

Rancho Pauma Mutual Water Company

33129 Cole Grade Road ▼ Pauma Valley, California 92061

Telephone (760) 742-1909 ▼ Fax (760) 742-1588

Annual Letter for Year Ending 2020

February 5, 2021

Dear Shareholders:

Happy New Year to you all. We are pleased to report that Rancho Pauma Mutual Water Company (Rancho Pauma) remains strong and in a position to fulfill its commitment to its shareholders for many years to come. That commitment is to provide potable and non-potable water at a fair price to its diverse mix of domestic, agricultural, and recreational customers.

Our aquifer remains in good condition. We were able to produce 100% of our water from district owned wells. Producing 100% of our water allows your district to generate sufficient revenues to fund our operating expenses and contribute to the reserves.

In 2020 Rancho Pauma kicked off the installation of a new water well, named 7R2. As the name implies this will be the second replacement for Well 7. The location of Well 7R2 is critical to enhancing supply reliability for the district, and diversifying where our groundwater is pumped. Rancho Pauma pumps a majority of its water from the east end of the district. Well 7R2 is located mid-district at the west end of Luiseno Circle Dr.

In 2020 the operations team identified and developed a pipeline route from Well 40 to the golf course reservoir. With the support of Pauma Valley Country Club this stranded asset is back in use. For a number of years Well 40 sat idle due to elevated nitrate levels which exceeded drinking water limits. Through the initiative taken by Rancho Pauma's operations team this well is back to work supplying the golf course with essential water, enabling more availability of potable water

After 25 years with Rancho Pauma Utility Supervisor Pete Lopez retired and we are pleased the "valve keys" have been turned over to a group of young highly capable individuals with bright futures ahead supporting our district.

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In November you all received notification of the updated pricing for water. This was an important first step towards rate reform being studied by the Board.

In December 2020 Pauma Valley experienced two power outages due to policy changes by SDG&E during Santa Ana weather conditions. Our operations team handled the situation by utilizing our two generators to run Well 14 and Well 42 to keep the reservoirs full. We are pleased to report there was no interruption in water service. The operations team also assisted the golf course in protecting critical areas through emergency connections during these two events.

Lastly, the Board continues to engage in the California Sustainable Groundwater Management Act (SGMA). Our Board President and General Manager sit on the Groundwater Sustainability Agency (GSA) board and are committed to protecting the interests of Rancho Pauma Mutual Water Company and Pauma Valley Community Services District.

We look forward to joining all of you at our annual meeting via virtual conferencing on March 15, 2021 at 10 a.m. See attached agenda for details. You can also find the Zoom information on our website at www.ranchopaumamwc.com

Please be sure to mail in your ballot with your board member selections or assigned proxy. Ballot/proxies not received by March 15, 2021 at 10 a.m. will not be counted.

Sincerely,

Board of Directors & Management
Rancho Pauma Mutual Water Company

NOTICE

ANNUAL MEETING OF SHAREHOLDERS

RANCHO PAUMA MUTUAL WATER COMPANY

Notice of and Agenda for the 2021 Annual Meeting of Shareholders of the
Rancho Pauma Mutual Water Company to be held

Monday, March 15, 2021, at 10:00 a.m.

Via Zoom Teleconferencing

Zoom Link: <https://us02web.zoom.us/j/83955973905>

By Phone: (669)-900-6833 Passcode: 839 5597 3905

AGENDA

1. Call to Order
2. Call for Proxies and votes present
3. Establishment of a quorum
4. Presentation of proxies to Inspectors of Election
5. Annual review
6. Shareholder Comments and Questions
7. Announcement of shareholder voting
8. Adjournment

YOUR VOTE IS IMPORTANT

If you do not expect to attend the meeting, please designate someone to vote on your behalf by signing, dating and promptly returning the enclosed proxy. In the proxy, you may give specific instructions which candidate(s) for the Board the proxy holder should vote for. If you attend the meeting you may revoke the proxy and cast your vote directly. If the shareholder is a legal entity or trust, please remember that your proxy must be executed by an authorized individual or trustee.

2/5/2021