

MINUTES of the Regular Meeting of the Board of Directors of Dudley Ridge Water District held on June 10, 2020 at 1:00 p.m. at the office of the District, 286 W. Cromwell Ave., Fresno, California.

DIRECTORS PRESENT: Kimberly Brown, President (via teleconference)
 Larry Ritchie, Vice President (via teleconference)
 Steve Jackson, Secretary (via teleconference)
 Bernard Puget (via teleconference)
 John Vidovich (via teleconference)

DIRECTORS ABSENT: None.

OTHERS PRESENT: Dale Melville, Manager-Engineer (via teleconference)
 Rick Besecker, Assessor-Collector-Treasurer (via teleconference)
 Joseph Hughes, Legal Counsel (via teleconference)
 Kellie Welch, Irvine Ranch WD (via teleconference)

President Brown called the Board meeting to order at 1:00 p.m.

MINUTES

Director Ritchie made a motion to approve the minutes of the April 8, 2020 Regular Board Meeting. The motion was seconded by Director Jackson; after discussion, the Board voted to approve the motion. Following the vote, President Brown announced that the Directors voted as follows:

Brown	Ritchie	Jackson	Vidovich	Puget
Aye	Aye	Aye	Aye	Aye

FINANCIAL REPORTS AND ACTIONS

Mr. Besecker presented to the Board financial reports prepared for the current period ending February 12, 2020. The reports showed the following cash balances in each of the respective accounts after bills proposed for payment on February 12, 2020.

BANK ACCOUNTS	
General (Checking) Fund (Bank of America)	\$ 46,079.54
Operating (Checking) Fund (Bank of America)	9,192.20
Investment Fund (LAIF Account)	101,232.05
Investment Fund (CalTrust Short Term Account)	1,563,316.75
Investment Fund (CalTrust Medium Term Account)	<u>154,897.59</u>
TOTAL BANK ACCOUNTS	\$ 1,874,718.13

The reports also included the cash receipts journal, the aged receivables report, the 2020 budget comparison report for the period from April 9, 2020 to June 10, 2020. Director Puget made a motion to accept the Treasurer's Report. The motion was seconded by Director Jackson; after discussion, the Board voted to approve the motion. Following the vote, President Brown announced that the Directors voted as follows:

Brown	Ritchie	Jackson	Vidovich	Puget
Aye	Aye	Aye	Aye	Aye

Next, Mr. Besecker reviewed with the Board the schedule of warrants to be ratified as paid by the District for the period from April 9, 2020 to June 10, 2020 as shown below.

Payee	Amount
Browns Valley ID	\$ 21,000.00
Department of Water Resources	318,107.00
Kern Water Bank Authority	148,770.00
Klein Denatale Goldner LLP	2,134.50
Pacific Gas & Electric	389.91
Provost & Pritchard Consulting Group	44,132.14
Western Hills WD	6,451.85
State Water Contractors	406,350.00
State Water Contractors	338,800.00
Total	<u>\$ 1,286,135.40</u>

Director Vidovich made a motion to ratify the schedule of warrants as paid. The motion was seconded by Director Jackson; after discussion, the Board voted to approve the motion. Following the vote, President Brown announced that the Directors voted as follows:

Brown	Ritchie	Jackson	Vidovich	Puget
Aye	Aye	Aye	Aye	Aye

Next, Mr. Besecker reviewed with the Board the schedule of warrants to be approved for payment by the District for the period from April 9, 2020 to June 10, 2020 as shown below.

Payee	Amount
Wheeler Ridge-Maricopa WSD	\$ 22,465.00
Butte County Treasurer	166,953.00
Corcoran Publishing Co Inc	90.00
Cuttone & Mastro CPA	7,595.00
Department of Water Resources	245,078.00
Kern Water Bank Authority	153,599.01
Klein Denatale Goldner LLP	4,096.00
Provost & Pritchard Consulting Group	27,802.53
Total	<u>\$ 627,678.54</u>

Director Vidovich made a motion to ratify the schedule of warrants as paid. The motion was seconded by Director Jackson; after discussion, the Board voted to approve the motion. Following the vote, President Brown announced that the Directors voted as follows:

Brown	Ritchie	Jackson	Vidovich	Puget
Aye	Aye	Aye	Aye	Aye

WATER SUPPLY REPORTS

The Manager reviewed the current water report with the Board, noting that the allocation was increased to 20% in May.

Regarding routine landowner transfer/exchange requests, the Manager reported that staff was working with DWR to transfer carryover and KWB recovery water to KCWA.

Regarding the San Gabriel Valley MWD, the Manager noted that the SGVMWD board had approved the term sheet for a short-term water banking and exchange program and, that after DRWD approval, staff would prepare a request to DWR, prepare an environmental review, revise the 2017 exchange agreement, and prepare an agreement for SGVMWD banking with DRWD. The final agreement(s) would be brought back to the Board for approval. Director Vidovich made a motion to authorize the Manager to execute the term sheet, a copy of which is attached to and made a part of these Minutes and proceed with processing the environmental documentation and approval requests for the program. The motion was seconded by Director Ritchie; after discussion, the Board voted to approve the motion. Following the vote, President Brown announced that the Directors voted as follows:

Brown	Ritchie	Jackson	Vidovich	Puget
Aye	Aye	Aye	Aye	Aye

Regarding the Kern Fan Groundwater Storage Program, the Manager reported that he had preliminary discussions with IRWD on how DRWD could benefit from the program.

Regarding water supply programs in collaboration with the Westside Districts, the Manager reported that he had executed a letter of intent, attached to and made part of these Minutes, to purchase water from Orange Cove Irrigation District's Mill Creek water supplies. Following a discussion about the water price, Director Vidovich made a motion to ratify the execution of the agreement. The motion was seconded by Director Puget; after discussion, the Board voted to approve the motion. Following the vote, President Brown announced that the Directors voted as follows:

Brown	Ritchie	Jackson	Vidovich	Puget
Aye	Aye	Aye	Aye	Aye

Regarding the Dry Year Transfer Program, the Manager reported:

- The buyers group offered to purchase all of the water at \$350/AF (net \$538/AF at 35% carriage loss) regardless of water type;
- The following subset of the sellers rejected the \$350/AF offer;
- The remaining sellers offered over 55,379 AF for sale, with 50,379 AF coming from groundwater substitution and 5,000 AF coming from reservoir reoperation; and
- The District's portion of this water would be at least 2,129 AF north of the Delta.

Regarding the Yuba Accord, the Manager reported:

- The District's portion of the 30,889 AF of C1 water was 176 AF at \$200/AF north of the Delta; and
- The District's portion of the 77,000 AF of C4 water was 1,268 AF at \$350/AF north of the Delta.

STATE WATER PROJECT ISSUES

The Manager provided updates on the following current SWP issues.

- Regarding the on-going Delta Conveyance Facility ("DCF") the SWP contractors and DWR completed negotiations for an Agreement in Principle ("AIP") for the DCF, except for determination of the participation levels of each contractor, which are anticipated to be requested by DWR prior to the end of this year. About a dozen smaller contractors have indicated they do not support the AIP as written, including the District. Funding and individual contractor support for the AIP is pending several issues, including:
 - Updated modeling to reflect the new the BiOps, ITP, and similar;
 - Updated capital and operating costs for the DCP; and
 - MWDC and KCWA negotiating a transfer program between them.

The Manager then reviewed a draft letter to DWR regarding certain concessions that would be needed to get the District's support of the AIP and asked the Board for direction. Director Vidovich made a motion to send the letter, with copy to the State Water Contractors, after giving the KCWA general manager a heads up. The motion was seconded by Director Jackson; after discussion, the Board voted to approve the motion. Following the vote, President Brown announced that the Directors voted as follows:

Brown	Ritchie	Jackson	Vidovich	Puget
Aye	Aye	Aye	Aye	Aye

A copy of the executed letter is attached to and made a part of these Minutes.

- Regarding the SWP Contract Extension Amendment:
 - 20 contractors have signed the Contract Extension Amendment, including the District;
 - DWR was waiting for trial court decision on DWR's validation effort (decision one to two years away);
 - DWR now wants Article 13(b) negotiated prior to signing the Contract Extension Amendment; and
 - PayGo would be implemented no earlier than 1/1/2024 once the Contract Extension Amendment is in place.
- Regarding the Water Management Amendment, the Manager noted:

- A remaining issue (to be raised to DWR management) is for the ability to directly transfer water stored outside a contractor's service area without the water first needing to return to the transferring contractor's service area.
 - The Deputy Director reported that the Water Management Amendment should be ready to sign in late summer or early fall.
- Regarding the State Water Contractors, the Manager noted that the dues went down from \$98,712 in FY 2019-20 to \$94,040 for FY 2020-21.

OTHER DISTRICT ISSUES

Next, the Manager reported that the candidate selected for Executive Director of the Westside Water Authority ("WWA") withdrew his name from consideration and that the WWA would restart the search in 1-2 months. He then reported that WWA proposed in 2020, the District to cover ten percent of the Executive Director's compensation, WWA start-up costs, and potentially compensation for a deputy/assistant to the Executive Director; The District will continue current management and operations through 2020, with the goal fully transitioning into the WWA and contributing ten percent of all applicable WWA costs in 2021.

Regarding the agenda item related to the Utica development at I-5, Director Vidovich asked that the discussion be tabled until he ascertained with his legal counsel as to whether he had a conflict. President Brown tabled discussion on the topic until the next Board meeting.

EXECUTIVE (CLOSED) SESSION

At 2:10 p.m. President Brown announced that the Board would convene in the scheduled closed session to confer with Legal Counsel regarding litigation (Govt. Code, § 54956.9(d)(4)) regarding the State Water Contractors and Kern County Water Agency v. State of California Department of Fish and Wildlife and State of California Department of Water Resources. She noted that it was likely that an action by the Board was anticipated to come out of closed session. At this time, Ms. Welch left the meeting.

RETURN TO OPEN SESSION


At 2:16 p.m., President Brown closed the Executive Session. Upon returning to the open session, President Brown reported that the Board had voted unanimously to join the action as a co-plaintiff with SWC and KCWA.

DATE, TIME, AND LOCATION OF NEXT BOARD MEETING

The Manager noted that the next Board meeting was to be determined.

ADJOURNMENT

There being no further business to come before the Board, at 2:17 p.m. President Brown adjourned the meeting.



 Steven D. Jackson, Secretary

APPROVED:



 Kimberly M. Brown, President

**PROGRAM FOR SHORT-TERM WATER BANKING AND EXCHANGE
BETWEEN SAN GABRIEL VALLEY MWD AND DUDLEY RIDGE WD
(DRAFT 4-13-2020)**

Background

- SGVMWD faces periodic constraints in East Branch deliveries during higher allocation years (typically above 70%). At such times, SGVMWD needs a place to 'park' Table A or supplemental water for short periods until capacity is available in the East Branch.
- DRWD has approximately 150,000 acre-feet ("af") storage capacity in the Kern Water Bank ("KWB") and in-district demand within the State Water Project ("SWP") service area; DRWD could arrange for SGVMWD to temporarily store water in the KWB or deliver water in-district to meet irrigation demand and receive a return of the water when SGVMWD has capacity in the East Branch to deliver such stored water.

Existing 2017 Water Exchange Agreement (revision from 1995 agreement)

- Term: January 2017 through December 2035.
- Provides DRWD up to 20,000 af "storage account" in SGVMWD.
- DRWD deliveries to SGVMWD have 10% exchange losses.
- SGVMWD allowed to retain the first 10,000 af of its 28,800 af Table A.
- Provisions for reclassifying up to 3,000 af of SGVMWD deliveries to "return water" to DRWD when allocation is $\geq 50\%$.
- The district that receives the water pays the SWP variable charges.

Proposed Additional Water Banking and Exchange Agreement (for temporary storage of SGVMWD water)

- Subject to the revisions proposed in the following section, the terms and conditions of the 2017 Agreement would remain the same.
- SGVMWD would be a second priority for both recharge (and/or in-district irrigation demand) and recovery from DRWD's capacity in the KWB.
- DRWD would accept SGVMWD's water when SGVMWD has a need to store water and DRWD has recharge (or in-district irrigation demands) and storage capacity available in the KWB, as determined in the sole discretion of DRWD.
- DRWD would return SGVMWD's water when SGVMWD informs DRWD it has capacity to deliver the water to its service area and DRWD has available

recovery or exchange capacity to return the water as determined in the sole discretion of DRWD.¹

- For every 1.0 af SGVMWD delivers to DRWD, DRWD would be obligated to return 0.9 af to SGVMWD. SGVMWD would be responsible for the SWP fixed and variable costs for the SGVMWD water delivered to storage.
- SGVMWD would pay DRWD the direct pass-through KWB operational costs (currently ~ \$115/af) for recharge and recovery of SGVMWD's banked water.
- In addition to reimbursement of the KWB variable costs, SGVMWD would pay DRWD \$250/af² for capital cost reimbursement for DRWD and/or KWB facilities to accommodate the SGVMWD water delivered to the program.

Proposed Revisions to 2017 Water Exchange Agreement (conditions for supporting the proposed temporary storage agreement)

- Revise title to indicate a banking agreement, as the agreement was originally titled in 1995, but was retitled as an exchange agreement to avoid Use of Facilities charges. Since, DWR has waived Use of Facilities charges on banking agreements; this change in title will eliminate the DWR requirement of returning water within 10 years for exchange programs.
- Reduce the 10,000 af/y Table A retention by SGVMWD (last sentence in paragraph 1 of Section 5) to 5,000 af/y.
- Increase the maximum reclassification amount to 5,000 af/y.
- Extend the term through 2085 once the contract extension is implemented.

¹ Per email correspondence on February 19, 2020 between DRWD and DWR (with copy to SGVMWD), DWR confirmed that SGVMWD taking delivery of previously-banked Table A water (or non-project water) would not interfere with SGVMWD's delivery of Article 21 water (i.e., the return of banked water would not be considered scheduled Table A water that had to be delivered before Article 21 water could be delivered).

² Annual escalator to be added (to be negotiated between parties prior to agreement).

DUDLEY RIDGE WATER DISTRICT

DIRECTORS

KIMBERLY M. BROWN, PRESIDENT
LARRY RITCHIE, VICE PRESIDENT
STEVEN D. JACKSON, SECRETARY
JOHN VIDOVICH
BERNARD PUGET

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JOSEPH D. HUGHES

Mr. Fergus Morrissey
Orange Cove Irrigation District
P. O. Box 308
Orange Cove, CA 93646-0308

Re: Letter of Intent for Mill Creek Water Supplies

Dear Fergus:

Set forth below is an outline of the terms and conditions under which the Dudley Ridge Water District ("DRWD") would be willing to purchase from the Orange Cove Irrigation District ("OCID") certain the water derived from OCID's water rights on Mill Creek in Tehama County, California (the "Mill Creek Water").

1. Transfer Agreement. The purchase and transfer of the Mill Creek Water (the "Transfer") would be accomplished via a formal Transfer Agreement developed and executed by the parties (the "Transfer Agreement").

2. Water to be Transferred. The Transfer would be for Mill Creek Water reaching the northern boundary of the statutory Delta ("Point of Delivery") between July 1, 2020 and November 1, 2020, inclusive (the "Transfer Water"). The DRWD understand that the Mill Creek Water is "run of the river" water and thus not schedulable.

3. Purchase Price. The purchase price for the Transfer Water would be \$350 per acre foot. The Transfer Agreement would include a procedure for determining the amount of Mill Creek Water reaching the Point of Delivery. The purchase price would be payable monthly to OCID within 45 days of receipt by the DRWD of an invoice detailing the amount of Mill Creek Water reaching the northern boundary of the statutory Delta (and thus becoming Transfer Water) in the immediately preceding calendar month.

4. CEQA Compliance and Approvals. Except as provided in the second sentence of this Paragraph 4, OCID would be responsible, at its expense, for any required compliance with the California Environmental Quality Act ("CEQA") and obtaining any necessary approvals for the Transfer from the State Water Resources Control Board and/or Bureau of Reclamation. The DRWD would be responsible, at their expense, for arranging for the pumping, conveyance and delivery of the Transfer Water after it reaches the Point of Delivery, including without limitation any required approvals from the California Department of Water Resources relating to the pumping, conveyance and delivery of the Transfer Water.

5. No Long-Term Rights. The proposed transfer would be only for the Transfer Water, and no rights to or interest in any other Mill Creek Water or OCID's water rights on Mill Creek would be conveyed by or as the result of the Transfer Agreement. However, based on the results of the Transfer, the parties would negotiate in good faith to develop a long-term transfer of Mill Creek Water; provided that the terms of any such long-term transfer need not be the same as those set forth in this letter, and neither party would be obligated to enter into any subsequent agreement or transaction that is not acceptable to such party in its sole and absolute discretion.

6. Challenges. The Transfer Agreement would provide that, in the event a third party challenges the Transfer, whether judicially or otherwise, OCID and the DRWD would assist one another without cost in connection therewith by providing information and witnesses as reasonably requested, but that any costs of defending any such challenge, including out-of-pocket costs and attorneys' fees, would be borne by OCID except to the extent such challenge results from the negligence or willful misconduct of the DRWD. The Transfer Agreement would further provide that, in the event of such a challenge, either OCID or the DRWD would have the right to terminate the Transfer Agreement upon written notice to the other.

7. Other Provisions. The Transfer Agreement would contain other standard terms, including typical representations and warranties.

This letter is intended only to outline general terms and conditions upon which the parties would enter into a Transfer Agreement, it being expressly understood that such agreement would include terms and conditions which would require further negotiation by the parties. The Transfer is contingent upon the parties entering into such a Transfer Agreement acceptable to both parties and their counsel, each in their respective sole and absolute discretion. This letter is not intended to be a binding agreement between the parties, but is instead intended to simply present proposed terms for the Transfer. It is expressly understood that no liability or obligation of any nature is created as a result of this letter.

If you are interested in pursuing the Transfer as presented above, please execute a copy of this letter and return it to me on or before May 20, 2020. The offer contained in this letter will expire without further action by either party if an executed copy of this letter has not been returned by that date. Should you have any questions, please do not hesitate to contact me.

Respectfully,

Dale K. Melville
Manager-Engineer

The above terms are acceptable to OCID.

Fergus Morrissey

CC: Gary Sawyers & Dick Moss, New Current Water and Land
Kimberly Brown, DRWD President

DUDLEY RIDGE WATER DISTRICT

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DRAFT LETTER TO BE REVIEWED BY BOARD – SUBMITTAL DATE TBD

Month date, 2020

Karla Nemeth, Director
Department of Water Resources
P.O. Box 942836
Sacramento, CA 94236-0001

Subject: Delta Conveyance Facility

Ms. Nemeth,

The District's Board has deliberated over the past few years on what, if any, level of participation the District should engage, first with the California WaterFix and now with the Delta Conveyance Facility ("DCF"). Unfortunately, the option to partially participate at the state-level, which the District has continuously expressed as its preferred option, is not available. Saying that we are interested in staying involved in the DCF process. The purpose of this letter is to explain the District's current position related to the DCF.

Agreement in Principle ("AIP")

It is the District's intent to support the AIP, but conditioned on the following objections: These conditions are equity issues for both DCF participants and non-participants:

1. Once DCF water is delivered to cause San Luis Reservoir ("SLR") to be projected to spill, the first priority for Article 21 water should be given to non-participants to the extent they have carryover remaining in SLR...*this is an equity issue since DCF water is directly impacting non-participants storage in SLR.*
2. All Article 21 water should be charged only the variable rate (and the DCF energy charge if the delivery uses the DCF) whether the deliveries are to participants (who have first priority for DCF-dependent deliveries) or non-participants. *This is the current practice and reflects good water management; the Department should make non-storable, surplus water as affordable as possible, while covering costs, versus losing water to the ocean.*
3. The Water Management Amendment needs to be successfully implemented by the end of 2020; it should be clarified that the water management provisions also apply to water developed by the DCF. *This has been stated as the intent of all parties, but in our opinion, the AIP language is unclear.*

The Districts' position on these issues is not new to the Department or the other SWP State Water Project ("SWP") contractors, as they have been vocalized both at the contractor caucus sessions and at the public negotiation sessions for the DCF contract amendment. Given a positive resolution to those objections, the District intends to support the AIP with a 100% Table A Allocation Factor; our final decision to execute the

DCF amendment will be ultimately be subject to the outcomes of the environmental reviews, projected costs, and projected yields.

Funding Agreement

Given the \$350 million funding level request over the next three years and the 3,902,943 AF Table A Amount for the assumed DCF-participating SWP contractors, the cost of \$29.89/AF/Y of contracted Table A represents a substantial annual cost to District water users; however, when water allocations are less than average, the unit cost can become unbearable. Based on a 59% long-term average SWP delivery capability (ref: Draft State Water Project Delivery Capability Report 2019), the additional costs associated with DCF planning would be \$50.66/AF of average Table A water delivered from the SWP. Although difficult to absorb given the numerous uncertainties related to implementing the DCF, our water users are willing to support the DCF funding agreement if an annual cap of \$50/AF of delivered Table A water is incorporated into the DCF funding agreement. Our water users are willing to pay their full share, but depending on water allocations over the next three years and our ability to pay no more than \$50/AF of wet Table A water, the District could have to continue to make its payments beyond the requested three-year planning period. But, for example, in a 20% delivery year as is the current situation, the DCF planning costs would invoke an additional \$149/AF of delivered Table A to what are already extremely high SWP water costs (for District: \$835-860/AF) in such a low allocation year, which is untenable for District water users.

Going Forward

The District's above intentions are based on what we understand as the yield and cost projections for the DCF. We reserve the right to revise our interest in participating in the DCF as additional information becomes available. As we are all aware, numerous parameters continue to be in flux that may affect the viability of the DCF for the District (and potentially others), including changing regulatory, environmental, cost, financing, and scheduling factors. Over the next few years as the planning, design, financial, and environmental elements of the DCF are completed, the District will be able to make a final decision on our participation. In the meantime, we lend our conditional support for the DCF.

Again, the implementation of the Water Management Amendment by the end of this year is critical to the District's conditional support for the AIP and pending DCF funding agreement. We look forward to seeing an acceptable executable amendment in the next few months.

At your convenience, we welcome the opportunity to meet with you to discuss this letter if you are so inclined.

Respectfully,

Dale or Kim?

cc: Board of Directors
SWC? Others?