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MEMO

To: All Customers Date: June 16, 2021

Subject: Prorate Adjustments

Over the course of the year, we have made a number of modifications to our operations. First, we have expanded our Groundwater Savings Facility by threefold. Also, we are now administering our new SRP contract, which secured our historical pumping rates per acre. Our analysis for the water usage in 2021 anticipated the start of another great year with plenty of water. Unfortunately, the dry spring increased our deliveries by 50% over historic demand disrupting our expectations and creating a tight prorate.

Prorate is the method the District has used to ration the water we are able to deliver. The District enters a prorate when the demand for water exceeds our available supply. It is based on the acreage in your water buy and calculated at 1/3 of an acre-foot of water per acre every 21 days. If your water buy is larger than 500 acres the same allocation is calculated as a continuous flow of 160 Miners' Inches for every 500 acres. For the past few years we have only had a handful of days when prorate was needed, but there has been years when prorate lasted from May to September.

Due to our eastside pumping limits and this year's unprecedented demand, we will need to make adjustments to the normal prorate. Starting in July prorate will be reduced to 85%, spreading that same 1/3 acre-foot per acre over 25 days. This reduction will be in effect through the end of August. Then in September the reduction will be adjusted down to 70%, extending the 1/3 of an acre foot per acre over 30 days. For those that have a water buy over 500 acres your continuous run will be calculated at 269 MI per 1000 acres for July and August and 224 MI per 1000 acres in September. I realize such harsh measures could have significant impacts to your operations, but the need for rationing is a daily evaluation. Each day's demand determines whether these cuts are needed.

The board of directors is closely monitoring this situation and working to make changes to improve operations. We are drilling new wells, seeking well leases and piping some wells up to the main canal to increase load factors. Also in the coming year we are working to develop an allotment system. This type of system sets a certain amount of water that can be used throughout the year. Allotment systems give more certainty and control of deliveries to the users. We will be sending our further communications.

Thanks for your patience through these growing pains. I am available if you have any questions.

Regards, Donovan L. Neese