APPENDIX A

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Application of California-American Water Company (U 210 W) for an Order Authorizing a Special Conservation Program and Modifications to Its Rate Design in Its Monterey District, and Authorization to Increase Its Rates for Water Service in Its Monterey District	A.07-12-010 (Filed December 14, 2007)

SETTLEMENT AGREEMENT AMONG THE DIVISION OF RATEPAYER ADVOCATES, MONTEREY PENINSULA WATER MANAGEMENT DISTRICT AND CALIFORNIA-AMERICAN WATER COMPANY ON WATER CONSERVATION AND RATIONING ISSUES FOR THE MONTEREY DISTRICT

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February 26, 2009

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I. GENERAL

A. Pursuant to Article 12 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), the Division of Ratepayer Advocates ("DRA"), the Monterey Peninsula Water Management District ("MPWMD") and California-American Water Company ("California American Water" or "CAW") (collectively, "the Parties") have agreed on the terms of this Settlement Agreement that they now submit for approval. This Settlement Agreement recommends adoption of a Conservation and Rationing Plan for the Monterey District.

B. Since this Settlement Agreement represents a compromise by them, the Parties have entered into each stipulation contained in the Settlement Agreement on the basis that its approval by the Commission not be construed as an admission or concession by any Party regarding any fact or matter of law in dispute in this proceeding. Furthermore, the Parties intend that the approval of this Settlement Agreement by the Commission not be construed as a precedent or statement of policy of any kind for or against any Party in any current or future proceeding. (Rule 12.5, Commission's Rules on Practice and Procedure.)

C. The Parties agree that no signatory to the Settlement Agreement assumes any personal liability as a result of their agreement. All rights and remedies of the Parties are limited to those available before the Commission. Furthermore, the Settlement Agreement is being presented as an integrated package such that parties are agreeing to the Settlement Agreement as a whole, as opposed to agreeing to specific elements of the Settlement Agreement. If the Commission adopts the Settlement Agreement with modifications, all Parties must consent to the modifications or the Settlement Agreement is void.

D. Parties agree to use their best efforts to obtain Commission approval of the Agreement. The Parties shall request that the Commission approve the Agreement without change and find the Agreement to be reasonable, consistent with the law, and in the public interest. The Parties shall take no action in opposition to this Settlement.

E. The Parties agree that if California American Water files an Application for Rehearing with the California Public Utilities Commission on Decision 09-02-006 or if California American Water and MPWMD fail to execute a nondisclosure agreement by March 23, 2009, DRA and MPWMD each have a right to rescind this Settlement Agreement.

F. The Parties acknowledge that execution of this Settlement Agreement by the MPWMD General Manager is required by law to be subject to ratification by the MPWMD Board of Directors.

G. This Settlement Agreement may be executed in counterparts, each of which shall be deemed an original, and the counterparts together shall constitute one and the same instrument.

II. BACKGROUND

A. The Parties entered into a settlement agreement entitled Settlement Agreement Among the Division of Ratepayer Advocates, Monterey Peninsula Water Management District and California-American Water Company on Conservation Issues For the Monterey District ("Stages 1-3 Settlement"), dated October 10, 2008. The settlement proposed the adoption of conservation Stages 1-3 of California American Water's Tariff Rule 14.1 *Water Conservation Plan for the Monterey District* that applies to the main system as well as the Bishop, Hidden Hills, and Ryan Ranch subsystems. The Commission adopted the Stages 1-3 Settlement in D.09-02-006.

B. California American Water and MPWMD entered into an agreement, memorialized in a document entitled CAW/MPWMD Settlement Agreement Addressing Conservation / Rationing Plan, dated August 11, 2008 and amended October 8, 2008. ("CAW/MPWMD Agreement"), which was ratified by the Board of Directors of the Monterey Peninsula Water Management District (the "MPWMD Board") during its August 18, 2008 Regular Meeting. In compliance with the CAW/MPWMD Settlement:

1. During its August 18, 2008 Regular Meeting, the MPWMD Board adopted the Revised Ordinance No. 134 – An Ordinance of the Board of Directors of the Monterey Peninsula Water Management District Amending Regulation XV, Expanded Water Conservation and Standby Rationing Plan ("Ordinance 134"), which amended Regulation XV.

2. During its September 22, 2008 Meeting, the MPWMD Board adopted Ordinance 135 – An Ordinance of the Board of Directors of the Monterey Peninsula Water Management District Amending the Definition of the Monterey Peninsula Water Resource System. Ordinance 135 amends the definition of the Monterey Peninsula Water Resource System ("MPWRS") in Regulation XV to include the Bishop, Hidden Hills, and Ryan Ranch subsystems.

3. During its December 8, 2008 Regular Meeting, the MPWMD Board adopted Ordinance No. 137 – An Ordinance of the Board of Directors of the Monterey Peninsula Water Management District Amending Regulation XV, Expanded Water Conservation and Standby Rationing Plan ("Ordinance 137"). Ordinance 137 amended Regulation XV to fulfill the terms of the CAW/MPWMD Agreement.

III. RULE 14.1: STAGES 1-7 WATER CONSERVATION AND RATIONING PLAN

A. Parties recommend that the current Tariff Rule 14.1 or any prior agreed to version of Tariff Rule 14.1 be replaced with the Tariff Rule 14.1 contained in Appendix A to implement a Water Conservation and Rationing Plan ("Rule 14.1") Stages 1-7 for the Monterey District. Changes to all stages of Rule 14.1 are consistent with MPWMD's Regulation XV as modified by Ordinance 137.

B. California American Water agrees to implement Rule 14.1 Water Conservation and Rationing Plan as set forth in Appendix A in accordance with MWPMD's Regulation XV as modified by Ordinance 137.

C. Rule 14.1 shall apply to all customers in the Monterey District except customers in Toro, Ambler Park, Ralph Lane and Chualar.

D. The Parties have modified Conservation Stages 1-3 of Rule 14.1 to make them consistent with Regulation XV as modified by Ordinance 137.

E. If MPWMD updates the Stage 2 and Stage 3 production triggers in Tables 1 and 2 of Rule 14.1, California American Water shall file an Advice Letter to update Rule 14.1 to include the new production triggers.

F. Rationing Stages 4-7:

The Parties agree that the following elements of Regulation XV are included in Rule 14.1 Rationing Stages 4-7. This list is not all-inclusive and to the extent there are any inconsistencies between this section (III.F.) of the Settlement Agreement and Rule 14.1, the terms of Rule 14.1 shall apply.

1. Rationing Triggers: Rule 14.1 includes triggers for rationing implementation.

    a. Physical shortage trigger implements rationing when total usable storage levels are insufficient.

    b. Regulatory trigger implements rationing in response to a final Cease and Desist Order by the State Water Resources Control Board, the Seaside Watermaster or other court order forcing production reductions.

    c. Emergency trigger implements rationing upon Resolution by MPWMD Board.

2. Ration Calculation: Rations shall be calculated by MPWMD for each customer category by dividing the reduced available production by the percentage of use for that category during the most recent unrationed water year. Each person shall receive the same water ration. Priority water rations shall be given to residential water needs to ensure health, safety and welfare.

3. Minimum Per Capita Ration: California American Water shall provide a minimum per person water ration of 35 gallons per day during rationing Stages 5-7.

4. Rationing Rates: California American Water shall implement Commission-approved rationing rate schedules during rationing Stages 5-7.

5. Water Waste Fees: Rule 14.1 imposes water waste fees on multifamily residential water waste in lieu of a flow restrictor ("in-lieu charge").

6. Flow Restrictors: California American Water shall install flow restrictors on customer meters for water waste, non-essential water use, and exceeding rations as set forth in Rule 14.1. Fees for removal of flow restrictors shall be consistent with Standard Practice U-40-W. California American Water shall include the flow restrictor removal charge or multi-family dwelling in-lieu charge for residential customers on the customer's bill as a separately identified item.

7. Variances: California American Water shall provide individual Customer variances from flow restrictor requirements and rationing requirements as recommended by MPWMD through its variance and appeal process as set forth in MPWMD Rule 169 Water Rationing Variance of Regulation XV. (Regulation XV consists of Rules 161 through 175).

G. California American Water agrees to comply with the customer notice requirements of Rule 14.1.

H. If it is determined that an exemption for weather-based irrigation controllers and individualized irrigation schedules is needed, MPWMD agrees to amend the Landscape Irrigation Restriction in Regulation XV, to establish the appropriate exemption. If such an amendment is made, California American Water shall file an advice letter to update Rule 14.1 to incorporate the exemption.

I. In the CAW/MPWMD Agreement, California American Water Company and MPWMD agreed that Rule 14.1 shall allow the implementation of water banking to be delayed until (a) California American Water completes the installation of its new computer system and completes the programming needed to calculate water banking credits; (b) MPWMD completes computer programming needed to calculate water banking credits, and California American Water is authorized by the Commission to supply data to the MPWMD to prepare for, test, and implement Regulation XV or (c) December 31, 2010, which ever event first occurs. The Parties agree California American Water shall file an advice letter to modify Rule 14.1 to make Water Banking available to customers by December 31, 2010. The Parties agree that the Water Banking requirements of Rule 14.1 shall be consistent with MPWMD Rule 168 – Water Banks.

J. The Parties agree that Tariff Rule 14.1 shall include as attachments the following Rules from MPWMD's Regulation XV, as modified by Ordinance 137: MPWMD Rule 165 - Stage 5 Water Rationing, MPWMD Rule 168 – Water Banks, MPWMD Rule 169 – Water Rationing Variance, and MPWMD Rule 172 – Landscape Water Audits.

K. The Parties agree that the requirements under Rule 14.1 and Regulation XV as amended by Ordinances 137 shall be consistent

L. Appendix A to this Settlement Agreement reflects the Rule 14.1 changes described in Section III. and other changes agreed to by the Parties.

M. The Rule 14.1 included in Appendix A shall become effective immediately upon a Commission decision adopting the proposed settlement.

IV. DATA SHARING

A. California American Water agrees to provide MPWMD with all customer data required by Regulation XV, as authorized by Commission Decision 09-02-006, and in accordance with the terms and conditions of a nondisclosure agreement.

V. SCHEDULES

Appendix A: *Rule 14.1 Water Conservation and Rationing Plan- Monterey District* which includes as attachments drafts of MPWMD Rule 165 - Stage 5 Water Rationing, MPWMD Rule 168 – Water Banks, MPWMD Rule 169 – Water Rationing Variance, and MPWMD Rule 172 – Landscape Water Audits. California American Water shall include the final version of these Rules as attachments to Tariff Rule 14.1 once the Settlement is adopted by the Commission.

Appendix B: Tariff Schedule MO-14.1 setting fees for flow restrictor removal and in-lieu charges for multi-family dwelling customers.

Respectfully submitted,

By: _____

Joseph P. Como
THE DIVISION OF RATEPAYER ADVOCATES

By: _____

David P. Stephenson
CALIFORNIA-AMERICAN WATER COMPANY

By: _____

Darby Fuerst
MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

February 26, 2009

(END OF APPENDIX A)

APPENDIX B
(Part 1)

RULE 14.1
WATER CONSERVATION AND RATIONING PLAN
MONTEREY DISTRICT

A. GENERAL INFORMATION

The Monterey District of California-American Water Company ("Company") has been ordered by the State Water Resources Control Board ("SWRCB") to limit its production of water from the Carmel River System to less than 14,106 acre feet annually, with a goal, in Water Year 2009 of no more than 11,285 acre feet annually. This limitation is the result of complaints filed against the Company for unlawful diversion from the Carmel River System. The SWRCB found the Company was diverting water without the benefit of permit. The SWRCB issued Order WR 95-10 which, in addition to setting the water-production limits, authorizes the Chief, Division of Water Rights, to refer any violation of the ordering conditions to the Attorney General for action under Section 1052 of the Water Code or to initiate other enforcement action as may be appropriate under the Water Code.

As of March 27, 2006, the Company's production from the Seaside Basin is also restricted pursuant to *California American Water v. City of Seaside, et. al*, Case No. M66343, California Superior Court, Monterey County (the "Seaside Basin Decision"). The Company has wells in both the Coastal Subareas and Laguna Seca Subarea of the Seaside Basin that are affected by the Seaside Basin Decision. Specifically, the Seaside Basin Decision limits the Company's production from the Seaside Basin to no more than 3,849 acre feet in Water Year 2009.

This conservation and rationing plan, filed in response to the adoption by the Monterey Peninsula Water Management District's ("MPWMD") Regulation XV, an Expanded Water Conservation and Standby Rationing Plan, is intended to help insure that all responsible measures are instituted to enable the Company's Monterey District to comply with the limitations on productions found in SWRCB Order WR 95-10 and the Seaside Basin Decision.

The Commission shall authorize Tariff Schedule MO-14.1, which sets forth charges for the removal of flow restrictors and in-lieu fees for multi-residential and mixed use on a master-meter Customers. The Company will continue to make water conservation devices available to its Customers as required by its Rule 21 and to remind Customers of the availability of conservation devices and all rebate programs.

B. DEFINITIONS

1. "AF" means acre feet;

2. "Allotment" means the amount of water determined reasonable for each Customer as defined in the Company's tariffs for billing purposes;

3. "Base Year" means the Water Year immediately preceding any triggering order;

4. "Bishop Water Distribution System" or "Bishop" shall mean the Company's subsystem as described in the purchase agreement between Bishop Water Company and the Company dated September 1, 1996;

5. "Carmel River System" means the surface water in the Carmel River and its tributaries, and groundwater in the underlying Alluvial Aquifer;

6. "Ccf" means one hundred cubic feet, which equals 748 gallons or one unit;

7. "Change of Use" means, in the case of commercial, industrial, or public authority structures, a change in the use to which the structure was previously devoted, to a substantially different use;

8. "Commission" means the California Public Utilities Commission;

9. "Company" means California American Water Company;

10. "Customer" means any Person who uses water supplied by the Company in its Monterey District;

11. "Customer Category" means the following groupings for all Customers within the MPWRS: single-family residential, multi-family residential, commercial, industrial, public authority, golf course, other, and non-revenue metered;

12. "Dedicated Irrigation Meter" means a water meter exclusively used to measure outdoor water consumption;

13. "Final Cease and Desist Order" means any final order by the SWRCB or Seaside Watermaster or any other final court order issued after December 10, 2008 that explicitly requires California-American Water Company, on a certain date, to reduce its production of water. For the purposes of this Rule, the effective date of any such order shall be the same date that the water production reduction limit is imposed;

14. "Flow Restrictor" means a device placed into the water distribution system by the Company that restricts the volume of flow to the Customer by 50%;

15. "Hidden Hills System" or "Hidden Hills" means the Company subsystem as described in the purchase agreement between Carmel Valley Mutual Water Company and the Company recorded July 8, 1994, Document # 49389, Reel 3125, Page 696;

16. "Laguna Seca Subsystems" means the Company subsystems in the Seaside Groundwater Basin as specified in the Seaside Basin Adjudication Decision. The Laguna Seca Subsystems include the Ryan Ranch, Hidden Hills and Bishop subsystems;

17. "Landscape Irrigation Auditor" means a Person certified by the Irrigation Association to perform Landscape Water Audits and assign Landscape Water Budgets;

18. "Landscape Water Audit" means an action taken by a Landscape Irrigation Auditor certified by the Irrigation Association to determine reasonable outdoor water use;

19. "Landscape Water Budget" means a maximum annual water allowance in gallons per year, determined upon completion of a Landscape Water Audit by a Landscape Irrigation Auditor certified by the Irrigation Association. The Landscape Water Budget shall take into consideration the types of plants, soil condition, Evapotranspiration rates and irrigation system;

20. "Large Residential Customer" means residential Customers that consume at least 384 units (287,232 gallons) in the last Water Year or an average of 32 units (23,936 gallons) per month or more;

21. "Main System" means the Company's largest distribution system in its Monterey District that serves Customers in the Cities of Carmel-by-the-Sea, Del Rey Oaks, Monterey, Sand City, Seaside, and Pacific Grove, and portions of unincorporated Monterey County in the Carmel Valley, Del Monte Forest, and Carmel Highlands areas. The Main System derives its source of supply from the Carmel River System and Coastal Subareas of the Seaside Basin;

22. "Mobile Water Distribution System" means any potable or subpotable water delivery that originates at a location apart from the site of use and that is delivered via a truck or other movable container. This definition shall not apply to deliveries of water by commercial companies in volumes less than or equal to 55 gallons per container;

23. "MPWMD" means the Monterey Peninsula Water Management District and its designated representatives acting on its behalf;

24. "MPWMD Board" means the Board of Directors of the Monterey Peninsula Water Management District;

25. "Monterey Peninsula Water Resource System" or "MPWRS" means the surface water in the Carmel River and its tributaries, groundwater in the Carmel Valley Alluvial Aquifer which underlies the Carmel River, and groundwater in the Seaside Groundwater Basin;

26. "Person" means any individual, person, firm, partnership, association;

27. "Plan" means this Water Conservation and Rationing Plan;

28. "Rationing Year" means a one year period beginning on the date water rationing is declared;

29. "Regulation XV" means MPWMD Regulation XV, The Expanded Water Conservation and Standby Rationing Plan as modified by Ordinance 137;

30. "Rule" means this Rule 14.1;

31. "Ryan Ranch Water Distribution System" or "Ryan Ranch" means the Company's subsystem as described in the purchase agreement between Neuville Co. N.V. (a Delaware Corporation) and the Company dated April 30, 1990;

32. "Seaside Basin" means the water in the Seaside Groundwater Basin as described in the Seaside Basin Decision;

33. "Seaside Basin Decision" means the *California American Water v. City of Seaside, et. al*, Case No. M66343, California Superior Court, Monterey County;

34. "Seaside Watermaster" means either (a) the court appointed Seaside Basin Watermaster Board pursuant to Section III-L of the Decision rendered for Monterey County Superior Court Case No. M66343 (California American Water vs. City of Seaside, et al.) dated March 22, 2006, as it may be amended from time to time; or (b) the Superior Court, when issuing any order in California American Water vs. City of Seaside, et al.;

35. "Survey" means the confidential survey described in Section I.1.j which is the basis for Customer Allotments;

36. "SWRCB" means the California State Water Resources Control Board;

37. "SWRCB Order" means Order WR 95-10 issued by the SWRCB;

38. "System Production Limit" means the Company's maximum annual production from the Carmel River System and the Seaside Basin as summarized in Table 1 of this Rule;

39. "Water" means water supplied by the Company;

40. "Water Banking" means a system that tracks the difference in the amount of water used and the amount of each Customer's Water Ration during a Rationing Year;

41. "Water Ration" means a specific amount of water available to each Customer during water rationing Stages 5 through 7. The Water Rations will be determined on a per-person basis for residential Customers and by percentage reductions by user category to the allotments of all non-residential Customers. Variances for verifiable medical needs are available. In no circumstance shall the residential Water Ration be lower than 35 gallons per person per day, in accordance with the California Urban Water Conservation Council's Urban Drought Guidebook 2008, at page 61;

42. "Water Year" means the period from October 1 of any year to September 30 of the following year;

43. "Water Year Allocation" means the annual regulatory production limit from the Carmel River System and Seaside Basin.

C. APPLICABILITY

This Rule applies to most water Customers of the Monterey District of the Company served under rate schedules authorized by the Commission. This Rule applies to Customers supplied by water from the Carmel River System and Seaside Basin (including the Ryan Ranch, Hidden Hills and Bishop systems). It does not apply to Customers in the Toro, Ambler Park, Ralph Lane and Chualar systems.

Stages 2, 3 and 4 will be triggered for the Company's Main System when the Company exceeds its permitted production levels for the combined MPWRS, which shall take into consideration the legal limitations imposed by the SWRCB and the Seaside Basin Decision; and will only be triggered for the Laguna Seca Subsystem when the subsystem exceeds production targets for the combined MPWRS, and the production allowed for the Laguna Seca Subsystem.

Stages 5 through 7 are enacted automatically by a regulatory trigger that includes any subsystem when that system relies in any way on production or production offsets from the Monterey Main System. These Stages are also enacted in response to physical storage limitations or as an emergency response when immediate reductions in water use are necessary to ensure public health, safety or welfare.

D. TERRITORY

The territory includes the incorporated Cities of Monterey, Pacific Grove, Carmel-by-the-Sea, Del Rey Oaks, Sand City, a portion of Seaside, and certain unincorporated areas in the County of Monterey, except for Toro, Ambler Park, Ralph Lane and Chualar.

E. LANDSCAPE IRRIGATION LIMITATIONS

Landscape irrigation restrictions apply to Company water Customers who derive their source of supply from the MPWRS. Unless watering is by drip irrigation or through a hand-held hose with a positive action shut-off nozzle the following schedule shall apply:

1. Odd numbered properties shall water after 5:00 PM or before 9:00 AM on Saturdays and Wednesdays only. This schedule shall also apply to properties located on the South or West side of the street in cities and unincorporated areas where no street address is available.

2. Even numbered properties shall water after 5:00 PM or before 9:00 AM on Sundays and Thursdays only. This schedule shall also apply to properties located on the North or East side of the street in cities and unincorporated areas where no street address is available.

3. Sprinkler irrigation overseen by a professional gardener or landscaper who is available on site may occur between 9 a.m. and 5 p.m., but shall not exceed two watering days per week.

F. WATER CONSERVATION INITIATION

This Plan shall commence immediately upon approval of the Commission. Trigger criteria for the various Stages are found in this Rule and Regulation XV.

G. COMMISSION NOTIFICATION

The Company will provide the Commission a courtesy notification of a change in Stages immediately upon their implementation. The

notification shall be in the form of a letter directed to the Director of the Commission's Water Division and copied to the Director of the Division of Ratepayer Advocates, and any other parties as directed by the Commission or the Director of the Water Division.

H. CUSTOMER NOTIFICATION

The Company shall notify Customers via direct mailing of the effective date of any change in Stages either moving up Stages, *e.g.* from Stage 2 to Stage 3, or moving down Stages, *e.g.* from Stage 3 to Stage 1. Customers will be notified no less than thirty (30) days before any increased Customer rates. In addition, the Company shall maintain communication with Customers regarding the ongoing water supply situation and related conservation requirements. Additional Customer notification requirements are included within the conservation and rationing stages.

I. WATER CONSERVATION

1. Company Responsibilities –

   a. Communicate conservation messages to Customers.

   b. Include conservation message on water bills.

   c. Cooperate with the MPWMD in conducting Landscape Water Audits and the establishment of Landscape Water Budgets for all Dedicated Irrigation Meters, large irrigated areas over three acres and Large Residential Customers.

   d. Participate in a joint rebate program with the MPWMD.

   e. Promote water conservation and undertake conservation programs in coordination with MPWMD.

   f. Cooperate with the MPWMD to establish and maintain a water conservation website that responds to local concerns.

   g. Provide conservation bill inserts.

   h. File and maintain an Urban Water Management Plan with its Best Management Practices.

   i. Provide residential and non-residential water audits upon request.

   j. Maintain a confidential Survey of all Customers who derive their source of supply from the MPWRS. This Survey shall

require information to determine the number of permanent residents in each dwelling unit and the lot size for each residential site with permitted water service; the types of uses and amount of water use on nonresidential sites; and the number of uses and types of use(s) served by each water meter. Only information deemed appropriate for the effective operation of this program will be requested. The Company shall provide MPWMD with access to the survey data and shall provide a summary of the data annually or more frequently as required by the MPWMD General Manager.

k. Make water-saving conservation devices available to all Customers and provide notices of availability.

l. Provide MPWMD with all customer data required by Regulation XV, as authorized by Commission Decision 09-02-006 and in accordance with the terms and conditions of a nondisclosure agreement.

m. Shall not provide portable water meters to any Person unless an MPWMD permit has been issued.

2. Customers' Responsibilities

a. All Customers shall comply with Rule 14.1 and MPWMD Regulation XIV (Water Conservation), MPWMD Regulation XV (Expanded Water Conservation and Standby Rationing Plan) and MPWMD Water Waste and Non-Essential Water Use regulations.

b. All Customers shall prioritize the conservation of water at all times.

c. Residential Customers are responsible for accurately reporting the number of permanent residents and other information requested on the Customer Survey and to submit a revised Survey form whenever there is a change in the number or permanent residents or other information on the Survey.

d. Nonresidential Customers are responsible for notifying the Company whenever there is a Change of Use.

3. Non-Essential Water Use shall mean the indiscriminate or excessive dissipation of water which is unproductive, or does not reasonably sustain life or economic benefit. Non-Essential water use includes, but is not limited to, the following:

a. Serving drinking water to any Person unless expressly requested, by a restaurant, hotel, café, cafeteria and other public place where food is sold, served or offered for sale.

b. Operation of fountains, ponds, lakes or other ornamental use of potable water without recycling.

c. Using unmetered fire hydrant water by individuals for any reason other than fire suppression or utility system maintenance purposes.

d. Draining and refilling swimming pools or spas except to prevent or correct structural damage or to comply with public health regulations.

e. Unreasonable or excessive use of potable water for dust control or earth compaction without prior written approval of MPWMD.

4. Water Waste shall mean the indiscriminate, unreasonable, or excessive running or dissipation of water. Water waste shall include, but not be limited to, the following:

a. Waste caused by correctable leaks, breaks or malfunctions. This loss of potable water may be cited for water waste after a reasonable period of time has passed in which the leak or malfunction could have been corrected. Exceptions may be granted by MPWMD for corrections which are not feasible or practical, see Section T "Variances".

b. Use of potable water for washing buildings, structures, driveways, patios, parking lots, tennis courts, or other hard surfaced areas, except in the cases where health and safety are at risk.

c. Indiscriminate or excessive water use which allows excess to run to waste.

d. Use of potable water to irrigate turf, lawns, gardens or ornamental landscaping between 9:00 AM and 5:00 PM by means other than drip irrigation, or hand watering without quick acting positive action shut-off nozzles. Exceptions may be granted by MPWMD to professional gardeners where the only option is to water between 9:00 AM and 5:00 PM.

e. Individual private washing of cars with a hose except with the use of a positive action shut-off nozzle. Use of water for washing commercial aircraft, cars, buses, boats, trailers or

other commercial vehicles at any time, except at commercial or fleet vehicle or boat washing facilities operated at a fixed location where equipment using water is properly maintained to avoid wasteful use.

f. Operation of commercial car washes without recycling at least 50% of the potable water used per cycle.

g. Use of potable water for more than minimal landscaping, as defined in the landscaping regulations of the jurisdiction or as described in Article 10.8 of the California Government Code.

h. Use of potable water for street cleaning.

i. Misrepresentation of the number of persons permanently residing on a property where water is supplied by the Company.

j. Failure to maintain water use within a mandatory Landscape Water Budget during Stages 2, 3, and 4.

k. Customer's water use in excess of a Water Ration.

l. Transportation of water from the MPWRS without prior written authorization from the MPWMD shall be deemed water waste. Emergency or health situations may qualify for an MPWMD variance in accordance with its rules.

J. STAGE 1 - WATER CONSERVATION

Stage 1 Water Conservation is the first stage of water conservation measures as defined in this Rule and Regulation XV.

1. The Company shall maintain its Water Year production from the Carmel River System below 11,285 AF and shall comply with the production limits imposed by the Seaside Watermaster.

2. Each Customer in the Company's Monterey District whose water supply is derived from the MPWRS shall comply with the water waste and nonessential water use prohibitions as stated in this Rule.

3. The Company, in coordination with the MPWMD, shall conduct Landscape Water Audits and establish Landscape Water Budgets for all Customers with a Dedicated Irrigation Meter, an irrigated area of greater than three acres, or Large Residential Customers. The Landscape Water Audits shall comply with MPWMD Rule 172. By November 1st of each year, the Company shall review its consumption records for the previous Water Year to identify all

Customers required to have a Landscape Water Budget. Customers that are required to obtain a Landscape Water Audit and Landscape Water Budget shall be notified by the Company of this requirement by December 1. The Company shall notify MPWMD of Customers who have not arranged for completion of a Landscape Water Audit and Landscape Water Budget within sixty (60) days of notification.

K. STAGE 2 - WATER CONSERVATION

Stage 2 is the second stage of water conservation as defined in this Rule and Regulation XV. In addition, the following shall apply in Stage 2 Water Conservation.

1. Stage 2 triggers the implementation of Landscape Water Budgets for all Customers with irrigated areas of greater than three acres, Large Residential Customers, or Customers with Dedicated Irrigation Meters. All Customers required to have a Landscape Water Budget are required to manage outdoor irrigation within the Landscape Water Budget assigned to the property. Water use in excess of an established Landscape Water Budget is considered water waste.

2. The Company shall notify Customers via direct mailing that Stage 2 Water Conservation will be implemented with a specified effective date. Customers subject to Stage 2 will be notified that: 1) they are required to comply with the Landscape Water Budget; 2) they are required to manage outdoor irrigation within the Landscape Water Budget assigned to their property; 3) water use in excess of the established Landscape Water Budget shall be considered water waste; 4) Customers with use above the Landscape Water Budget are subject to Flow Restrictor installation.

3. The Company shall provide an annual reminder notice to Customers served from sources within the MPWRS with Landscape Water Budgets to report modifications in landscaping which could alter an existing Landscape Water Budget.

4. The Company shall provide monthly compliance status notices to each Customer required to follow a mandatory Landscape Water Budget.

5. Stage 2 shall be enforced on Company Customers supplied by water from Carmel River System and Seaside Basin, excluding the Laguna Seca Subsystem, when the Company's production from the MPWRS has exceeded the year-to-date at month-end production as shown in Table 1.

6. Stage 2 shall be enforced on the Laguna Seca Subsystem, including Bishop, Hidden Hills, and Ryan Ranch, when the Company's production from the MPWRS has exceeded the year-to-date at month-end production as shown in Table 1 and the Company's production from the Laguna Seca Subarea of the MPWRS has exceeded the year-to-date at month-end production as shown in Table 2.

Table 1
Stage 2 and Stage 3 Production Triggers
MPWRS

Month	2008 Monthly Production (Includes Carmel, Seaside & Laguna Seca Subsystem) AF	2008 Year-to-Date Production at Month End AF
October	1,377	1,377
November	1,081	2,458
December	993	3,451
January	961	4,412
February	878	5,290
March	1,012	6,302
April	1,124	7,427
May	1,424	8,850
June	1,522	10,372
July	1,640	12,012
August	1,633	13,645
September	1,489	15,134
TOTAL	15,134	

Table 2
Stage 2 and Stage 3 Production Triggers
Laguna Seca Subsystem

Month	2008 Monthly Production Laguna Seca Subsystem AF	2008 Year-to-Date Production at Month End AF
October	34	34
November	23	57
December	19	76
January	16	92
February	14	106
March	19	125
April	24	149
May	33	182
June	38	220
July	43	263
August	42	306
September	40	345
TOTAL	345	

7. Stage 2 shall be sunset and water use restrictions shall revert to Stage 1 upon the Company's compliance with the year-to-date at month-end production targets noted for the MPWRS for two consecutive months in the subsequent Water Year.

8. The Company shall notify MPWMD monthly of Customers subject to a Landscape Water Budget that have exceeded their Landscape Water Budget in the previous month.

9. For Customers required to maintain water use within a Landscape Water Budget, the Company shall compile a quarterly report for MPWMD showing individual Customer information and comparing actual consumption against the Landscape Water Budget that shall be due April 15, July 15, October 15, and January 15 for the previous 3 months.

END OF APPENDIX B
(Part 1)

APPENDIX B
(Part 2)

L. STAGE 3 - WATER CONSERVATION

Stage 3 is the third stage of water conservation as defined in this Rule and Regulation XV. The requirements of Stage 1 and 2 shall remain in effect in Stage 3 Water Conservation. In addition, the following shall apply in Stage 3 Water Conservation:

1. Stage 3 shall be enforced on the Company's Main System Customers supplied by water from the Carmel River System and Seaside Basin, excluding Customers in the Laguna Seca Subsystems when the Company's production from the MPWRS exceeds specified levels in Table 1 under any of the following criteria:

   a. if Company production from the MPWRS on a year-to-date basis exceeds the year-to-date target by 5% or more at the end of the first quarter of the Water Year, i.e., December 31; or

   b. if Company production from the MPWRS on a year-to-date basis exceeds the year-to-date target by 4% or more at the end of January, or the year-to-date target by 2.5% or more at the end of February, or the year-to-date target by 1% or more at the end of March; or

   c. if Company production from the MPWRS on a year-to-date basis exceeds the year-to-date targets for a consecutive seven-day period during the months of April, May or June; or

   d. if Company production from the MPWRS on a year-to-date basis exceeds the year-to-date target on any single day during July, August, or September.

   e. if implemented upon resolution of the MPWMD Board when an immediate water use reduction is needed.

2. Stage 3 shall be enforced on the Company's Laguna Seca Subsystems, when the Company's production from the MPWRS exceeds specified levels in Table 1 under any of the criteria described above in Section L.1. of this Rule and also the production in the Laguna Seca Subsystems exceeds the specified levels in Table 2 under any of the following criteria:

   a. if Company production from the MPWRS for the Bishop, Hidden Hills and Ryan Ranch Subsystems exceeds on a year-to-date basis exceeds the year-to-date target by 5% or more at the end of the first quarter of the Water Year, i.e., December 31; or

   b. if Company production from the MPWRS for the Bishop, Hidden Hills and Ryan Ranch Subsystems exceeds on a year-to-date basis the year-to-

date target by 4% or more at the end of January, or the year-to-date target by 2.5% or more at the end of February, or the year-to-date target by 1% or more at the end of March; or

c. if Company production from the MPWRS for the Bishop, Hidden Hills and Ryan Ranch Subsystems exceeds on a year-to-date basis the year-to-date targets for a consecutive seven-day period during the months of April, May or June; or

d. if Company production from the MPWRS for the Bishop, Hidden Hills and Ryan Ranch Subsystems exceeds on a year-to-date basis the year-to-date target on any single day during July, August, or September.

e. if implemented upon resolution of the MPWMD Board when an immediate water use reduction is needed.

3. The Company shall implement all Commission-approved emergency rate schedules to respond to Stage 3.

4. The Company shall notify Customers via direct first class mailing thirty (30) days before Stage 3 may take effect. Customers will be notified that: 1) the provisions of Stage 1 and 2 are still in effect; 2) that emergency rates will go into effect, and what those rates will be.

5. The Company shall provide notice of mandatory water conservation with each bill.

6. Stage 3 shall be rescinded and revert to Stage 1 upon the Company's compliance with the year-to-date at month-end production targets for the MPWRS for two consecutive months of the subsequent Water Year.

M. STAGES 4 THROUGH 7, WATER CONSERVATION – RATIONING

1. The Company shall assist the MPWMD in implementing all rationing measures and public announcements in support of implementation of Stages 4 through 7, including variances (Section T), and installation of Flow Restrictors (Section R), and Water Banking (when Water Banking is available).

2. Notice Requirements for Stages 4-7:

a. The Company shall provide written notice of mandatory water rationing to every Customer that is served by sources in the MPWRS via first-class mail at least thirty (30) days before the first day of rationing use restrictions are imposed except for

Stage 4, Non-Compliance with Regulatory Limits through Stage 3 or before upward changes in rationing stages,

b. At all times during Stages 5 through 7, the Company shall send monthly reminders of water rationing in the water bill along with information showing the Customer's Water Ration and the quantity of the Water Ration consumed by the Customer, and the quantity of water available in the Customer's Water Bank (when Water Banking is available).

c. The Company shall update Survey information upon request of the Customer during rationing.

3. Rationing Stages shall be implemented according to MPWMD Regulation XV.

4. Ration Calculation:

a. Water Rations shall be determined by Customer Category. Water Rations will be established in accordance with MPWMD Rule 165. Each Customer within the MPWRS shall be classified in one of the following Customer Categories for the purposes of establishing rations: single-family residential, multi-family residential, commercial, industrial, public authority, golf course, other, non-revenue metered, and reclaimed water.

b. Water Rations for each Customer shall be determined by the MPWMD General Manager by dividing the reduced available production by the percentage of use for each Customer Category. However, priority Water Rations shall be given to residential water needs to ensure health, safety, and welfare. Residential Water Rations shall under no circumstances be less than 35 gallons per person per day. The percentage of use for each Customer Category shall be determined by data from the most recent Water Year when rationing was not in place.

c. Single-family residential: Each person recorded by the Survey in the single-family residential Customer Category will have an equal portion of the water available to the single-family residential Customer Category.

d. Multi-family residential: Each person recorded by the Survey in the multi-family residential Customer Category will have an equal portion of the water available, with the following exception: each dwelling unit with access to a separately-metered common laundry facility shall have a reduction in the

ration that is equal for all dwelling units with access to a separately-metered common laundry facility.

e. Each single-family residential and multi-family residential person recorded by the Survey will have an equal Water Ration, before the common laundry facility adjustment for multi-family Customers.

N. STAGE 4 - WATER CONSERVATION – RATIONING

1. Stage 4 is the fourth stage as defined in this Rule and Regulation XV. In the event that the Company is not currently at Stage 3, the Company shall implement Stage 3 measures including emergency rates upon the declaration of Stage 4.

2. Stage 4 Triggers:

a. Physical Shortage Trigger: Stage 4 shall take effect on June 1 or earlier as determined by the MPWMD's Board for any system that relies, in whole or in part, on production or production offsets from the Carmel River System or the Seaside Coastal Subareas following the MPWMD May Board meeting if total usable storage in the Carmel River System and the Seaside Coastal Subareas on May 1 is less than 27,807 AF and greater than 21,802 AF.

b. Emergency Trigger: Stage 4 shall be implemented upon adoption of a Resolution of the MPWMD Board that finds there is an immediate need to reduce production by fifteen percent (15%).

c. Regulatory Trigger, Non-compliance with Regulatory Limits through Stage 3: Stage 4 shall be enforced on any system that is presently at Stage 3 when Stage 3 has been in effect for at least thirty (30) days and when the Company's year-to-date production from the MPWRS shown in Table 1 exceeds one of the following standards:

(i) The year-to-date target at month end during the months of October through March; or
(ii) The year-to-date targets for a consecutive seven (7) day period during the months of April, May or June; or
(iii) The Company's production from the MPWRS shown in Table 1 on a year-to-date basis exceeds the year-to-date target on any single (1) day during July, August, or September.

d. Regulatory Trigger – Legally Ordered Reduction in Supply:

Stage 4 shall not be enforced on Bishop, Hidden Hills, or Ryan Ranch if there is no reliance on production or production offsets from the Main System, unless there is a Final Cease and Desist Order that reduces available supplies by fifteen percent (15%) from Base Year production.

e. Delay of Stage Implementation: In accordance with Regulation XV, the MPWMD General Manager may delay implementation of Stage 4 for up to ninety (90) days to ensure adequate operation of the program.

3. Additional Notice Requirements: Immediately upon implementation of Stage 4 the Company shall provide the following Customer notices:

a. The Company shall notify Large Residential Customers, Dedicated Irrigation Meter Customers, irrigation Customers of three or more acres, and Customers who use an average of 12 units or more a month during the most recent 12 months, of the immediate need for them to reduce outdoor water use and irrigation to the greatest extent possible to avoid water rationing.

b. When Stage 4 is implemented for reasons related to water supply availability, the Company shall provide notice to all Customers that water rationing is imminent. The Company shall also provide its Customers with a Survey form to indicate any change in the number of residents or type of non-residential use and indicate that the Survey should be returned to the Company within 30 days.

4. Sunset of Stage 4:

a. Physical shortage limitations: Stage 4 shall continue until rescinded by Resolution of the MPWMD Board finding that total usable storage in the Carmel River System and the Seaside Coastal Subarea is greater than 27,807 AF. If storage is greater than 27,807 AF and the Company is in compliance with the monthly year-to-date goals specified in Table 1, Customers shall revert to Stage 1 unless otherwise specified in a resolution by the MPWMD Board. If the Company's year-to-date production exceeds the year-to-date goal specified in Table 1, the Company's Customers shall revert to either Stage 2 or Stage 3. If the year-to-date production in the Company's subsystems exceeds the year-to-date target specified in Table 2,

Bishop, Hidden Hills, and Ryan Ranch Customers will revert to Stage 2 or 3. Customers in Bishop, Hidden Hills and Ryan Ranch shall not be in a higher stage than Main System Customers, unless specified in a resolution by the MPWMD Board.

b. Regulatory Non-Compliance at Stage 3: If Stage 4 was implemented based on non-compliance with regulatory limits through Stage 3, Stage 4 shall be rescinded by the MPWMD General Manager and Customers shall revert to the applicable lower Stage of water conservation upon compliance with the applicable year-to-date at month-end production goal for two (2) consecutive months in the subsequent Water Year.

c. Emergency: Upon correction of a water supply limitation caused by an emergency, Stage 4 shall sunset without action by the MPWMD Board and revert back to the pre-emergency Stage.

O. STAGE 5 - WATER RATIONING

1. Stage 5 is the fifth stage as defined in this Rule and Regulation XV.

2. Stage 5 Triggers:

a. Physical Shortage Trigger: Stage 5 shall apply to all Customers who rely in whole or in part on production or production offsets from the Carmel River System or the Seaside Coastal Subareas, on June 1, or earlier as determined by the MPWMD Board following the May Board meeting, if total usable storage in the Carmel River System and the Seaside Coastal Subareas on May 1 is less than 21,802 AF and greater than 15,615 AF.

b. Regulatory Trigger – Legally Ordered Reduction in Supply:

(i) Stage 5 shall be enforced when any Company system is required to comply with a Final Cease and Desist Order that reduces available supplies by more than fifteen percent (15%) but less than thirty-five percent (35%) from pre-1995 production (16,806 AFA) in the Main System. This shall apply to any Company system that relies, in whole or in part, on production or production offsets from the Main System, or

(ii) Stage 5 shall be enforced when any Company system is required to comply with a Final Cease and Desist Order that reduces available supplies by more than fifteen percent (15%) but less than thirty-five percent (35%) from Base Year production for any Company

system that does not rely to any extent upon on production or production offsets from the Main System.

c. Emergency Trigger: Stage 5 shall be implemented upon adoption of a resolution of the MPWMD Board finding there is an immediate need to reduce production by at least sixteen (16%) but not more than thirty-four percent (34%).

d. Delay of Stage Implementation: In accordance with Regulation XV, the MPWMD General Manager may delay implementation of Stage 5 for up to ninety (90) days to ensure adequate operation of the program.

3. Sunset of Stage 5:

a. Physical shortage limitations: Stage 5 shall continue until rescinded by resolution of the MPWMD Board at its May Board meeting upon a finding that total usable storage in the Carmel River System and Seaside Coastal Subareas is greater than 21,802 AF or as early as its January Board meeting if total usable storage in the Carmel River System and Seaside Coastal Subareas is equal to or greater than 27,807 AF on January 1. If storage is greater than 27,807 AF and the Company is in compliance with the monthly year-to-date goals specified in Table 1, Customers shall revert to Stage 1 unless otherwise specified in a resolution by the MPWMD Board.

b. Regulatory Rationing: If Stage 5 rationing is imposed upon any Company system to comply with a Final Cease and Desist Order, Stage 5 shall continue until a resolution of the MPWMD Board is adopted that finds the triggering order has been lifted or no longer applies to that system.

c. Emergency: Upon correction of a water supply limitation caused by an emergency trigger, Stage 5 shall sunset without action by the MPWMD Board and revert back to the pre-emergency Stage.

d. A resolution of the MPWMD Board causing the sunset of Stage 5 may also activate any lower Stage as may be warranted for good cause by circumstances affecting a particular Company system.

e. The Company shall notify Customers via first class mail of the Sunset of Stage 5.

4. Requirements imposed by Stage 1 shall remain in force during Stage 5.

5. Rates: The Company shall implement Commission approved rationing rate schedule.

P. STAGE 6 - WATER RATIONING

1. Stage 6 is the sixth stage as defined in this Rule and Regulation XV.

2. Stage 6 Triggers:

   a. Physical Shortage Trigger: Stage 6 shall apply to all Customers who rely in whole or in part on production or production offsets from the Carmel River System or the Seaside Coastal Subareas, on June 1, or earlier as determined by the MPWMD Board following the May Board meeting, if total usable storage in the Carmel River System and the Seaside Coastal Subareas on May 1 is less than 15,615 AF and greater than 9,610 AF.

   b. Regulatory Trigger - Legally Ordered Reduction in Supply:

      i. Stage 6 shall be enforced when any Company system is required to comply with a Final Cease and Desist Order that reduces available supplies by thirty-five percent (35%) but less than fifty percent (50%) from pre-1995 production (16,806 AFA) in the Main System. This shall apply to any Company system that relies, in whole or in part, on production or production offsets from the Main System, or

      ii. Stage 6 shall be enforced when any Company system is required to comply with a Final Cease and Desist Order that reduces available supplies by thirty-five percent (35%) but less than fifty percent (50%) from Base Year production for any Company system that does not rely to any extent upon production or production offsets from the Main System.

   c. Emergency Trigger: Stage 6 shall be implemented upon adoption of a resolution of the MPWMD Board finding there is an immediate need to reduce production by at least thirty-five percent (35%) but less than fifty percent (50%).

   d. Delay of Stage Implementation: In accordance with Regulation XV, the MPWMD General Manager may delay implementation of Stage 6 for up to ninety (90) days to ensure adequate operation of the program.

3. Sunset of Stage 6:

a. Physical shortage limitations: Stage 6 shall continue until rescinded by resolution of the MPWMD Board at its May Board meeting upon finding that total usable storage in the Carmel River System and Seaside Coastal Subareas is greater than 15,615 AF or as early as its January Board meeting if total usable storage in the Carmel River System and Seaside Coastal Subareas is equal to or greater than 27,807 AF on January 1. If storage is greater than 27,807 AF and the Company is in compliance with the monthly year-to-date goals specified in Table 1, Customers shall revert to Stage 1 unless otherwise specified in a resolution by the MPWMD Board.

b. Regulatory Rationing: If Stage 6 rationing is imposed upon any Company system to comply with a Final Cease and Desist Order, Stage 6 shall continue until a resolution of the MPWMD Board is adopted that finds the triggering order has been lifted or no longer applies to that system.

c. Emergency: Upon correction of a water supply limitation caused by an emergency trigger, Stage 6 shall sunset without action by the MPWMD Board and revert back to the pre-emergency Stage.

d. A resolution by the MPWMD Board causing the sunset of Stage 6 may also activate any lower Stage as may be warranted for good cause by circumstances affective a particular Company system.

e. The Company shall notify Customers via first class mail of the Sunset of Stage 6.

4. Requirements imposed by Stage 1 and Stage 5 shall remain in force during Stage 6.

5. All Customers shall cease operation and maintenance of all ornamental water uses (fountains, ponds, etc.).

6. Customers shall not use water from the MPWRS for dust control purposes except by prior approval of the MPWMD General Manager.

7. Rates: The Company shall continue to implement Commission approved rationing rate schedule.

Q. STAGE 7 - WATER CONSERVATION- RATIONING

1. Stage 7 is the seventh stage as defined in this Rule and Regulation XV.

2. Stage 7 Triggers:

   a. Physical Shortage Trigger: Stage 7 shall apply to all Customers who rely in whole or in part on production or production offsets from the Carmel River System or the Seaside Coastal Subareas, on June 1, or earlier as determined by the MPWMD Board following the May Board meeting, if total usable storage in the Carmel River System and the Seaside Coastal Subareas on May 1 is less than 9,610 AF.

   b. Regulatory Trigger - Legally Ordered Reduction in Supply:

      (i) Stage 7 shall be enforced when any Company system is required to comply with a Final Cease and Desist Order that reduces available supplies by fifty percent (50%) or more from pre-1995 production (16,806 AFA) in the Main System. This shall apply to any Company system that relies, in whole or in part, on production or production offsets from the Main System, or

      (ii) Stage 7 shall be enforced when any Company system is required to comply with a Final Cease and Desist Order that reduces available supplies by fifty percent (50%) or more from Base Year production for any Company system that does not rely to any extent upon on production or production offsets from the Main System.

   c. Emergency Trigger: Stage 7 shall be implemented upon adoption of a resolution of the MPWMD Board finding there is an immediate need to reduce production by fifty percent (50%) or more.

   d. Delay of Stage Implementation: In accordance with Regulation XV, the MPWMD General Manager may delay implementation of Stage 7 for up to ninety (90) days to ensure adequate operation of the program.

3. Sunset of Stage 7:

   a. Physical shortage limitations: Stage 7 shall continue until rescinded by resolution of the MPWMD Board at its May Board meeting upon finding that usable storage in the Carmel River System and Seaside Coastal Subareas is greater than 9,610 AF or as early as its January Board meeting if total usable storage in the Carmel River System and Seaside Coastal

Subareas is equal to or greater than 27,807 AF on January 1. If storage is greater than 27,807 AF and the Company is in compliance with the monthly year-to-date goals specified in Table 1, Customers shall revert to Stage 1 unless otherwise specified in a resolution by the MPWMD Board. Upon correction of a water supply limitation caused by an emergency trigger, Stage 7 shall be rescinded by resolution of the MPWMD Board.

b. Regulatory Rationing: If Stage 7 rationing is imposed upon any Company system to comply with a Final Cease and Desist Order, it shall continue until a resolution of the MPWMD Board is adopted that finds the triggering order has been lifted or no longer applies to that system.

c. Emergency: Upon correction of a water supply limitation caused by an emergency trigger, Stage 7 shall sunset without action by the MPWMD Board and revert back to the pre-emergency Stage.

d. A resolution of the MPWMD Board causing the sunset of Stage 7 may also activate any lower Stage as may be warranted for good cause by circumstances affecting a particular Company system.

e. The Company shall notify Customers via first class mail of the Sunset of Stage 7.

4. Customers utilizing portable water meters or hydrant meters or using hydrants to fill water tanks without the use of a meter, shall be required to cease use of the water. Each Customer reporting as "Other" by the Company and any Customer known to estimate water from a hydrant shall be notified by the Company of this requirement. Portable water meters shall be returned to the Company at least thirty (30) days before the implementation of Stage 7.

5. Requirements imposed by Stage 1, Stage 5 and Stage 6 shall remain in force during Stage 7

6. Rates: The Company shall continue to implement Commission approved rationing rate schedule.

R. INSTALLATION AND REMOVAL OF FLOW RESTRICTORS

1. Installation: The Company is authorized to install Flow Restrictors on Customer meters for repeated water waste or non-essential water use as set forth below.

   a. Customers who have three or more notices of water waste or non-essential water use violations from the Company or the MPWMD within a twelve month period.

   b. Customers who have three or more notices of water use beyond their Water Ration in one Ration Year.

   c. Each Customer will be granted a one-time waiver if they exceed their monthly Water Ration and do not exceed it during any future billing cycle under Stage 5 through 7.

   d. Flow Restrictors shall not limit flow to less than 35 gallons per person per day.

   e. Customers in mixed use on a master-meter or multi-family dwelling units (two or more dwellings per meter) are exempt from the installation of flow restrictors.

2. Flow Restrictor Removal: The Company is authorized to remove Flow Restrictors installed due to rationing violations when conditions are reduced to Stage 3. Flow Restrictors installed for non-essential water use or water waste shall be removed if the Company is notified by the MPWMD in writing to remove the restrictor.

   a. Flow Restrictor installation and removal will be performed only during normal business hours.

   b. The Company is authorized to include the amount of the removal charge, or multi-family dwelling unit charges as part of the bill amount due for the next Customer bill.

   c. Failure to pay the entire bill, including the removal charges or multi-family dwelling unit charges, will be used by the Company to proceed with its authorized procedures for late fees and service disconnect.

   d. Flow Restrictors installed due to rationing violations shall remain in place until conditions are reduced to Stage 3. Flow Restrictors installed due to water waste or non-essential water use violations shall remain in place until conditions are reduced to Stage 1.

e. A schedule of removal and multi-tenant charges is described in Tariff Schedule MO-14.1.

S. ACCOUNTS FOR FLOW RESTRICTOR GENERATED REVENUES AND COSTS

The Company shall book revenues received from removal of flow restrictors and multi-family dwelling unit charges as noted in Section R above in an interest bearing balancing account and shall amortize this amount each year as a refund to Customers.

T. VARIANCES

1. The Company is authorized to provide individual Customer variances from Flow Restrictor requirements and rationing requirements as recommended by the MPWMD through its variance and appeal process as described in Rule 169 of MPWMD Regulation XV.

2. The purpose of rationing variances is to provide some flexibility for specific and limited water needs in excess of a Water Ration as provided in Regulation XV.

U. CUSTOMER COMPLAINTS

Any Customer not satisfied with the Company's responses to their inquiries concerning this Rule may file a complaint with the Commission by addressing a letter to the Consumer Affairs Branch, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, California 94101-3298. The Customer and the Company will be notified of the disposition of such complaint by letter from the Commission.

If the Customer disagrees with such disposition, the Customer shall have the right to file a formal complaint with the Commission. Except as set forth in this Section, no Person shall have any right or claim in law or in equity against the Company or any of its officers, employees or agents because of, or as a result of, any matter or thing done or threatened to be done pursuant to the provisions of this Rule.

V. PUBLICITY

The Company shall provide Customers with periodic updates regarding the water supply situation and results of the Customer conservation efforts. Updates may be provided by bill insert, special mailing, poster, flyer, newspaper, television or radio spot/advertisement, community bulletin board, or other appropriate method(s).

END OF APPENDIX B
(Part 2)