CAPITAL PROGRAMS & CLIMATE FINANCING AUTHORITY (CPCFA)
BOND FINANCING PROGRAM
Approval Date: November 9, 2026

Request to Approve an Initial Resolution Reflecting Official Intent to Issue Revenue Bonds

Prepared by: *Tyler Hanks*

Applicant:	American Water Capital Corp. and/or its affiliates
Project Location:	Monterey County
Amount Requested:	$450,000,000
Application No.:	979
Initial Resolution No.:	26-03

Summary: American Water Capital Corp. and/or its affiliates (the "Company") requests approval of an Initial Resolution for an amount not to exceed $450,000,000, to be issued as tax-exempt bonds or a combination of taxable and tax-exempt bonds. The bond proceeds will be used to construct a desalination facility in Monterey County (the "Project"). Proceeds will also be used for reimbursing the Company for costs incurred for the Facilities (as defined in the Initial Resolution) prior to the issuance of the bonds.

Borrower: American Water Capital Corp. was incorporated in Delaware on May 11, 2000. American Water Works Company, Inc., publicly traded on the New York Stock Exchange under ticker symbol AWK, holds all of the common stock of American Water Capital Corp.

Legal Questionnaire: CPCFA staff has reviewed the Company's responses to the questions contained in the Legal Status Questionnaire (Attachment A) portion of the application. The Company disclosed two matters brought by the City of Marina (City) in July of 2017 and July of 2026. An adverse final resolution could result in project delays, additional costs, or modifications to the Project's financing plan. Additionally, the Company disclosed a matter brought by the Monterey Peninsula Water Management District (MPWMD) in December of 2023; a matter brought by MPWMD, the City and the Monterey County Water Department in June of 2026; and a further matter brought by the City in May 2020. The Company also disclosed: a proceeding related to a moratorium on new service connections; an application by the owner of the relevant outfall for water supply project brine discharge, which was deemed incomplete by the Coastal Commission; and an MPWMD condemnation action. No information was disclosed in the fraud, corruption, or serious harm section of the Legal Status Questionnaire.

Project Description: Bond proceeds will support construction by California - American Water Company, an affiliate of American Water Capital Corp., of the desalination plant, including source water receiving tanks, pretreatment, reverse osmosis, and post-treatment systems, chemical feed and storage facilities, brine storage and discharge facilities, and associated non-process facilities. Proceeds will also support construction of five approximately 1,000-foot-long subsurface slant wells extending offshore beneath Monterey Bay, as well as conveyance facilities, including pipelines, pump stations, and a terminal reservoir.

Equipment to be financed includes major treatment, pumping, electrical, control, chemical handling, storage, and auxiliary systems necessary to operate the desalination facilities including reverse osmosis, filtration, UV disinfection, pumps, motor control centers, switchgear, variable frequency drives, SCADA, instrumentation, storage tanks, and related support equipment.

California - American Water owns the site on Charles Benson Road where the desalination plant will be constructed, and has acquired easements at the Cemex mining site for the slant well intake system and pipelines. Additional pipeline and access easements have been secured or are in the process of being secured from property owners. As an investor-owned utility, California - American Water can exercise the right of eminent domain, if necessary.

Volume Cap Allocation: The Company anticipates requesting CPCFA to apply on its behalf to the California Debt Limit Allocation Committee for a volume cap allocation on November 10, 2026.

Financing Details: The Company anticipates the issuance of negotiated tax-exempt bonds or a combination of taxable and tax-exempt bonds, depending on the availability of volume cap at the time of issuance. The target date for financing is anticipated to be no later than the fourth quarter of 2027.

Financing Team:

Underwriter:	BofA Securities, Inc.
Bond Counsel:	Kutak Rock LLP
Company Counsel:	Morgan, Lewis & Bockius LPP
Issuer's Counsel:	Office of the Attorney General

Staff Recommendation: Staff recommends the approval of Initial Resolution No. 26-03 for American Water Capital Corp. and/or its affiliates for an amount not to exceed $450,000,000.

Pursuant to CPCFA Resolution 25-01-001, Resolution of the Capital Programs & Climate Financing Authority Delegating Certain Powers and Authorizing Certain Actions Related to Bond Financings, an Initial Resolution may be approved by the CPCFA Executive Director and then reported to the Authority Board at the next meeting.

Note: An initial resolution approval is not a commitment that the Authority's Board will approve a final resolution and bond financing for the proposed project.

Any information in this staff report related to the borrower or the project, including any data or analysis related to the borrower's financial condition or ability to repay the financing, is based on information provided by the borrower and was prepared solely for members of the Authority's Board to satisfy certain provisions of the Capital Programs and Climate Financing Authority Act (Division 27 (commencing with Section 44500) of the Health and Safety Code). This staff report does not constitute a recommendation by the Authority to purchase the bonds or notes. Potential investors are advised to read the entire preliminary official statement, preliminary limited offering memorandum, or other offering document, as applicable, with respect to the bonds or notes to obtain information essential to the making of an investment decision.

RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO FINANCE WATER FACILITY IMPROVEMENT PROJECTS FOR AMERICAN WATER CAPITAL CORP. AND/OR ITS AFFILIATES

November 9, 2026

WHEREAS, the Capital Programs & Climate Financing Authority ("Authority"), a public instrumentality of the State of California ("State") is authorized and empowered by the provisions of the Capital Programs and Climate Financing Authority Act (Division 27 (commencing with Section 44500) of the Health and Safety Code) ("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 submitted an application ("Application") requesting that the Authority assist in the financing or refinancing of water facility improvement projects in connection with the Monterey Peninsula Water Supply Project ("MPWSP") 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, including source water receiving tanks; pretreatment, reverse osmosis, and post-treatment systems; chemical feed and storage facilities; brine storage and discharge facilities; and associated non-process facilities; subsurface slant wells extending offshore beneath Monterey Bay as well as conveyance facilities, including pipelines, pump stations and a terminal reservoir; and related equipment including major pretreatment, pumping, electrical, control, chemical handling, storage, and auxiliary systems necessary to operate the desalination facilities, including reverse osmosis, filtration, UV disinfection, pumps, motor control centers, switchgear, variable frequency drives, supervisory control and data acquisition system, instrumentation, storage tanks, and related support equipment (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 projects that 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 constructed 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 bonds, in one or more series, on a taxable or tax-exempt basis, in an amount not expected to exceed $450,000,000 will be issued and that certain of the proceeds of such bonds will be used to reimburse the Company for its prior expenditures associated with 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 the proceeds of a subsequent borrowing;

NOW, THEREFORE, BE IT RESOLVED by the Capital Programs & Climate 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 that 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. California-American Water Company is an Affiliate of the Applicant.

Section 2. The Authority declares its official intent to issue, at one time or from time to time, an aggregate of up to $450,000,000 principal amount of bonds of the Authority, in one or more series and on a taxable or tax-exempt basis, 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 shall 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) to the extent required, an allocation shall have been received from the California Debt Limit Allocation Committee for any portion of the bonds which are to be sold as exempt from federal income tax.

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 approval and remain in full force and effect thereafter; provided that, subject to Section 6, this Resolution shall cease to be effective three years after the approval date unless prior to such date the Authority or its Executive Director 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 Facilities.

EXHIBIT A

NUMBER	Application No. 979
LOCATONS	Northern coastal Monterey County including: the desalination plant in unincorporated Monterey County on Charles Benson Road; the subsurface slant-well intake system on a coastal property in the City of Marina at the former CEMEX mining site; and conveyance pipelines and related facilities connecting the plant to existing California - American Water infrastructure serving the Monterey Peninsula
TYPE	Water Facility Improvement Projects (MPWSP)
AMOUNT	Up to $450,000,000