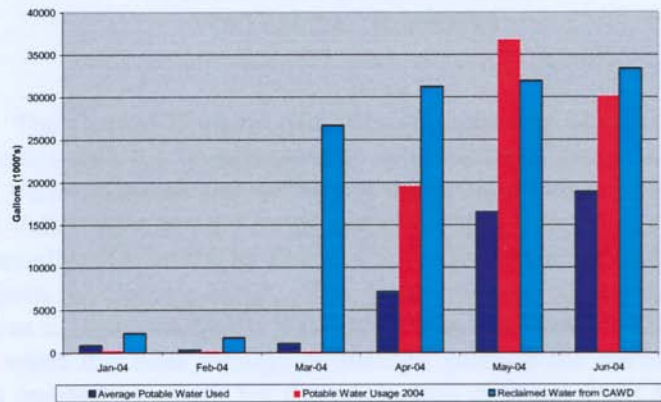


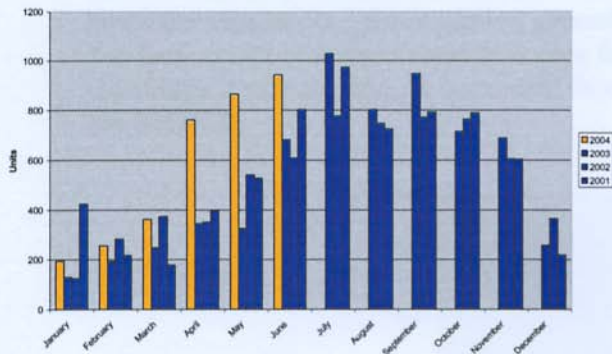
Potable water irrigation of golf courses exceeded the nine year average by over 200% in May 2004 water year even though it was supplemented by use of a million gallons per day reclaimed water from the Carmel Area Wastewater District.

Pebble Beach Golf Courses  
2004 Irrigation vs. Average

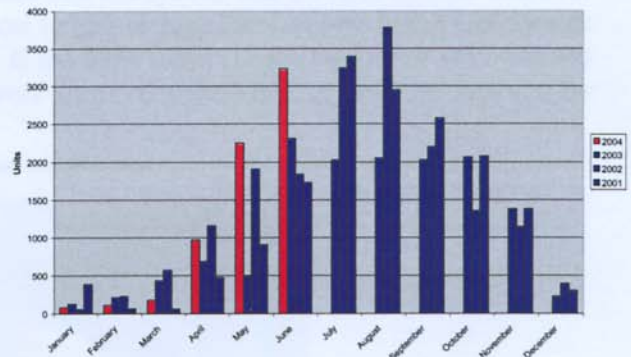


The trend identified on the golf courses matched high use patterns of other large irrigators and the largest residential users (those who use more than 30 units per month). The graphs below show that the public authorities and the highest residential users consumed water at higher rates.

Composite High Residential Users



Public Authority Irrigation



**PROPOSED SOLUTIONS:** California American began customer outreach with a recorded message on May 14, 2004 followed by two direct mailings to all addresses. The issue has been on the front page of the local papers several times and radio and TV spots have been purchased and are on the air. The excess water use has received extensive press coverage in addition to the paid messages to customers. California American staff is working with the District to implement a Stage 3 Water Conservation and Rationing Plan under district rules. California American is requesting temporary emergency water rates for the largest irrigators to try to stem the problem.

**STATUS:** California American production met the June target but the deficit of over 90 acre feet continues. California American has requested emergency rates from the California Public Utilities Commission. The matter will be heard by the CPUC in the first week of July following public meetings in Monterey.