

1. Why does Selah-Moxee Irrigation District have a Water Bank?

The District created surplus water savings through conservation projects over the last 20 years. These water savings are in addition to water services provided to all existing SMID customers.

2. What is the District going to do with the surplus water?

The District plans to auction portions of the surplus water to generate revenue for its capital improvement plan.

3. What is the District's capital improvement plan?

The District has a capital improvement program of \$100 million for new piping/lining projects to modernize its aging irrigation system and improve reliability of water for its customers. By auctioning surplus water, it can keep District assessments low and avoid taking out loans.

4. How will this affect my assessment as a current District member?

By auctioning surplus water, your assessment will be lower than it would be without the auction because the District will be able to pay for the capital improvement plan through auction revenue and avoid taking out loans.

5. How does this affect the District's ability to meet obligations to current members during low flow/drought years?

The District's rights are mostly senior and even in drought years, all SMID customers receive enough water to grow their crops and irrigate their lawns. That will not change.

6. How much surplus water does the District have available?

The District has a surplus of 8,783.11 acre-feet/year, as approved by Ecology in 2021. It obligated 18.06 acre-feet in a previous auction which was open only to District landowners earlier in 2022 at a purchase price of \$9,000/acre-foot.

7. How much of the surplus will be available in the second auction?

A total of 382 acre-feet is available for sale and 5,950 acre-feet for lease (short-term, long-term, or drought lease as specified by the bidder).

8. Who can participate in the auction (qualified bidders)?

This auction is open to any party who can physically access water from the District's canals, or from surface water downstream of SMID (Yakima River, Columbia River), or from groundwater in continuity therewith.

9. When is the auction and how long does it last?

The auction will last for 45 days, starting October 1 and go through November 15, 2022.

10. Why is the District running this auction through Western Water Market, LLC?

Western Water Market offers a unique service in helping connect water right buyers and sellers and has developed a comprehensive market of available water rights in Washington state. Because of their expertise in water banks and water right transactions, SMID considers them the best choice for managing the auction.

11. What types of applications for surplus water will the District accept?

The District is open to bids for sales, short and long-term leases, non-drought year, and drought-year leases.

12. Will the District accept all offers?

No, the District retains the discretion to reject any offers. The District will be looking for the highest value offers by qualified bidders to maximize benefit for District members and to fund its capital improvement plan. The District also reserves the right to reject offers: if it is not reflective of fair market value and would result in "gifting" of District assets; if the bidder is speculating in District assets without a viable project; if it is not likely to be approved by Ecology (if required); or any other reason.

13. What will happen if my bid is accepted?

Following payment of required fees, the District will provide written notice, clarifying the terms of the agreement. This will include issuance of a draft Mitigation Certificate that can be used for future permitting with Ecology, counties, or other parties. A Final Mitigation Certificate will be issued once water use is ready to begin.

14. Can I get water from District canals or my own well?

In general, bidders will be required to independently develop the source of water (e.g., a well, a surface diversion) and obtain a mitigation permit approval from Ecology. However, if the property can be served by District canals, the District is open to considering such a project.

15. How will I prove that the District is mitigating my use?

The District will issue the user a Mitigation Certificate. Ecology relies on these documents as evidence of legal water supply.

16. Where am I allowed to use this water?

This water can be used on land within the current District service area and also on land not currently served by the District, but generally must be on lands currently served by SMID, or from surface water downstream of SMID (Yakima River, Columbia River), or from groundwater in continuity therewith. The user will need to demonstrate hydraulic continuity as part of their application for a groundwater mitigation permit from Ecology. It will be the bidder's responsibility for obtaining the means to deliver the water to their property.

17. Can I sell, lease, or assign the water I receive from the District?

No, the mitigation certificates are intended to be appurtenant to the land where the use occurs for the term of the mitigation.

18. How long do I have to construct my project and put the auctioned water to use?

The user has up to two years to obtain Ecology authorizations and finalize the Mitigation and begin using water. If the applicant is unable to obtain the required authorizations within the two years, the District may cancel the draft Mitigation Certificate or may extend it for good cause at the discretion of the District.

19. Will Ecology approve the proposed use of water from the Bank?

The District cannot guarantee that the proposed use will be approved. The District has general knowledge about what uses may be approved, but it will be up to the bidder to do its own due diligence including any contacts with Ecology or other regulatory agencies.

20. Is there an application fee?

Yes, a one-time application fee of \$500 is required. This fee is non-refundable.

21. How much does the water cost?

There is no set bid and applicants can bid any amount; however, the accepted bids will be from the highest bidders that meet qualifying auction criteria.

22. Can I place multiple bids?

Yes, the bidder may submit multiple bids in multiple categories (e.g. purchase, lease) and the District reserves discretion to award amongst the bids it receives.

23. How is payment made if my bid for purchase or lease is accepted?

Any approved applicant applying to purchase or lease water, will need to pay 10% of the purchase or lease price within 30 days and will then receive a draft Mitigation Certificate. A final Mitigation Certificate will be issued once the remainder is paid (remaining 90%), permits are received (from Ecology, if required), and water use begins.

24. If the District cancels my bid after issuing a draft mitigation certificate, do I get my money back?

The District intends to scrutinize bids so only viable projects are offered mitigation certificates. In the situation where a project is not completed (e.g. permits not received, construction does not proceed), the bidder will be refunded half of the 10% initial purchase or lease price.

25. Are there any continuing reporting requirements?

Yes, the bidder will be required to monitor their use and report it to the District annually because the District is required by Ecology to track usage under its water bank. The District may also have to provide similar reporting to Ecology.

For more information please contact:

Kristina Ribellia with Western Water Market, 509.906.1070 or email: kristina@westernwatermarket.com

Nathan Draper with SMID, 509.469.0449 or email: smidistrict@qwestoffice.net

Dan Haller with Aspect Consulting, 509.895.5462 or email: dhaller@aspectconsulting.com