

Crestview Mutual Water Company

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February 28, 2019

Well #7 Siting Justifications

Dear Shareholders,

Since we sent you the “Critical Importance” letter dated January 31, 2019, a few shareholders have questioned the need to locate a new replacement well (#7), on Alviso Drive and why it can not be located elsewhere in our service area. This letter lays out reasons why 191 Alviso Drive was selected as the only feasible location for this capital project.

The optimum operation of a water distribution system is to use gravity to deliver water from a source located higher in elevation than that of recipients. The Crestview system consists of reservoirs to perform that function, assisted by pumping stations to supplement gravity where needed. Our service area has a wide difference in elevations and therefore various Zones have been designated in light of those differences and the entire water system has been developed and operated as such. Well sitings are designated WITHIN those zones. Criteria for sites development are: location, quality and volume of underground water; availability of the surface land; location of existing utilities; existence of Crestview water pipelines; and total costs of operations. The ONLY site that met those criteria within Zone 3 is at 191 Alviso Drive. The operational facts and the basis for our DECISION to proceed with development of well #7 are presented to you below.

Well #4

To reduce expenses, Crestview operates our local wells from late April until all of our annual groundwater allocation is pumped, which is usually in late November. Between September 2018 and November 2018, water levels in Well #4 declined 2 feet per month. When we shut off Well #4 for the winter, there was only 12 feet of water before the well pump would break suction. From the end of November to today, the water table has recovered or increased only 2.5 feet to 95 feet below sea level. Please keep in mind, even with all or our recent rain, this is only an “average” winter, and one “average” winter will not wipe out 8 years of drought. Well #4 is currently the only production facility located in Zone 3, providing water to approximately 275 shareholders. Several shareholders are claiming Well #4 was drilled in 1976 as a basis for denying the construction of Well #7. This is incorrect. Crestview has the Well Drillers log showing drilling began on June 25, 1985, with the completed report filed at the County on August 22, 1985.

Well Siting Methodology

In 2006, Crestview drilled and completed Well #6 located at 241 Crestview Ave. Prior to drilling Well #6, Crestview investigated 3 other locations, which were all rejected during “Due Diligence Investigations”. Underground geology, faults, existing infrastructure such as Edison, existing water pipelines, pressure zones, aquifer water chemistry and the location relative to other water production facilities are some of the more obvious considerations prior to construction. As one might expect, the larger the production rate from a well, the more area it needs to be away from other wells to prevent interference. As a result of the proper siting of Well #6, Crestview has a reliable water source that will last many more decades. In 1993, Crestview drilled Well #5 at 602 Valley Vista. Well #5 was constructed in a poor location, with poor water quality, and as a result, has not been used as a water supply since 2006. Well #5 has significant “Dissolved Organic Carbon” that when chlorine is used, forms carcinogenic compounds called Tri-Halomethanes & Halo Acetic Acids. We are planning to destroy Well #5 once Well #7 is completed. Today, Crestview has a much better understanding of our local Geology, aquifer characteristics and groundwater basin boundaries.

Well #7

Crestview identified the need for Well #7 and started budgeting for the project in 2012. As 191 Alviso is the last vacant property in the upper zone on the north side of the Springville Fault, its location of was identified quickly, and when the property became available in mid-2015, Crestview contacted the owner to purchase the parcel. Currently there are existing water lines that feed Zone #2 and a separate set of water pipes that feed Zone #3

in the intersection of Alviso and La Patera. Placing Well #7 at 191 Alviso would allow water to be supplied to either Zone when needed. There is an existing Edison Transformer on the property line to provide needed power, and the geology and water chemistry under the site are well known due to it being a direct line from our former Well #3 and the current Well #4. Known fault lines have been identified and will not impact the project. Additionally, since we have the existing water pipes already in the street, the location is excellent for a Natural Gas Emergency Generator to provide fire suppression water or meet domestic demands when power is lost.

Well #8

Calleguas Municipal Water District is located in Thousand Oaks and provides State imported water to its member agencies. This State Water originates in the Bay-Delta near Sacramento and travels over 300 miles to be delivered in Southern California. This imported water is over 10 times more expensive than water produced from our local wells. Calleguas approached Crestview to seek assistance in building facilities that Calleguas can call upon to supply local water in an emergency. Calleguas has provided a grant close to \$3 million dollars to fund water system improvements within Crestview that will be completed within the next 5-years. One of the projects is the construction of Well #8, which will be located next to Spanish Hills on Camino Corrida. This \$2.2 million dollar facility as stated above is primarily to be used if there is a catastrophic failure upstream of Crestview in the Calleguas water delivery system or as a temporary backup if Well #6, (one of only 2 producing wells) fails in Zone 2. All water delivered to Calleguas would be under a "Mutual Aid" agreement, and all water will be replaced 1:1 at no cost to Crestview when the emergency is over. Calleguas has chosen to not invest in an emergency generator for this facility, thereby adding to the importance of an emergency generator being installed at Well #7. Again, the location of existing water pipelines, geology and distance from other production facilities makes this a good fit for Crestview's portfolio. Well #8 is sized to produce the same amount as our existing Well #6, so existing water lines will not have to be upgraded.

If you desire more information about how your water system operates, please feel free to call me at 805-482-2001 during normal business hours and I will be happy to discuss.

Sincerely,

Robert Eranio,
Consulting General Manager