Shafter-Wasco Irrigation District

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August 14th, 2023

To: Seventh Standard Annex Landowners,

A Brief History

In 2014, the California Legislature passed the Sustainable Groundwater Management Act (SGMA). A few years later in 2019, the landowners in the Seventh Standard Annex Area (a.k.a. "MA-2") annexed into Shafter-Wasco Irrigation District ("SWID") for the sole purpose of receiving SGMA coverage. Groundwater Sustainability Plans ("GSPs") were written covering all Kern County Groundwater Sustainability Agencies ("GSAs") and submitted to the California Department of Water Resources ("DWR") for review – those plans were found to be incomplete, and recommended that the Plans be revised and resubmitted. The revised Plans were submitted in July 2022 and were deemed inadequate in March 2023, moving Kern County GSAs under the purview of the State Water Resources Control Board ("SWRCB"). The Basin is now subject to SWRCB intervention, and the SWRCB Probationary Hearing for the Basin is anticipated to occur in April 2024. Ultimately, the objective is to have acceptable GSPs in the eyes of the SWRCB, and to move back under the purview of DWR to avoid potential adjudication and significant fees imposed by the SWRCB.

The MA-2 Management Area Plan

The MA-2 Plan provided for building enough water supply projects to bring in at least 15,000 acre-feet of water per year ("AFY") of supplemental water on average. If this was unsuccessful, then demand reduction would be the backstop. In recent months, which include the wettest period California has experienced in the past 40 years, the SWID Board has become aware of certain factors relative to the MA-2 plan, including:

1. The projects needed to bring in 15,000 AFY are not economically feasible;
2. It is unlikely that there is enough water in the various State, Federal and local water supply and distribution systems for MA-2 to be able to import an average of 15,000 AFY; and
3. For areas without a firm surface water supply, the SWRCB will require that demand reduction be Plan A, rather than Plan B

As such, in developing the new MA-2 plan that will hopefully be accepted by the SWRCB, we need to implement demand reduction and landowner-level water budgets. The pages that follow will detail the program:

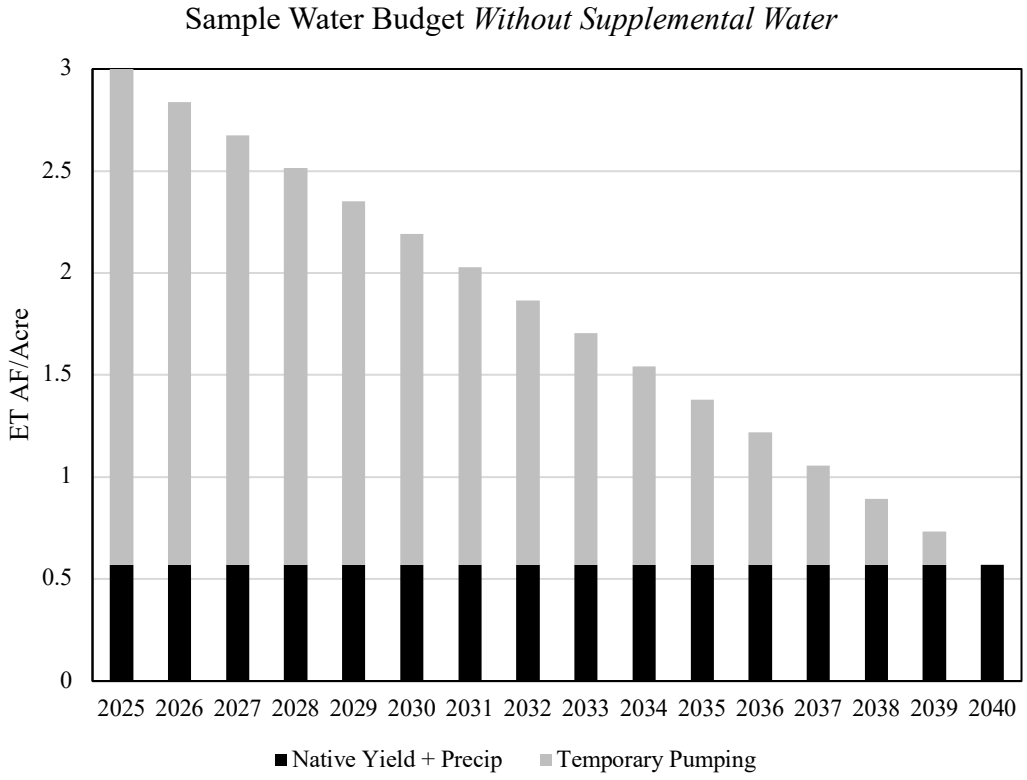
- Appendix A will show a sample water budget for the 2025-2040 time period *assuming no supplemental water*
- Appendix B will show a sample water budget for the 2025-2040 time period *with supplemental water*
- Appendix C will explain the various types of water on the water budget, and the various rules that will exist (transferability of credits, carryover of credits, penalties, etc.)

This is obviously a lot to digest. We will be having a Q&A session scheduled at the SWID Office Conference Room on **Tuesday, August 29th at 2pm**. We will be working in 2024 to set up the system needed to implement and track water budgets, and implementation of demand reduction will begin in January 2025. We will continue to work to find water for MA-2 and mitigate the impact of the water budgets (i.e., demand reduction efforts) as much as possible.

Please note: all the information in this letter is based on our best information but is subject to change due to an ever-changing regulatory and hydrologic environment. This letter describes our best efforts to comply with SGMA, and introduce some level of certainty in an incredibly uncertain situation.

Thank you,
Kris Lawrence
General Manager

APPENDIX A – SAMPLE WATER BUDGET *WITHOUT SUPPLEMENTAL WATER*



Year	ET Limit
2025	3.00
2026	2.84
2027	2.68
2028	2.51
2029	2.35
2030	2.19
2031	2.03
2032	1.87
2033	1.70
2034	1.54
2035	1.38
2036	1.22
2037	1.06
2038	0.89
2039	0.73
2040	0.57

There are two blocks of water shown on the graph above: Native Yield + Precipitation, and Temporary Pumping. This assumes that SWID is unable to bring in any supplemental water supplies for MA-2. The Temporary Pumping gradually decreases to zero by 2040 and the total amount of water available to landowners by 2040 is the Native Yield + Precipitation. This is the worst-case scenario.

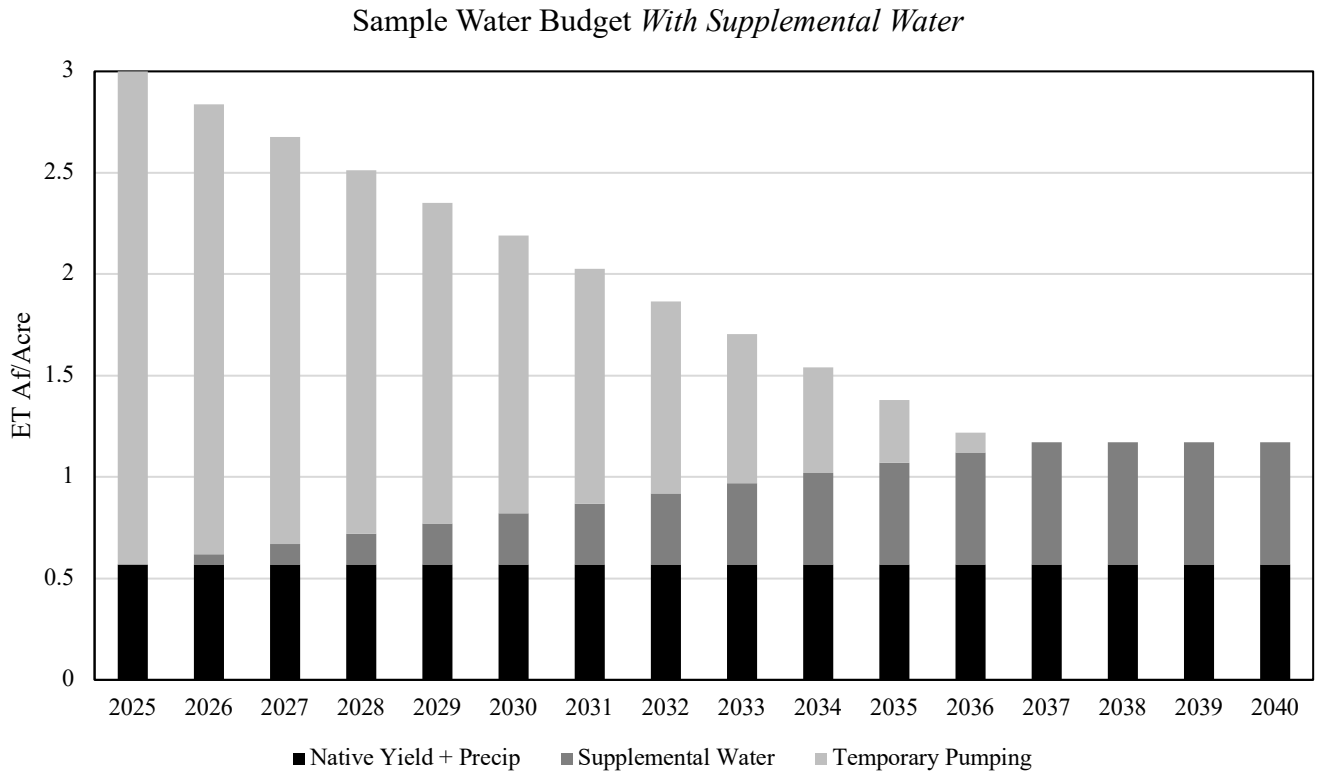
Native Yield + Precipitation
Currently, Native Yield (consistent with Kern County GSAs) is estimated to be 0.15 AF/Acre, and Precipitation is estimated to be 0.42 AF/Acre, based on local CIMIS[1] station data. This is a total of 0.57 AF/Acre, and this is a reasonably firm supply. These numbers would likely only change if Kern County GSAs agreed to another Native Yield number based on a Basin-wide technical study, or if long-term average precipitation changed substantially from what is considered.

Temporary Pumping
This is intended to give landowners time to react to these substantial changes. The ET budget starts at 3 AF/Acre in 2025 (including Native Yield, Precipitation, and Temporary Pumping), and it reduces to Native Yield and Precipitation in 2040.

[1] California Irrigation Management Information System

APPENDIX B – SAMPLE WATER BUDGET *WITH SUPPLEMENTAL WATER*

Appendix A covered the worst-case scenario. Since MA-2's annexation into SWID, the landowners have been paying property assessments to fund the creation of a GSP and to build projects and/or buy water, so that the long-term "sustainable" ET AF/Acre limit is higher than just the 0.57 AF/Acre from Native Yield and Precipitation. The graph below shows what a grower's water budget *could* look like if SWID is successful in securing blocks of water on behalf of MA-2, using MA-2 funds.



You'll notice that the Supplemental Water supply slowly increases, and then levels out to an average AFY/acre based on the quantities of water secured between 2025 and 2040.

There are two types of Supplemental Water:

1. Water credit secured by SWID on behalf of MA-2 as a whole, and
2. Water credit that a grower brings in on his/her own

The above graph only shows water credit secured on behalf of MA-2 as a whole. Any credit a grower secures on his/her own would be *in addition* to what is shown above (i.e. grower recharge in SWID).

Disclaimer

There is no guarantee on the amount of supplemental water. SGMA has caused white lands and Districts alike throughout the state to enter the market for water, while water supplies have only dwindled. SWID will do what it can with MA-2's assessments to bring in water for MA-2, but there are simply no guarantees.

APPENDIX C – RULES REGARDING CREDITS

Revised February 11th, 2026

Database System

Each MA-2 landowner will have an account in our STORM database that will show water usage by month (from LandIQ), and the total available ET in that calendar year. In the setup phase, each landowner will have to sign up all of their APNs so that the data can be aggregated per landowner. For example, Landowner A would be able to log into STORM, see their total acreage, total ET allowance, and water usage by month.

Penalties

If a Landowner's usage is greater than the ET allowance for that year by 15% or less, the landowner will be charged $500/AF penalty for every AF of usage over the ET allowance. If Landowners continually use more than their ET allowance by more than 15%, the SWID Board will evaluate additional penalties that may be necessary to ensure adherence to the ET limitations.

Rules

The components of the ET allowance are intended to be flexible with regard to transferring and carrying over into subsequent years, to allow landowners to strategize their fallowing. However, there are some limitations:

- Temporary Pumping credits cannot be carried over year to year
    - *Note: Native Yield, and Supplemental Water credits can be carried over from year to year without restriction*
- Supplemental Pumping credits are the last used
    - *i.e. if a grower irrigates a parcel, the first water used will be Native Yield, then Precipitation, then Temporary Pumping credits, and finally Supplemental Water.*
- Temporary Pumping credits are only assigned to currently irrigated land
    - *All land in MA-2, regardless of irrigated status, will receive Native Yield and Precipitation credits*
- Precipitation credits cannot be transferred or carried over
    - *Precipitation is consumed in real time on the APN it lands on*

Note: These policies are subject to change