

PURPOSE

In 1914, the Colony Holding Company deeded all water rights within the Colony to AMWC. AMWC manages the water resources within its service area in a manner that most benefits its shareholders. Unrestricted drilling and development of private wells within the AMWC service area could violate AMWC's water rights, contaminate the groundwater, increase AMWC's pumping costs, and have other significant adverse impacts on AMWC's water resources.

The purpose of this policy is to protect the water resources of AMWC by restricting and/or placing conditions on the drilling and use of private water wells within the AMWC service area. It is also intended to promote the orderly development of the AMWC water distribution system. This policy applies not only to the drilling and development of private wells, but also to the development and use of water from springs and other sources within the AMWC service area.

The use by a shareholder of any water from a private well, spring, or other source is by permission of AMWC. The use by a shareholder of said water does not waive any water rights, enlarge the water rights of the shareholder, or admit that the shareholder possesses any right to the water.

POLICY

New wells: AMWC reserves the right to deny a shareholder permission to drill and use any new, private water well within the AMWC service area. AMWC may deny a shareholder permission to drill and use a new well if, in AMWC's sole discretion or opinion, the well may have a potential adverse impact on the quantity, quality, or recharge of the groundwater resources of AMWC.

If AMWC decides to grant a shareholder permission to drill a new, private well or a replacement for an existing well, the shareholder shall enter into a written **Private Well Agreement** with AMWC before drilling the proposed well. The agreement shall be recorded against the real property on which the well is drilled and shall require that the shareholder:

- A. Obtain a permit for the proposed well from the San Luis Obispo County Department of Environmental Health and promptly provide AMWC with a copy of the permit; and,
- B. Drill, use, and maintain the well in conformance with the permit, the California Well Standards, and all other rules, regulations, ordinances, and laws pertaining to the well; and,
- C. Sign a release that allows AMWC to obtain all information related to the well from the County of San Luis Obispo; and,
- D. Comply with all rules, regulations, ordinances, and laws regarding water quality and wellhead protection; and,
- E. Acknowledge that AMWC is granting permission to drill and use the well without waiving any water rights, enlarging the water rights of the shareholder, or admitting the shareholder possesses any right to the water; and,

- F. Connect to the AMWC system if and when a water main extension reaches the property frontage, and pay all connection, installation, recovery, and other fees that may be due. Upon connection to the AMWC system, install and maintain an approved cross connection device at the water meter in conformance with the California Regulations Relating to Cross-connections (Title 17, Group 4, California Administrative Code); and,
- G. Minimize the use of the well during drought or other water shortage conditions to the same restrictions and prohibitions that may be imposed on other shareholders; and,
- H. Abandon the well in accordance with California Well Standards and Health Department Standards when no longer in use and promptly provide AMWC with written proof of such abandonment; and,
- I. Cease the transfer of water from a private well across property boundaries to serve other parcels if the parcels are not, or do not remain, under common ownership; and,
- J. Comply with all requirements and conditions of AMWC policy related to the drilling and use of private wells within the AMWC service area, such policy subject to change from time to time.

Existing wells:

Existing wells drilled and in use by shareholders before adoption of this policy, whether known or unknown to AMWC, exist by permission of AMWC. Shareholders may continue to use wells that existed before adoption of this policy subject to the prohibitions of this policy relating to the transfer, export, or other disposition of water. The use by a shareholder of water from an existing well does not waive any water rights, enlarge the water rights of the shareholder, or admit the shareholder possesses any right to the water.

Replacement wells:

Shareholders may drill and use a replacement for an existing well subject to the requirements for new wells then in effect.

Notwithstanding the above, shareholders may not drill and use replacement wells in those areas where private wells are prohibited under this policy, unless there is no water main fronting or otherwise available to serve the property.

Areas where private wells are prohibited:

Attachment A to this policy identifies properties where AMWC has determined that the drilling and use of private water wells will likely have a significant adverse affect on the quantity or quality of the groundwater resources of AMWC. These properties generally overlie the Atascadero Sub-basin and the alluvial deposits in, along, or adjacent to the Salinas River. AMWC will not grant shareholders permission to drill and use new wells on the properties identified on Attachment A. AMWC may modify Attachment A, from time-to-time, as new information on AMWC groundwater resources becomes available. AMWC shall be the sole judge of whether a proposed new well lies within such areas.

In addition to those areas shown on Attachment A, AMWC has determined that the drilling and use of private water wells in or adjacent to the creeks listed below could have a significant adverse affect on the groundwater resources of AMWC.

- Atascadero Creek
- Eagle Creek
- Graves Creek
- Paloma Creek

The creeks listed above are identified on the United State Geological Survey Quadrangle Maps and are collectively referred to hereinafter as "Creeks". AMWC will not grant any shareholder permission to drill and use any new well within 300-feet either side of the Creeks. AMWC shall be the sole judge of whether a proposed new well lies within such area.

AMWC, at any time, may revoke its permission to use existing wells on those properties identified on Attachment A and within 300-feet either side of the Creeks. AMWC may revoke its permission if, in the sole opinion of AMWC, the use of these wells has a significant adverse affect on the quantity or quality of the groundwater resources of AMWC.

Connection to AMWC system:

If a water main fronts, or is otherwise available to serve, a shareholder's property, the shareholder shall connect to the AMWC water system before AMWC will grant permission to drill a new well or replace an existing well. The shareholder shall pay all connection, installation, recovery, and other fees that may be due.

Upon connection to the AMWC system, the shareholder shall install and maintain an approved cross connection device at the water meter in conformance with the California Regulations Relating to Cross-connections (Title 17, Group 4, California Administrative Code) or abandon any existing wells on the property served.

Transfers of water:

AMWC prohibits shareholders from transferring water from a private well across property boundaries to serve other parcels. This prohibition includes the transfer of water across property boundaries to serve other parcels from any source, including AMWC wells.

Notwithstanding the above and with the exception of water produced from AMWC wells, shareholders may transfer water produced from a private well or other sources across property boundaries to serve other parcels within the AMWC service area, if the parcels served are, and remain, under common ownership. The shareholder shall immediately cease the transfer of water produced from the private well to any parcel that is sold or transferred to another shareholder.

Exports of water: AMWC prohibits the export of water produced from any source within the AMWC service area to areas outside the AMWC service area. This prohibition includes any water produced within the AMWC service area including water from AMWC wells, private wells, springs, or any other water source.

BACKGROUND

In 1914, the Colony Holding Company deeded all water rights within the Colony to AMWC. AMWC manages the water resources within its service area in a manner that most benefits its shareholders.

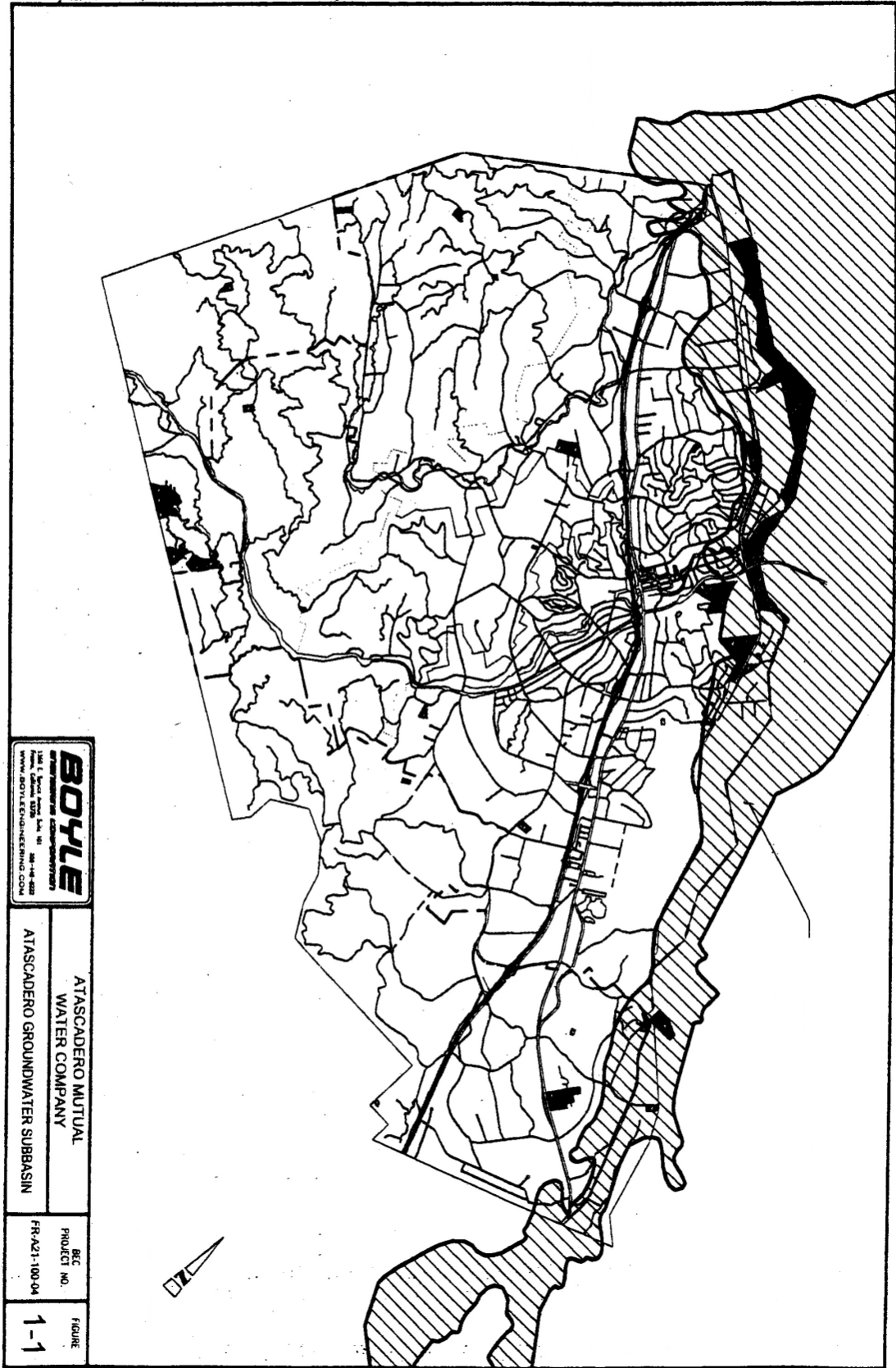
The 2002 Paso Robles Groundwater Basin Study confirmed the existence of the Atascadero sub-basin. The Basin Study concludes that projected extractions from the Atascadero sub-basin could exceed its safe perennial yield. Due to its relatively small size, development of private wells within the sub-basin could have a significant effect on the amount of groundwater available for recharge of the sub-basin. Reduced recharge results in lower water levels in the aquifer from which AMWC extracts water for its shareholders. Lower water levels increases the cost of producing water for AMWC shareholders.

Private wells in the service area reduce groundwater recharge, reduce water levels in community wells, and may result in the inefficient, wasteful use of water. The use of private wells can lead to a waste of a common resource that is detrimental to all shareholders.

A proliferation of private wells in the sub-basin increases the likelihood of contamination of the aquifer due to improper wellhead protection or improper abandonment. Private wells that penetrate zones containing poor-quality water, pollutants, or contaminants increase the potential for contamination of the aquifer and the community's water supply. Private wells have sanitary seal requirements that are significantly more relaxed than the seal requirements for community wells increasing the likelihood of contamination. Water from private wells could contaminate the community water supply if the well owner does not install and maintain the appropriate cross-connection control device or if the property owner does not maintain adequate wellhead protection measures.

Exporting of water from the AMWC service area can be a direct violation of AMWC's water rights

ATTACHMENT A



BOYLE
INCORPORATED
1344 E. Santa Anita Ave. Ste. 100
Atascadero, CA 93422
TEL: 805.461.1000
WWW.BYOILEINCORPORATED.COM

ATASCADERO MUTUAL
WATER COMPANY
ATASCADERO GROUNDWATER SUBBASIN

B.C.
PROJECT NO.
FR-A21-100-04

FIGURE
1-1