



1101 Central Avenue, P.O. Box 8043, Wasco, CA 93280-9419

Telephone: (661) 758-5113 Bakersfield: (661) 327-7144
Facsimile: (661) 758-3219 E-mail: mail@semitropic.com
Website: www.semitropic.com

July 8, 2014

Dan Masnada, General Manager
Castaic Lake Water Agency
27234 Bouquet Canyon Road,
Santa Clarita, CA 91350-2173

Re: Reservation of Groundwater Storage Capacity in the Stored Water
Recovery Unit On Behalf Of Castaic Lake Water Agency

Dear Mr. Masnada,

Reference is made to your letter dated May 28, 2014 expressing interest in acquiring 5,000 shares in Semitropic's Groundwater Storage program. Acquisition of these shares would provide firm recharge of 5,000 acre-feet per year, 5,000 acre-feet of recovery per year and a minimum of 15,000 acre-feet of storage. Semitropic is in its final phase (Area B) in which there are still 145,000 shares of which about 60,000 shares are tentatively reserved for others leaving 85,000 shares currently uncommitted.

Construction of Semitropic's banking program is entirely under a design/build agreement with a team of engineering, contractors, suppliers, etc. that are ready to perform upon authorization by Semitropic. In addition, Semitropic has its own well drilling equipment and staff available to start on relatively short notice. Also, essentially all of the rights-of-way required for well drilling, direct recharge facilities, canal and pipeline construction have already been acquired by Semitropic. All required construction activity for providing 5,000 shares is covered by two EIRs, the most recent one certified in 2000-2001 time period.

Considering the foregoing, to the best of its ability Semitropic would commit to:

1. Since this is an ongoing design/build contract it therefore does not require competitive bidding and award process and assuming that Castaic will secure funding well before April 15, 2015, Semitropic would start construction of facilities to service the 5,000 shares upon execution of a firm long-term storage agreement and commitment from Castaic of a capital payment in the amount of \$8,450,000 (2014 dollars) plus ongoing annual fees as stated in our "Rate Structure For Customers" dated January 2014.
2. Normally water must be placed in storage before it is recovered, but because Castaic currently has 45,920 acre-feet in storage under "Lower Priority" agreements which do not provide firm recovery capacity, Semitropic with its operational flexibility including its rights on the Kern Water Bank, will make every effort to recover Castaic's water in storage on a firm basis starting in 2015. Firm recovery capacity commitments would increase until facilities to service the 5,000 shares are complete.

Please feel free to let us know if there is any other information or assistance that you may need.

Sincerely,


Jason Gianquinto
General Manager

MP_Castaic Lake_GW Storage Capacity in SWRU_7.8.2014