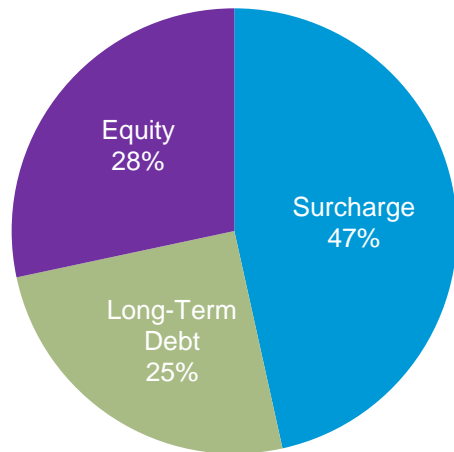
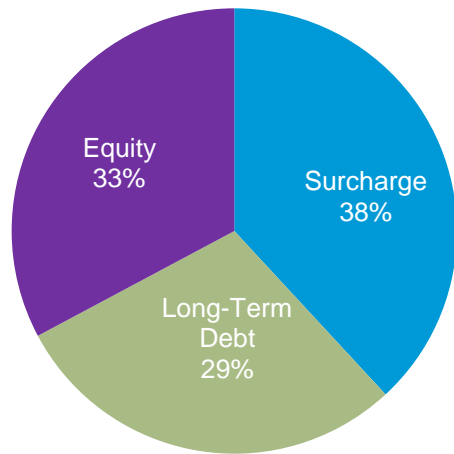


Cal-Am Strategy to Limit Revenue Requirement

- We believe the entire project, including the pipeline, qualifies for SRF loans
- We will be proposing a rate base offset of \$100M through a surcharge on customers' bills
- We will use \$15M - \$20M of our short-term credit capacity to extend the period between draws and limit interest expense during construction
- The surcharge and SRF amounts are exempt from real property taxes, at an annual savings of \$2.5M

Capital & Financing Summary For Desal Plant

Capital Cost Financing



9.0 MGD (10,200 AFY)

	SRF	No SRF
Desal Plant Capital Cost	\$260M¹	\$260M¹
Weighted Average Cost of Financing	4.00%	4.73%
1st Year Revenue Requirement²	\$31.4M	\$34.2M

5.4 MGD (5,500 AFY) w/ 3,500 AFY GWR

	SRF	No SRF
Desal Plant Capital Cost	\$213M	\$213M
Weighted Average Cost of Financing	3.46%	4.09%
1st Year Revenue Requirement²	\$22.4M	\$24.2M
Purchased GWR Annual Cost³	\$8.7M	\$10.5M
1st Year Total Revenue Requirement²	\$31.1M	\$34.7M

¹ As compared to approved WPA equivalent of \$277.5M (\$297.5 original RDP cost, minus \$6M maintenance reserve and \$14M pre-effective costs)

² Includes Desal Plant only, Cal Am only Facilities Revenue Requirement estimated at an additional \$13.2M with SRF

³ Based on assumed cost of \$2,500/AFY with SRF and \$3,000/AFY without SRF

Sources & Uses of Cash

5.4 MGD Plant – SRF Financing

**** Construction Period ****

<i>\$ Millions</i>	2013	2014	2015	2016	Total
<i>Uses of Cash</i>					
Capital Spending	\$11.9	\$27.5	\$50.0	\$123.6	\$213.0
Cost of Financing	0.0	0.1	0.0	5.8	5.9
Total Uses of Cash	\$11.9	\$27.5	\$50.0	\$129.4	\$218.9
<i>Sources of Cash</i>					
Contributions	7.5	27.0	31.8	32.8	99.1
Net Short Term Debt	4.4	0.5	15.1	(20.0)	0.0
Net Long Term Debt	0.0	0.0	1.5	54.7	56.2
Net Equity	0.0	0.0	1.7	61.9	63.6
Total Sources of Cash	\$11.9	\$27.5	\$50.0	\$129.4	\$218.9

Sources & Uses of Cash

9.0 MGD Plant – SRF Financing

**** Construction Period ****

<i>\$ Millions</i>	2013	2014	2015	2016	Total
<i>Uses of Cash</i>					
Capital Spending	\$13.1	\$32.9	\$61.5	\$152.5	\$260.0
Cost of Financing	0.0	0.1	0.3	9.1	9.5
Total Uses of Cash	\$13.1	\$33.0	\$61.8	\$161.5	\$269.5
<i>Sources of Cash</i>					
Contributions	7.5	27.0	31.8	32.8	99.1
Net Short Term Debt	5.6	6.0	8.4	(20.0)	0.0
Net Long Term Debt	0.0	0.0	10.1	69.8	79.9
Net Equity	0.0	0.0	11.4	79.0	90.4
Total Sources of Cash	\$13.1	\$33.0	\$61.8	\$161.5	\$269.5

Annual Customer Surcharge

\$ Millions	2H 2013	1H 2014	2H 2014	2015	2016	Total
Surcharge	\$7.5	\$11.6	\$15.5	\$31.8	\$32.8	\$99.1
Months of Surcharge	6	6	6	12	12	
Surcharge as % of Rev Req	30.0%	45.0%	60.0%	60.0%	60.0%	