

EXHIBIT 2-A

FINAL

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

CONDITIONS OF APPROVAL FOR AMENDMENT OF MONTERRA RANCH MUTUAL
COMPANY WATER DISTRIBUTION SYSTEM PERMIT

JANUARY 30, 1996 *LAST*
REVISED MARCH 20, 2000

1. The creation of the Monterra Ranch Water Distribution System was approved by the Monterey Peninsula Water Management District (MPWMD) Board on February 26, 1990, and became final on February 28, 1991. The application to amend the Monterra Ranch Water Distribution System permit that was received by the District on May 22, 1995, lists the name of the system as the "Monterra Ranch Mutual Water Company". Accordingly, all future reference and correspondence regarding this system shall be in the name of the Monterra Ranch Mutual Water Company (MRMWC).
2. Upon final approval of this permit amendment, the system capacity (well production volume) for the MRMWC system shall be 203.1 acre-feet per year (AFY) as measured by flow meters at each well source. The expansion capacity limit (number of authorized connections) for the MRMWC shall be 286 connections for the combined Monterra Ranch and Cañada Woods North properties (as per the demand projections provided in "Exhibit C" of the January 20, 2000 permit amendment application). {revised March 20, 2000J}
3. Hanover-Monterra Investors II executed an agreement on January 10, 1992, with the California-American Water Company (Cal-Am), to operate and manage the Monterra Ranch water supply system. Metered monthly production and delivery for the MRMWC shall be reported separately from the balance of the Cal-Am system.
4. Hanover-Monterra Investors II executed an agreement (undated but in 1991), with Cal-Am to provide for an emergency intertie between the two systems. For the purpose of the current application amendment with the MPWMD, "emergency" shall mean any water outage with the potential for a health or safety hazard, as determined by the Director of Environmental Health in compliance with Monterey County Code Section 10.72.020(F). Transfer of water through emergency interties between Cal-Am and the MRMWC shall be metered and documented. Use of an emergency intertie for a period of time exceeding fifteen consecutive days shall be reviewed by the MPWMD General Manager, and a determination as to whether or not the continued use of the intertie constitutes an emergency as defined, shall be made. This determination shall be reported to the MPWMD Board at the next regular Board meeting.

5. Water transferred from the Cal-Am system through an emergency intertie with the MRMWC system must be replaced within six months from the first day of water transfer. Any water so transferred must be replaced with an equal quantity of water conforming to Title 22 of the "California Domestic Water Quality and Monitoring Regulations". If in the event that water has not been replaced in kind within six months from the first day of transfer, MRMWC shall pay to the MPWMD a Use Fee for the quantity of water not replaced, at a rate of 150 percent of the average cost of water produced by the MRMWC system for the six month period preceding the emergency. The cost of water produced will include all costs to pump, purify, and distribute the brackish water underlying Monterra Ranch, as well as the costs to transport and dispose of the associated brine waste.
6. Use of emergency interties to the MRMWC system shall only be operated under emergency conditions as defined above, at which time notification shall be provided to the MPWMD General Manager, and the Monterey County Director of Environmental Health. Where emergency circumstances do not allow for advance written notification, such notification shall be provided in writing as soon as possible thereafter.
7. The MRMWC program to conserve water consists of water use limitations in the Declaration of Restrictions of the Monterra. Ranch subdivision, including the use of drought tolerant landscaping. MPWMD requirements for installation of low flow plumbing fixtures to reduce average per-unit consumption shall be enforced. The MRMWC water conservation program shall be reviewed annually for compliance at the time of the Annual Water Distribution System Report.
8. A system-wide leak detection inspection of the MRMWC system shall be conducted annually, and identified leaks shall be repaired with the goal of maintaining production system losses (unaccounted water use) at seven (7) percent or less of annual production. This condition shall be subject to annual review by the MPWMD General Manager.
9. *MRMWC shall measure water levels a minimum of once a month in each active production and monitoring well. For each inactive production and monitoring well, water levels shall be measured a minimum of twice annually, and the times of measurement shall include the anticipated annual high and low water levels at each site. These data shall be transmitted annually to the MPWMD in August along with the Annual Water Distribution System Report. Active wells shall not be pumped for 24 hours prior to water level measurement. The reference elevation of the measuring point at each well shall be surveyed and recorded. {revised March 16, 1998}*
10. The MRMWC shall install and maintain water meters on each production facility. Monthly production records shall be kept for each production facility. These records shall be submitted annually in August along with the Annual Water Distribution System Report.
11. The MRMWC shall bi-monthly (i.e., every two months) record metered sales for each water user in the system.

12. The MRMWC shall conduct a ground water quality-sampling program once every year and transmit the results in August along with the Annual Water Distribution System Report. At a minimum, each active production well shall be sampled annually in October and analyzed by a state certified water quality laboratory to include the following parameters: Calcium, Sodium, Magnesium, Potassium, Bicarbonate, Sulfate, Hydrogen Sulfide, Chloride, Ammonia Nitrogen, Nitrate, Iron, Manganese, Total Dissolved Solids, Specific Conductance; pH, and water temperature. The first annual, sampling and analysis shall be conducted in October 1995.
13. The MPWMD shall require, and each unit shall install, water closets with a capacity of 1.6 gallons or less, and showerheads with a maximum flow of 2.5 gallons per minute for new construction and remodels served by the MRMWC. In addition, all new construction shall install on-demand hot-water systems, drought tolerant landscapes, and drip irrigation where appropriate.
14. No water meter connections to the MRMWC system may be set until a water connection permit has been secured from the District for each connection. Connection charges will be applied at 18.67 percent of the unfactored total connection charge, as per MPWMD Rule 24F. Connection charges shall be calculated based on water demand estimates using the MPWMD's water demand methodology.
15. MRMWC shall implement a comprehensive water production; delivery, and hydrogeologic monitoring program. This program will require the submittal of an Annual Water Monitoring Program Report in August, along with the Annual Water Distribution System Report. The monitoring program report shall cover the previous year from July 1 through June 30. The first report will be due in August 1996, regardless of the actual development status of the project. This report, at a minimum, will include the reporting of, and the analysis and interpretation of, monitoring data described in Condition Numbers 8, 9, 10 and 11 above. This report will include the status of development at the Monterra Ranch, an analysis of water consumption by individual lots for each type of use, and updated projections of future water usage at the Monterra Ranch. This report will also include an analysis of ground water quality trends; and an updated determination of the production capacity of the MRMWC system. This report will be subject to review and approval by the District Board.
16. If information contained in the Annual Water Monitoring Program Report indicates the occurrence of adverse impacts in the form of reduction in well yields, degradation of water quality, or substantial declines in water levels, additional conservation measures shall be undertaken in the form of more stringent water conservation, water reclamation" and recycling for nonpotable uses.
17. The MRMWC shall annually pay to the MPWMD, by August 15 of each year the sum of one thousand dollars (\$1,000) to partially defray the cost associated with the review of monitoring facilities and environmental documentation provided by the MRMWC. The first payment will become due on August 15, 1996, regardless of the actual development status of the project.

18. On February 20, 1991, Hanover-Monterra Investors II executed an indemnification agreement with the MPWMO indemnifying the MPWMO from any claims, demands, or expenses of any nature or kind arising from, or in any way related to, the adequacy of the water supply for the MRMWC. This indemnification agreement shall remain in effect upon approval of this permit amendment, and shall bind and benefit MPWMD, its successors and assigns, and Hanover-Monterra Investors II, its successors and assigns.
19. The current well production capacity during the month of maximum demand from existing on-site wells has been tested and proved to be 146,000 gallons per day (GPO), with the largest producing well out of service. This is almost twice the volume required to meet the Phase 1 (i.e., 125 connections) maximum month demand estimate (i.e., 82,316 GPO). New wells shall be completed and tested until the projected maximum demand month production capacity (in GPO) from all on-site wells is increased to a total of 246,640 GPD with the largest producing well out of service. Pumping tests to determine design yields of production wells shall, at a minimum, consist of constant-rate tests of not less than 72 hours. The results of well completions and testing shall be submitted to the MPWMD for approval prior to issuance of final approval for this permit amendment. *By approval of the January 20, 2000 permit amendment application, this condition has been satisfied. [revised March 20, 2000J*
20. Prior to issuance of final approval for this permit amendment, the applicant shall obtain written approval from the Monterey County Health Department (MCHD), and if required by that agency, the California Regional Water Quality Control Board (RWQCB), as to the method of disposing of water treatment plant brine concentrate. *Written approval from the MCHD has been received (see letter of March 20, 2(00); therefore this condition has been satisfied. [revised March 20, 2000J*
21. Prior to issuance of final approval for this permit amendment, the applicant shall obtain all applicable permit approvals from the MCHD, and the state of California Department of Health Services (CDHS), regarding operation of the water supply and treatment system for the MRMWC. For less than 200 connections, the applicant shall comply with conditions of the MCHD water supply permit and desalination system permit. For greater than 200 connections up to a maximum of 286 'connections, the applicant shall comply with conditions of the CDHS water supply permit, and the MCHD desalination system permit. *[revised March 20, 2000]*
22. The permit amendment to be granted herein is subject to revocation in the event the MRMWC does not comply with provisions set forth in each condition above. These conditions supersede all previous permit conditions for the MRMWC system.