

February 28, 2019

Well #7 Siting Executive Summary

Dear Shareholders,

Recently, several shareholders have questioned the need, location and justification for the construction of Well #7. This Summary and the attached Technical Letter explains how, and the reasons why 191 Alviso was identified as the only feasible location for this capital project.

- Well #4, which historically has provided a majority of the water supply, is expected to go “dry” this summer. We cannot drill Well #4 deeper, and it is not feasible to drop the pump lower. The only feasible alternative is to drill Well #7.
- Well #7 is necessary to prevent an estimated \$40 per month increase in average water rates, potentially effective within 30-days of Well #4 going “dry”.
- The Alviso location is the only available vacant parcel north of the Springville Fault in the upper zone for a production facility.
- The Alviso location is the only available location where 2 different pressure Zones of water pipes are located side-by-side, allowing direct delivery of a water supply to over 75% of the District.
- The Alviso location has known geology and water chemistry because it is in a straight line between the former Well #3 and the current Well #4, providing a cost savings to shareholders by avoiding additional costly investigations and studies.
- The Alviso location is the only location suitable for an Emergency Generator to provide Critical Fire Suppression water or meet domestic demands in the event of a power outage. The well and generator potentially will provide a critical back-up source of water and power in the event of fire or other natural disaster.
- Imported state water cost over 10 times more than locally produced well water; without Well #4 or #7, we will have to purchase approximately 2 times more imported water to meet demands. As noted above, the monthly cost in average water rates will increase by at least \$40.
- Well #8 will be located in the lower zone next to Spanish Hills, and this facility is primarily to be used if there is a catastrophic failure upstream of Crestview in the Calleguas water delivery system. It is not a viable location to replace or augment the water supply from Well #4.
- Calleguas has invested \$3 million dollars in our water system due to our excellent management and our ability to produce water in case of an Emergency.
- Your shares represent “water rights” you hold that have value as long as you exercise those rights. Without these wells and use of this water right, your property likely will be reduced in value because the water rights will not be exercised.

If you are interested in more detail, please read the technical document that is attached, and please feel free to call the office at (805) 482-2001 during normal business hours if you have any questions or concerns.

Sincerely,

Robert Eranio