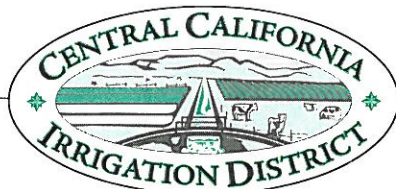


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MEMORANDUM

To: CCID Landowners and Consumers

From: Chris White, General Manager

Re: 2009 Water Supply Update

Date: January 28, 2009

Based on preliminary indications from the United States Bureau of Reclamation, and our own independent analysis of Shasta inflow projections, there is a good chance that Shasta inflow will be below 3.3 Million acre-feet this year. (This is the amount of inflow needed for CCID to receive 100% in 2009.) This is not an official allocation declaration, but 2009 is tracking to be declared a "Critical Year" for CCID and the Exchange Contractors. This means that our water supply for the year would be approximately 75% of normal. However, since the Exchange Contract Critical Year schedule applies reductions only during the seven-month summer period (April 1 through October 31), our supply for those months would be roughly 30% less than normal, even less than last summer's restricted supply from the Bureau.

It is possible that CCID will experience its first Critical Year reductions since 1994. Consistent with the Exchange Contract the Bureau will make its first official declaration in mid-February. The CCID Board of Directors is scheduled to meet on Wednesday, February 18, to review our water situation and adjust our allocation schedules and tiered water rates, if necessary.

As a reminder, if we are declared critical, there will not be Developed water available from the District for Class 2 lands. Therefore, if you are planning to grow a crop on any Class 2 lands, we strongly recommend that you have private well water available this year.

Once again, as of this time, this is a preliminary notice only. There has been no official action to declare 2009 a Critical Year, and it is still possible that hydrologic conditions will improve enough to allow for a Normal Year declaration for the Exchange Contractors. However, the Bureau's ability to deliver all of our water supply through the Delta has been severely limited by recent court decisions and biological opinions, and the State's water situation remains very critical. This could be the first year in which the Bureau of Reclamation makes releases from Friant Dam to meet our contract, adding another layer of complexity and coordination in meeting this summer's irrigation demands. We will continue to keep you informed as conditions change, and we invite you to contact us for the latest information.