



MERCED IRRIGATION DISTRICT

**** Important Drought Action Plan ****

May 21, 2014

Dear Lake McClure Houseboat Permit Holder,

As you know, California is in the midst of the 3rd year of prolonged drought, and unfortunately the Merced Irrigation District ("MID"), Twin Lakes Management Company ("TLMC") and you – a recreational user of water in Lake McClure – are not immune to the severe effects of the drought.

Absent storms, it is almost certain that Lake McClure will be drawn down to historically low levels by late summer. As such, we have been preparing a multi-action plan to help mitigate expected difficulties with houseboat and marina moorings on the lake. We have been in regular contact with the houseboating community while developing the action plan, and we will continue to communicate with you as this drought year progresses.

This letter is a follow up to my letter dated May 14, 2014, and is part of our communication effort intended to provide you with the most current information regarding the status of Lake McClure and our recommendations to you to protect your valuable personal recreational investment. Both MID and TLMC are committed to working closely with our houseboat permit holders to get through this drought and we all look forward to years with adequate water supply and storage. However, we are in an emergency situation and time is of the essence.

It must be clearly understood that houseboat permit holders are private and personal property owners and are afforded the opportunity to moor their boats on Lake McClure within the rules, regulations and policies of both MID and TLMC. It is imperative the costs associated with this private recreation activity not result in fiscal impacts or increased liability to MID, TLMC or any of their other customers and ratepayers. Additionally it is imperative houseboat permit holders understand their vessel and general insurance coverage as it relates to their personal property in these circumstances brought on by drought.

After careful consideration, thought, planning, analyses, and input from the Lake McClure Houseboat Owners Association Board and other houseboat permit holders, the following information outlines our "Drought Action Plan" or "Plan" intended to coordinate efforts to assist you in protecting your property in this drought to the extent possible.

The focus of the Drought Action Plan is to periodically relocate and/or remove some or all of the 240 permitted houseboats and 2 marinas as the lake drops to what will be historic lows. Options for dealing with the falling lake levels include 1) removing houseboats/marinas from the lake to storage on land, 2) re-mooring the houseboats/marinas to deeper water areas on the lake, or 3) a combination of the two.

We understand the cost sensitivity and to be quite frank, the stress that can be brought on by pulling, cribbing and re-launching a houseboat. The message and requested direction has been clear from the vast majority of houseboat permit holders – investing, building and locating drought mooring infrastructure that will have

value in this drought and in subsequent droughts is preferable to a total mandatory pulling of houseboats from the lake.

With that message made clear, we have proceeded with a “dual option” Plan, which I outline below.

Option 1: Voluntary Pulling, Storing and Future Re-Launching of Houseboats

Houseboat permit holders will have the option to request that their houseboat be pulled, cribbed and stored on MID property, then re-launched to Lake McClure when the lake elevations allow. In order to participate in this coordinated drought program effort of pulling houseboats, your houseboat must be pulled during the program dates we schedule. If you choose to wait and not participate in the Drought Action Plan, you will have to bear the direct costs associated with your choice to pull, store or transport outside of the program. The dates will be chosen to ensure our contractor will have ramp access to pull the houseboats.

- All those who choose to pull houseboats must sign liability waivers and/or indemnification agreements in favor of MID, TLMC and the contractors hired to assist in the Drought Action Plan efforts. Please have your liability waivers and/or indemnification agreements delivered to MID by June 3rd. At this time there are approximately 50 volunteers, and we are working to coordinate the schedules of pulling of these boats from the lake.
- If you would like to have your houseboat pulled, cribbed, stored, and then re-launched, you need to contact MID/TLMC immediately at (209) 354-2950, option #6. We need to have a list of houseboats to be removed by the end of May, and our goal is to have all of those houseboats pulled in a coordinated, scheduled manner by the end of June, while the lake elevation is up. Coordinating this effort makes the work progress more efficient, limiting the overall costs to houseboat permit holders to the extent possible. MID will allow houseboats voluntarily pulled from the lake to be stored on MID property at no charge, most likely at the old houseboat repair yard by McClure Point Marina, Barrett Cove parking lots, or the un-gated spillway area.
- As a reminder, if you volunteer to have your houseboat pulled, make sure that all of the contents of your houseboat are properly secured or removed prior to your scheduled pulling date and time. Additionally, make sure your houseboat has been pumped out of all non essential fluids, fuels and waste prior to your scheduled pull date and time. This is the responsibility of the boat owner. This will ensure a quick and efficient process and again, keep your overall costs as low as possible.
- We encourage houseboat permit holders to volunteer for this program if you are scheduled for inspection soon, would like to take this opportunity to work on their boats out of the water, who do not plan on using their boat this summer, or don't frequently use their boats.
- If your houseboat has a low water level to deck clearance, understand there is a high likelihood of high winds and sizeable waves in the drought mooring field locations. If this is a concern for you as a houseboat owner we strongly recommend you voluntarily pull and store your houseboat on land. Additionally, if you have any concerns about your houseboat's lake worthiness in constant high winds and waves, it is also strongly suggested you volunteer for the pulling/storing option.
- TLMC will consider requests for work orders on voluntary pulled houseboats on a case by case basis. There will likely be some types of work not allowed for various reasons, most likely environmental/safety limitations, but each request will be fully considered. Please let us know if you require a work order and what the scope of work will be so we can determine if a work permit can be issued.

Option 2: Opt to be Relocated to Drought Mooring Fields

Drought mooring fields will allow a limited number of houseboats to remain on Lake McClure during very low lake levels, and may be constructed understanding that time, material, cost, viable lake locations and feasibility constraints exist.

- All permit holders who wish to stay on the lake on a drought mooring field or on marinas will be required to sign liability waivers and indemnification agreements in favor of MID, TLMC and all hired contractors.
- **By June 9, 2014**, you must sign and deliver your signed liability waivers and indemnification agreement(s) in order to be considered to be allowed to stay on Lake McClure. Our ability to allow any particular houseboat to remain on the lake may change given the particular circumstances relating to the individual boat. While we will endeavor to allow you to leave your boat on the lake if you choose, approval of that request cannot be guaranteed. In any event, without a signed liability waiver and indemnification agreement, your houseboat will be removed from the lake.
- Please understand that if constructed, the drought mooring fields will be constructed using the best industry construction and management practices available to us given our time frames and circumstances on the lake. They cannot, and will not be guaranteed so as to ensure the safety or security of any houseboat.
- Depending on many factors including obstacles that may surface during construction, it is anticipated there will be mooring balls or marina locations for a maximum of approximately 150 vessels. This means approximately 80-90 houseboats will have to be pulled from the lake. As mentioned above, we currently have approximately 50 houseboats volunteered to be pulled from the lake. This means that regardless of preferences, an additional 30-40 houseboats will likely need to be pulled from the lake.
- If you are currently moored on a marina we cannot guarantee you will be moored to a marina in the marinas drought location.
- Please understand the potential for a prolonged drought – there is no guarantee that the drought will end this year. Neither MID nor TLMC can guarantee boat launch access to the lake or to houseboats in drought mooring fields. If drought conditions persist, the lake may even potentially reach dead pool. Please consider and keep in mind the worst case scenarios when determining what you want to do with your property during this drought.

Mandatory Action 1a: Mandatory Houseboat Pulling

If individuals choose not to sign liability waivers and indemnity agreements to either stay on or be removed from the lake voluntarily, their houseboats will likely be pulled from the lake and stored pursuant to the terms of the existing slip and mooring agreements. Likewise, if the Plan does not generate enough volunteer houseboats to be pulled and stored, or if for any reason enough drought moorings cannot or are not constructed to moor the remainder of the houseboat permit holders on the lake, there will necessarily be mandatory houseboat pulling.

Signing Agreements

Although the agreements are very similar to the mooring agreements you should have already signed and may be on file with TLMC, it is imperative you take the time to fill out the agreements in their entirety including vessel/ownership/insurance information, initial each page, date the agreement, sign the agreement and deliver by the due dates to MID/TLMC.

To voluntarily have your houseboat pulled/stored the signed agreement needs to be delivered by June 3rd and to be allowed for consideration to stay on the lake the signed agreement must be returned by June 15th.

Drought Action Plan Financing and Financial Responsibility

There is a financial line between MID's growers/ratepayers and houseboat recreation on Lake McClure. Similar to MID's growers bearing the cost of the drought with an agricultural in-season water rate increase this year, houseboaters will see a drought pass-through surcharge this year. MID and TLMC are coordinating this effort as a service to you and your fellow houseboaters, and will do everything possible to keep the cost of the Plan down. We will also do everything we can to provide payment options to houseboat permit holders, just as we have with annual mooring fees at TLMC. By August we hope to be able to communicate with permit holders what the approximate cost per permit holder may be.

It is anticipated that the total cost of the Drought Action Plan will be divided equally amongst all houseboat permit holders, regardless of whether your particular houseboat is pulled/stored or remains on the lake. The anticipated costs will include those associated with pulling/storing/re-launching houseboats, as well as the materials/construction of the drought mooring fields. There will be no individual accounting based on whether you were voluntarily pulled and stored, currently out of the water, relocated to a drought mooring field, on a ball or marina location, in the boatyard, boat size, boat age, permit seniority, etc. All houseboat permit holders, although temporarily inconvenienced in various ways, will benefit now and in the long term from the Drought Action Plan by participating equally.

Critical Lake Elevations, Dates & Critical Actions

Below is critical timing and lake information based upon the best information we have today. All of the information represents current best estimates and are subject to change based on changing factors including weather and water runoff forecasts. MID and TLMC reserve the right to close ramps prior to the levels/dates listed should there be a safety concern as these ramps become visible.

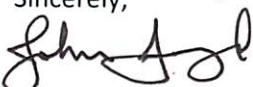
- 715 feet elevation – May 21, 2014 we are estimating the lake is close to its peak elevation and levels will remain fairly consistent for another week or two, and then we will see a dramatic and steady, daily decline
- 700 feet elevation – approximately 2nd week of June.
- 690 feet elevation – approximately 3rd/4th week of June - Voluntary houseboat pulls will be scheduled to be in full swing in this time frame.
- 660 feet elevation – McClure Point Marina must be in its drought mooring location (~ third week of July).
- 650 feet elevation – The McClure Point Boat Ramp ends (~ first week of August)
- 630 feet elevation – The Barrett Cove South Boat Ramp ends and Barrett Cove Marina will be moved to its drought mooring location and will no longer be able to provide services. (~ late August)
- 625.5 feet elevation – Existing Minimum Pool (115,000 AF) ~ August 20, 2014.
- 604 feet elevation – Potential reduced Minimum Pool (85,000 AF) and generally the end of the Barrett Cove North Ramp as best we know from history (count on this at your own risk) ~ September 1, 2014.
- 590-570 feet elevation – Approx. lake elevations absent storm event runoff into Lake McClure existing regulatory flow requirements remain in effect below Minimum Pool ~ beginning in October 2014.

Our Houseboat Repair Boatyard is filling up and if you are interested in taking advantage of some vacancy in the houseboat repair yard to have work done on your houseboat, please contact the McClure Point Boatyard (209) 354-2957 as soon as possible for an estimate and schedule.

The effects of this drought are unprecedented, and we truly appreciate your flexibility and understanding as we work through this year. This is shaping up to be a no-win situation for everyone, and I cannot stress the importance of working together, cooperatively, to make the best of our dismal circumstances.

As always and in addition to the contact number provided above, you may contact Jennifer Carter at (209) 354-2802. **More detailed information on the drought and our efforts to ease its effects is available at our websites www.lakemcclure.com or www.twinlakesmc.com.**

Sincerely,



John Sweigard

General Manager, Merced Irrigation District

Chief Executive Officer, Twin Lakes Management Company