish sand supply to Carmel River beach and dunes, fortifying the beach and coastal area against sea level rise.

"This decision represents a turning point in a decades-long endeavor to restore the Carmel River, which has seen its ecosystem decimated from a lack of water," said Loren Letendre, president of the Carmel River Watershed Conservancy. "The conservancy applauds this development and looks forward to working with California American Water through the dam deconstruction and the river's remaining restoration."

The estimated project construction cost is \$83 million. Forty-nine million dollars will be recovered from ratepayers and \$34 million will come from the State Coastal Conservancy, which will raise its portion of the funding from various state, federal and private sources. Based on California American Water's current rates approved on June 7, 2012, residential customer bills will increase by an average of \$2.54 a month or 5.61 percent over current amounts in order to fund the project. The new rates will take effect July 1. Groundbreaking on the project will commence later this year and completion is expected in 2015.

California American Water, a wholly owned subsidiary of American Water (NYSE: AWK), provides high-quality and reliable water and/or wastewater services to approximately 600,000 people.

Founded in 1886, American Water is the largest publicly traded U.S. water and wastewater utility company. With headquarters in Voorhees, N.J., the company employs approximately 7,000 dedicated professionals who provide drinking water, wastewater and other related services to an estimated 15 million people in more than 30 states and parts of Canada. More information can be found by visiting www.amwater.com.

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