

MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE
SEMITROPIC, BUTTONWILLOW, POND-POSO, AND
WILDLIFE IMPROVEMENT DISTRICTS OF
SEMITROPIC WATER STORAGE DISTRICT

Convened at 12:30 p.m. on Wednesday
May 11, 2016

The regular meeting of the Board of Directors was called to order by President Wegis on Wednesday, May 11, 2016, at 12:30 p.m., at the offices of the District, 1101 Central Avenue, Wasco, California. Those in attendance included:

Directors Present: Jeff Fabbri, Phil Portwood, Tim Thomson, Tom Toretta,
Todd Tracy; Dan Waterhouse and Rick Wegis;

Directors Absent: None;

Others Present: General Manager, Jason Gianquinto;
District O & M Superintendent, John Lynch;
District Controller, Bobby Salinas;
Staff Engineer, Water Resources, Isela Medina;
Staff Engineer, Craig Wallace;
District Contract Administrator, Becky Ortiz;
District Accounting Supervisor, Mariela Garza;
District Executive Secretary, Marsha Payne;
District's Consultants, Will Boschman and John Jones;
District's Legal Counsel, Ernest Conant;
District's Consulting Engineers, GEI Consultants, Inc.,
Represented by Larry Rodriguez and Ron Eid;
W.M. Lyles Representative, Rick Amigh;
Balance Public Relations Representative, Dean Florez;
Maricopa Orchards Representatives, Jason Pucheu
and Neema Assemi;
Wonderful Orchards Representative, Mike Widhalm;
Aqua Planet Representatives, Michael Young and Aaron Coman;
Tenaska Solar Representative, Jeff Gonka;
Redtrac Representatives Greg Allen, Michael McAllister,
Michael Brannon and Ben Daly.

President Wegis opened the meeting with the flag salute, then introduced and welcomed all guests.

PUBLIC COMMENT

Michael Young, representing Aqua Planet, gave an update on their Water Treatment Project currently underway at the Lawrence Livermore Laboratory. The desalinization process will be further tested on unusable water from various sources within the District such as bad quality water

wells, central treatment plants, oilfield produced water, etc. Aaron Coman reported that Qatar Investment Group has agreed to fund development of the Project, both at the Lab and in the District. The Project development is right on schedule.

ACTION ITEMS

Approval of Agenda

There being no new items to consider, the Agenda was unanimously approved as posted on Motion by Director Tracy and seconded by Director Waterhouse.

Minutes

The Minutes of the Regular Board Meeting on April 13, 2016 were presented for approval.

On motion by Director Waterhouse, seconded by Director Portwood, the Minutes of the Regular Board Meeting of April 13, 2016 were approved.

Treasurer's Report

The Treasurer's Reports for March and April 2016 were presented for review and approval.

On motion by Director Waterhouse, seconded by Director Fabbri, the March 2016 and April 2016 Treasurer's Reports for Semitropic Water Storage District and Semitropic Improvement District were approved for filing.

Financial Report

District Controller, Bobby Salinas, reviewed the Actual and Projected Cash Flow Report for April 2016, including the revenue and expense. The end of year projected balance is \$13.8 million. District staff is working on the Budget update to be presented at the June 2016 Board Meeting.

Accounts Payable

The Cash Disbursement List for May 11, 2016 was presented for review and payment. Discussion followed regarding certain items on the Disbursement List, including expenses for the biological surveys for the Well Telemetry Project, and the visual surveys for wildlife habitat.

On motion by Director Portwood, seconded by Director Fabbri, the Board authorized payment of the Accounts Payable as listed on the May 11, 2016 Disbursement List for Semitropic Water Storage District and Semitropic Improvement District. A copy of the Disbursement List presenting the payments that were approved is attached hereto as "Exhibit A."

Consider Resolutions Fixing GASC and GPSC and Set June Hearing

Manager Gianquinto led discussion on the General Administrative and General Project Service Charges and Resolutions. Bobby Salinas, District Controller, reviewed the calculations to

set the charges to remain the same as 2015 at \$1.50/Ac and \$137.90/Ac and the staff recommendation for setting the Special General Project Service Charges at \$10.90/Ac.

On motion by Director Tracy, seconded by Director Waterhouse, the Board set the preliminary General Administrative and General Project Service Charges at \$1.50/Ac and \$137.90/Ac, respectively, set the Special General Project Service Charges at \$10.90/Ac and adopted all resolutions and documentation necessary for processing as listed below:

BW Resolution No. 16-03:

RESOLUTION FIXING CHARGES FOR GENERAL ADMINISTRATIVE SERVICE RENDERED BY THE IMPROVEMENT DISTRICT AND CHARGES FOR GENERAL PROJECT SERVICE RENDERED BY THE IMPROVEMENT DISTRICT; ORDERING THAT THE SAME BE COLLECTED FROM THE OWNERS OF LANDS RECEIVING THE BENEFIT THEREOF; ORDERING PREPARATION OF A PRELIMINARY ROLL AND PRELIMINARY RATES AND SETTING OF NOTICED HEARING (2016; COLLECTED 2016-2017)

PP Resolution No. 16-03:

RESOLUTION FIXING CHARGES FOR GENERAL ADMINISTRATIVE SERVICE RENDERED BY THE IMPROVEMENT DISTRICT AND CHARGES FOR GENERAL PROJECT SERVICE RENDERED BY THE IMPROVEMENT DISTRICT; ORDERING THAT THE SAME BE COLLECTED FROM THE OWNERS OF LANDS RECEIVING THE BENEFIT THEREOF; ORDERING PREPARATION OF A PRELIMINARY ROLL AND PRELIMINARY RATES AND SETTING OF NOTICED HEARING (2016; COLLECTED 2016-2017)

The NOTICE, order mailed with the adoption of the foregoing resolutions, form of letter to transmit the notice to landowners, and the following resolution, were approved by the Board.

Concurrent Resolution No. BW 16-04 and PP 16-04:

PROCEDURE FOR CONDUCT OF PUBLIC HEARING TO COLLECT AND FINALIZE THE ROLL FOR THE GENERAL ADMINISTRATIVE AND GENERAL PROJECT SERVICE CHARGES FOR 2016 (COLLECTED 2016-2017)

Consider Resolution for BOR WaterSmart: Drought Resiliency Project Grant for Groundwater Well Extraction Improvements for Return of Stored Water: Phase 2

Staff Engineer, Isela Medina, reported that GEI Consultants has been retained to prepare a grant application under the WaterSmart Grant Program and a Resolution is needed to support filing the application. Discussion followed on the proposal for improvements to the recovery component

of the Pond-Poso Spreading and Recovery Facility, referred to as the *Groundwater Well Extraction Improvements for Return of Stored Water: Phase 2*.

On motion by Director Portwood, seconded by Director Waterhouse, the Board authorized the filing of an application for grant funding in the form of Resolution No. SID 16-03:

IN SUPPORT OF FILING AN APPLICATION WITH THE BUREAU OF RECLAMATION FOR A GRANT UNDER WATERSMART: DROUGHT RESILIENCY PROJECT GRANTS (fy 2016)

Consider Resolution for BOR Ag Water Conservation & Efficiency Grant for Groundwater Well Operational Data Acquisition and Lateral Canal Lining

Isela Medina also reported that GEI Consultants has prepared a grant application under the Agricultural Water Conservation and Efficiency Grant Program and a Resolution is needed to support filing the application. Discussion followed on the proposal for improvements to the recovery component of the Semitropic Water Bank, referred to as the *Groundwater Well Operational Data Acquisition and Lateral Canal Lining*.

On motion by Director Portwood, seconded by Director Waterhouse, the Board authorized the filing of an application for grant funding in the form of Resolution No. SID 16-04:

IN SUPPORT OF FILING AN APPLICATION WITH THE BUREAU OF RECLAMATION FOR A GRANT UNDER AGRICULTURAL WATER CONSERVATION AND EFFICIENCY GRANT

Consider Lease Option Terms with Tenaska Inc.

The Manager introduced Jeff Gonka, representing Tenaska, a large solar company who is looking for land in the area suitable for the installation of a solar project. A confidential letter agreement has been submitted for Board consideration; however, it was requested that the terms be discussed in closed session.

Consider Proposed Allocation of Non-Contract Water for 2016

Manager Gianquinto led discussion on the proposed allocation of Non-Contract Water for 2016. The total Non-Contract allocations would be approximately 40,000 AF. Staff worked on the data and broke the system into 4 zones: the Trification area, Buttonwillow Ridge, Pond Poso Canal South and Pond Poso Canal North. Each landowner would receive letters for specific allocations, to each parcel based on past performance and allocation share due. Discussion followed.

On motion by Director Tracy, seconded by Director Waterhouse, the Board authorized the allocation methodology proposed by Staff, recognizing that not all Banking Partner's requests are fully known and adjustments may be necessary. It was also noted that due to the banking activities landowner wheeling will cease until recharge activities are completed.

PRESENTATIONS

Evaluations of 3-Year/15-Foot Rule

Ron Eid, of GEI Consultants, gave a presentation on the evaluations of the 3-Year/15-Foot Rule. He stated that the 3-Year/15-Foot Rule was set to help determine changes in water levels and analyze any banking project impacts on the basin. The models are set at 3-year periods figured both with and without the project. Mr. Eid reviewed charts showing the average water level differences in years 2011, 2012, 2013 & 2014 using data gathered for the model. Discussion followed.

Well Telemetry Project Update by Greg Allen, Aviva (REDtrac)

Greg Allen, representing REDtrac, introduced his team which included Ben Daly, Michael Brannon and Michael McAllister. Mr. Allen gave a presentation on a “Shared Well Pilot Energy Project” which uses telemetry to gather data from the field then sends it to the office to help streamline the task of energy reconciliations.

The goals of the Shared Well Pilot Energy Project is to reduce time and costs; increase accuracy of billing; use the correct tariffs (times of use and season); measure actual water quantities to District; calculate quantities to growers based on flow indicators; and create reports and invoices for staff, growers and partners. Applications have been submitted in an effort to obtain grant funding to help pay capital costs. Discussion followed.

The Project is approximately 75% complete. Equipment is being installed and collecting data to determine energy usage associated with well operation and to calculate the cost of energy with the mechanism to cross-check the results.

CONSULTANT REPORTS

Balance Public Relations

Dean Florez of Balance Public Relations reported on recent meetings in Sacramento as well as follow-up on the “Lobby Days” event on April 19th and 20th attended by the General Manager and several Board members. A meeting is scheduled next week for Board members and General Manager with Antonio Villaraigosa, former Mayor of Los Angeles and past Speaker of the California Assembly who is preparing to run for Governor in 2018. Andrew Ball from the California Water Commission is also scheduled for a meeting soon.

A meeting with working group members is scheduled this Friday at Metropolitan Water District’s office for further discussion on the California Water Fix.

Design/Build Team Construction Update

W.M. Lyle’s Representative, Rick Amigh, reported that the Raw Water Processing Plant continued to operate through April but is expected to operate through mid-May and shut down in June through August while pumpback operations are suspended.

The Junction Pumping Plant Turbine Generator was installed in April as well as electrical and mechanical work to prepare the unit for operation. The District has engaged Concepts in Controls to perform SCADA integration work and programming which should be completed in mid-June. Start-up and commissioning of the system is now scheduled for late June, contingent upon the schedule of water deliveries into the District via the Junction Facility.

W.M. Lyles and GEI completed the development of the final Tulare Lake Floodwater Storage and Recovery Pilot Project plans, specifications and budget in April. Field work has been put on hold pending various agency approvals.

Consulting Engineer's Report

Richard "Dick" Rhone from GEI Consultants, Inc. presented the "Consulting Engineers' Report on Projects for Semitropic Water Storage District" for work during April 2016, which was accepted for filing.

Mr. Rhone also reported on engineering activities related to staff assistance with energy reconciliations for 2014 and commence work on 2015 reconciliations; filing the Final Agricultural Water Management Plan with DWR following the Board adoption; finalize the Initial Study/Mitigated Negative Declaration on the Pond Road Solar Project for publication and submission to the State Clearinghouse, plus preparation of the Mitigation Monitoring and Reporting Plan, Notice of Intent, Notice of Determination, Notice of Completion, legal notice and summary; plus activities related to preparation of grant applications for: Water Use Efficiency Grant, WaterSmart Drought Resiliency Grant, and Agricultural Water Conservation and Efficiency Grant.

On the Feasibility Study for the Tulare Lake Storage and Floodwater Projection Project, several outreach materials were developed to support outreach to State legislative representatives, California Water Commission members and staff and DWR management. Operation studies for Kings River flood flow also continued to be analyzed and refined.

Groundwater Storage Services, Inc.

Will Boschman of Groundwater Storage Services, Inc. reported that the Water Purchase Agreement with Agua Via was signed and is now in the early stages of implementation. Current activity involves selecting 4 or 5 wells within Semitropic's boundaries that are needed for field testing and demonstration of the proposed new technology.

Aqua Planet reported that they have secured financial backing from an international investment group that seeks to develop new water sources and water quality improvement projects throughout the world. Aqua Planet opened an office in Qatar which apparently is one of its main headquarters of the investment group. Well sites with poor quality water are being considered in developing the proposed treatment process.

Last month the Board approved a Lower Priority Banking Agreement with California Water Service subject to final staff and legal review. There have been a number of non-substantive changes made and it is currently anticipated that the Agreement will be finalized and ready for execution during May.

Lend Lease Solar executed an Option Agreement with Semitropic for developing solar generation on the property on the south side of Pond Road across from the Smyrna Substation.

Mr. Boschman attended various meetings during the month on the District behalf, including: the State Water Contractors Committee, State Water Contractors Board meeting, Semitropic-Rosamond Water Bank Authority, and a meeting with the real estate agent regarding the sale of the Boschma Dairy.

Developing Water Resources, Inc.

John Jones of Developing Water Resources, Inc. submitted a written report and presented an oral update of progress on well drilling activities. The drilling staff moved the rig to North Kern Number 3 well site located on the north side of Hwy. 46 just east of the Friant Kern Canal. Annual maintenance work was completed before drilling commenced on the new well. The “Kelly” on the drilling rig was unrepairable and therefore replaced. Bakersfield Well & Pump helped to acquire a new one.

The developing unit is located on North Kern Number 2 well site located 1mile west of Hwy. 99 on the north side of Hwy. 46.

INFORMATIONAL AND UP-DATE ITEMS

Manager Gianquinto’s written report on “District Activity During April” dated May 6, 2016 was accepted for filing. In addition, the following items were presented:

Irrigated Lands Regulatory Program

The Manager called attention to the Kern River Watershed Coalition Authority handout that states significant proposed revisions to the Irrigated Lands Regulatory Program has potential impacts to local farming operations. The State Water Resources Control Board is considering significant changes to the General Order for the East San Joaquin Water Quality Coalition area (which was adopted by the Central Valley Water Board in December of 2012) that, if adopted as written, could impact farming operations in the Central Valley. Several workshops are being planned to give the public an opportunity to participate in opposing the new Draft Order.

2016 Recovery Operations

With the SWP Allocation increase to 60%, the District’s 2016 recovery plan will be significantly altered as several Banking Partners have changed from recovery to recharge requests. Due to these significant changes, the District will seek to satisfy some of the lower priority requests for recovery and will be discussing the method for allocation of Non-Contract Water to satisfy the recharge requests received to date. It is expected that the allocation of Non-Contract Water will be issued around May 15th.

Closed Session

At 2:10 p.m. the District's legal counsel, Ernest Conant, stated that a closed session was needed pursuant to the following:

- a. Conference with legal counsel to discuss pending litigation
(Gov't Code Section 54956.9(a) 7 items)
 - 1) *Rosedale-Rio Bravo Water Storage District v. Kern County Water Agency et al*
 - 2) *Central Delta Water Agency et al v. California Department of Water Resources et al*
 - 3) *Rosedale-Rio Bravo Water Storage District & Buena Vista Water Storage District v. California Department of Water Resources et al*
 - 4) *Central Delta Water Agency et al v. Kern County Water Agency, et al*
 - 5) *State Water Contractors v. Salazar (Delta Smelt BO)*
 - 6) *San Joaquin County Resources Conservation District, et al. v. California Regional Water Quality Control Board, Central Valley Region*
 - 7) *North Kern Water Storage District, et al v. City of Bakersfield and North Kern Water Storage District, et al, v. Kern Delta Water District*
- b. Conference with Real Property Negotiators (Govt. Code Section 54956.8)
Potential Water Supplies
Negotiator: Jason Gianquinto, General Manager
- c. Conference with legal counsel to discuss Anticipated Litigation
(Gov't Code 54956.9)

Legal Counsel, Ernest Conant, reported on various legal issues with the Board.

At 4:45 p.m. the Board reconvened to open session. President Wegis stated that several items were discussed, including various legal issues, agreements and proposals.

On motion by Director Thomson, seconded by Director Waterhouse, the Board authorized execution of an Agreement with Cal Water Service contingent upon their approval of minor language changes and final staff and legal review.

Adjournment

The meeting was adjourned at 4:45 p.m. by President Wegis until Wednesday, May 25, 2016 at 12:30 p.m. to continue the business of the District.

APPROVED:

/s/ Todd Tracy, Secretary

/s/ Fredrick A. Wegis, President