

EXHIBIT 3

RULE 32 - WATER RESOURCE SYSTEM PRODUCTION AND SALES LIMITS

A. RESOURCE LIMITS

The total annual production limit from the Monterey Peninsula Water Resource System shall be increased from 19,881 acre-feet to 20,673 acre-feet. Cal-Am's annual water supply capacity limit shall be increased from a production level of 16,744 acre-feet to a production level of 17,619 acre-feet. Of this, 16,380 acre-feet shall be available for annual water sales to consumers within the Cal-Am system due to system losses and unmeasured consumption. Non Cal-Am water production shall not exceed a level of 3,045.71 acre-feet per year.

B. ACCOUNTING

Each new water connection or permit for expanded water use shall be strictly accounted for, and each new water use shall be debited from the water supply available to both the Monterey Peninsula Water Resource System, the water distribution system affected by that new or expanded water use; and debited from the appropriate Jurisdiction or District Reserve allocation.

Rule added by Ordinance No. 70 (6/21/93); amended by Ordinance No. 81 (11/20/95)