SUMMARY. American Water Capital Corp. (the “Company” “Applicant”) requests approval of an Initial Resolution for an amount not to exceed $35,000,000 to finance water facility improvement projects to be owned and operated by the Applicant and/or its Affiliates, including without limitation California-American Water Company, a California corporation (collectively the “Company”) within the Company’s service area in Sacramento and Monterey Counties.

**Borrower.** The Company American Water Capital Corp was incorporated in Delaware on May 11, 2000. American Water Works Company, Inc. holds all of the common stock of American Water Capital Corp. as well as California-American Water Company.

**Legal Questionnaire.** The Staff has reviewed the Company’s responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raises questions concerning the financial viability or legal integrity of this applicant.

**Project Description.** The Company plans several projects located at sites throughout Sacramento and Monterey counties, as follows:

**Monterey County**
- The San Clemente Dam Project is comprised of removing a 106 foot high concrete dam constructed on the Carmel River in 1921, and the rerouting of the Carmel River to the adjoining San Clemente Creek by constructing a diversion channel through a ridge.
- The Coastal Water Project includes several Aquifer Storage and Recovery (ASR) facilities, and a number of Conveyance facilities (pipelines, tanks and booster stations) that are part of the long-term source of supply solution for the Monterey Peninsula.
- The Seaside Mains Replacement Project is a small main replacement program to deal with older, small diameter, thin-walled steel mains that have begun to experience a high frequency of leaks and breaks.

**Sacramento County**
- The Meter Retrofit/Conversion Program is a major multi-year effort to install meters for those customers who currently receive water services through a flat rate, unmetered service.
- The Well Rehabilitation Program and the Water Treatment Improvement Program are long-term projects to rehabilitate and improve, on a systematic basis, over 100 existing wells located across the nine service areas of the Sacramento District. The work will
ensure these wells are in adequate condition and that the well stations have up-to-date
treatment equipment and facilities to reliably deliver water to customers.

**Volume Cap Allocation.** The Company anticipates applying to the Authority for volume cap
allocation in May 2010.

**Financing Details.** The Company anticipates issuance of negotiated tax-exempt, fixed rate
bonds. The target date for financing is July 2010.

**Financing Team.**

- **Underwriter:** TBD
- **Bond Counsel:** Greenberg Traurig, LLP
- **Issuer’s Counsel:** Office of the Attorney General

**Staff Recommendation.** Staff recommends approval of Initial Resolution No. 10-06 for
American Water Capital Corp. and/or its Affiliates for an amount not to exceed $35,000,000.

*Note: An Initial Resolution approval is not a commitment that the Board will approve a Final
Resolution and bond financing of the proposed Project.*
RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO
FINANCE WATER FACILITY IMPROVEMENT PROJECTS
FOR AMERICAN WATER CAPITAL CORP. AND/OR ITS AFFILIATES

April 28, 2010

WHEREAS, the California Pollution Control Financing Authority (“Authority”), a public instrumentality, is authorized and empowered by the provisions of the California Pollution Control Financing Authority Act (“Act”) to issue bonds for the purpose of defraying the cost of water facility improvement projects; and

WHEREAS, American Water Capital Corp., a Delaware corporation (“Applicant”), has requested that the Authority assist in financing water facility improvement projects to be owned and operated by the Applicant and/or its Affiliates (as hereinafter defined), including without limitation California-American Water Company, a California corporation (collectively, “Company”), which are expected to be comprised of facilities for the furnishing and improvement of water which is available on reasonable demand to members of the general public within the service area of the Company’s water system, including the acquisition, construction, refurbishing, rehabilitation, creation, development, redevelopment and installation of a desalination plant, aquifer storage and recovery facilities, conveyance facilities such as pipelines, tanks and booster stations, mains, meters, hydrants, wells, treatment equipment, diversion channels, office and laboratory equipment, transportation equipment, tools and work equipment, communication equipment, dam deconstruction and river rerouting and related facilities and improvements (collectively, “Facilities”), and have presented an estimate of the maximum cost of such Facilities as shown in Exhibit “A” attached hereto; and

WHEREAS, the Authority desires to encourage the Company to provide water facility improvement projects which will serve the public of the State; and

WHEREAS, the Authority deems it necessary and advisable to further the purposes of the Act that the Facilities be acquired at the earliest practicable date, but the Company requires satisfactory assurances from the Authority that the proceeds of the sale of bonds of the Authority will be made available to finance such Facilities; and

WHEREAS, the Company expects to incur or pay from its own funds certain expenditures in connection with the Facilities prior to the issuance of indebtedness for the purpose of financing costs associated with the Facilities on a long-term basis; and

WHEREAS, subject to meeting all the conditions set forth in this resolution the Authority reasonably expects that debt obligations in an amount not expected to exceed $35,000,000 will be issued and that certain of the proceeds of such debt obligations will be used to reimburse the Company for its prior expenditures for the Facilities; and
WHEREAS, Section 1.103-8(a)(5) and Section 1.150-2 of the Treasury Regulations require the Authority to declare its reasonable official intent to reimburse prior expenditures for the Facilities with proceeds of a subsequent borrowing;

NOW, THEREFORE, BE IT RESOLVED by the California Pollution Control Financing Authority as follows:

Section 1. The Authority finds and determines that the foregoing recitals are true and correct. For purposes of this Resolution, an “Affiliate” of the Applicant means any person or entity which meets the definition of “participating party” in the Act and controls, is controlled by, or is under common control with, the Applicant, as shown by the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through majority equity ownership, contract or otherwise.

Section 2. The Authority declares its official intent to issue, at one time or from time to time, an aggregate of up to $35,000,000 principal amount of bonds of the Authority for the Facilities; including for the purpose of reimbursing to the Company costs incurred for the Facilities prior to the issuance of the bonds.

Section 3. The bonds will be payable solely from the revenues to be received by the Authority pursuant to a loan agreement or other agreements to be entered into between the Authority and the Company in connection with the Facilities. Each bond shall contain a statement to the following effect:

“Neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof or any local agency is pledged to the payment of the principal of, premium, if any, or any interest on this bond.”

Section 4. The bonds shall be issued subject to the conditions that (i) the Authority and the Company shall have first agreed to mutually acceptable terms for the bonds and of the sale and delivery thereof, and mutually acceptable terms and conditions of the loan of the proceeds thereof to the Company; (ii) all requisite governmental approvals shall have first been obtained; (iii) a Final Resolution shall have been received from the Authority; and (iv) an allocation shall have been received from the Authority or the California Debt Limit Allocation Committee.

Section 5. The Executive Director of the Authority is hereby directed to indicate the willingness of the Authority to proceed with and effect such financing in order to assist the Company by defraying the cost of the Facilities, subject to due compliance with all requirements of the law and the obtaining of all necessary consents and approvals and meeting all other requirements of the Authority.

Section 6. It is intended that this Resolution shall constitute “some other similar official action” towards the issuance of bonds within the meaning of Section 1.103-8(a)(5) of the Treasury Regulations and “official intent” within the meaning of Section 1.150-2 of the Treasury Regulations, each as applicable under Section 103 of the Internal Revenue Code of 1986, as
amended. It is also intended that this statement of “official action” or “official intent” by the Authority shall continue in full force and effect even if this Resolution ceases to be effective for other purposes.

Section 7. This Resolution shall take effect immediately upon its passage and remain in full force and effect thereafter; provided that, subject to Section 6, this Resolution shall cease to be effective on April 28, 2013 unless prior thereto the Authority specifically adopts a further resolution extending the effective date of this Initial Resolution, which it will do only after receiving a specific request for such action from the Company, accompanied by any additional information requested by the Authority to supplement the Company’s application, and an explanation of the status of the project.
EXHIBIT A

NUMBER: 10-06

LOCATIONS:

<table>
<thead>
<tr>
<th>District</th>
<th>Description</th>
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<tbody>
<tr>
<td>Monterey</td>
<td>Coastal Water Project (Aquifer Storage &amp; Recovery &amp; Conveyance Components)</td>
</tr>
<tr>
<td>Monterey</td>
<td>Seaside Mains Replacement Project</td>
</tr>
<tr>
<td>Monterey</td>
<td>San Clemente Dam Removal/River Reroute Project</td>
</tr>
<tr>
<td>Sacramento</td>
<td>Meter Retrofit/Conversion Program</td>
</tr>
<tr>
<td>Sacramento</td>
<td>Well Rehabilitation Program</td>
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<tr>
<td>Sacramento</td>
<td>Water Treatment Improvement Program</td>
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</tbody>
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TYPE: Water Facility Improvement Projects

AMOUNT: Up to $35,000,000