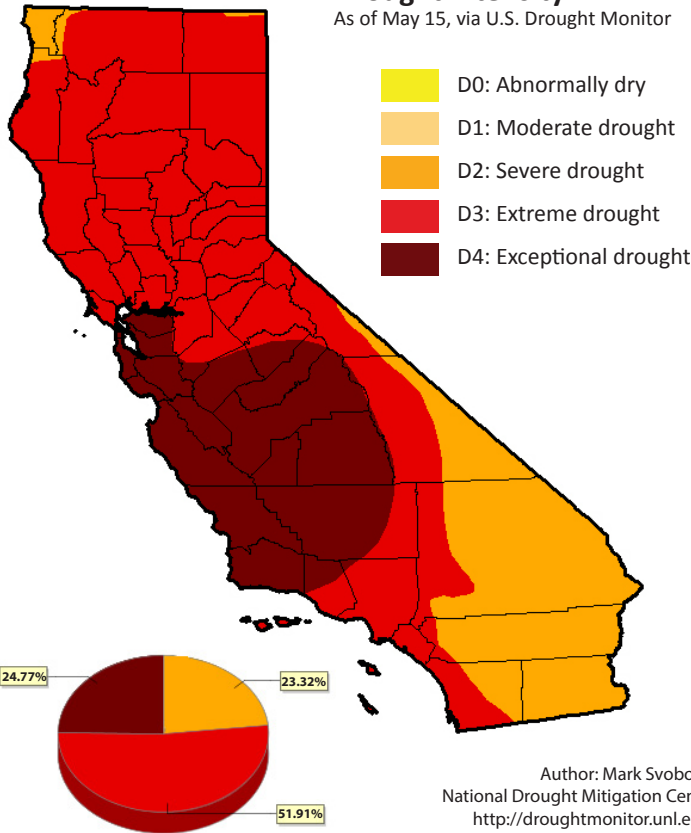


OVERVIEW

Drought intensity

As of May 15, via U.S. Drought Monitor



■ **Current conditions:** The U.S. Drought Monitor depicts all of California in severe to exceptional drought, and the Seasonal Drought Outlook forecasts conditions to persist.

■ **Intensity:** More than 24% of the state falls into the most intense category of drought, D4 or “exceptional” drought. This is more than double the level of D4 drought three months ago, when not quite 10% of the state was within those conditions. A year ago, none of California was experiencing D4.

■ **Snowpack:** As of May 1, water content for snowpack statewide was 18% of average for that time of year. In the northern Sierras, water content was at 7% of average.

■ **Heat:** For January through April, temperatures were the warmest on record. Those four months averaged 5.2 degrees F warmer than the 20th century average for January through April.

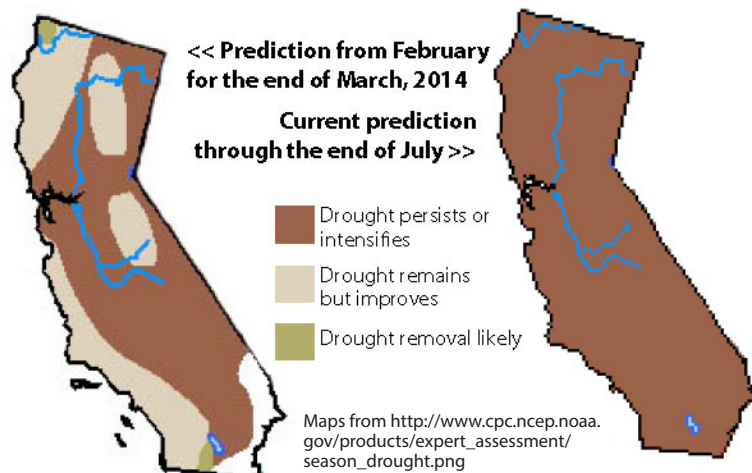
■ **State government actions:** On April 25, Gov. Jerry Brown issued an executive order addressing the ongoing drought, following up on his January declaration of a statewide drought emergency. The intention of the order was to manage water and habitat more effectively in the face of current conditions, as well as further urging communities and residents to strengthen their efforts to conserve water.

Actions included directing the Department of Water Resources and the State Water Resources Control Board to expedite approvals of voluntary water transfers for farms, and charging the California Department of Fish and Wildlife to accelerate monitoring of Chinook salmon.

On May 13 the governor released a state budget revision adding \$142 million to drought response efforts, including firefighting, emergency response, water management, wildlife preservation and food assistance.

Hope of improvement stifled; drought persisting

Earlier in the year, predictions for March projected some possible improvement, but that did not come to pass. Instead, NOAA’s Climate Prediction Center (CPC) expects California’s drought to at least persist if not intensify through midsummer. Currently, CPC has declared an El Niño watch for this year. El Niño could help alleviate drought conditions.



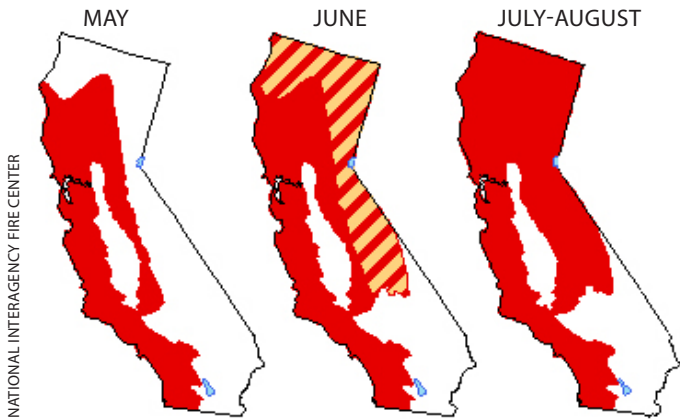
How intensity levels have shifted

Chart shows percentage area of drought conditions in California

| | None | D0-D4 | D1-D4 | D2-D4 | D3-D4 | D4 |
|---|------|--------|--------|--------|-------|-------|
| Current | 0.00 | 100.00 | 100.00 | 100.00 | 76.68 | 24.77 |
| Last Week 5/6/2014 | 0.00 | 100.00 | 100.00 | 95.93 | 76.68 | 24.77 |
| 3 Months Ago 2/11/2014 | 1.43 | 98.57 | 94.54 | 91.59 | 60.94 | 9.81 |
| Start of Calendar Year 12/31/2013 | 2.61 | 97.39 | 94.25 | 87.53 | 27.59 | 0.00 |
| Start of Water Year 10/1/2013 | 2.63 | 97.37 | 95.95 | 84.12 | 11.36 | 0.00 |
| One Year Ago 5/14/2013 | 0.00 | 100.00 | 98.16 | 46.25 | 0.00 | 0.00 |

Fire danger

Fire potential expanding through August



The potential for significant wildfire is likely to be above normal for increasing areas of the state as the summer progresses. Fuel dryness is similar to typical conditions in mid-June. Given anticipated warmer and drier-than-normal conditions, fuels should reach critical levels in the lower elevations by mid-May, eventually expanding to all areas by mid-June, remaining critically dry for most of the upcoming fire season. Rainfall over the desert may keep fire potential lower over areas east of the southern California mountains, but the rest of the area will see fuels continue to be highly receptive to ignition and fires that are highly resistant to control efforts.

Above normal potential
 Potential increasing to above normal

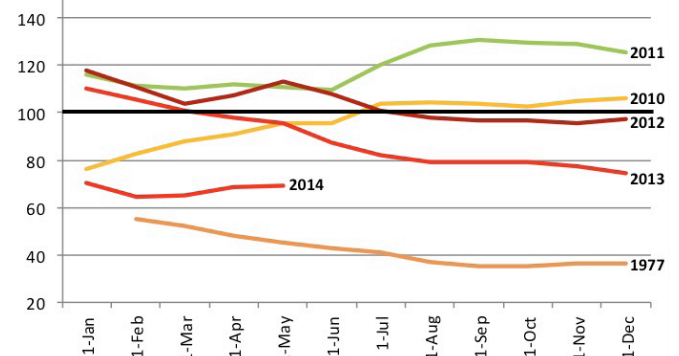


Upper elevations will be prone to lightning starts by mid-June, four to six weeks earlier than normal.

With unseasonably high temperatures, limited rainfall and moisture levels resembling the state's peak fire season, the California Department of Forestry and Fire Protection (CAL FIRE) in January hired 125 supplemental firefighters in Northern California and extended seasonal firefighting forces in Southern California due to dry winter conditions.

Reservoirs

CALIFORNIA RESERVOIR STORAGE AS A PERCENT OF NORMAL



Source: California Department of Water Resources

High temps bode ill for reservoir storage

Average spring storage would support 3½ years of water usage. If the state follows usage patterns from the last two years, California has less than two years of water remaining in storage. Rain and snow over the past three months eased conditions somewhat, but storage as of May 12 stood at 69% of average. In 2013, storage had already peaked by April 30.

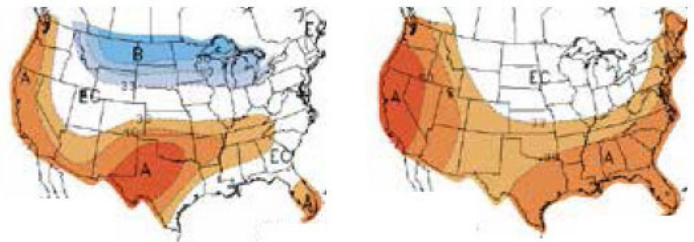
With temperatures reaching triple digits in parts of the state already this year and the heat expected to continue, there is a risk of rapid depletion of reservoir storage.

For a chart of current reservoir conditions, go to <http://cdec.water.ca.gov/cgi-progs/products/rescond.pdf>

TEMPERATURE OUTLOOK THROUGH MAY

TEMPERATURE OUTLOOK FOR JUNE, JULY, AUGUST

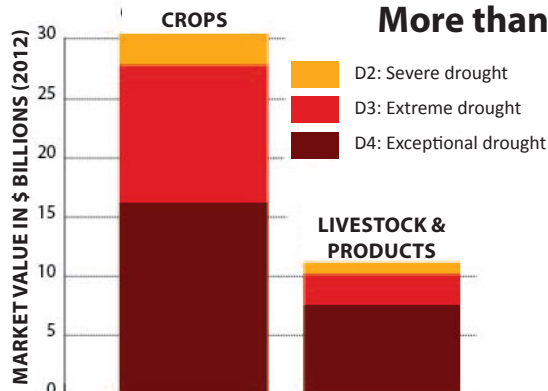
Darker brown colors indicate increasing probability of above-average temperatures; darker blue increasing probability of cooler than average temperature. White areas have equal chances of normal, warmer or cooler temps.



National Weather Service Climate Prediction Center

Agriculture

More than half the production undergoing exceptional drought



The market value of products from California farms approached \$45 billion annually, according to the USDA NASS 2012 state report. Drought currently impacts all producers, with almost 8% in severe drought (D2); 32% in extreme drought (D3); and more than 54% undergoing the most severe condition, exceptional drought (D4).

Taken separately from livestock and other products, the value of crops was more than \$34 billion. More than half are experiencing the most extreme category, exceptional drought (D4).

California livestock and other agricultural products have a value of more than \$12 billion, and all are affected by drought as well. More than 62% of livestock and other products are subject to D4 conditions.

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