

The Metropolitan Water District of Southern California

Agenda

The mission of the Metropolitan Water District of Southern California is to provide its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way.

OW&S Committee

T. Quinn, Chair
S. Faessel, Vice Chair
L. Ackerman
D. Alvarez
J. Armstrong
G. Cordero
D. De Jesus
D. Erdman
L. Fong-Sakai
M. Gold
S. Goldberg
C. Kurtz
R. Lefevre
J. Lewitt
C. Miller
B. Pressman
N. Sutley

One Water and Stewardship Committee - Final - Revised 1

Meeting with Board of Directors *

February 10, 2025

3:00 p.m.

Monday, February 10, 2025 Meeting Schedule

**09:00 a.m. EOT
11:00 a.m. LEG
12:00 p.m. Break
12:30 p.m. EOP
03:00 p.m. OWS**

Agendas, live streaming, meeting schedules, and other board materials are available here:

<https://mwdh2o.legistar.com/Calendar.aspx>. Written public comments received by 5:00 p.m. the business days before the meeting is scheduled will be posted under the Submitted Items and Responses tab available here:

<https://mwdh2o.legistar.com/Legislation.aspx>.

If you have technical difficulties with the live streaming page, a listen-only phone line is available at 1-877-853-5257; enter meeting ID: 873 4767 0235.

Members of the public may present their comments to the Board on matters within their jurisdiction as listed on the agenda via in-person or teleconference. To participate via teleconference 1-833-548-0276 and enter meeting ID: 876 9484 9772 or to join by computer [click here](#).

MWD Headquarters Building • 700 N. Alameda Street • Los Angeles, CA 90012

Teleconference Locations:

525 Via La Selva • Redondo Beach, CA 90277

3024 Fairview Drive • Vista, CA 92084

Allendale Insurance Agency • 337 West Foothill Boulevard • Glendora, CA 91740

3008 W. 82nd Place • Inglewood, CA 90305

Cedars Sinai Medical Center • 8700 Beverly Blvd • Los Angeles, CA 90048

* The Metropolitan Water District's meeting of this Committee is noticed as a joint committee meeting with the Board of Directors for the purpose of compliance with the Brown Act. Members of the Board who are not assigned to this Committee may participate as members of the Board, whether or not a quorum of the Board is present. In order to preserve the function of the committee as advisory to the Board, members of the Board who are not assigned to this Committee will not vote on matters before this Committee.

1. Opportunity for members of the public to address the committee on matters within the committee's jurisdiction (As required by Gov. Code Section 54954.3(a))

**** CONSENT CALENDAR ITEMS -- ACTION ****

2. CONSENT CALENDAR OTHER ITEMS - ACTION

- A. Approval of the Minutes of the Meeting One Water Stewardship Committee for January 13, 2025 (Copies have been submitted to each Director, any additions, corrections, or omissions) [21-4215](#)

Attachments: [02102025 OWS 2A \(01132025\) Minutes](#)

3. CONSENT CALENDAR ITEMS - ACTION

- 7-4 Authorize the General Manager to enter into an agreement with Palo Verde Irrigation District to jointly fund community investment in Palo Verde Irrigation District's service area; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA [21-4198](#)

Attachments: [02112025 OWS 7-4 B-L](#)
[02112025 OWS 7-4 Presentation](#)

- 7-5 Authorize the General Manager to approve a new three-year agreement with WaterWise Consulting, Inc. for the Large Landscape and Residential Survey Program, for a total agreement not to exceed \$200,000/year; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA [21-4200](#)

Attachments: [02112025 OWS 7-5 B-L](#)
[02112025 OWS 7-5 Presentation](#)

- 7-6 Authorize the General Manager to expand the Bard Seasonal Fallowing Program and amend the System Conservation Implementation Agreement for Bard Seasonal Fallowing Program to increase its program size from 3,000 acres to 6,000 acres for the years 2025 and 2026; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA [21-4247](#)

Attachments: [02112025 OWS 7-6 B-L](#)
[02102025 OWS 7-6 Presentation](#)

**** END OF CONSENT CALENDAR ITEMS ****

4. OTHER BOARD ITEMS - ACTION

- 8-1 Authorize the General Manager to execute transfers, exchanges, and other State Water Project management transactions during 2025 and 2026; grant final decision-making authority to the General Manager subject to the terms set forth in this letter; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. [2/3/2025 SUBJECT REVISED] [21-4199](#)

Attachments: [02112025 OWS 8-1 B-L](#)
[02102025 OWS 8-1 Presentation](#)

5. BOARD INFORMATION ITEMS

- 9-2 Information on proposed agreements with the City of San Buena Ventura and Calleguas Municipal Water District for wheeling and emergency delivery of State Water Project water [21-4201](#)

Attachments: [02112025 OWS 9-2 B-L](#)
[02102025 OWS 9-2 Presentation](#)

- 9-3 Update on treatment approaches, contingencies, and amendments to the High Desert Water Bank Program agreement [21-4202](#)

Attachments: [02112025 OWS 9-3 B-L](#)
[02102025 OWS 9-3 Presentation](#)

6. COMMITTEE ITEMS

- a. An Overview of the Proposed Sites Reservoir Project [21-4216](#)

Attachments: [02102025 OWS 6a Memo](#)
[02102025 OWS 6a Presentation](#)

- b. State Water Project 2024 Statement of Charges and Annual Audit Update [21-4217](#)

Attachments: [02102025 OWS 6b Presentation](#)

- c. Overview of Proposed Exchange Agreement with Coachella Valley Water District [21-4256](#)

Attachments: [02102025 OWS 6c Presentation](#)

- d. Update on Water Surplus and Drought Management [21-4257](#)

Attachments: [02112025 OWS 6d Report](#)
[02102025 OWS 6d Presentation](#)

7. MANAGEMENT ANNOUNCEMENTS AND HIGHLIGHTS

- a. Bay-Delta Resources activities [21-4219](#)
Colorado River Resources activities
Sustainability, Resilience, and Innovation activities
Water Resources Management activities

Attachments: [02102025 OWS 7a Bay-Delta Resources Activities](#)
[02102025 OWS 7a Colorado River Resources activities](#)
[02102025 OWS 7a Sustainability, Resilience and Innovation Activities](#)
[02102025 OWS 7a Water Resources Management Activities](#)

8. COMMITTEE REPORTS

- a. Report on the Delta Conveyance Design and Construction Authority Meeting [21-4220](#)
- b. Report on Delta Conveyance Finance Authority Meeting [21-4221](#)
- c. Report on the Bay-Delta Ad Hoc Meeting [21-4222](#)

9. SUBCOMMITTEE REPORTS AND DISCUSSION

- a. Discuss and provide direction to Subcommittee on Demand Management and Conservation Programs and Priorities [21-4223](#)

10. FOLLOW-UP ITEMS

NONE

11. FUTURE AGENDA ITEMS

12. ADJOURNMENT

NOTE: This committee reviews items and makes a recommendation for final action to the full Board of Directors. Final action will be taken by the Board of Directors. Committee agendas may be obtained on Metropolitan's Web site <https://mwdh2o.legistar.com/Calendar.aspx>. This committee will not take any final action that is binding on the Board, even when a quorum of the Board is present.

Writings relating to open session agenda items distributed to Directors less than 72 hours prior to a regular meeting are available for public inspection at Metropolitan's Headquarters Building and on Metropolitan's Web site <https://mwdh2o.legistar.com/Calendar.aspx>.

Requests for a disability-related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Board Executive Secretary in advance of the meeting to ensure availability of the requested service or accommodation.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

MINUTES

ONE WATER AND STEWARDSHIP COMMITTEE

January 13, 2025

Board Vice Chair Sutley called the teleconference meeting to order at 2:01 p.m.

Members present: Directors Ackerman, Alvarez, Armstrong, Cordero, De Jesus, Erdman, Faessel, Fong-Sakai, Gold, Goldberg, Kurtz, Lefevre, Lewitt, Miller, Pressman, and Sutley.

Member absent: Committee Chair Quinn.

Other Board Members present: Directors Bryant, Dennstedt, Dick, Fellow, Garza, Jung, Katz, Luna, McMillan, Morris, Ramos, and Seckel.

Committee Staff present: Bednarski, Crosson, Goshi, Hasencamp, Hawk, Munguia, Rubin, Schlotterbeck, and Upadhyay.

1. OPPORTUNITY FOR MEMBERS OF THE PUBLIC TO ADDRESS THE COMMITTEE ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION

Vice Chair Sutley announced how public comments for this meeting would be heard.

A. Public Hearing on Metropolitan's Achievements in Conservation, Recycling and Groundwater Recharge ("SB 60 Report")

Vice Chair Sutley provided background information and introduced Mr. Carlos Carrillo, Resource Specialist, Water Resource Management.

Mr. Carrillo provided a brief overview of today's Public Hearing and he gave a presentation summarizing the Draft SB 60 Report that, when finalized, will be submitted to the state legislature, as required by Metropolitan's Act.

Vice Chair Sutley announced that the Public Hearing was open to public comments and noted the order in which those comments would be heard. She also noted that Metropolitan was in receipt of letters from three organizations:

- Alliance for Water Efficiency; and California Water Efficiency Partnership
- Rowland Water District
- Inland Empire Utilities Agency

Public Speakers included:

1. Bob Gehan, American Legion Post 43, spoke in support of 1A
2. Parker Cohn, Brentwood Country Club, spoke in support of 1A.
3. Drew Berenc, of Northrop Grumman, spoke in support of 1A.
4. Tia Fleming, California Water Energy Partnership, spoke in support of 1A.
5. Connor Everts, Statewide Environmental Water Caucus, Southern California Watershed Alliance, spoke in support of 1A.
6. Maura Monigan, L.A Waterkeeper, spoke in support of 1A.
7. Charming Evelyn, of Sierra Club, spoke in support of 1A.

Vice Chair Sutley announced that the Public Hearing was now closed and asked if we had regular public comment. We had no regular public comment and therefore the line was closed.

CONSENT CALENDAR ITEMS -- ACTION

2. CONSENT CALENDAR OTHER ITEMS -- ACTION

- A. Approval of the Minutes of the Meeting One Water and Stewardship Committee for December 9, 2024

Director Kurtz made a motion to approve the Consent Calendar consisting of items 2A, 7-2, 7-3, and 7-4. However, Chair Sutley announced that the committee would first hear the presentation on item 8-1, and then vote on Consent Calendar and item 8-1 in one vote.

4. OTHER BOARD ITEMS – ACTION

8-1 Subject: Adopt a resolution to support a grant application selected to receive United States Department of the Interior, Bureau of Reclamation WaterSMART: Applied Sciences Program funding for fiscal year 2023 for an amount totaling \$390,000; authorize Metropolitan’s non-federal cost share of \$130,000; and authorize the General Manager to enter a contract with the United States Department of the Interior, Bureau of Reclamation, subject to General Counsel approval; the General Manager has determined that the proposed actions are exempt or otherwise not subject to CEQA

Presented by: Maureen Martin, Manager, Bay-Delta Science & Regulatory Strategy

Motion: Adopt a resolution to support a grant application selected to receive United States Department of the Interior, Bureau of Reclamation WaterSMART: Applied Sciences Program funding for fiscal year 2023 for an amount totaling \$390,000; authorize Metropolitan’s non-federal cost share of \$130,000; and authorize the General Manager to enter a contract with the United States Department of the Interior, Bureau of Reclamation, subject to General Counsel approval.

3. CONSENT CALENDAR ITEMS – ACTION.

7-2 Subject: Authorize the General Manager to enter into a funding agreement for the Disadvantaged Communities Leak Detection and Repair Program with the U.S. Bureau of Reclamation to implement phase two of the Lower Colorado River Basin System Conservation and Efficiency Program; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Motion: Authorize the General Manager to enter into a funding agreement for the Disadvantaged Communities Leak Detection and Repair Program with the U.S. Bureau of Reclamation to implement phase two of the Lower Colorado River Basin System Conservation and Efficiency Program.

7-3 Subject: Authorize: (1) renewal of the Municipal Water Quality Investigations Agreement between the Department of Water Resources, the State Water Contractors and participating urban State Water Project Contractors; and (2) renewal of the Municipal Water Quality Investigations Program Specific Project Agreement between the State Water Contractors and participating urban State Water Project Contractors; the General Manager has determined that the proposed actions are exempt or otherwise not subject to CEQA.

Motion: Authorize:

- a. Renewal of the Municipal Water Quality Investigations Agreement between the Department of Water Resources, the State Water Contractors, and participating urban State Water Project Contractors.
- b. Renewal of the Municipal Water Quality Investigations Program Specific Project Agreement between the State Water Contractors and participating urban State Water Project Contractors.

7-4 Subject: Authorize extension of Metropolitan’s existing Colorado River System Conservation Agreement with U.S. Bureau of Reclamation to fund Metropolitan’s Palo Verde Irrigation District Fallowing Program; and adopt CEQA determination that the environmental effects of the conservation efforts in Palo Verde Irrigation District are the subject of a proposed action that was previously addressed in various CEQA documents and related actions

Motion: Adopt CEQA determination that the proposed action related to the fallowing program was previously addressed in various CEQA documents and related actions, and authorize the General Manager to enter into an agreement for Reclamation to fund the generation of up to 36,066 AF of conserved Colorado River system water between August 1, 2026, and December 31, 2026.

After completion of the presentation of item 8-1, Director Faessel made a motion seconded by Director De Jesus to approve the consent calendar consisting of items 2A, 7-2, 7-3, 7-4, and item 8-1.

The vote was:

Ayes: Directors Ackerman, Alvarez, Armstrong, Cordero, De Jesus, Erdman, Faessel, Fong-Sakai, Gold, Goldberg, Kurtz, Lefevre, Lewitt, Miller, Pressman, and Sutley

Noes: None

Abstentions: None

Absent: Director Quinn

The motion passed by a vote of 16 ayes, 0 noes, 0 abstentions, and 1 absent.

END OF CONSENT CALENDAR ITEMS

5. BOARD INFORMATION ITEMS

9-3 Subject: Information on Developing State Water Project Water Management Actions

Presented by: Sarah J. Bartlett, Program Manager, Water Resource Management

Mr. Bartlett reported on water transactions that can generate new revenue through sale and exchange of available water supply, manage annual surplus water supplies for regional benefit, and manage and procure water transfers and exchanges to reduce the risk of future water supply shortages.

The following Directors provided comments or asked questions.

- | | |
|---------------|-------------|
| 1. Fong-Sakai | 6. Pressman |
| 2. Miller | 7. Seckel |
| 3. Kurtz | 8. Ortega |
| 4. Gold | 9. Lewitt |
| 5. Erdman | 10. Sutley |

Staff responded to the Directors’ questions and comments.

Chair Sutley requested for staff to respond to questions before the committee takes action.

6. COMMITTEE ITEMS

a. Subject: Report on Bay-Delta Regulatory Processes

Presented by: Jennifer Nevills, Program Manager, Bay Delta Resources
Maureen Martin, Manager,
Bay-Delta Science & Regulatory Strategy

Ms. Nevills and Ms. Martin reported on the status of the Reinitiation of Consultation on Long-Term Operations of the State Water Project and Central Valley Project and the Water Quality Control Plan Update and Proposed Healthy Rivers and Landscapes Program.

The following Directors provided comments or asked questions.

- 1. Gold
- 2. Sutley

- b. Subject: Update on Bay-Delta Agricultural Leases
- Presented by: David Bradshaw,
 Kevin Webb, Team Manager-Property Management

Mr. Bradshaw and Mr. Webb reported on the following:

- state of farming on the Delta
- benefits of rice farming in the Delta
- Delta Islands leases
- Bouldin Island-West - Dinelli Farms
- Bouldin Island-East -Sierra Cattle
- Bacon Island – D&L Farms
- Webb Tract
- Holland Tract - Lemhi Land & Cattle

The following Directors provided comments or asked questions.

1. Ortega
2. Miller
3. Sutley

- c. Subject: Update on Basin States Discussions Regarding
 Post -2026 Operational Guidelines

 Presented by: Shanti Rossett, Special Projects Manager

Ms. Rossett provided updates on the development of the U.S. Bureau of Reclamation’s Environmental Impact Statement for the Post-2026 Guidelines and the Basin States’ related efforts.

The following Directors provided comments or asked questions.

1. Gold
2. Ortega

- d. Subject: Report on Process to Fund Community
Enhancement Projects in the Palo Verde Valley

Presented by: Jason Rollo, Program Manager, External Affairs Group

Mr. Rollo provided an update on the Palo Verde Irrigation District Community Enhancement Projects.

- e. Subject: Update on Water Surplus and Drought Management

Presented by: Noosha Razavian, Resource Specialist,
Water Resource Management

Ms. Razavian provided a summarized update on water supply and hydrologic information.

- f. Subject: Quarterly Update on Conservation

Presented by: Karina Sandique, Associate Resource Specialist,
Water Resource Management

Ms. Sandique provided a summarized report on conservation expenditures and activity from July 1, 2024 – November 30, 2024.

7. MANAGEMENT ANNOUNCEMENT AND HIGHLIGHTS

- a. Subject: Bay-Delta Resources activities
Colorado River Resources activities
Sustainability, Resilience and Innovation activities
Water Resource Management activities

There was no report provided.

8. COMMITTEE REPORTS

a. Report on the Delta Conveyance Design and Construction Authority Meeting

Director Luna reported on items discussed at the December 12, 2024, Bay-Delta Ad Hoc meeting.

b. Report on Delta Conveyance Finance Authority Meeting

There was no report provided, as the meeting was cancelled.

c. Report on Bay-Delta Ad Hoc Meeting

Director McMillan reported on items discussed at meetings held on December 16, 2024, and January 6, 2025.

9. SUBCOMMITTEE REPORTS AND DISCUSSION

a. Discuss and provide direction to Subcommittee on Demand Management and Conservation Programs and Priorities

There was no report provided.

10. FOLLOW-UP ITEMS

Chair Sutley requested for staff to respond to questions related to item 9-3 before the committee takes action.

11. FUTURE AGENDA ITEMS

None

12. ADJOURNMENT

The next meeting will be held on February 10, 2025

The meeting adjourned at 5:02 p.m.

Nancy Sutley
Board Vice Chair



- **Board of Directors**
One Water and Stewardship Committee

2/11/2025 Board Meeting

7-4

Subject

Authorize the General Manager to enter into an agreement with Palo Verde Irrigation District to jointly fund community investment in Palo Verde Irrigation District's service area; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Under the existing Forbearance and Fallowing Program (PVID Program), Metropolitan pays Palo Verde Irrigation District (PVID) landowners to fallow their fields, and in turn, Metropolitan has access to the conserved water.

In 2022, Metropolitan applied to the United States Bureau of Reclamation (USBR)'s Lower Colorado Conservation and Efficiency Program (LC Efficiency Program) for funding to provide approximately 351,000 acre-feet (AF) of system conservation water. Metropolitan will create the system conservation water through the PVID Program between Metropolitan and PVID (Parties).

A portion of the funding that Metropolitan receives from USBR is designated for community improvements in PVID's service area. However, a separate agreement between PVID and Metropolitan is required before any funds can be released for community investment purposes. This agreement provides the terms and conditions for how the community funding is distributed and managed. Until this agreement is executed, Metropolitan will retain the community funds.

The Parties coordinated drafting the agreement, which describes the role of the newly formed Community Enhancement Collaborative (CEC). The CEC will be equally comprised of members from both Parties to manage all aspects of the community funding with recommendations from the community. Under the agreement, community funds will be held equally by the Parties and both Parties will share in payment obligations.

This letter seeks authorization for the new agreement between the Parties documenting the roles, responsibilities, and operations of the CEC and other aspects related to the community funding.

Proposed Action /Recommendation and Options

Staff Recommendation: Option #1

Option #1

Authorize the General Manager to enter into an agreement with Palo Verde Irrigation District to jointly fund community investment in Palo Verde Irrigation District's service area.

Fiscal Impact: None. Funds provided to the community are provided from USBR and earmarked for community use.

Business Analysis: The agreement will allow Metropolitan to distribute USBR's LC Conservation Program funds towards community development.

Option #2

Do not authorize the General Manager to enter into an agreement with Palo Verde Irrigation District to jointly fund community investment in Palo Verde Irrigation District's service area.

Fiscal Impact: None

Business Analysis: Metropolitan and PVID will need to develop alternative methods for providing USBR's LC Conservation Program funds towards community development, as obligated under Metropolitan's System Conservation Implementation Sub-Agreement with PVID.

Alternatives Considered

Due to the benefit of Metropolitan's access to relatively high interest rates, Metropolitan initially proposed retaining all the community funds until projects were selected for funding. However, PVID also wished to retain funds, so a compromise was reached to split the funds between the two Parties.

Applicable Policy

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

By Minute Item 53051 in December 2022, Metropolitan's Board adopted legislative priorities and principles to support the funding of conservation projects to enhance the resiliency of the Colorado River System to reduce the risk of Lake Mead and Lake Powell falling below critical elevations.

Related Board Action(s)/Future Action(s)

By Minute Item 53469 in December 2023, Metropolitan's Board authorized the General Manager to enter into agreements for Reclamation to fund the generation of up to 408,000 AF of conserved Colorado River system water through 2026 and to enter into agreements with other Colorado River contractors to forbear rights to water generated in California under Reclamation's LC Conservation Program.

By Minute Item 53752 in August 2024, Metropolitan's Board authorized the General Manager to enter into: (1) a forbearance agreement with Coachella Valley Water District, Imperial Irrigation District, Palo Verde Irrigation District, and the City of Needles to allow water conserved under the U.S. Bureau of Reclamation's conservation program to be added to Lake Mead; and (2) agreements with Imperial Irrigation District and San Diego County Water Authority under Reclamation's conservation program to add water conserved by Imperial Irrigation District to Lake Mead that would otherwise accrue to San Diego County Water Authority.

By Minute Item 53911 in January 2024, Metropolitan's Board authorized the General Manager to enter into an agreement for Reclamation to fund the generation of up to 36,066 AF of conserved Colorado River system water between August 1, 2026, and December 31, 2026.

Summary of Outreach Completed

Metropolitan staff has conducted community outreach to identify potential projects throughout the Palo Verde Valley and has presented findings at the Property Utilization Committee, which is comprised of PVID Trustees and Metropolitan Directors. Additionally, the CEC is actively forming and soliciting participation in the Community Advisory Committee (CAC), which will evaluate projects and provide recommendations to the CEC by sending letters of interest to local service-based organizations, small businesses, and educational institutions. Metropolitan staff has provided public comment at the Blythe City Council meetings, partnered with the Riverside County Office of Economic and Workforce Development, and given presentations at the Blythe Chamber of Commerce's monthly Economic Alliance meetings to spread the word on the upcoming community funding opportunities and invite participation in the CAC. To date, two letters of acceptance to the CAC were submitted by individuals from Palo Verde Community College and the Palo Verde Unified School District.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves organizational, maintenance, or administrative activities; personnel-related actions; and/or general policy and procedure making that will not result in direct or indirect physical changes in the environment. (Public Resources Code Section 21065; State CEQA Guidelines Section 15378(b)(2) and (5)).

CEQA determination for Option #2:

None required

Details and Background

Background

The 2021 Bipartisan Infrastructure Law and the 2022 Inflation Reduction Act funded water management and conservation efforts to relieve drought conditions in the western United States, with a focus on the Colorado River. The Department of the Interior, through USBR, created the LC Conservation Program to increase system conservation and efficiency opportunities to address drought impacts in the Lower Colorado River Basin. Similar conservation programs are being developed in the Upper Colorado River Basin. The LC Conservation Program provides funding opportunities for voluntary participation to increase system conservation.

PVID Program Participation in the LC Conservation Program

On December 20, 2023, Metropolitan entered into a System Conservation Implementation Agreement (SCIA) with USBR to fund Metropolitan's PVID Program. Under this agreement, USBR is fully reimbursing Metropolitan for creating Colorado River system water from water conserved from the PVID Program. The system water is being created by participating farmers fallowing acres at the fallowing level of 100 percent of their maximum fallowing commitment, which started August 1, 2023, and includes fallowing of Metropolitan-owned lands based on the terms included in the lease agreements. The conserved water remains in Lake Mead as system water. Participation is continuing at 100 percent fallowing through July 31, 2026.

On January 14, 2024, Metropolitan received board authorization to extend the existing SCIA by five months through December 31, 2026. Metropolitan will make a fallowing call for the 2026-27 PVID Program year based on its own needs. Under the extension, PVID landowners can voluntarily fallow additional land above Metropolitan's fallowing call during the five-month extension. Metropolitan can also voluntarily fallow its own land in PVID. Landowners who do not voluntarily fallow are required to fallow at the level of Metropolitan's fallowing call for the 2026-27 Program year. All water conserved from voluntarily fallowing will be system conservation water. Metropolitan can also provide water conserved from its fallowing call during the five-month extension as system conservation water. All system conservation water under this extension will receive USBR's payment of \$400 per AF, with \$30 per AF going towards community funding for any water conserved through voluntary fallowing.

Community Funding Implementation

On May 31, 2024, the Parties entered into an additional separate written agreement (SCIA Sub-Agreement) for USBR to release funding to Metropolitan, as required by the SCIA. The SCIA Sub-Agreement outlines the distribution of funding between community investment, landowner payments, and Metropolitan payments. The purpose of the community investment component is to address any community needs that may develop as a result of implementing the SCIA. Each year, \$2,632,972 will be allocated towards community investment for a total of \$7,898,916 over the three years of the SCIA, plus any additional community funding that results from the extension. The SCIA Sub-Agreement requires the Parties to enter into a separate agreement with terms and conditions that stipulate which entity will retain the community funding, how funding will be retained, and how it will be distributed, including any accrued interest. Until this agreement is signed, Metropolitan retains all funds received from USBR. To date, USBR has provided two years of SCIA funding, including \$5,265,944 for community investment.

In 2024, the Parties formed the CEC, which is composed of three Metropolitan directors and three PVID trustees. The CEC and supporting staff from the Parties drafted the agreement required by the SCIA Sub-Agreement (CEC Agreement) that outlines the responsibilities of the CEC in distributing funding to community investments through a funding proposal process. PVID’s board granted approval for the CEC Agreement on January 21, 2025.

Key terms of the CEC Agreement include:

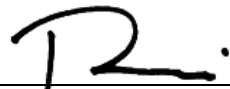
- The CEC will be composed of three individuals from Metropolitan and three individuals from PVID.
- The CEC will solicit, evaluate, and select funding proposals from the community.
- A CAC will be formed to evaluate potential projects and make recommendations to the CEC.
- Projects selected for funding must be within PVID’s service area.
- The Parties will each retain 50 percent of the community funds and will issue equal payments as projects are awarded.
- The Parties will be equally responsible for covering any administrative costs.
- Community funds are to be kept in interest-bearing accounts.
- Any money retained after all projects have been funded will be split equally between the Parties to spend on community enhancement projects as determined by each Party at its own discretion.

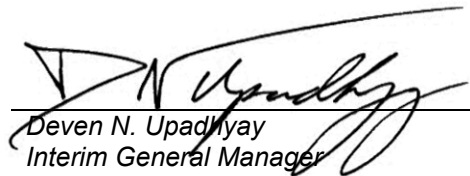
Program Milestones

If authorized by Metropolitan, the CEC Agreement will be executed, and Metropolitan will provide PVID with 50 percent of the community funds received to date, including accrued interest. The CEC will solicit project proposals from the community. The CEC and the CAC will evaluate the proposals and the CEC will determine who receives funding. The major milestone of the program will be distributing the community funding until it is exhausted.

Summary

Metropolitan committed to providing funding, in partnership with PVID, to the Palo Verde community to address any community needs that may develop because of implementing the SCIA. Entering into the CEC Agreement will define which entity will retain the community funding, how funding will be retained, and how it will be distributed, including any accrued interest. Once executed, the CEC Agreement will allow Metropolitan to distribute the community funding to PVID and begin the project solicitation process. Once projects are selected for funding, the Parties will make equal payments to cover the project costs. Metropolitan and PVID staff will assist with the administration of this agreement.


 _____ 2/3/2025
 Brandon J. Goshi Date
 Interim Manager,
 Water Resources Management


 _____ 2/3/2025
 Deven N. Upadhyay Date
 Interim General Manager

Attachment 1 – Draft Agreement Between The Metropolitan Water District of Southern California and Palo Verde Irrigation District to Jointly Fund Community Investment in the Palo Verde Valley

AGREEMENT BETWEEN
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA AND
PALO VERDE IRRIGATION DISTRICT
TO JOINTLY FUND COMMUNITY INVESTMENT IN THE PALO VERDE IRRIGATION
DISTRICT'S SERVICE AREA

This Agreement Between The Metropolitan Water District of Southern California (MWD) and Palo Verde Irrigation District (PVID) (each individually referred to as a Party and collectively as the Parties) To Fund Community Investment in the Palo Verde Irrigation District's Service Area (Agreement), is entered into as of [_____].

RECITALS

- A. On August 18, 2004, the Parties entered into the "Forbearance and Fallowing Program Agreement," which established a 35-year program (Fallowing Program) for the fallowing of lands in PVID irrigated with Priority 1 Colorado River water. Under the Fallowing Program, MWD pays landowners for a specified number of acres to be fallowed in accordance with contracts executed by MWD with each landowner. The reduced irrigation results in conserved water that is available to MWD as junior priority holder to Colorado River water in California.
- B. On December 20, 2023, MWD and the United States Bureau of Reclamation (Reclamation) entered into an agreement known as the "System Conservation Implementation Agreement (SCIA) Between the United States Bureau of Reclamation and The Metropolitan Water District of Southern California, to Implement the Lower Colorado Conservation and Efficiency Program (LC Conservation Program)" (SCIA), SCIA No. 23-XX-30-W0772. On or about December 20, 2023, PVID provided its written concurrence with the SCIA.
- C. On May 31, 2024, MWD and PVID entered into the "Agreement Between MWD and PVID Regarding 2023-2026 System Conservation Implementation" which the Parties subsequently amended by letter agreement dated July 19, 2024 (MWD-PVID SCIA Implementation Agreement). The MWD-PVID SCIA Implementation Agreement provides for distribution of the SCIA funding among landowners, MWD, and the community to help mitigate any potential impacts from the SCIA. That agreement also provides that the Parties will enter into a separate agreement to provide how the community portion of the SCIA funding would be retained and distributed.
- D. The Parties desire to enter into this Agreement to provide how the community portion of the SCIA funding will be retained and distributed.

NOW, THEREFORE, the Parties hereby agree as follows:

AGREEMENT

1. Purpose: The purpose of this Agreement is to establish a procedure for the Parties to jointly identify the community needs that may be affected by the SCIA in PVID's service

area, and to provide grants to businesses, non-profits, and individuals to mitigate those needs.

2. Community Enhancement Collaborative (CEC)

- A. The Parties hereby establish a Community Enhancement Collaborative (CEC) which will make decisions regarding funding investment in PVID's service area pursuant to this Agreement. The CEC will consist of six individuals. Each Party will designate three individuals who will serve on the CEC at the pleasure of the appointing Party.
- B. The CEC will: solicit funding proposals; establish funding criteria; oversee the Community Advisory Committee (CAC); review CAC funding recommendations; make funding decisions; establish procedures to help ensure funding is used in accordance with CEC funding decisions; and establish appropriate record-keeping procedures to document the actions of the CEC.
- C. Additional details of the CEC
 - i. Projects selected for funding must be located within the service area of PVID.
 - ii. The CEC will decide which projects to fund. The CEC is not obligated to follow the recommendations of the CAC.
 - iii. CEC members will recuse themselves from voting on a particular project if they have a conflict of interest.
 - iv. Quorum: A majority of CEC members must be present to hold a meeting of the CEC.
 - v. Voting: Decisions of the CEC must be approved by a majority of CEC members present during a meeting of the CEC.

3. Community Advisory Committee (CAC)

- A. The Parties hereby establish a Community Advisory Committee which will evaluate potential projects based on criteria established by the CEC and will make funding recommendations to the CEC.
- B. A majority of CAC members must be present to hold a meeting of the CAC. Recommendations of the CAC must be approved by a majority of CAC members present during a meeting of the CAC.
- C. CAC members will recuse themselves from voting on a particular project if they have a conflict of interest.
- D. Individuals will serve on the CAC without compensation.

4. Financial Provisions

- A. In the MWD-PVID SCIA Implementation Agreement, the Parties agreed that a certain amount of funding that Reclamation provided to MWD would be allocated to the community. Once this Agreement is executed and upon receipt of such community funding from Reclamation, MWD will retain half and will provide half to PVID.
 - B. The Parties will each retain their half of the community funds in an interest-bearing account (Funding Account). All interest earned will be maintained in the Funding Account for use pursuant to this Agreement. All interest earned on Metropolitan's Funding Account will be accrued and allocated quarterly.
 - C. Half of the funds for each project will be paid from MWD's Funding Account, and half will be paid from PVID's Funding Account.
 - D. The CEC may use funds for administrative costs related to implementing this Agreement. However, funds may not be used to pay for time spent implementing this Agreement by members of the CEC or staff members of the Parties. Half of any administrative costs will be paid from MWD's Funding Account, and half will be paid from PVID's Funding Account.
 - E. The Parties will each maintain audit and accounting procedures and written accounts with respect to the funds that are in accordance with generally accepted accounting principles and practices, consistently applied. The Parties will each maintain complete and accurate records of each project expenditure, disbursement, and interest earnings. Each Party will provide such records to the other Party upon reasonable notice.
 - F. Any money remaining in each Party's Funding Account after all projects have been funded pursuant to this Agreement will be added together and then split equally between the Parties to spend on any community enhancement projects as determined by each Party in its own discretion.
5. Dispute Resolution: The Parties may mutually decide to resolve any dispute by way of mediation. If mediation is elected, the Parties will jointly select a mediator and will share equally in the cost of mediation.
6. Use of Agency's name/logo: Any use of a Party's name or logo pursuant to this Agreement requires the prior approval of the CEC.
7. General Terms
- A. This Agreement becomes effective on the date first written above provided that both Parties have executed this Agreement. This Agreement will remain in effect

until terminated by mutual agreement of the Parties or the funds are substantially exhausted, whichever occurs first.

- B. The Parties do not intend to create any third-party beneficiary rights to enforce the terms of this Agreement in any person that is not a Party.
- C. This Agreement has been jointly negotiated and drafted. The language of this Agreement shall be construed as a whole according to its fair meaning and not strictly for or against any Party.
- D. This Agreement may be supplemented, amended, or modified only by written, executed agreement of the Parties.
- E. This Agreement may be executed in two or more counterparts, each of which, when executed and delivered, shall be an original and all of which together shall constitute one instrument, with the same force and effect as though all signatures appeared on a single document.
- F. This Agreement is made an entered into in the State of California and shall in all respects be interpreted, enforced, and governed under the laws of the State of California.
- G. Each person executing this Agreement on behalf of a Party warrants and represents to the other Parties that he or she is duly authorized to execute this Agreement on behalf of such Party and has the authority to bind their Party to the performance of its obligations hereunder.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the day and year first written above.

Approved as to form:

PALO VERDE IRRIGATION DISTRICT

By: _____
David R. Saunders
District Counsel

By: _____
J.R. Echard
General Manager

Approved as to form:

THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA

By: _____
Marcia L. Scully
General Counsel

By: _____
Deven N. Upadhyay
General Manager

DRAFT



One Water and Stewardship Committee

Authorize an Agreement with Palo Verde Irrigation District to Jointly Fund Community Investment in Palo Verde Irrigation District's Service Area

Item 7-4

February 10, 2025

Item 7-4

Authorize an Agreement with PVID to Jointly Fund Community Investment in PVID's Service Area

Subject

Authorize the General Manager to enter into an agreement with Palo Verde Irrigation District to jointly fund community investment in Palo Verde Irrigation District's service area; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Purpose

Before Metropolitan can distribute the community funding received by USBR, Metropolitan and PVID need to execute an agreement that defines how community funds are managed.

Recommendation and Fiscal Impact

Authorize the General Manager to enter into an agreement with Palo Verde Irrigation District to jointly fund community investment in Palo Verde Irrigation District's service area with funds received from USBR's LC Conservation Program.

There is no fiscal impact since community funding is provided from USBR's Bucket 1 funding for water conserved under the PVID Fallowing Program

Budget

No impact on budget.

Background



Palo Verde Irrigation District (PVID)

- About 131,000 acres in Riverside & Imperial Counties
 - **Valley and Mesa**
- Population: **About 13,000**
- Top crops: Alfalfa, citrus, wheat, cotton, melon, lettuce
- 7-member Board of Trustees
- MWD is the largest landowner in PVID



Background

PVID Land Fallowing Program

- 35-year program: 2005-2040
- Enrolled farmers fallow acres matching MWD's call
 - Aug 1 – Jul 31
 - 6,487 to 25,947 acres
- Farmers receive \$/acre
- MWD receives conserved water
- MWD provided \$6M to PVID in 2007 for community improvement
 - Distributed through grants and loans

Timeline of Federal Funding & Community Investment



Lower Colorado Conservation and Efficiency Program (LC Conservation Program) funding announcement



Nov. 2022

MWD submitted application

* Community investment was a negotiated component with PVID



USBR and MWD enter into System Conservation Implementation Agreement (SCIA)

* MWD Board Action



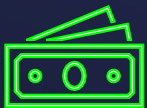
May 2024

PVID and MWD enter into Sub-Agreement describing payments



Nov. 2024

Forbearance Agreement



Nov. 2024

USBR sends checks (Year 1 – 2) to Metropolitan

Updates on Palo Verde
Community Enhancement
provided to Metropolitan's
Board in Sept. 2024 & Jan. 2025

Existing Agreements

SCIA between USBR & MWD

- 117,021 AFY x 3 years = 351,000 Total AF
- \$400/AF (\$140.43M Total)
- Three annual payments, 2023 - 2025
- Additional agreements were required:
 - Sub-Agreement between PVID & MWD (5/2024)
 - Forbearance (11/2024)

Sub-Agreement between MWD & PVID

- Federal funding allocated between:
 - Landowners
 - Metropolitan
 - Community
 - \$2.63M x 3 years = \$7.90M
- Future agreement needed to disburse funds

Community Funding Agreement Terms

** Approved by PVID's board
on 1/21/25*

Staff will
support
administration

Fund Management

- Each Party holds 50% of funds in interest-bearing account
- Parties equally share in fund disbursement & admin costs
- Any remaining funds to be split between Parties and used for community investment as determined by each Party

Proposal Selection

- Community Enhancement Collaborative (CEC)
 - 6 members (3 MWD, 3 PVID)
 - Solicit funding proposals, establish criteria, and make funding decisions
 - Establish administrative procedures
- Advisory committee (Community Advisory Collaborative) provides recommendations to the CEC
- Members can't vote if a conflict of interest exists

Community Investment Fund Disbursement



Year 1:
\$2.63M



Year 2:
\$2.63M



50% →

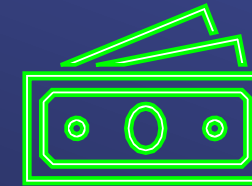
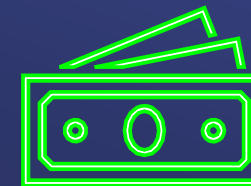
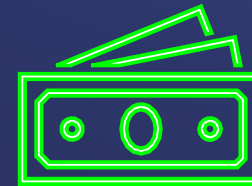
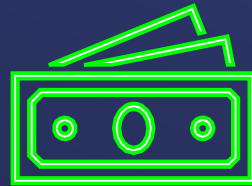
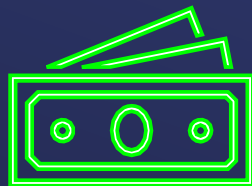
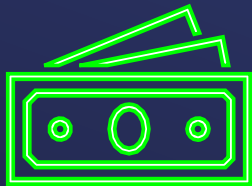
\$5.27M received to date



MWD & PVID Community Funding Agreement

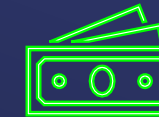
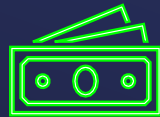
** PVID approved 1/14/25*

Community Investment Fund Disbursement



\$7.90M x 50%

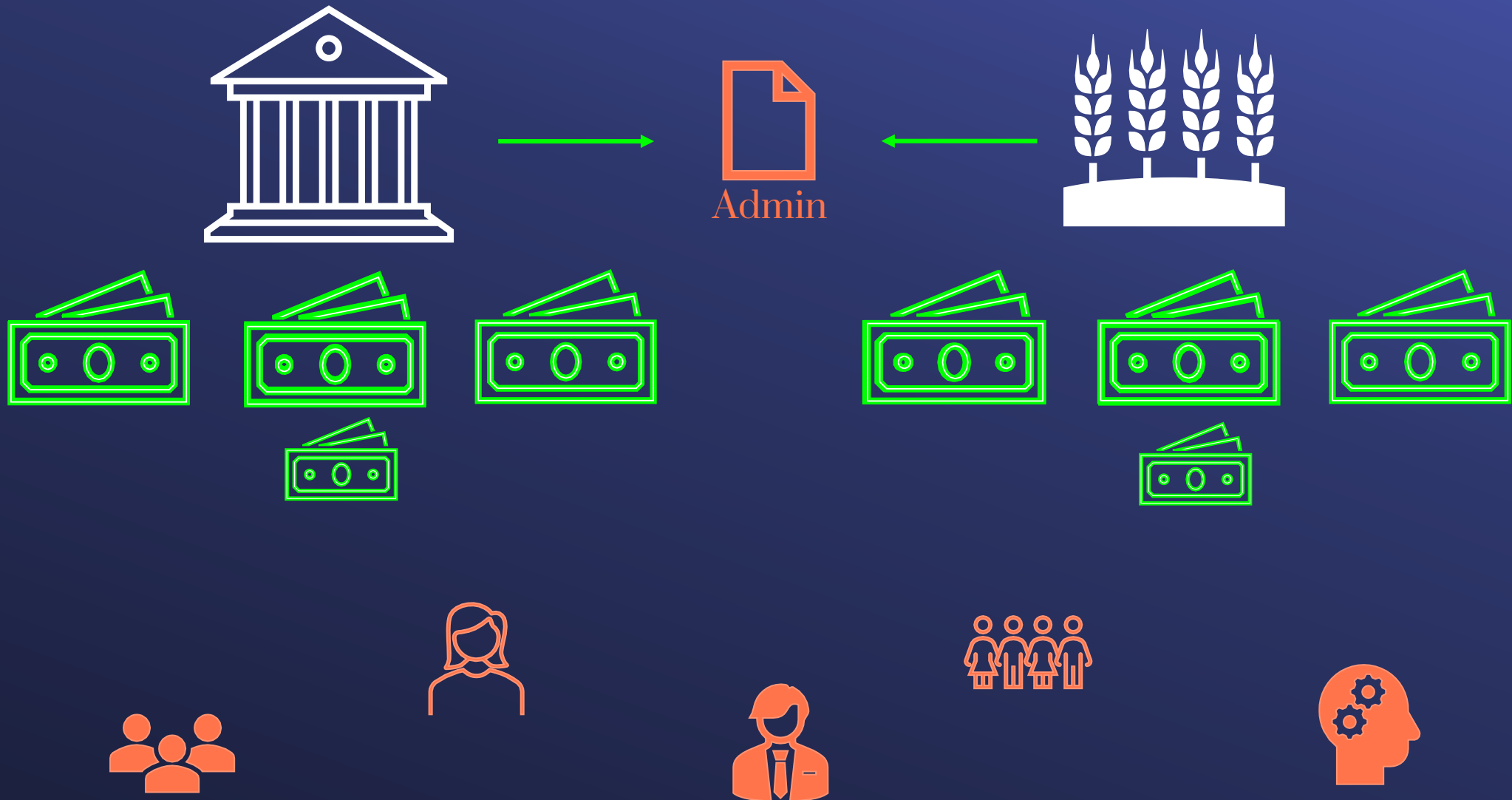
\$7.90M x 50%



SCIA 5-month Extension

** Board approved 1/14/2025*

Community Investment Fund Disbursement



Potential Projects

* Must be located within PVID's service area



**Blythe Chamber
of Commerce
& Visitors Center**

Business Development



Blythe Police Department



Determined
by CEC
w/
community
input



Palo Verde Hospital



Palo Verde Schools



Palo Verde College



Benefits to Metropolitan

Metropolitan is a Member of the Community

- As the largest landowner in the Palo Verde Valley, Metropolitan has a responsibility to contribute to the betterment of the community

Support of Conservation Programs

- Community investment helps build support for additional conservation programs

PVID is a Model for the Colorado River Basin

- Successful conservation programs coupled with a strong economy in the Palo Verde Valley acts as an example to other areas in the Colorado River Basin

Next Steps

1

Agreement Execution

2

Continue CEC meetings

3

Disburse 50% of community funds + interest to PVID

4

Continue advisory committee development & outreach

5

CEC develops application, website, & selection criteria

Summary

- MWD committed to investing in PVID's community with Bucket 1 funding
 - Provides benefits to Metropolitan
- USBR paid MWD for Years 1 and 2
 - MWD earmarked \$5.27M for community investment
- A separate agreement is needed to disburse the funds
- The CEC will select proposals with recommendations from a community advisory committee
- MWD and PVID will have equal voting power
- Funds and payment obligations will be split by both Parties
- Upon execution, MWD will provide PVID with 50% of the funds received to date

Board Options

- Option #1

Authorize the General Manager to enter into an agreement with Palo Verde Irrigation District to jointly fund community investment in Palo Verde Irrigation District's service area.

- Option #2

Do not authorize the General Manager to enter into an agreement with Palo Verde Irrigation District to jointly fund community investment in Palo Verde Irrigation District's service area.

Staff Recommendation

- Option #1





- **Board of Directors**
One Water and Stewardship Committee

2/11/2025 Board Meeting

7-5

Subject

Authorize the General Manager to approve a new three-year agreement with WaterWise Consulting Inc. for the Large Landscape and Residential Survey Program, for a total agreement not to exceed \$200,000/year; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

The large-landscape survey program has provided in-person outdoor efficiency audits to commercial and residential landscapes over one acre since 2013. In 2022, Metropolitan added an indoor/outdoor residential survey option, providing leak detection and efficiency recommendations to all residents throughout the service area. Since adding the residential surveys, program activity has increased. The current agreement with WaterWise Consulting Inc. expires on February 28, 2025. This agreement will extend the program for three years with no change to the current program budget.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Authorize the General Manager to approve a new three-year agreement with WaterWise Consulting Inc. for the Large Landscape and Residential Survey Program, for a total agreement not to exceed \$200,000/year.

Fiscal Impact: \$600,000 over three years funded from the current Conservation Program budget. This request will not increase the Conservation Program budget.

Business Analysis: The proposed agreement will allow the program to continue uninterrupted through 2028.

Option #2

Do not authorize a new agreement with WaterWise Consulting Inc. If not authorized, the program will end.

Fiscal Impact: None

Business Analysis: The Large Landscape and Residential Survey Program will end. Member and retail water agencies would not be able to list the survey program as a best management practice for the Conservation as a California Way of Life regulation reporting.

Alternatives Considered

Not applicable

Applicable Policy

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

By Minute Item 48772, dated August 16, 2011, the Board adopted the Long-Term Conservation Plan and revisions to the water conservation policy principles.

Related Board Action(s)/Future Action(s)

Not applicable

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. (State CEQA Guidelines Section 15378(b)(4)).

CEQA determination for Option #2:

None required

Details and Background

Background


In 2013, Metropolitan launched a large-landscape survey program for commercial and residential properties with over an acre of irrigated landscape. These in-person surveys include an irrigation audit and recommendations for water use efficiency improvements. Metropolitan provides these surveys free of charge to property owners to improve irrigation efficiency on large landscapes with high water usage. The report provided to the customer includes an overview of any leaks or needed repairs of the irrigation system as well as recommendations for changes to improve efficiency. These recommendations include turf replacement, irrigation changes, controller upgrades, and landscaping best management practices. The report also includes a cost-benefit analysis, rebate availability, and a payback timeline for the recommendations.

In 2021, WaterWise Consulting Inc. was competitively selected as the survey program contractor through a Request for Proposal process. In 2022, Metropolitan added a residential survey option to the program, which can be performed virtually or in person. The residential survey does not have a minimum size and includes indoor and outdoor home audits. Survey consultants provide a leak detection review inside and outside the home and prepare a report of recommendations to improve water use efficiency. These recommendations include turf replacement, irrigation repair and upgrades, appliance upgrades, and conservation tips for indoor water use. The report also provides rebate and other program information available to the customer.

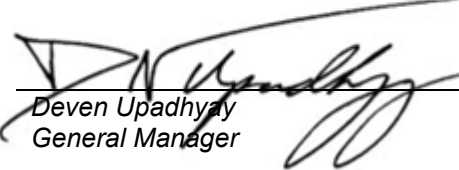
A Request for Proposal was issued in December 2024, and WaterWise Consulting Inc. was the only respondent. Therefore, they have been selected to continue as the survey program contractor.

Proposed Action

Previous agreements were issued as one-year agreements with two one-year rollover options with a budget of \$200,000 per year. Staff is requesting to change the approach to establishing the agreement so that a three-year agreement for a not-to-exceed total of \$600,000 will be authorized by the Board. This revised approach will increase the efficiency of administering the agreement.



Brandon J. Goshi
Interim Manager,
Water Resource Management
2/6/2025
Date



Deven Upadhyay
General Manager
2/6/2025
Date



One Water & Stewardship Committee

Authorize an Agreement with
WaterWise Consulting, Inc. for
the Large Landscape and
Residential Survey Program

Item 7-5

February 10, 2025

Item #7-5
Authorization
Request for Large
Landscape and
Residential Survey
Program Agreement

Subject

Authorize a three-year agreement with WaterWise Consulting, Inc., for \$200,000 per agreement year for large landscape and residential surveys

Purpose

Continue the Large Landscape and Residential Survey Program

Recommendation

Authorize a three-year agreement with WaterWise Consulting, Inc., for \$200,000 per agreement year for large landscape and residential surveys

Fiscal & Budget Impact

Expenditures within the board-authorized budget

Overview of Metropolitan's Survey Program

Large Landscape Survey Program

- Irrigation audit
- Review of historical use and comparison to recommended irrigation schedule
- Recommendations on efficiency improvements with cost/benefit analysis

Residential Indoor/Outdoor Survey Program

- Irrigation audit
- Indoor leak detection
- Recommendations on efficiency improvements

Metropolitan's Survey Vendor

WaterWise Consulting, Inc. was competitively selected as Metropolitan's survey vendor

- MWD survey program vendor for 10 years
- They can support Metropolitan's entire service area
- Meet the demand of Metropolitan's high volume of surveys
- Experience performing conservation program surveys for other agencies



Surveys In Action



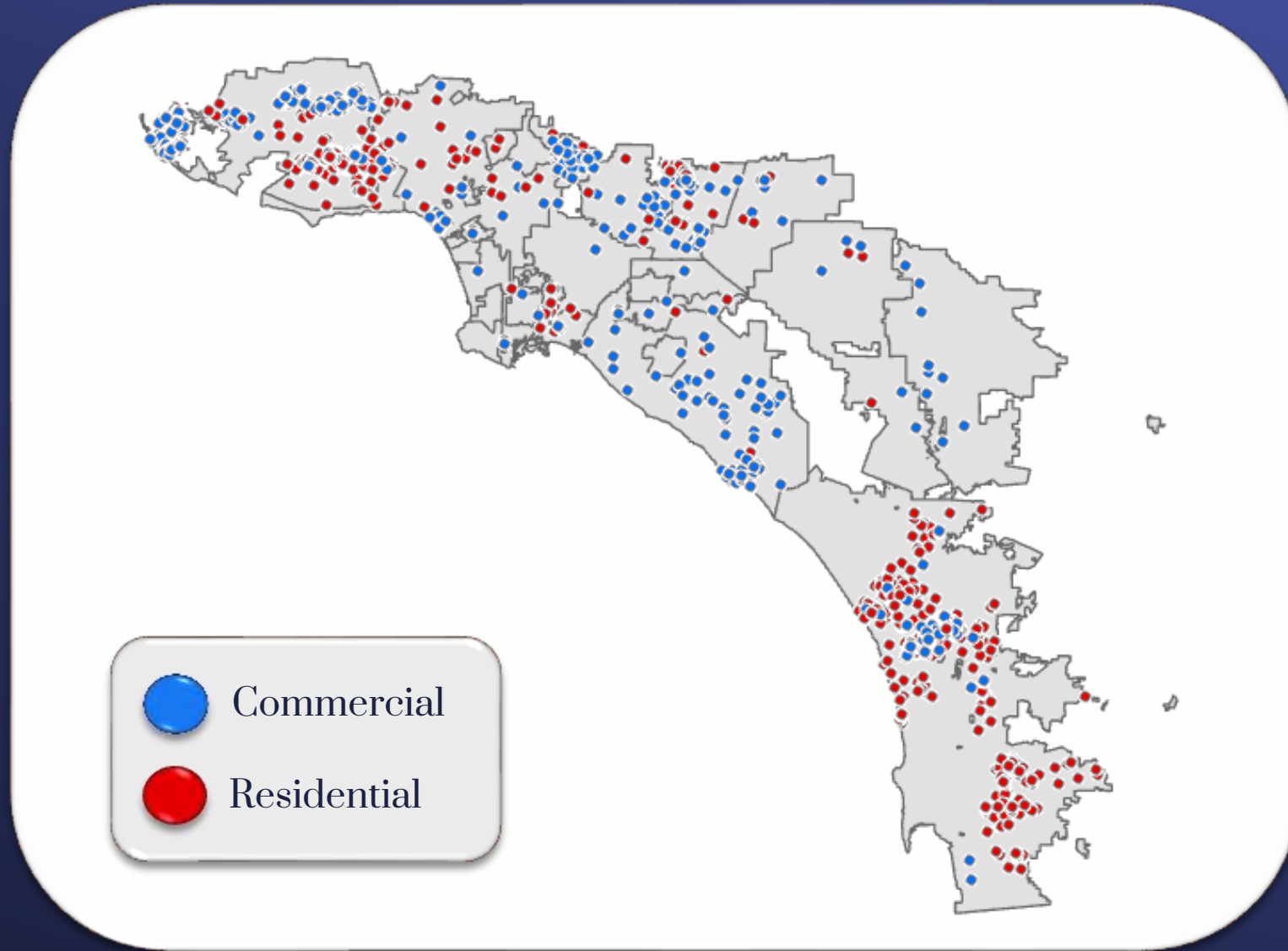
**VALLECITOS
WATER DISTRICT**
Water and Wastewater Specialists since 1951

FREE Water-Efficiency Survey Program

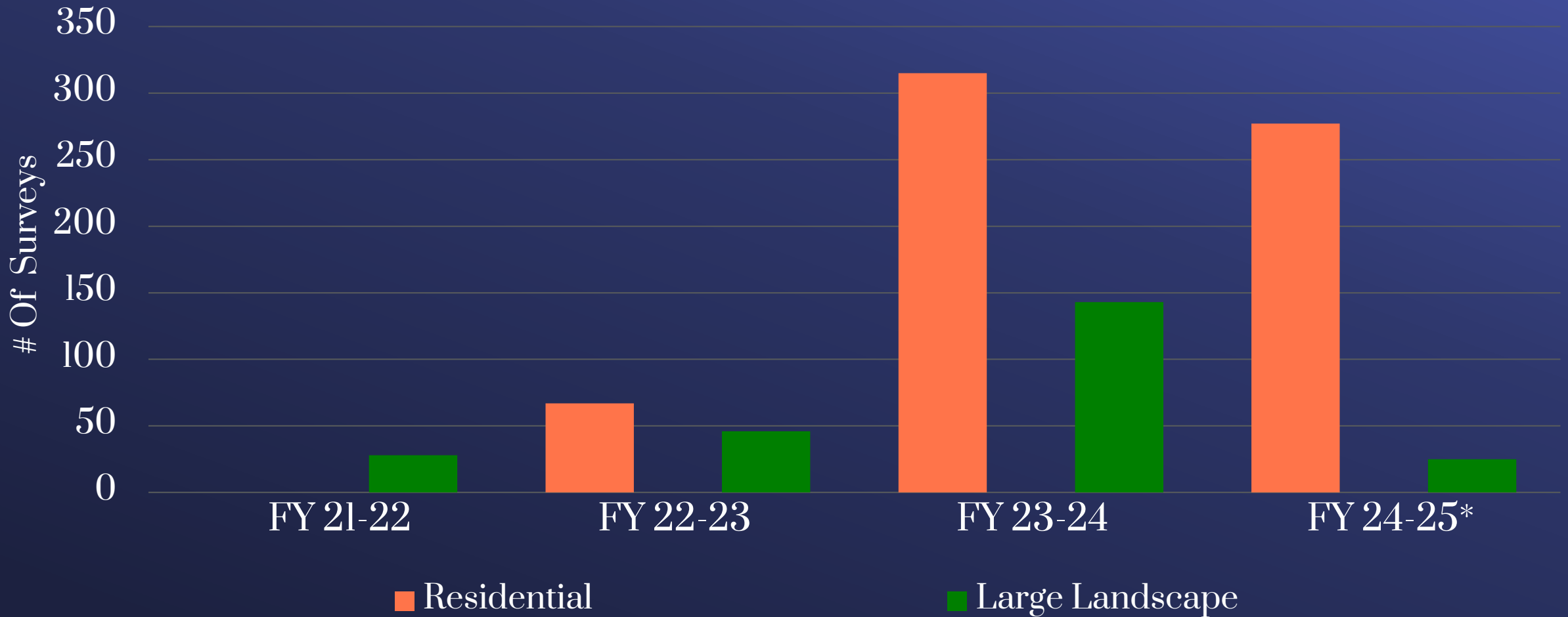


<https://www.waterefficiencysurvey.com/>

Distribution Map of Survey Sites



Residential and Large Landscape Surveys FY 21-22, FY 22-23, FY 23-24, FY24-25



* July 2024 – Dec 2024

Value to Metropolitan

Why should we continue the Survey Program?

- Customers who participate are more likely to move forward with efficiency changes and participate in Metropolitan rebate programs
- Metropolitan's survey program is an approved Best Management Practice for CII sector under the Conservation as a California Way of Life regulation requirements



Summary

- Current program in year three of agreement limited to \$200,000 per year
- Agreement expires February 28, 2025 and program will end without funding authorization
- Both large landscape and residential survey activity has increased during recent years
- Implementation of AB1572 is expected to further increase interest in large landscape surveys
- Changing agreement format to three-year agreement will allow for budget flexibility and administrative ease

Board Options for Metropolitan's Survey Program

Option #1

Authorize the General Manager to approve a new three-year agreement with WaterWise Consulting Inc. for the Large Landscape and Residential Survey Program, for a total agreement not to exceed \$200,000/year.

Option #2

Do not authorize a new agreement with WaterWise Consulting Inc. If not authorized, the program will end.

Staff
Recommendation

Option #1





- **Board of Directors**
One Water and Stewardship Committee

2/11/2025 Board Meeting

7-6

Subject

Authorize the General Manager to expand the Bard Seasonal Fallowing Program and amend the System Conservation Implementation Agreement for Bard Seasonal Fallowing Program to increase its program size from 3,000 acres to 6,000 acres for the years 2025 and 2026; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Staff seeks authorization for the General Manager to expand the program size of the Bard Seasonal Fallowing Program (Bard Program) from 3,000 to 6,000 acres for years 2025 and 2026, and amend the System Conservation Implementation Agreement for the Bard Program. Under the amendment, the U.S. Bureau of Reclamation (Reclamation) would pay for conserved water under the Bard Program, as expanded.

Metropolitan is currently participating in the Lower Colorado (LC) Conservation Program with Reclamation, and on September 23, 2024, entered into the System Conservation Implementation Agreement (SCIA) with Reclamation and Bard Water District (Bard) to fund the Bard Program. Reclamation is willing to amend the SCIA to include the additional 3,000 acres in the Bard Program in program years 2025 and 2026. Metropolitan would agree to forebear water conserved in 2025 and would have the option to retain water conserved in 2026, if needed, instead of providing the water to Lake Mead as system water. Metropolitan and other Colorado River water users would also benefit from increased Lake Mead elevation.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Authorize the General Manager to expand the Bard Seasonal Fallowing Program and amend the System Conservation Implementation Agreement for Bard Seasonal Fallowing Program to increase its program size from 3,000 acres to 6,000 acres for the years 2025 and 2026.

Fiscal Impact: Metropolitan would not pay for the additional land fallowing during the term of the System Conservation Implementation Agreement. Metropolitan would also receive approximately \$120,000 for Bard administrative fees through 2026.

Business Analysis: Expanding the program would fund additional land fallowing to increase Colorado River system water at no additional cost to Metropolitan.

Option #2

Do not authorize the expansion of the Bard Seasonal Fallowing Program.

Fiscal Impact: None

Business Analysis: Metropolitan would forego an opportunity to increase Colorado River system water to reduce the risk of future curtailment.

Alternatives Considered

Not applicable

Applicable Policy

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

By Minute Item 51833, dated December 10, 2019, the Board authorized the General Manager to enter into a Program agreement with Bard Water District and seasonal fallowing agreements with farmers within the Bard Unit, and approve payment of up to \$1.4 million per year, escalated annually through 2026.

By Minute Item 53469, dated December 5, 2023, the Board authorized the General Manager to enter into agreements for system conservation projects with the Palo Verde Irrigation District, Bard Water District, and the Quechan Tribe under Reclamation's Lower Colorado Conservation Program.

Related Board Action(s)/Future Action(s)

Not applicable

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is categorically exempt under the provisions of CEQA and the State CEQA Guidelines. The proposed project involves minor modifications in the condition of land, water, and/or vegetation, which do not involve removal of healthy, mature, scenic trees. These activities would result in negligible or no expansion of use of public or private facilities or features and no possibility of significantly impacting the physical environment. Accordingly, the proposed action qualifies for Class 1 and Class 4 Categorical Exemptions (Sections 15301 and 15304 of the State CEQA Guidelines). In addition, where it can be seen with certainty that there is no possibility that the proposed action in question may have a significant effect on the environment, the proposed action is not subject to CEQA (Section 15061(b)(3) of the State CEQA Guidelines).

CEQA determination for Option #2:

None required

Details and Background

Background

In 2019, Metropolitan and Bard entered into the Bard Program in which Metropolitan pays for seasonal fallowing in Bard from 2020 through 2026. The Bard Program reduces water consumption in Bard that helps augment Metropolitan's Colorado River supplies. The Bard Program incentivizes participating farmers to fallow their land for four months. The average water savings is about 2.0 acre-feet per irrigable acre. To estimate water savings, Bard's proportional returns and consumptive use are calculated based on values reported in Reclamation's annual water accounting report. Given the total consumptive use, total irrigable acres within Bard, and acres that were actually fallowed, the acre-feet per irrigable acre for the months within a particular fallowing season is calculated. A weighted average is calculated using the acre-feet per irrigable acre for all years of Bard's participation in the fallowing program.

Bard diverts Colorado River water for crop irrigation grown year-round in the warm, dry climate. Farmers typically grow high-value crops in the winter (vegetable crops) followed by a lower-value, water-intensive field crop (such as Bermuda and Sudan grass, small grains, field grains, or cotton) in the spring and summer. Under the Bard Program, Metropolitan makes a fallowing call on October 1 for the following year, and farmers may commit to reduce water consumption during a four-month window from April 1 – July 31 on up to 3,000 acres. Participating farmers receive an annual payment per irrigable acre split between the beginning and the end of the fallowing season. Metropolitan has made full fallowing calls since the program began in 2020. The water saved

by fallowing accrues to Metropolitan. Since its inception, the program has conserved approximately 51,000 acre-feet and provided up to \$6.27 million in funding.

The 2021 Bipartisan Infrastructure Law and the 2022 Inflation Reduction Act funded water management and conservation efforts to relieve drought conditions in the western United States, with a focus on the Colorado River. The Department of the Interior, through Reclamation, created the LC Conservation Program to increase system conservation and efficiency opportunities to address drought impacts in the Lower Colorado River Basin. Similar conservation programs are being developed in the Upper Colorado River Basin. The LC Conservation Program provides funding opportunities for voluntary participation to increase system conservation.

On September 23, 2024, Metropolitan and Bard entered into the SCIA with Reclamation to fund Metropolitan's Bard Program. Under this agreement, Metropolitan and Bard agree to request from Bard farmers offers of participation to collectively fallow up to 3,000 acres for the four-month fallowing periods in program years 2024, 2025, and 2026. For the purposes of the SCIA, the average water savings are 1.9 acre-feet per irrigable acre. Reclamation agrees to reimburse Metropolitan for creating Colorado River system water from water conserved with the Bard Program, an estimated 5,700 AF per year of Colorado River system water, which will be left in Lake Mead. Metropolitan is administering the program. Reclamation will provide a payment of \$400 per AF of conserved water left in Lake Mead. Metropolitan will provide \$380 per AF to participating farmers and Bard Water District (75 percent to participating farmers and 25 percent to Bard Water District) and retain \$20 per AF for administration costs.

Increased Interest in Farmer Participation in the Bard Program

The Bard Unit has approximately 6,000 irrigable acres. Through the current Bard Program, Metropolitan provides fallowing incentives for a maximum of 3,000 acres per program year. Metropolitan has made full fallowing calls since the program began in 2020. There has been increased interest over time from Bard farmers to participate in the Bard Program and/or increase their fallowing acreage. Expanding the Bard Program size from 3,000 to 6,000 acres would allow for increased participation and provide a benefit for Bard farmers, Metropolitan, and other Colorado River users. Metropolitan would receive the regional benefit of water supply flexibility and resiliency. Other Colorado River water users would benefit from increased Lake Mead elevation. Program rules regarding eligible land would be identical to the existing Bard Program. The only change to the program would be the size.

Expansion of Bard Program Participation in the LC Conservation Program

As part of the LC Conservation Program, Reclamation is willing to amend the SCIA to include the additional 3,000 acres in the Bard Program for program years 2025 and 2026. Pursuant to the amendment, Metropolitan would request from Bard farmers offers of participation to collectively fallow up to 6,000 acres for the four-month fallowing periods in program years 2025 and 2026. Metropolitan would agree to forebear water conserved in 2025 and would have the option to divert a portion of water conserved in 2026, if needed, instead of providing the water to Lake Mead as system water. If Metropolitan determines that there is a need to divert any water conserved in 2026, Metropolitan would provide funding in the amounts consistent with the existing Bard Program rather than the higher amounts provided by Reclamation. Metropolitan would continue to administer the Bard Program. All other provisions of the SCIA related to payment terms would remain the same. Metropolitan will seek to obtain any necessary forbearance from other Colorado River contractors.


Summary

Since 2020, Metropolitan has provided incentives for Bard farmers to fallow their lands for four months out of the year to reduce water consumption and augment Metropolitan's Colorado River supplies. Metropolitan has made full fallowing calls since 2020, and farmer interest in the program has increased over time. As a result of the LC Conservation Program, Metropolitan and Reclamation entered into the SCIA. Through the SCIA, Reclamation provides a payment of \$400 per AF of conserved Colorado River water left in Lake Mead. With the expansion of the Bard Program to 6,000 acres and amendment to the SCIA, Reclamation would fund the generation of up to 11,400 AF of conserved Colorado River system water in program years 2025 and 2026. Reclamation would make payments to Metropolitan, and Metropolitan would continue to administer the program. Metropolitan would have

the option to retain a portion of water conserved in 2026, up to 5,700 AF. If Metropolitan determines that there is a need to divert any water conserved in 2026, Metropolitan would provide funding in the amounts consistent with the existing Bard Program.

Timing and Urgency

Reclamation has requested to expedite any extensions to Bucket 1 System Conservation Implementation Agreements. Funding provided by Reclamation in these agreements could be withdrawn by future congressional action or delayed by the new federal administration.



Brandon J. Goshi
Interim Manager,
Water Resources Management

2/6/2025
Date



Deven N. Upadhyay
General Manager

2/6/2025
Date

Ref# wrm12699600



One Water and Stewardship Committee

Expansion of the Bard Seasonal Following Program and Amendment to the System Conservation Implementation Agreement for Bard Seasonal Following Program

Item 7-6

February 10, 2025

Authorize Expansion of the Bard Seasonal Fallowing Program

Subject

Authorize the General Manager to expand the Bard Seasonal Fallowing Program and amend the System Conservation Implementation Agreement for Bard Seasonal Fallowing Program to increase its program size from 3,000 acres to 6,000 acres for the years 2025 and 2026.

Purpose

To obtain board approval for expansion of the Bard Program and an amendment to the System Conservation Implementation Agreement for the Bard Program.

Recommendation and Fiscal Impact

Authorize the expansion of the Bard Seasonal Fallowing Program and authorize amending the System Conservation Implementation Agreement for Bard Seasonal Fallowing Program to increase its program size from 3,000 acres to 6,000 acres for the years 2025 and 2026. Metropolitan would not pay for the additional land fallowing during the term of the System Conservation Implementation Agreement. Metropolitan would also receive approximately \$120,000 for Bard administrative fees through 2026.

Budget

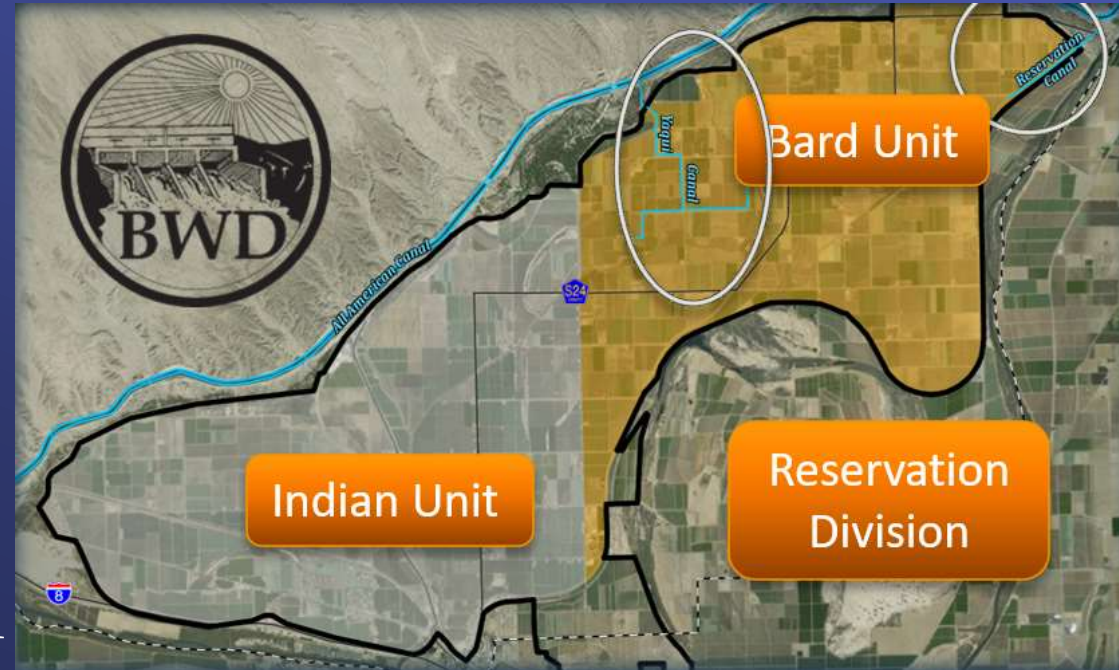
Not budgeted. US Bureau of Reclamation would fund the additional land fallowing at no cost to Metropolitan.

Bard Water District Background



Bard Water District Background

- Part of the Reservation Division of the Yuma Project
- Diverts water from All-American Canal



- Approximately 7,000 Irrigated Acres
- High value vegetables grown in winter
- Lower-value, water-intensive grasses grown in summer

Bard Seasonal Following Program



- Board approved in 2019
- Program active from 2020-2026

Program size	3,000 acres/year
Fallowing Season	April – June
Incentive Rate	\$452/acre/year

*Verifications are made prior to providing funding

*Rate is escalated annually

Bard Program Benefits



- Water supply reliability
- Financial benefits to farmers and improvements to Bard
- Water savings of up to 6,000 AF per year



To date:

- Water savings: 51,000 AF
- Funding provided: \$6.27M

Expand Bard Program size from 3,000 acres to 6,000 acres

Proposed Bard Program Expansion



Why We Want to Expand the Bard Program

- Increased reliability for Metropolitan when needed
- Bard farmers have expressed interest in increasing fallowing
 - Bard has the capacity to fallow more
- Bard uses funding for relining their canals and other district improvements
 - Benefits all within Bard

Terms of the
System
Conservation
Implementation
Agreement
(SCIA)

September 2024: Metropolitan and Bard entered into SCIA with USBR

- USBR funds the fallowing of up to 3,000 acres per year
- Metropolitan administers the program
- Water conserved is left in Lake Mead

USBR Payment: \$760 per acre

- \$720 for Bard
 - 75% for farmers
 - 25% for Bard Unit
- \$40 for Metropolitan (admin costs)

Proposed Amendment to SCIA



- USBR will fund additional fallowing
- Metropolitan will forebear water conserved in 2025
 - No additional cost to Metropolitan
 - Collect administration costs
- Metropolitan will have the option to divert a portion of water conserved in 2026
 - Metropolitan would provide funding in the amounts consistent with the existing Bard Program

Proposed Amendment to SCIA



	Existing SCIA	Proposed SCIA
Max Annual Fallowing	3,000 acres/year	6,000 acres/year
Annual Water Savings	5,700 AF	11,400 AF

All other provisions of SCIA would remain the same.

Summary

Benefits of expanding the Bard Program and amending the SCIA:

- Enhanced reliability for Metropolitan if additional water needed in 2026
- Additional financial benefit to farmers and Bard
- Additional Colorado River system water for Lake Mead

Board Options

- Option #1

Authorize the General Manager to expand the Bard Seasonal Fallowing Program and amend the System Conservation Implementation Agreement for Bard Seasonal Fallowing Program to increase its program size from 3,000 acres to 6,000 acres for the years 2025 and 2026.

- Option #2

Do not authorize the expansion of the Bard Seasonal Fallowing Program.

Staff Recommendation

- Option #1





- **Board of Directors**
One Water and Stewardship Committee

2/11/2025 Board Meeting

8-1

Subject

Authorize the General Manager to execute transfers, exchanges, and other State Water Project management transactions during 2025 and 2026; grant final decision-making authority to the General Manager subject to the terms set forth in this letter; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Staff seeks authorization for the General Manager to execute transfers, exchanges, and other State Water Project (SWP) water management transactions that will protect long-term water supply reliability while offering the opportunity to achieve Metropolitan's financial objectives for the current budget cycle. Staff have identified the potential to sell water supply in excess of currently stored water over calendar years 2025 and 2026 to other contractors, their members, and landowners that can receive transferred water from the SWP. It is estimated that SWP sales will help generate the estimated \$120 million target for new revenues identified in the Metropolitan budget and rates adopted in April 2024. On the other hand, if hydrologic conditions in calendar year 2026 turn out to be dry, thus increasing the need for additional supplies, staff have identified the potential need to purchase up to 100,000 acre-feet at a cost of up to \$50 million from sellers that can convey water via the SWP. These purchases would be used to help manage potential shortage conditions.

Staff presented information letters on this subject to the One Water and Stewardship Committee in January 2025 and December 2024 and received board feedback on the proposal to sell SWP supplies outside of the service area. Key areas of discussion included the need to ensure Metropolitan's water supply reliability and the potential to achieve current budget objectives. **Attachment 1** details staff responses to board feedback and questions received at these two meetings. Based on this feedback, staff proposes to limit outside water sales transactions only to conditions that maintain or enhance Metropolitan's water supply outlook and financial reliability. Currently, Metropolitan is in a unique position to generate new revenue from outside water sales because of record-high storage conditions at the end of 2024. Staff recommends potential single-year water sales over the next two years as long as SWP allocations are sufficient to allow Metropolitan to maintain or add to current record-high storage reserves. If hydrologic conditions do not support sufficient SWP allocations during 2025 and 2026, and Metropolitan is no longer able to maintain or add to current record storage levels, then staff will not pursue the SWP water sales. Board authorization for the General Manager to execute transfers, exchanges, and other SWP management transactions over the next two calendar years will provide Metropolitan with the flexibility to nimbly make water transactions relative to changing hydrologic, water market, and financial conditions.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Authorize the General Manager to execute transfers, exchanges, and other State Water Project management transactions during 2025 and 2026 and grant final decision-making authority to the General Manager subject to the terms set forth in this letter.

Fiscal Impact: Revenue of up to \$120 million through sale of SWP water or cost of up to \$50 million for water purchases in 2026 to be conveyed via the SWP.

Business Analysis: Sale and exchange of potential surplus SWP supply will help generate the new revenue assumed in the budget adopted by the Board in April 2024. Obtaining transfer supplies and implementing water exchanges will improve future regional water supply reliability and help mitigate impacts should dry conditions prevail.

Option #2

Do not authorize the General Manager to enter into transfers, exchanges, and other State Water Project water management agreements during 2025 and 2026.

Fiscal Impact: Decreased likelihood of meeting new revenue targets in FY 25/26 budget and rates.

Business Analysis: Not authorizing the water transfers and exchanges with various water districts could result in a lost opportunity to generate new revenue or to secure additional water supplies in 2025 and 2026.

Alternatives Considered

Not applicable

Applicable Policy

By Minute item 52273, dated February 9, 2021, the Board reviewed and considered the Department of Water Resources' certified Final Environmental Impact Report, took related California Environmental Quality Act (CEQA) actions and approved the State Water Project Contract Amendment for Water Management.

By Minute item 20984, dated November 1, 1960, the Board adopted Resolution 5838 and approved execution of the State Water Project Contract with the Department of Water Resources (DWR).

Metropolitan Water District Administrative Code Section 4200: Water Availability

Metropolitan Water District Administrative Code Section 4203: Water Transfer Policy

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Metropolitan Water District Act Section 132: Sale of Surplus Water

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves the tentative approval of and funding for water transfers, exchanges, and other SWP management transactions in 2025 and 2026 but does not involve a commitment to any specific actions at this time that may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines). Prior to final authorization of any water transactions by the General Manager, CEQA documentation will be prepared by the Lead Agency and reviewed and processed in accordance with CEQA and the State CEQA Guidelines.

CEQA determination for Option #2:

None required

Details and Background

Background

Staff brought information letters to the Board in December 2024 and January 2025 on developing new SWP water management actions that generate new revenue via the sale of surplus supply and also potential actions that reduce the risk of future water supply shortages via water purchases. Historically, staff has come to the Board annually and on a case-by-case basis for authorizations to buy additional supply.

Staff is seeking additional authority to sell SWP water to other contractors and parties that can receive transfers of SWP water for the first time. This flexibility is primarily afforded by the Water Management Amendment to the SWP contract, approved by the Board in February 2021. Sale of Metropolitan's SWP supply is consistent with Metropolitan Water District Act Section 132 that allows for the sale of surplus water not needed for domestic or municipal use within the district. Administrative Code Section 4200 requires that the sale of water outside of Metropolitan's service area be approved by the Board. Sale of Metropolitan's SWP supply within the next two calendar years could help contribute to the estimated \$120 million in unrealized annual revenue assumed in the budget and rates adopted by the Board in April 2024.

The following discussion describes the type of transactions that staff is contemplating to pursue to meet revenue and water supply goals, possible transaction parameters, key considerations, and potential partners.

Potential Transactions under Surplus Conditions

Metropolitan can pursue several types of transactions to generate revenue, including non-permanent Table A transfers to other SWP contractors, transfers of SWP carryover supply, and transfers of previously stored SWP supply in banking programs outside of the service area. The 2021 water management amendment provides that buyers and sellers can determine the cost compensation for these types of transfers. SWP contractors can also execute balanced or unbalanced water exchanges with cost compensation determined by the buyer and seller, and DWR views these exchanges as "Transfer Packages." An example of a potential unbalanced exchange Metropolitan would consider under surplus conditions would be transfer of Metropolitan surplus SWP supply in exchange for the future return of lesser supply, with potential cost compensation to reflect the dry-year value of water. DWR also procures annual Change in Place of Use permitting that can enable additional parties to participate in transfer transactions.

Pricing for Water Sales

The potential pricing for single-year SWP sales would be dependent on hydrologic conditions, time of year, and overall supply versus demand. In general, demand and price tends to increase in drier years and decrease in wetter years. In this past year, there were relatively few buyers and several potential sellers with above-average supplies coming off a wet 2023, and the price of Table A sales generally went down as the year progressed. Pricing in 2024 ranged from approximately \$250 to \$600 per acre-foot. In a wet year like 2023, there were sales at approximately \$100 to \$200 per acre-foot; and in a dry year like 2022, there were sales ranging from approximately \$500 to \$2,000 per acre-foot. Staff recommends that the price for Metropolitan SWP supply sales to other parties be an amount greater than the Supply Rate element charged for water sales to Metropolitan member agencies (approximately \$300 per acre-foot in 2024). Charging a price greater than the Supply Rate element will ensure the recovery of Metropolitan's overall supply cost per acre-foot and ensure that Metropolitan's member agencies have access to supply for a lower amount than outside agencies.

Protection of Water Supply Reliability

Staff is not proposing to sell water in conditions that may lead to future challenges in meeting reliability for its member agencies. Thus, Metropolitan's willingness to sell water in 2025 or 2026 would be constrained by the need to maintain water supply reliability, in particular for the SWP dependent area. Staff proposes water sales outside of the service area only if projected SWP allocations are high enough that current high storage levels are maintained and that additional puts to storage may be made. In 2025, under projected Colorado River supplies and current trend demands, balanced conditions are estimated to occur at a SWP allocation of approximately 30 percent. Therefore, water sales outside of the service area would not be pursued in 2025 unless the allocation is

at or above approximately 30 percent. In 2026, staff is proposing water sales only if Metropolitan is able to maintain current high levels of storage, and that year's supply and demand balance requires additional puts to storage. Staff recommends that the Board authorize the General Manager to sell surplus SWP supply over the next two calendar years in the event of wet conditions on the SWP to help generate revenue and minimize unmanaged SWP supplies.

Potential Partners

Potential buyers of Metropolitan SWP supply under the water management amendment are other SWP contractors, their members, or landowners. Potential sale of water to a non-SWP contractor (e.g., Central Valley Project contractor) could also occur to the extent that DWR petition the State Water Resources Control Board to allow a transfer of SWP water outside of the SWP place of use. Staff intends to identify potential partners for water sales within the SWP place of use and with partners whose place of use is compliant and consistent with State Water Resources Control Board petitions. The regulatory challenges for exchanging SWP water with CVP contractors are less onerous and managed via annual petitions to the SWRCB for consolidation of the SWP and CVP place of use. As such, staff will evaluate and potentially pursue mutually beneficial exchanges with both SWP and CVP contractors and their member agencies or landowners.

Potential Transactions under Shortage Conditions

2025 is not projected to be severely dry, and staff will not be pursuing water purchases to augment water supplies. However, if 2026 is dry, staff anticipates a potential need to purchase water transfer supplies in addition to those already approved for purchase by the Board. The Board has already authorized the potential purchase of surface water transfer supplies under the Yuba Accord through 2025, and the potential purchase of water transfer supplies from Western Canal Water District and Richvale Irrigation District through 2027. Staff requests authority to purchase single-year water transfers if needed from other sellers north and south of the Delta, including other SWP contractors as allowed under the water management amendment. Under shortage conditions, Metropolitan may also consider unbalanced water exchanges to secure dry-year supply in exchange for the obligation to return greater quantities in wetter years, with potential cost compensation to reflect the dry-year value of water. A broad portfolio of water transfer options will help Metropolitan meet its future water supply needs in the most cost-effective manner.

The quantity of water that Metropolitan would purchase under shortage conditions in 2026 would be dependent on the overall supply and demand balance, price, and whether Metropolitan purchases water from other sellers such as Yuba Water Agency, Western Canal Water District, and Richvale Irrigation District. To provide the flexibility to supplement these existing water purchase programs, staff recommends that the Board authorize the General Manager to buy up to 100,000 acre-feet of additional supply from willing sellers in 2026, if needed.

Potential partners for the purchase of water by Metropolitan include public water agencies, private water utilities and companies, water rights holders, and state and federal agencies located north or south of the Delta that can move water via SWP facilities.

Administrative Requirements for Potential Transactions

For any potential SWP water sale, Metropolitan would need to enter into at least two agreements, one with the purchasing entity covering the terms of the transaction, and another with DWR, Metropolitan, and the partner contractor (may also be the purchasing entity). For any transaction under the water management amendment, DWR will require compliance with transparency requirements enumerated in Article 57(g) of the SWP contract, including that Metropolitan provide relevant terms to all other contractors via the State Water Contractors organization. DWR will require CEQA documentation to process each transfer and exchange agreement requested by Metropolitan.

Purchase of SWP water from other entities will also likely require at least two agreements, one with the seller and another with DWR to convey the transfer supply. No commitment to any given transfer would be made by the General Manager unless and until all applicable CEQA requirements have been met.

Feedback and Questions Received from the Board

Staff received feedback and questions from the Board during the discussions pertaining to the two Information Letters delivered in December 2024 and January 2025. The following is a categorized listing of the feedback and questions. **Attachment 1** contains the questions and detailed responses.

Legal Questions and Comments:

1. Request for written legal analysis regarding the applicability of MWD Act Section 131.
2. Are any changes to the MWD Act or MWD Administrative Code necessary?
3. Metropolitan should not sell water that will be wasted.
4. Metropolitan should sell its Colorado River water to users in other states.

Price / Finance Questions and Comments:

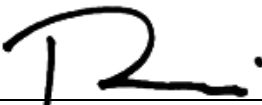
5. Request that member agencies be able to purchase water at the same price offered to outside agencies.
6. Metropolitan's costs need to be covered.
7. Recovery of a price equal to only the budgeted supply rate for member agencies is too low. How do we maximize the value for Metropolitan?
8. Does the budgeted water supply rate cover our transportation costs, even if we don't transport the water?
9. Are we potentially selling low and buying high?
10. How would water sales impact long-term reliability and investments in DCP, Sites, and Pure Water?
11. Where are we with respect to water sales versus budget?

Approach Questions and Comments:

12. The Board should approve individual transactions and hold special meetings to approve individual transactions if needed.
13. The general public needs to know that Metropolitan is not taking chances with the future reliability of the region. The public may not understand the current status of storage conditions.
14. There seems to be a new threshold for dry-year storage reliability – four years instead of three. The Climate Adaptation Master Plan for Water planning process has not yet addressed these risk and hydrology details.

Delegation of Authority to General Manager

Accordingly, staff requests that the General Manager be delegated the authority to determine whether to move forward with these water sales, purchases, transfers, and exchanges following completion of, and based upon, any environmental reviews that may be necessary under CEQA. No commitment to any given transaction would be made by the General Manager unless and until all applicable CEQA requirements have been met. Any such commitment would be subject to and consistent with the terms and conditions set forth above.



Brandon J. Goshi
Interim Manager,
Water Resource Management

2/4/2025
Date



Deven N. Upadhyay
General Manager

2/4/2025
Date

Attachment 1 – Staff Responses to Metropolitan Director Questions and Comments on Proposed SWP Water Sale Transactions

Ref# wrm12700628

Staff Responses to Metropolitan Director Questions and Comments on Proposed SWP Water Sale Transactions

Written responses to feedback received from Board directors during the January 13, 2025, One Water and Stewardship Committee, summarized by subject area, are detailed below.

Legal Questions and Comments:

1. Request for written legal analysis regarding the applicability of MWD Act section 131.

Response: MWD Act section 131 does not apply to the sale of surplus water; rather, it applies to the sale of water: (a) to the United States or the State of California; or (b) to a private corporation or public agency regarding the generation of electric power. The sale of surplus water by Metropolitan is authorized by MWD Act section 132.

2. Are any changes to the MWD Act or MWD Administrative Code necessary?

Response: No. MWD Act section 132 authorizes Metropolitan to sell surplus water. Under MWD Administrative Code section 4200, Metropolitan may sell water outside of its service area as approved by the Board. See also MWD Administrative Code section 4401(b).

3. Metropolitan should not sell water that will be wasted.

Response: Article 10, section 2 of the California Constitution requires that water be beneficially used and prohibits the waste and unreasonable use of water. Individual water users are responsible for complying with these requirements.

4. Metropolitan should sell its Colorado River water to users in other states.

Response: The sale of Metropolitan's Colorado River water to users in other states is not currently authorized under the Law of the River.

Price / Finance Questions and Comments:

5. Request that member agencies be able to purchase water at the same price offered to outside agencies.

Response: Metropolitan sets rates for member agency deliveries to recover the cost of service and ensure the continued financial viability of the district. The elements of the full-service volumetric water rates for member agencies include: Supply, System Access, System Power, and Treatment Surcharge. The sale price of surplus water to outside agencies may be at a lower amount than the member agency full-service rate because the costs associated with surplus water are limited to supply costs. Metropolitan does not anticipate incurring transportation, power, or treatment costs associated with the other rate elements and therefore, is using its overall supply rate element as a guide for the selling price of its surplus water to third parties. However, any additional costs incurred by Metropolitan will also be considered in the sale price. At this time, Metropolitan does not have a program for selling surplus water to member agencies. Staff and member agencies engaged in several workshops and board discussion during 2023 to 2024 on such a program, and is now continuing to evaluate it through the ongoing CAMP4W and business model process.

6. Metropolitan's costs need to be covered.
7. Recovery of a price equal to only the budgeted supply rate for member agencies is too low. How do we maximize the value for Metropolitan?
8. Does the budgeted water supply rate cover our transportation costs, even if we don't transport the water?

Response: The price proposed for outside water sales would at a minimum recover Metropolitan's cost of water supply assumed in the rates established in the budget and rates adopted by Metropolitan's Board in April 2024 for sales to member agencies. The Supply Rate covers the cost of water supply for Metropolitan and not transportation costs, which are collected through the System Access Rate. Recovery of water supply cost is a minimum guardrail, and staff would pursue sales at higher prices than minimum cost recovery. One strategy for maximizing the price and potential revenue for Metropolitan is to execute transactions early enough in the year when potential buyers may place higher value on the certainty of supplemental water supply. In 2024, SWP contractors entered into water transactions with a price of approximately \$500 per acre-foot early in the calendar year and a price of \$250 per acre-foot late in the calendar year.

9. Are we potentially selling low and buying high?

Response: Staff is proposing outside water sales only to the extent that Metropolitan is maintaining current high storage balances and further adding to storage according to the projected water supply and demand balance for the year. With this reliability guardrail, staff does not anticipate the need to replace water being sold through future purchases or exchanges thus eliminating the potential of selling low and buying high.

10. How would water sales impact long-term reliability and investments in DCP, Sites, and Pure Water?

Response: Water sales to outside agencies over the next two years would not affect long-term reliability or future investment decisions. Staff is proposing single year water transactions over a finite two-year period to generate new revenues. Staff is proposing safeguarding water reliability by ensuring that outside water sales are surplus to member agency demands and dry-year storage targets. Staff is also proposing outside water sales only as long as Metropolitan maintains current record high levels of storage and is projecting to add to storage based on the supply and demand balance of that year. Water sales as a future long-term water management tool is being evaluated in the CAMP4W and business model process.

11. Where are we with respect to water sales versus budget?

Response: Revenues are not currently meeting the estimated revenue assumed in the budget adopted by the Board in April 2024. Water sales are also tracking lower than projected. Additional details will be provided in the February Finance and Asset Management Committee meeting.

Approach Questions and Comments:

12. The Board should approve individual transactions and hold special meetings to approve individual transactions if needed.

Response: The lead time to bring most items to the Board for action is three months. In order to negotiate favorable terms in a timely matter, it would be better if the Board granted the general manager

authority to enter into surplus SWP sales transactions subject to protections for water reliability, including meeting service area demands and regional storage targets. Staff would update the Board in future months on water transactions, if any, executed under the authority granted.

13. The general public needs to know that Metropolitan is not taking chances with the future reliability of the region. The public may not understand the current status of storage conditions.

Response: Metropolitan would not be taking chances with reliability by pursuing transactions subject to guardrails, including meeting service area demands and regional storage targets and recovering costs. The public's understanding of current water supply conditions can be challenged by the extreme ups and downs we face year after year with respect to water supply conditions. Adding surplus water sales to our water management toolbox will help Metropolitan better manage that weather whiplash.

14. There seems to be a new threshold for dry year storage reliability – four years instead of three. The Climate Adaptation Master Plan for Water planning process has not yet addressed these risk and hydrology details.

Response: Staff was considering four consecutive dry years as a conservative assumption in previous discussion. Under the proposed approach and reliability guardrail, staff will not execute agreements to sell water unless the SWP allocation is projected to be sufficient to maintain or increase the current record high storage levels. For a two-year pilot implementation of this new water management tool, this more conservative approach is proposed to ensure that water sales outside of the district do not negatively impact regional reliability.



One Water & Stewardship Committee

Authorize the General Manager to execute transfers, exchanges, and other State Water Project management transactions during 2025 and 2026; grant final decision-making authority to the General Manager subject to the terms set forth in this letter; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Item 8-1

February 10, 2025

Item 8-1 State Water Project Water Management Agreements

Subject

Authorize the General Manager to execute transfers, exchanges, and other State Water Project management transactions during 2025 and 2026; grant final decision-making authority to the General Manager subject to the terms set forth in this letter; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA.

Purpose

Delegation of authority to the General Manager to execute agreements to purchase and sell SWP supplies will allow Metropolitan to effectively and efficiently respond to changing hydrologic and market conditions to better manage both shortage and surplus conditions and generate new revenues.

Recommendation and Fiscal Impact

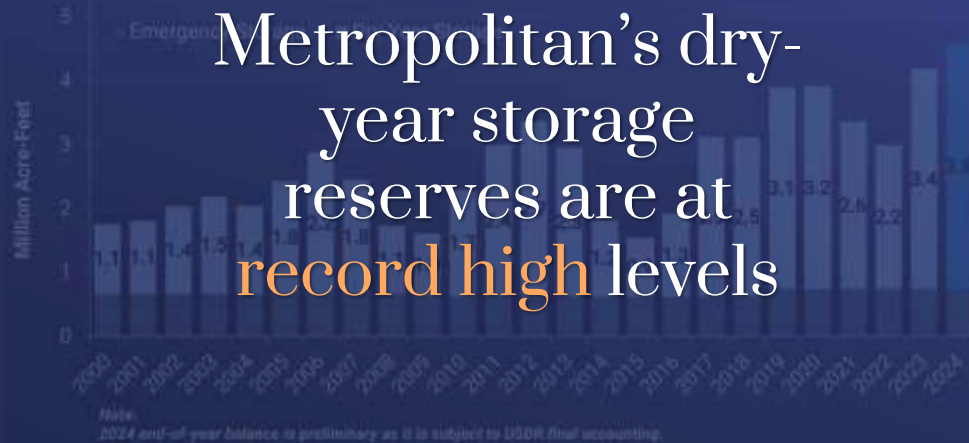
Authorize the General Manager to execute transfers, exchanges, and other State Water Project management transactions during 2025 and 2026; grant final decision-making authority to the General Manager subject to the terms set forth in this letter. Sale of surplus SWP water could generate revenue of up to \$120 million, and purchase of supplemental water on the SWP system could cost up to \$50 million over the next two calendar years.

Budget

2025-2026 budget and rates assume generation of up to \$120M in new revenues. Costs to purchase transfers would be sourced from budgeted funds from the Water Supply Program and State Water Project budget.

Background

Metropolitan Ends CY 2024 with Record-High Storage End-of-Year Balances



Revenue Opportunities Given Record Storage

- Metropolitan is also pursuing new revenues through management of stored water to help offset the impact of financial reserves
 - Options for revenue include: increasing the biennial rate of return on stored water in the Colorado Water Conservation Act (CWA) program, which is a revenue source for the state, albeit not exact circumstances
 - Given the volatility of the Colorado water market, it may not happen every year, but it could happen in a specific fiscal year
- 2025-2026 budget and rates assume **\$60M/year** in **new revenues** from water sales

MWD Act and Administrative Code provide that water may be sold outside the service upon **board approval**

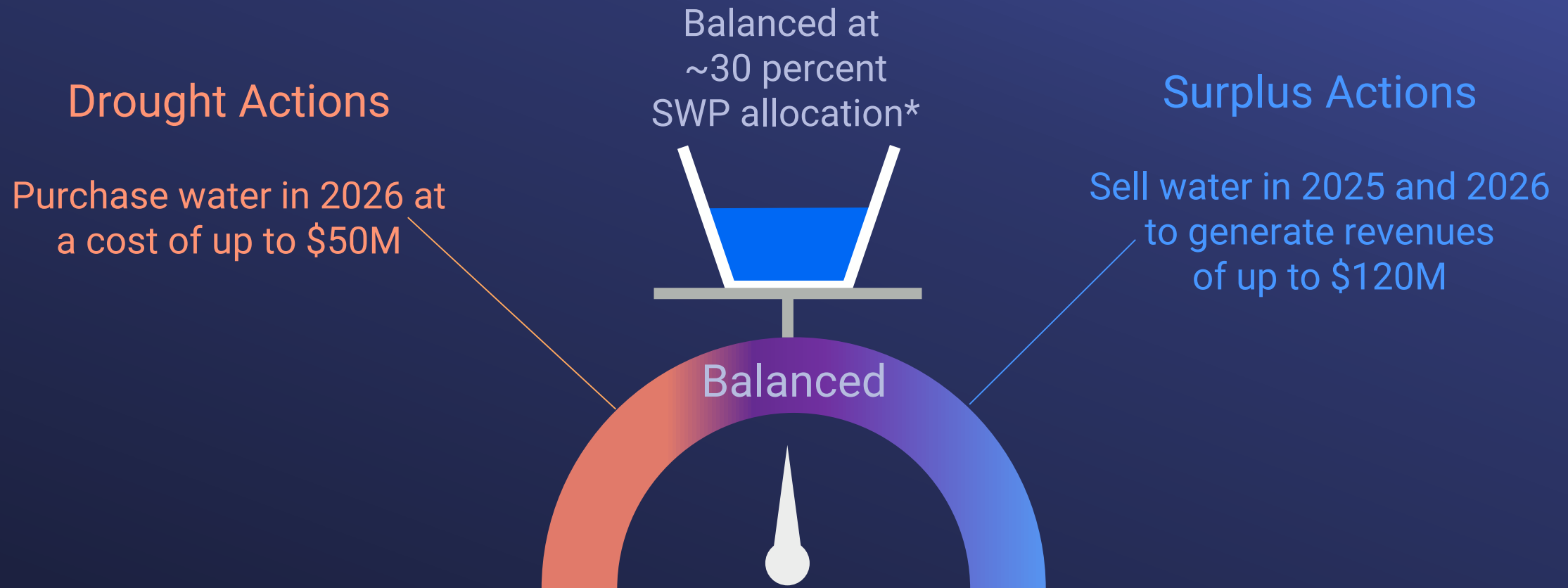
2021 Water Management Amendment to SWP contract allows for **single-year transfers**

Water Transactions and New Revenues Below Budget



Proposed Water Management Actions

- **Single-year** transactions over the next **two calendar years** to manage to shortage and surplus conditions



**Note: Information as of January 2025. Assumes current trend demand on Metropolitan and forecasted Colorado River supplies.*

Safeguarding
SWP
Dependent
Area
Reliability

Water Sales Under Limited Conditions

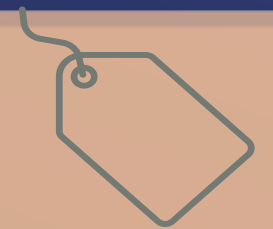
Member agency demands met



Net annual supply/demand balance
without sales = surplus



Sale price recovers at a minimum the
Supply rate element of Metropolitan's
budgeted water rates



Addressing Board Feedback - Legal

Proposed transactions do not require changes to Metropolitan Water District Act or Administrative Code

Metropolitan Water District Act

Sec. 132. [Sale of Surplus Water]

(a) A district **may provide, sell and deliver surplus water** not needed or required for domestic or municipal uses within the district for beneficial purposes, but shall give preference to uses within the district. ...

Metropolitan Administrative Code

Sec. 4200. Water Availability.

District water will be available only to cities and areas now or hereafter included within the legal boundaries of the District. This means that District water will not be **sold or released** under any terms to any area as long as such area is **outside the boundaries** of the District except **as may be approved by the Board**.

Addressing Board Feedback - Financial

Full Service Water Rates to Member Agencies

Rate Element	2025 Rate per AF
Supply	\$290
System Access	\$463
System Power	\$159
Treatment Surcharge	\$483
Full Service Untreated	\$912
Full Service Treated	\$1,395

Potential Price for Outside Water Sales

————→ \$500

————→ \$1,122

————→ \$1,605

Equivalent Rate to Service Area

Member Agencies have access to surplus SWP supply at lesser rates than prices envisioned for potential outside water sales

Benefits to Pursuing SWP Water Management Agreements



Increase
Metropolitan's
flexibility in managing
water resources

Better response to fluctuating
hydrologic and market conditions

Generate new
revenues



Create value and regional
benefits from surplus supply

Securing available
water supplies from
trusted sources reduces
the risk of shortages



Maintain consistent service to customers

Building
partnerships
partners on
the SWP



Board Options

Option 1

- Authorize the General Manager to execute transfers, exchanges, and other State Water Project management transactions during 2025 and 2026 and grant final decision-making authority to the General Manager subject to the terms set forth in this letter.

Option 2

- Do not authorize the General Manager to enter into transfers, exchanges, and other State Water Project water management agreements during 2025 and 2026.

Item 8-1 State Water Project Water Management Agreements

Item 8-1
State Water
Project
Water
Management
Agreements

Staff Recommendation

- Option 1





- **Board of Directors**
One Water and Stewardship Committee

2/11/2025 Board Meeting

9-2

Subject

Information on proposed agreements with the City of San Buenaventura and Calleguas Municipal Water District for wheeling and emergency delivery of State Water Project water

Executive Summary

This letter provides information to the Board of Directors (Board) on the proposed wheeling of up to 2,000 acre-feet (AF) per year of City of Buenaventura’s (Ventura) State Water Project (SWP) water through Metropolitan’s system. This letter also provides information on the proposed exchange of water supplies during emergencies between Calleguas Municipal Water District (Calleguas) and Ventura that may require delivery of Ventura and Metropolitan’s SWP water into each other’s service areas. Calleguas is a Metropolitan member agency that is included in the SWP-dependent area and receives imported water from Metropolitan via three service connections off a single pipeline. The Calleguas service territory borders Ventura, which is a State Water Contractor through its membership in the Ventura County Watershed Protection District. Ventura has no physical connection to SWP facilities and has never delivered SWP water to its service area. Currently, Ventura and Calleguas are building a bidirectional interconnection pipeline, the C-V Interconnection Pipeline (CVIP), to connect their water distribution systems. The purpose of the agreements described in this board letter is for Metropolitan to wheel Ventura’s SWP water to Calleguas that then will be transported to the CVIP for delivery to Ventura, and during times of emergencies, allow the exchange of water supplies between Ventura and Calleguas that may involve delivery of SWP water into each other’s service areas. Staff has developed agreements with Ventura and Calleguas to accomplish the objectives described above (**Attachment 1 and Attachment 2**) and plans to request board authorization for these agreements in March 2025.

Fiscal Impact

Metropolitan will be compensated for wheeling according to the terms specified in the wheeling agreement. There is no fiscal impact nor obligation to Metropolitan in allowing Calleguas and Ventura to provide water to each other during emergencies.

Related Board Action/Future Action(s)

Staff plans to request board authorization for the set of agreements in March 2025.

Details and Background

Background

Calleguas is a Metropolitan member agency located in Ventura County. In general, Metropolitan takes delivery of SWP water at Castaic Lake via Metropolitan’s Foothill Feeder, treats this water at the Joseph Jensen Water Treatment Plant, and delivers the treated water to Calleguas via one of three service connections located off Metropolitan’s West Valley Feeder No. 2 (Figure 1 – blue arrows). During drought periods, Metropolitan can also deliver treated Colorado River water via Metropolitan’s Greg Avenue Pump Station to Calleguas. Calleguas provides this treated water to several cities in Ventura County, as well as the Naval Base Ventura County. The

single pipeline providing imported water has long been considered a vulnerability to Calleguas, and steps have been taken to improve water supply resilience by proposing interconnections with other agencies such as Ventura and Las Virgenes Municipal Water District, another Metropolitan member agency.

Ventura is also located in Ventura County but is not a Metropolitan member agency. Since 1971, Ventura has shared the cost of the Ventura County Watershed Protection District (VCWPD) State Water Project Contract with Casitas Municipal Water District (Casitas) and United Water Conservation District (United). Ventura’s SWP share is 10,000 AF and due to their lack of physical connection to SWP facilities, Ventura has transferred its share of SWP supplies to other SWP contractors on a year-by-year basis and has never taken delivery of SWP supplies. Ventura has expressed interest in starting to take delivery of up to 2,000 AF per year of their SWP supplies.

Calleguas and Ventura are project partners on the CVIP, which includes an approximate seven-mile-long bidirectional pipeline that interconnects the two agencies from a water supply standpoint. Once operational, the CVIP would allow water to flow between the two agencies during an emergency, and would also allow Ventura to receive SWP supplies, providing that Metropolitan wheels Ventura’s SWP water to Calleguas. The CVIP is schematically shown in Figure 1 and is expected to be online in autumn 2026/spring 2027. Both proposed uses of the pipeline are covered under the set of agreements (**Attachment 1 and Attachment 2**) described later in this board letter.

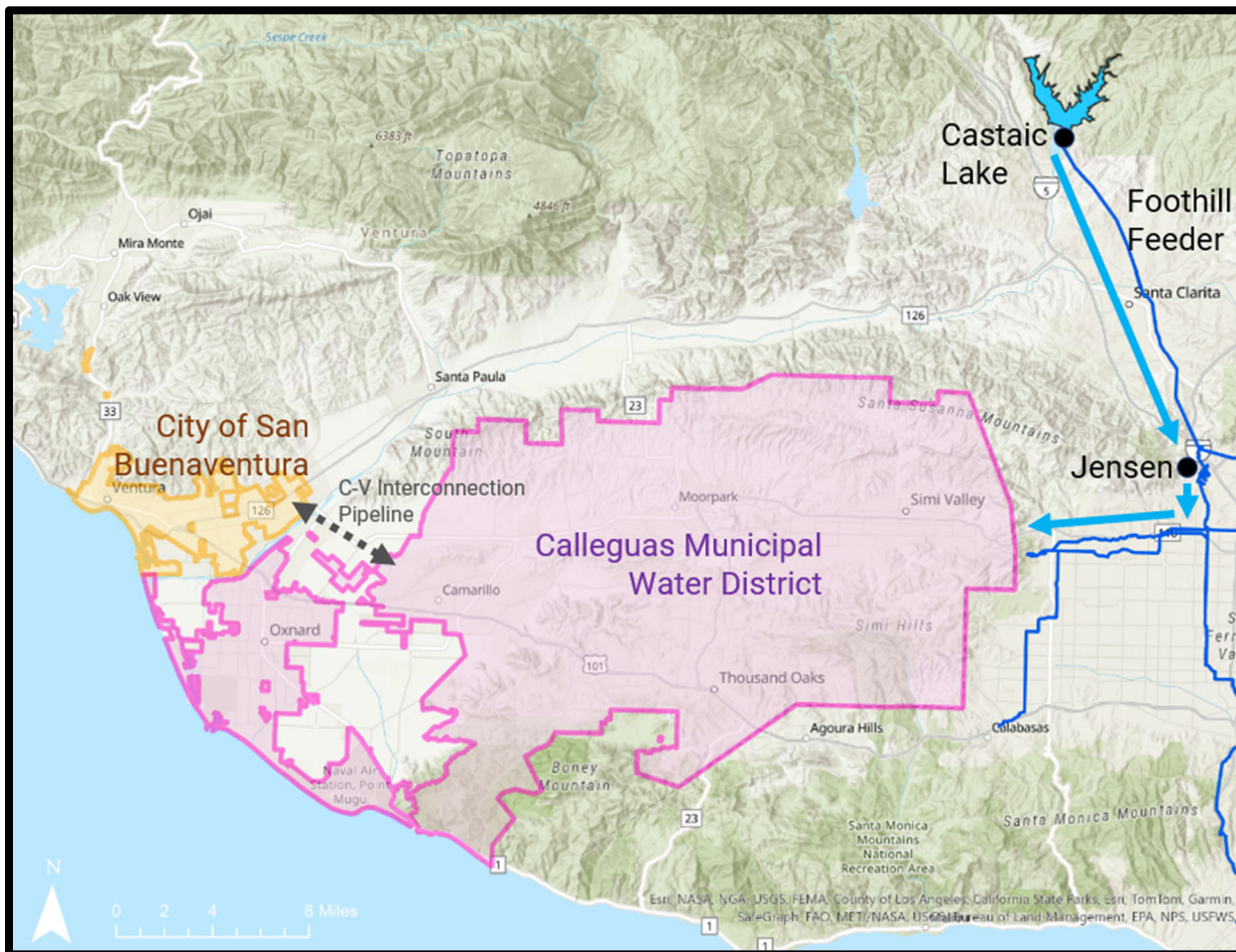


Figure 1 – Location map. Blue arrows on the right of the figure indicate the water path from Castaic Lake to Calleguas. The C-V Interconnection Pipeline (labeled) between Ventura and the City of Camarillo (Calleguas’ service area) is a bidirectional pipeline not drawn to scale.

Proposed Agreements

Two separate agreements are needed to support the proposed uses of the CVIP: (1) An agreement to wheel SWP water; and (2) An agreement to consent to emergency use of SWP supply.

1) *Agreement to wheel Ventura's SWP water*

Ventura proposes to receive up to 2,000 AF per year of their SWP supplies using the interconnection with Calleguas. For that to happen, Metropolitan would wheel Ventura's SWP supplies from Castaic Lake and deliver them to Calleguas. Currently, Metropolitan only delivers treated water to Calleguas, so the wheeled water would also be a treated water supply. Calleguas would then wheel this water to the CVIP under a separate agreement between Calleguas and Ventura. The wheeling agreement between Metropolitan, Calleguas and Ventura (**Attachment 1**) specifies terms and conditions for the wheeling, as well as financial compensation for Metropolitan.

The key terms of this agreement are summarized below:

- System losses will be applied for the wheeled water
 - System losses would be reviewed every five years
 - Metropolitan system losses are currently 3%
 - Calleguas system losses are currently 0.5%
- Metropolitan staff will determine if sufficient capacity is available prior to wheeling
- Metropolitan will deliver treated wheeled water to Calleguas via its current water service connections off West Valley Feeder No. 2
- Financial compensation for Metropolitan
 - Wheeling price is a fixed dollar amount, initially based on the currently published transportation-related rate elements, the System Access Rate and the System Power Rate, and the published Treatment Surcharge
 - In calendar year 2025 the price is $\$622 + \$483 = \$1,105$ per acre-foot
 - In calendar year 2026 the price is $\$671 + \$544 = \$1,215$ per acre-foot
 - For years beyond 2026, the price will be based on an annual increase from the previous year's wheeling price plus a percentage increase equal to the Consumer Price Index for All Urban Consumers (CPI-U) series "Water and sewerage maintenance in U.S. city average, all urban consumers, not seasonally adjusted."
 - In calendar year 2027, the price per acre-foot would be $\$1,215 + (\$1,215 * \text{CPI-U}\%)$
 - In calendar year 2028, the price per acre-foot is the 2027 wheeling price + (2027 wheeling price * CPI-U%)
 - In calendar year 2029, the price per acre-foot is the 2028 wheeling price + (2028 wheeling price * CPI-U%)

The CPI-U for water and sewerage maintenance has increased at rates that outpace general measures of inflation over a longer-term perspective (i.e., CPI-U all items) reflecting the acute cost pressures affecting water/wastewater utilities nationally.

Once this wheeling agreement is signed, Metropolitan staff will work with Ventura to enter into an agreement with the California Department of Water Resources (DWR). In this agreement with DWR, Castaic Lake will be specified as the point of delivery of Ventura's SWP supplies to Metropolitan for wheeling and will indicate that all SWP charges, including variable power rates, will be paid by Ventura.

2) *Agreement to consent to emergency use of SWP supply*

Calleguas proposes to receive water supplies from Ventura using the CVIP during emergency circumstances that prevent Metropolitan from delivering water to Calleguas. This would address Calleguas' vulnerability of having a single pipeline delivering treated imported water from Metropolitan. Similarly, Ventura would also be able to receive water supplies from Calleguas during emergency situations. However, Section 15(d) of the State Water


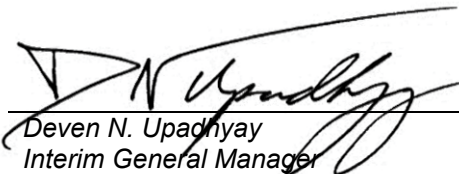
Contract prohibits a contractor from providing SWP supplies to another contractor’s service area without that contractor’s consent. This agreement (**Attachment 2**) would provide such consent.

The key terms of this agreement are summarized below:

- Definition of emergencies
 - Planned and unplanned water service interruptions
 - Emergencies do not include drought conditions
- Narrow scope
 - Either Calleguas or Ventura can borrow supplies during an emergency
 - The borrowed water during emergencies will be returned in a 1:1 ratio
 - Limited to consent for SWP water to be delivered in each other’s service area
 - No financial compensation for Metropolitan for the consent
 - Does not obligate Metropolitan to deliver SWP supplies to Calleguas either for emergency deliveries to Ventura or for return of water by Calleguas to Ventura

Next Steps

Staff will return to the Board in March 2025 to request authorization for the General Manager to enter into agreements with Calleguas Municipal Water District and the City of San Buenaventura to allow these agencies to exchange water supplies during emergencies and Ventura to receive a portion of their SWP water via wheeling by Metropolitan.

 <hr style="width: 100%;"/> Brandon J. Goshi Interim Manager Water Resource Management	2/3/2025 <hr style="width: 100%;"/> Date
 <hr style="width: 100%;"/> Deven N. Upadhyay Interim General Manager	2/3/2025 <hr style="width: 100%;"/> Date

Attachment 1 – Agreement for Wheeling of Water Between The Metropolitan Water District of Southern California, Calleguas Municipal Water District, and the City of San Buenaventura

Attachment 2 – Agreement for Permission to Deliver State Water Project Water into The Service Area of State Water Project Contractors Metropolitan Water District of Southern California and City of San Buenaventura (Through Ventura County Watershed Protection District) Under Emergency Circumstances

Ref# wrm12702046

**AGREEMENT FOR WHEELING OF WATER BETWEEN
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA,
CALLEGUAS MUNICIPAL WATER DISTRICT, AND
THE CITY OF SAN BUENAVENTURA**

This Agreement for Wheeling of Water (Agreement) is entered into by The Metropolitan Water District of Southern California (Metropolitan), Calleguas Municipal Water District (Calleguas), and the City of San Buenaventura (Ventura), referred to individually as a “Party” or collectively as the “Parties.”

RECITALS

A. Metropolitan is a public agency of the State of California incorporated under the Metropolitan Water District Act, Stats. 1969, ch. 209, as amended, codified at Section 109.1 *et seq.* of Appendix Section 109 to the California Water Code. It is a voluntary cooperative made up of its member agencies. Currently, Metropolitan imports water from the State Water Project (SWP) and the Colorado River and distributes water to its member agencies located in the counties of Los Angeles, Orange, Riverside, San Bernardino, San Diego, and Ventura.

B. Metropolitan’s system is an interconnected statewide and regional system integrating the SWP, the Colorado River Aqueduct, and the distribution system within its service area. Accordingly, Metropolitan determines and attributes all costs to the system as a whole, including its capital, operation, maintenance, and replacements.

C. Calleguas is a public agency organized under the Municipal Water District Act of 1911. Calleguas is a member agency of Metropolitan.

D. Ventura is a California Charter Law Municipal Corporation and is not a member agency of Metropolitan. Ventura shares the cost of the Ventura County Watershed Protection District SWP Contract with Casitas Municipal Water District and United Water Conservation District (United) and Ventura has the right to receive delivery of SWP water. Ventura wishes to convey that water through a new interconnection pipeline that would transport SWP water from Calleguas’s distribution system to Ventura’s distribution system (the C-V Interconnection Pipeline). Prior to this Agreement, Ventura transferred its share of SWP water to other SWP contractors along and at the end of the California Aqueduct and now intends to take a portion of its SWP water for its own use.

E. Ventura desires to have Metropolitan wheel its SWP water from Metropolitan's SWP turnouts at Castaic Lake through Metropolitan's facilities, provided Metropolitan has capacity as described in this Agreement, to Calleguas. Calleguas will then wheel Ventura's SWP water to Ventura through its own system and the new C-V Interconnection Pipeline and into Ventura's distribution system pursuant to a separate agreement between Calleguas and Ventura (hereinafter the "Calleguas Ventura Agreement").

F. On May 1, 2023, an Agreement between Calleguas, Ventura, and United was executed for construction and operation of the C-V Interconnection Pipeline to convey water between the Calleguas and Ventura distribution systems.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals and the representations, warranties, covenants, and agreements contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which the Parties hereby acknowledge is fair compensation, the Parties hereby agree to the following terms and conditions of this Agreement.

1. Agreement to Wheel Ventura's SWP Supplies. Pursuant to this Agreement, Metropolitan agrees to wheel SWP supplies to which Ventura has rights to receive (SWP Supplies), provided Metropolitan has capacity, and Ventura agrees to pay Metropolitan for wheeling Ventura's SWP Supplies. Metropolitan will receive Ventura's SWP Supplies at Metropolitan's SWP turnouts at Castaic Lake and deliver the water, under the terms of this Agreement, to Ventura at the Metropolitan-Calleguas connections.

2. Quantity. Ventura anticipates a need to wheel up to two thousand acre-feet per year of its SWP Supplies through Metropolitan's system to Calleguas for transmission by Calleguas to the C-V Interconnection Pipeline. The amount of water actually wheeled will depend upon availability of Ventura's SWP Supplies and Metropolitan's determination of available capacity to wheel that amount of water at the requested times.

3. Delivery from Ventura to Metropolitan. Ventura may make its SWP Supplies available to Metropolitan at Metropolitan's turnouts at Castaic Lake for wheeling to Calleguas, provided that Metropolitan determines, in its sole discretion, that Metropolitan has available system capacity to wheel Ventura's SWP Supplies to Calleguas, as scheduled pursuant to Section

6.

4. Wheeling from Metropolitan to Calleguas. Metropolitan will wheel Ventura's SWP Supplies that it receives and accepts from Ventura and deliver that amount, less 3% to account for Metropolitan's system losses, to Calleguas at Metropolitan's Service Connections CA-01, CA-02, or CA-03, as scheduled by mutual agreement between Metropolitan, Calleguas, and Ventura pursuant to Section 6. System losses shall be subject to review and modification every 5 years. Metropolitan does not agree to store Ventura's SWP Supplies or to delay or accelerate deliveries on a schedule different than its receipt of Ventura's SWP Supplies; a separate agreement would be required if Ventura requires any storage or flexibility in scheduling deliveries of wheeled water that do not correspond to the time it makes its SWP Supplies available to Metropolitan. The water wheeled for Ventura will necessarily pass through Metropolitan's Joseph Jensen Water Treatment Plant and will therefore be treated at the Plant. The price Ventura pays in Section 12(a) includes Metropolitan's cost to treat the water.

5. Delivery from Calleguas to Ventura. Calleguas will deliver the Ventura SWP Supplies it receives from Metropolitan to Ventura at the connection to the new C-V Interconnection Pipeline, less 0.5% to account for Calleguas system losses, pursuant to a separate agreement. System losses shall be subject to review and modification every 5 years. Ventura will install a meter at the Ventura connection to the C-V Interconnection Pipeline that meets Metropolitan's specifications, which Calleguas will own, operate, and maintain, to measure deliveries from Calleguas to Ventura. Calleguas shall submit a meter report as shown in Exhibit A on or about the last day of each calendar month for billing purposes. The meter shall measure flow within an accuracy of two (2) percent and shall be available for testing by Metropolitan upon reasonable notice. Metropolitan will be allowed to receive near real-time and historical flow data, at its sole discretion, from Calleguas's purveyor website, with the cost of the necessary equipment and installation, and flow signal telemetry paid for in advance by Ventura. Calleguas shall be responsible for maintenance of the meter and communications system and shall provide calibration records to Metropolitan annually.

6. Scheduling of Deliveries. The Parties will cooperate to arrange for scheduling wheeling of the water. Ventura will provide an estimate and draft schedule of its SWP Supplies to be delivered to Metropolitan and Calleguas in the upcoming calendar year, by December 7 of each year. Ventura may also request, in writing, wheeling of its SWP Supplies throughout the

year, as supplies become available to Ventura. The annual estimate or the individual requests throughout the year will specify the desired flow rate, start date and time, and anticipated duration of the delivery. Within fourteen (14) days, Metropolitan and Calleguas will either propose an alternate schedule to Ventura, accept the schedule, or determine that they have no available capacity for the requested wheeling under this Agreement and under the Calleguas and Ventura agreement. The Parties agree that Metropolitan retains the right to modify any scheduled wheeling transaction due to its operational and maintenance needs with no liability to Metropolitan.

7. Metropolitan's Determination of Available Capacity. Under current conditions, the amount of water to be wheeled under this agreement is not significant compared to Metropolitan's system capacity and therefore, Metropolitan anticipates it will be able to accommodate Ventura's wheeling requests under this Agreement. However, Metropolitan does not guarantee the availability of capacity at any time during the term of this Agreement. Metropolitan agrees that it will evaluate and determine on a yearly basis and, upon receiving a request for wheeling under this Agreement, the amount and availability of unused capacity available to wheel water pursuant to this Agreement. In making its determination, Metropolitan may consider the following factors, which are not exhaustive of all relevant factors to be considered: (i) priority to be given for use of its system for deliveries to its member agencies, (ii) transportation of water for storage, treatment, or system operations, (iii) other uses of the system by its member agencies for any purpose, including emergencies, and (iv) system shutdowns, whether scheduled or unexpected. Metropolitan will not wheel water under this Agreement during any shutdown impacting Calleguas, unless otherwise agreed to by the Parties in writing. Metropolitan has no obligation to increase capacity on its system to wheel water to Ventura under this Agreement. Metropolitan's Board of Directors has delegated the authority to its General Manager to make such determinations and findings for purposes of this Agreement at the time wheeling is requested. The General Manager's determinations and finding will be substantiated in writing to the Parties.

8. Permits and Other Requirements. Ventura shall be solely responsible for obtaining any permits, environmental requirements, or approvals necessary for the transfer of its SWP Supplies to Metropolitan and wheeling through Metropolitan's system under this agreement, including any necessary agreements or approvals by the Department of Water

Resources (DWR), any applicable requirements pursuant to the California Environmental Quality Act (CEQA), and compliance with any applicable provisions of California Water Code Sections 1810-1814 (the Wheeling Statutes).

9. Water Quality. Ventura's SWP Supplies originate from and will be delivered to Metropolitan in the same manner as Metropolitan receives its own SWP water at the Castaic Lake turnouts and is therefore no different in water quality than Metropolitan's SWP water. Metropolitan will deliver water under this Agreement that meets the same quality standards of water it delivers to Calleguas. The water delivered to Ventura may consist of SWP water commingled with Colorado River or any other water in Metropolitan's system. Metropolitan is not responsible for the quality of water delivered beyond the point of delivery at Metropolitan's Calleguas Service Connections CA-01, CA-02, and CA-03.

10. Use of Water. Calleguas and Ventura may not sell, lease, or transfer Ventura's SWP Supplies for use within Metropolitan's service area. Calleguas may not use Ventura's SWP Supplies within its service area, unless such use is otherwise agreed to in a separate writing by Metropolitan, Calleguas, and Ventura.

11. Audit. Calleguas and Ventura will accurately maintain records of all water deliveries under this Agreement. Upon Metropolitan's request, Calleguas and Ventura will submit such records to Metropolitan within seven (7) days for review and approval.

12. Price.

(a) The price Ventura will pay Metropolitan to wheel water from Metropolitan's turnouts at Castaic Lake to Metropolitan's Calleguas Service Connections CA-01, CA-02, and CA-03 will be \$1,105 in calendar year (CY) 2025 and \$1,215 in CY 2026. The price for CYs 2025 and 2026 were determined by Metropolitan based on the published transportation-related rate elements, the System Access Rate and the System Power Rate, and the published Treatment Surcharge.

The price for CY 2027 will be based on the 2026 wheeling price of \$1,215 plus a percentage increase equal to the Consumer Price Index for All Urban Consumers (CPI-U) series "Water and sewerage maintenance in U.S. city average, all urban consumers, not seasonally adjusted." The price for every year thereafter will be based on the wheeling price for the previous year plus a percentage increase equal to the CPI-U.

The price for the first five calendar years is summarized below to reflect examples of the annual

increase:

$$2025 = \$1,105$$

$$2026 = \$1,215$$

$$2027 = \$1,215 + (\$1,215 * \text{CPI-U}\%)$$

$$2028 = 2027 \text{ wheeling price} + (2027 \text{ wheeling price} * \text{CPI-U}\%)$$

$$2029 = 2028 \text{ wheeling price} + (2028 \text{ wheeling price} * \text{CPI-U}\%)$$

In the event the CPI-U used in this agreement is no longer available, the parties will meet and confer to select a new escalator. Pending agreement regarding a new escalator, the annual increase will be calculated based on the average increase over the years from the beginning of the agreement to the year in which the applicable CPI-U is no longer available.

(b) The Parties agree that they have evaluated the anticipated wheeling transactions under this Agreement and determined that the volumetric price term under this Agreement constitutes a negotiated fair price for the transaction. The Parties agree they have not identified and do not claim the wheeling transactions under this Agreement provide any offsetting benefits to Metropolitan that would reduce Metropolitan's transportation-related costs and therefore the price in this Agreement.

(c) The Parties agree that if a court of competent jurisdiction makes a final determination that the price Ventura pays Metropolitan under Section 12(a) is invalid, then this Agreement is terminated.

13. Invoicing and Payment.

(a) Metropolitan shall bill Ventura for an amount of wheeling determined by the meter reading at the C-V Interconnection Pipeline on the last day of each month, adding the losses attributable to wheeling of the water on the Calleguas system (0.5%) and the losses attributable to wheeling on Metropolitan's system (3%). Any wheeling transaction that takes place during the billing month that is not recorded in time for billing purposes on the last day of the month shall be included in the following month's bill. Metropolitan will submit monthly invoices to Ventura, with a copy to Calleguas, electronically using the same billing processes and timeline provided for in Metropolitan's Administrative Code for bills to Metropolitan's member agencies.

(b) Certification and Billing to Calleguas. Calleguas shall submit Exhibit A for certification purposes pursuant to this Agreement consistent with Metropolitan's Administrative

Code, sections 4506 to 4507. The water delivered to Calleguas for wheeling to Ventura under this Agreement will be recorded as being delivered to Calleguas, but will be credited in the bill for water service from Metropolitan to Calleguas so as to not charge Calleguas for the water. Metropolitan's deliveries of water wheeled under this Agreement for Ventura do not constitute a water sale or other service provided from Metropolitan to Ventura or to Calleguas. Wheeling transactions under this Agreement shall not be treated as sales to Calleguas for purposes of any rates or charges owed to Metropolitan, including the Readiness-to-Serve Charge. Calleguas will be responsible for charges related to minimum and maximum flow rate exceedances at Metropolitan's Calleguas Service Connections CA-01, CA-02, and CA-03 as described in Metropolitan's Administrative Code Section 4504.

14. Discovery of Mistakes or Errors. In the event a mistake or error is discovered in a water delivery record, the Parties will cooperate to correct the mistake or error. However, no mistake or error made more than three years prior to its discovery will be corrected unless otherwise agreed to by the Parties in writing.

15. Disputes. In the event that Ventura or Calleguas disputes the total amount of water delivered, the charges for water delivered, and the total amount due and owing, all as determined by Metropolitan, such amounts due must be paid in full and timely while the dispute is being resolved. If the Parties, a court of law, or other entity with jurisdiction over Metropolitan determines any moneys paid by Ventura to Metropolitan must be returned to Ventura, then Metropolitan will return the funds and no interest will be owed by Metropolitan on that money. The Parties agree this provision constitutes a stipulated pre-judgment interest agreement for purposes of California Civil Code Section 3289 and agree that the interest rate is 0%.

16. Commencement. This Agreement is effective on the date that the last party has executed the Agreement.

17. Termination.

(a) This Agreement terminates on December 31, 2055 or upon the termination of the current State Water Contracts with DWR, whichever comes first.

(b) Notwithstanding Section 17(a), this Agreement may be terminated, or a Party may withdraw from the Agreement at any time, provided the Party gives 120 days written notice and all wheeling transactions in progress are completed.

18. Force Majeure. If the performance, in whole or in part, of the obligations of the

Parties, to wheel water under this Agreement is prevented: by acts or failures to act of DWR or any agency, court, or other government authority (other than the Parties), or any other person; by natural disaster (such as earthquake, fire, drought, or flood), contamination or outbreak of a water borne disease, war, strike, lockout, act of God, act of civil or military authority; by the operation of applicable law; or by any other cause beyond the control of the affected Parties, whether similar to the causes specified herein or not; then, in any such circumstances, the obligation of the affected Parties to wheel water under this Agreement shall be suspended from the time and to the extent that the performance thereof is prevented, but reasonable diligence shall be observed by the affected Parties, so far as it lies in their power, in performing such respective obligations in whole or in part under this Agreement. In the event such performance of any of the Parties under this Agreement is prevented as described above, then during the period of such prevention, performance by the non-affected Parties under this Agreement shall be excused until such prevention ceases, at which time all the Parties shall become obligated to resume and continue performance of their respective obligations hereunder during the term of this Agreement. No such prevention shall suspend or otherwise affect any payment obligations for water actually wheeled or any obligation of any Party to indemnify the other Parties pursuant to Section 20.

19. Applicable Laws. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

20. Indemnification.

(a) Ventura will defend, indemnify, and hold harmless Metropolitan and Calleguas against any claims concerning actions taken prior to Metropolitan assuming control of the water at Metropolitan's turnouts at Castaic Lake, concerning actions after Ventura assumes control of the water upon delivery to Ventura by Calleguas, and for any other activities under the exclusive control of Ventura.

(b) Metropolitan will defend, indemnify, and hold harmless Ventura and Calleguas against any claims concerning actions after Metropolitan assumes control of the water at Metropolitan's turnouts at Castaic Lake and prior to Calleguas assuming control of the water at Metropolitan's Calleguas Service Connections CA-01, CA-02, and CA-03, and for any other activities under the exclusive control of Metropolitan.

(c) Calleguas will defend, indemnify, and hold harmless Metropolitan against any

claims concerning actions after Calleguas assumes control of the water at Metropolitan's Calleguas Service Connections CA-01, CA-02, and CA-03 and prior to delivery to Ventura and for any other activities under the exclusive control of Calleguas.

(d) Ventura will defend, indemnify, and hold harmless Metropolitan and Calleguas against any claims alleging wheeling under this Agreement violates any law, including CEQA, the Wheeling Statutes, and any other laws.

(e) Notwithstanding anything in this Agreement to the contrary, each Party agrees to proceed with reasonable diligence and use reasonable good faith efforts to jointly defend any lawsuit or administrative proceeding initiated by any person other than the Parties challenging the legality, validity, or enforceability of this Agreement.

21. No Third-Party Rights. This Agreement is made solely for the benefit of the Parties. No other person or entity may have or acquire any right by virtue of this Agreement.

22. Ambiguities. Each Party and its counsel have participated fully in the drafting, review, and revision of this Agreement. No rule of construction to the effect that ambiguities are to be resolved against the drafting Party shall be applied in the interpretation of this Agreement or any amendments or modifications thereof.

23. Entire Agreement. This Agreement constitutes the final, complete, and exclusive statement of the terms of the agreement among the Parties pertaining to the wheeling of water and supersedes all prior and contemporaneous understandings or agreements of the Parties. No Party has been induced to enter into this Agreement by, nor is any Party relying on, any representation or warranty outside those expressly set forth in this Agreement.

24. Counterparts. This Agreement may be executed in two or more counterparts, each of which, when executed and delivered, shall be an original and all of which together shall constitute one instrument, with the same force and effect as though all signatures appeared on a single document.

25. Modification Only in Writing. This Agreement may only be changed by written amendment signed by all Parties. Any oral representations or modifications concerning this Agreement shall be of no force or effect.

26. Notification. Unless and until changed by notification given in accordance with this Section, any notice, demand, or request to be given under or pursuant to this Agreement shall be given in writing at the physical addresses set forth below by personal service; overnight

courier; or registered or certified, first-class mail, return receipt requested, or via electronic mail at the email address set forth below:

If to Metropolitan:

The Metropolitan Water District of Southern California
P.O. Box 54153
Los Angeles, CA 90054-0153
Attention: General Manager

If to Calleguas:

Calleguas Municipal Water District
2100 Olsen Road
Thousand Oaks, CA 91360-6800
Attention: General Manager

If to City of Ventura:

City of Ventura
501 Poli Street
City Hall
Ventura, CA 93002-0099
Attention: City Manager

27. Dispute Resolution. The Parties agree to use their best efforts to prevent and resolve disputes by good faith cooperation and negotiation. In the event that any dispute arises among two or more Parties relating to this Agreement or the rights and obligations arising from this Agreement, the aggrieved Party or Parties shall provide written notice to the other Parties of the dispute. Within forty-five (45) days after such written notice, the Parties involved in the dispute shall attempt in good faith to resolve the dispute through informal means. If the Parties cannot agree upon a resolution of the dispute within forty-five (45) days from the providing of written notice specified above, the Parties involved in the dispute may decide to submit the dispute to mediation prior to commencement of any legal action. If the Parties involved in the

dispute agree to mediation, they shall select a neutral third-party mediator with appropriate expertise to mediate the dispute and the cost of mediation shall be paid in equal proportion among the Parties involved in the dispute. If no mediation is held or upon completion of any mediation that is held, if the controversy has not been resolved, any Party may exercise all rights to bring a legal action relating to the dispute.

28. Representation by Counsel. Each Party acknowledges that it has been represented by legal counsel of its choice throughout the negotiations which preceded the execution of this Agreement and that it has executed this Agreement with the consent and on the advice of such legal counsel. Each Party further acknowledges that it and its counsel have had adequate opportunity to make whatever investigation or inquiry they may deem necessary or desirable in connection with the subject matter of this Agreement prior to the execution hereof and the delivery and acceptance of the consideration specified herein.

29. Joint Drafting. This Agreement has been jointly negotiated and drafted. The language of this Agreement shall be construed as a whole according to its fair meaning and not strictly for or against any Party.

30. Signing Authority. Each person executing this Agreement on behalf of a Party warrants and represents to the other Parties that he or she is duly authorized to execute this Agreement on behalf of such Party and has the authority to bind their Party to the performance of its obligations hereunder.

[signatures on following page]

**THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA**

Deven N. Upadhyay
Interim General Manager

Dated

APPROVED AS TO FORM:

Marcia L. Scully
General Counsel

Dated

CALLEGUAS MUNICIPAL WATER DISTRICT

Kristine McCaffrey
General Manager

Dated

APPROVED AS TO FORM:

Walter E. Wendelstein
District Counsel

Dated

CITY OF SAN BUENAVENTURA

Bill Ayub
City Manager

Dated

APPROVED AS TO FORM:
Javan N. Rad, City Attorney

By: _____
Miles Hogan
Senior Assistant City Attorney

Dated

EXHIBIT A



Calleguas-Ventura (C-V) Interconnection Pipeline Deliveries
For the month of August 2025

Deliveries	Start Read	End Read	Delivered
Meter C-V Interconnection	7/31/2025	8/31/2025	234.0 Acre-Feet
	XXXX	XXXX	

	Volume(acre-feet)	Rate (\$/acre-foot)	Total
Delivery to C-V Interconnection ^a	234.0		
Calleguas System Loss at 0.5% ^b	1.2		
Delivery to Calleguas for Ventura ^c	235.2		
Metropolitan System Loss at 3% ^d	7.3		
Delivery to Metropolitan for Ventura ^e	242.5	\$1,105	\$267,962.50

- a - Water delivered by Calleguas to Ventura at C-V Interconnection = V
- b - Calleguas system loss calculated as 0.5% C (next footnote)
- c - Water delivered by Metropolitan to Calleguas for Ventura = $C = V / (1 - 0.005)$
- d - Metropolitan system loss calculated as 3% M (next footnote)
- e - Water delivered to Metropolitan at Castaic Lake for Ventura = $M = C / (1 - 0.03)$

For the month of August 2025	
Water Credited to Calleguas	235.2 acre-feet
Total Estimated Charges to Ventura	\$267,962.50

Signed by: _____ Date: _____
Name, Title
Calleguas Municipal Water District

**AGREEMENT FOR PERMISSION TO DELIVER STATE WATER PROJECT WATER
INTO THE SERVICE AREAS OF STATE WATER PROJECT CONTRACTORS
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA AND CITY OF
SAN BUENAVENTURA (THROUGH VENTURA COUNTY WATERSHED
PROTECTION DISTRICT) UNDER EMERGENCY CIRCUMSTANCES**

This Agreement is entered into this ____ day of _____, 20____ by The Metropolitan Water District of Southern California (Metropolitan), Calleguas Municipal Water District (Calleguas), and the City of San Buenaventura (Ventura), referred to individually as a “Party” or collectively as the “Parties.”

RECITALS

A. Metropolitan is a public agency of the State of California incorporated under the Metropolitan Water District Act, Stats. 1969, ch. 209, as amended, codified at Section 109.1 *et seq.* of Appendix Section 109 to the California Water Code. It is a voluntary cooperative made up of its member agencies. Currently, Metropolitan imports water from the State Water Project (SWP) and the Colorado River and distributes water to its member agencies located in the counties of Los Angeles, Orange, Riverside, San Bernardino, San Diego, and Ventura. Metropolitan is a State Water Contractor with participating rights in the SWP.

B. Calleguas is a public agency organized under the Municipal Water District Act of 1911. Calleguas is a member agency of Metropolitan.

C. Ventura is a California Charter Law Municipal Corporation and is not a member agency of Metropolitan. Ventura shares the cost of the Ventura County Watershed Protection District SWP Contract with Casitas Municipal Water District and United Water Conservation District (United) and Ventura has the right to receive delivery of SWP water.

D. On May 1, 2023, an Agreement between Calleguas, Ventura, and United (Interconnection Agreement) was executed for construction and operation of the Calleguas-Ventura (C-V) Interconnection Pipeline to convey water between the Calleguas and Ventura distribution systems.

E. Ventura and Metropolitan intend to enter into an agreement for Metropolitan to wheel Ventura’s SWP water from Metropolitan’s SWP turnouts at Castaic Lake through Metropolitan’s facilities to Calleguas (the “Wheeling Agreement”). Calleguas will then wheel Ventura’s SWP water to Ventura through its own system and the new C-V Interconnection

F. In addition to the delivery of Ventura's SWP water on a regular basis, Calleguas and Ventura intend for the C-V Interconnection Pipeline to serve as a bidirectional emergency conveyance pipeline to provide water to each other during an emergency and to "pay back" that water after the emergency.

G. Metropolitan and Ventura (through the Ventura County Watershed Protection District) are SWP contractors and subject to the contractual restrictions therein. SWP contractors may not deliver water into another contractor's service area without that contractor's written consent.

NOW THEREFORE, in consideration of the foregoing and the mutual covenants set forth herein, and for other good and valuable consideration, the receipt, adequacy and sufficiency of which are acknowledged, the Parties agree as follows:

AGREEMENT

1. Purpose. This Agreement provides consent by each of Metropolitan and Ventura for SWP water to be delivered into each other's service area under the conditions stated in Sections 4, 5, 6 and 7.

2. Consent. Section 15(d) of the State Water Contract prohibits a contractor from providing SWP supplies to another contractor's service area without that contractor's consent. Accordingly, Metropolitan and Ventura hereby agree that during times of emergency caused by operational interruptions, as stated in Sections 4, 5, 6, and 7, Ventura may provide its water (which may include SWP water) to Metropolitan Member Agency Calleguas and Calleguas may provide Metropolitan water (which may include SWP water) to Ventura for the term of this Agreement. Emergencies pursuant to this Agreement include planned and unplanned water service interruptions and do not include drought conditions.

3. Notice of Emergency Delivery. Calleguas shall notify Metropolitan of emergency deliveries within 24 hours of the emergency, and provide the following information, including: start date for deliveries, the requesting party (Calleguas or Ventura), estimated duration and quantity of deliveries, the source of deliveries (e.g., local or SWP supply), and the reason for the emergency. Notification to parties shall be according to Section 11.

4. Permitted Delivery of Ventura SWP Water to Calleguas During Emergencies.

The consent provided herein is limited to an emergency circumstance that involves a planned or unplanned operational interruption that results in Metropolitan not being able to

deliver water to Calleguas. In that circumstance, Ventura may make emergency water deliveries to Calleguas that may include Ventura's SWP water delivered via the C-V Interconnection Pipeline.

5. Permitted Delivery of Metropolitan SWP Water to Ventura After Emergencies. In exchange for emergency water deliveries from Ventura, Calleguas intends to return an equal amount of water to Ventura using water that may include Metropolitan's SWP water. Ventura consents to delivery of Metropolitan's SWP water in Ventura's service area, limited to the return of water Calleguas owes Ventura for emergency water deliveries. Any return by Calleguas of emergency water deliveries shall not be subject to the Parties' Wheeling Agreement, as the water returned by Calleguas is not being wheeled on behalf of Ventura; it is water that Metropolitan delivered to Calleguas.

6. Permitted Delivery of Metropolitan SWP Water to Ventura During Emergencies. The consent provided herein is limited to an emergency circumstance that involves a planned or unplanned operational interruption in the service area of Ventura, during a time when Ventura's SWP water is unavailable for Metropolitan to wheel that water to Ventura. In that circumstance, Calleguas may make emergency water deliveries to Ventura that may contain Metropolitan's SWP water delivered via the C-V Interconnection Pipeline. Ventura consents to delivery of Metropolitan's SWP water within Ventura's service area during an emergency. Delivery by Calleguas of emergency water deliveries shall not be subject to the Parties' Wheeling Agreement, as the water delivered by Calleguas is not being wheeled on behalf of Ventura; it is water that Metropolitan delivered to Calleguas.

7. Permitted Delivery of Ventura SWP Water to Calleguas After Emergencies. In exchange for emergency water deliveries from Calleguas, Ventura intends to return an equal amount of water to Calleguas using water from its service area that may contain SWP water or from Ventura's SWP supply wheeled by Metropolitan to Calleguas under the Wheeling Agreement. Metropolitan consents to the delivery of Ventura's SWP water in Calleguas' service area, limited to the return of the water Ventura owes Calleguas for emergency water deliveries. If return is made using Ventura's SWP water wheeled by Metropolitan to Calleguas for Ventura, it will be subject to the Wheeling Agreement and the charges set forth therein, except that Calleguas need not wheel the water to Ventura as otherwise contemplated by the Wheeling Agreement.

8. Scope of Metropolitan's Obligations. This Agreement is limited to Metropolitan's and Ventura's consent for SWP water to be made available in its service area as described

herein. It does not obligate Metropolitan to make water available to Calleguas for emergency deliveries to Ventura or for return of water by Calleguas to Ventura.

9. Commencement. This Agreement is effective on the date that the last party has executed the Agreement.

10. Termination. This Agreement terminates on December 31, 2055 or upon the termination of the current State Water Contracts with the California Department of Water Resources, whichever comes first.

11. Notification. Unless and until changed by notification given in accordance with this Section, any notice, demand, or request to be given under or pursuant to this Agreement shall be given in writing at the physical addresses set forth below by personal service; overnight courier; or registered or certified, first-class mail, return receipt requested, or via electronic mail at the email address set forth below:

If to Metropolitan:

The Metropolitan Water District of Southern California
P.O. Box 54153
Los Angeles, CA 90054-0153
Attention: General Manager

If to Calleguas:

Calleguas Municipal Water District
2100 Olsen Road
Thousand Oaks, CA 91360-6800
Attention: General Manager

If to City of Ventura:

City of Ventura
501 Poli Street
City Hall
Ventura, CA 93002-0099
Attention: City Manager

[signatures on following page]

**THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA**

Deven N. Upadhyay
Interim General Manager

Dated

APPROVED AS TO FORM:

Marcia L. Scully
General Counsel

Dated

CALLEGUAS MUNICIPAL WATER DISTRICT

Kristine McCaffrey
General Manager

Dated

APPROVED AS TO FORM:

Walter E. Wendelstein
District Counsel

Dated

CITY OF SAN BUENAVENTURA

Bill Ayub
City Manager

Dated

APPROVED AS TO FORM:
Javan N. Rad, City Attorney

By: _____
Miles Hogan
Senior Assistant City Attorney

Dated



One Water & Stewardship Committee

Information on proposed agreements with the City of San Buenaventura and Calleguas Municipal Water District for wheeling and emergency delivery of State Water Project water

Item 9-2

February 10, 2025

Metropolitan-Ventura-
Calleguas

Wheeling and Emergency Water Deliveries



Subject

Information on proposed agreements with the City of Buena Ventura and Calleguas Municipal Water District for wheeling and emergency delivery of State Water Project water

Purpose

Provide information on the proposed wheeling of up to 2,000 acre-feet per year of Ventura State Water Project water through Metropolitan's system and the proposed emergency water delivery between Calleguas and Ventura during emergencies.

The two proposed agreements described on this item would increase resilience in Ventura County. Both agreements terminate on December 31, 2055

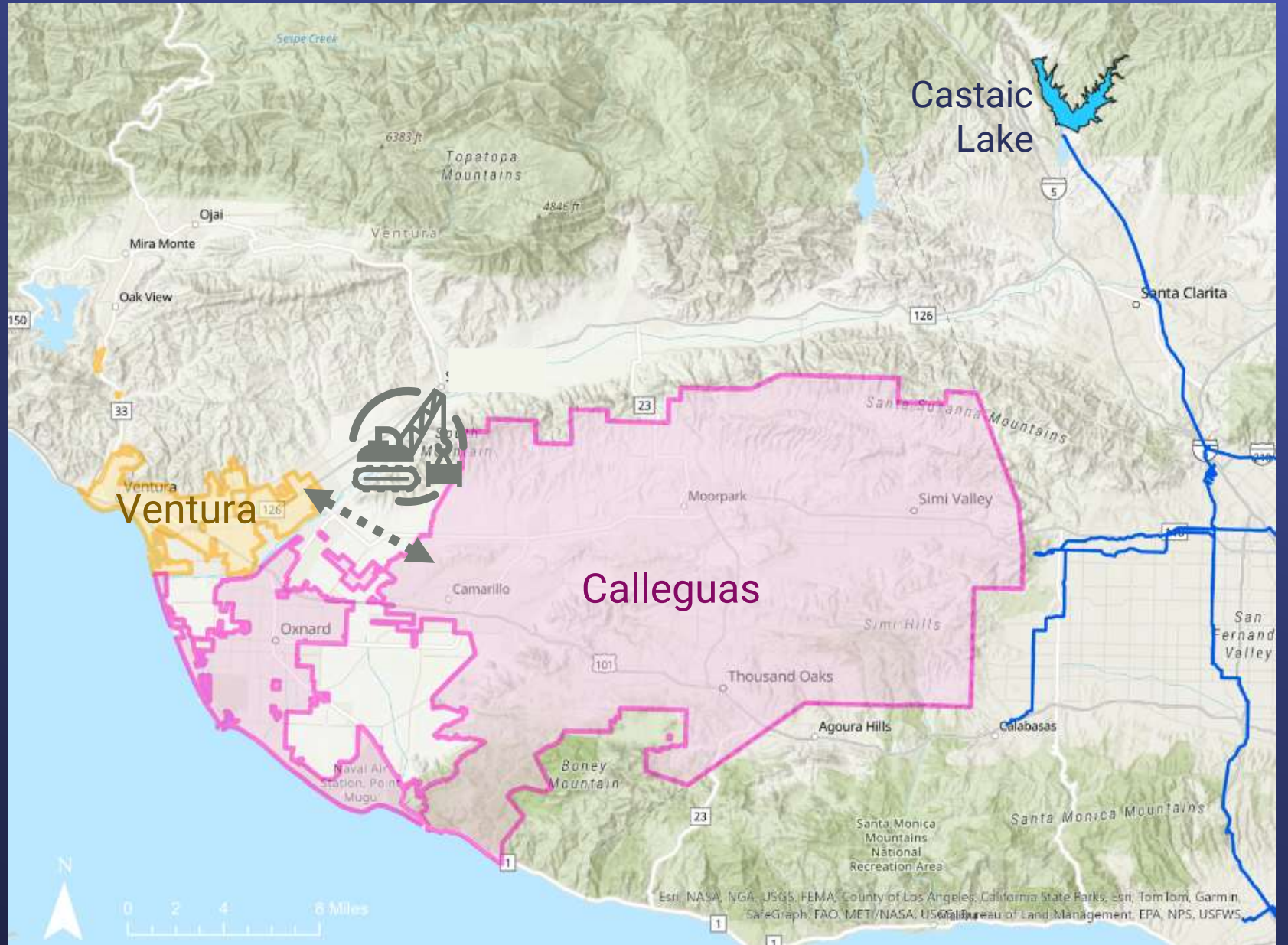
Next Steps

Staff will return to the One Water and Stewardship Committee in March 2025 to seek Board's authorization.

Increasing Resilience in
Ventura County

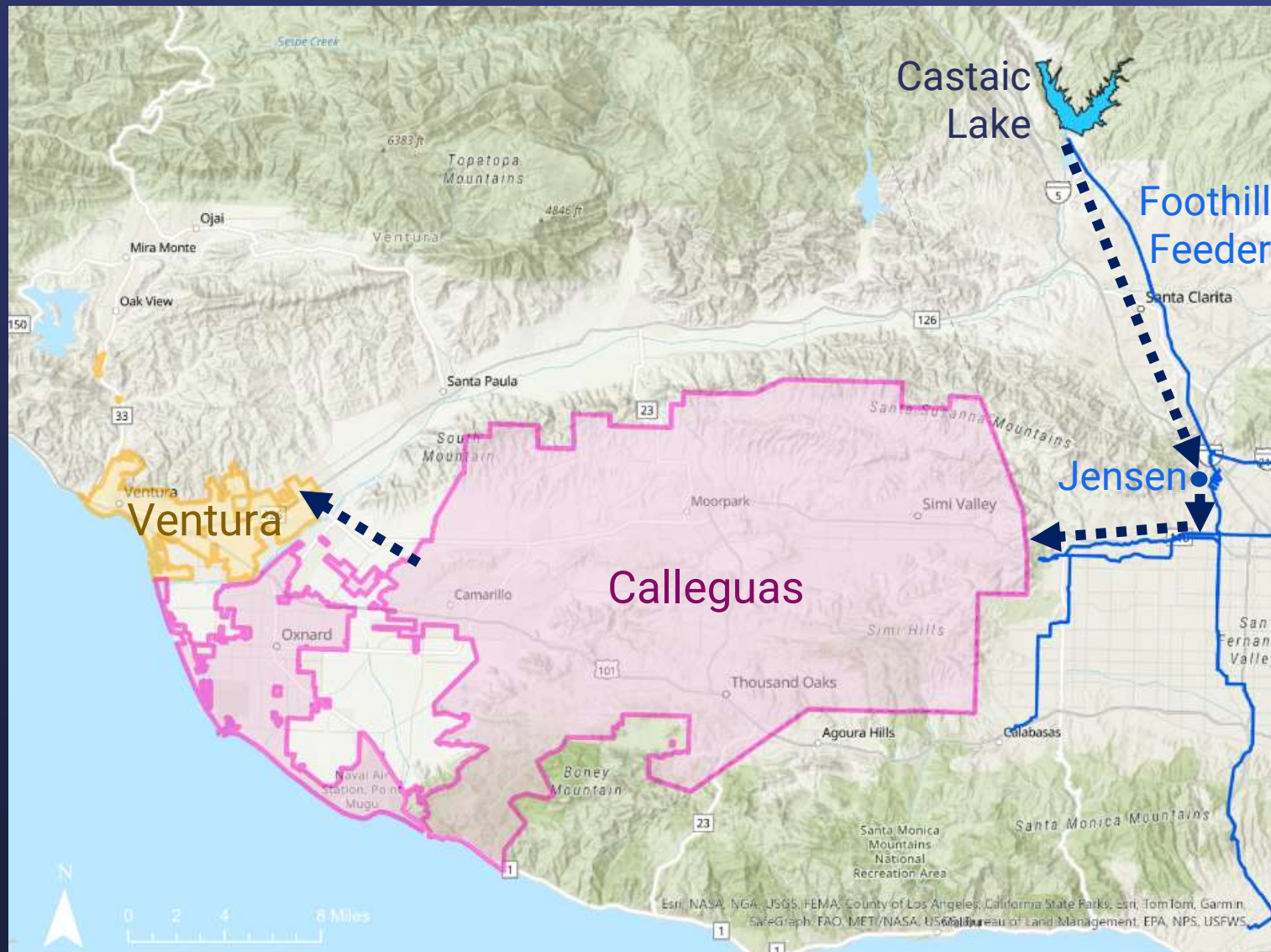
Calleguas- Ventura Interconnection Project

Calleguas and Ventura
are building a seven-mile-
long pipeline connecting
their systems.



Wheeling Ventura SWP Water

City of Ventura is a SWP contractor via the Ventura County Watershed Protection District



Metropolitan

- Takes delivery of Ventura SWP water at Castaic
- Wheels water via Foothill Feeder
- Treats water at Jensen
- Delivers treated Ventura SWP water to Calleguas

Calleguas

- Takes delivery of treated Ventura SWP from Metropolitan
- Wheels water via its distribution system
- Delivers treated Ventura SWP water to Ventura

Proposed Wheeling Agreement Terms



Summary of the wheeling agreement

- Ventura proposes to receive up to 2,000 acre-feet per year of their SWP water via wheeling

Financial Compensation

- Wheeling price is a fixed dollar amount
 - For calendar year 2026 the price is \$1,215 per acre-foot
 - Annual increases based on a Consumer Price Index related to Water and Sewerage Infrastructure costs
- Ventura continues to pay its SWP charges
 - Metropolitan is not assuming any State Water Contract responsibility

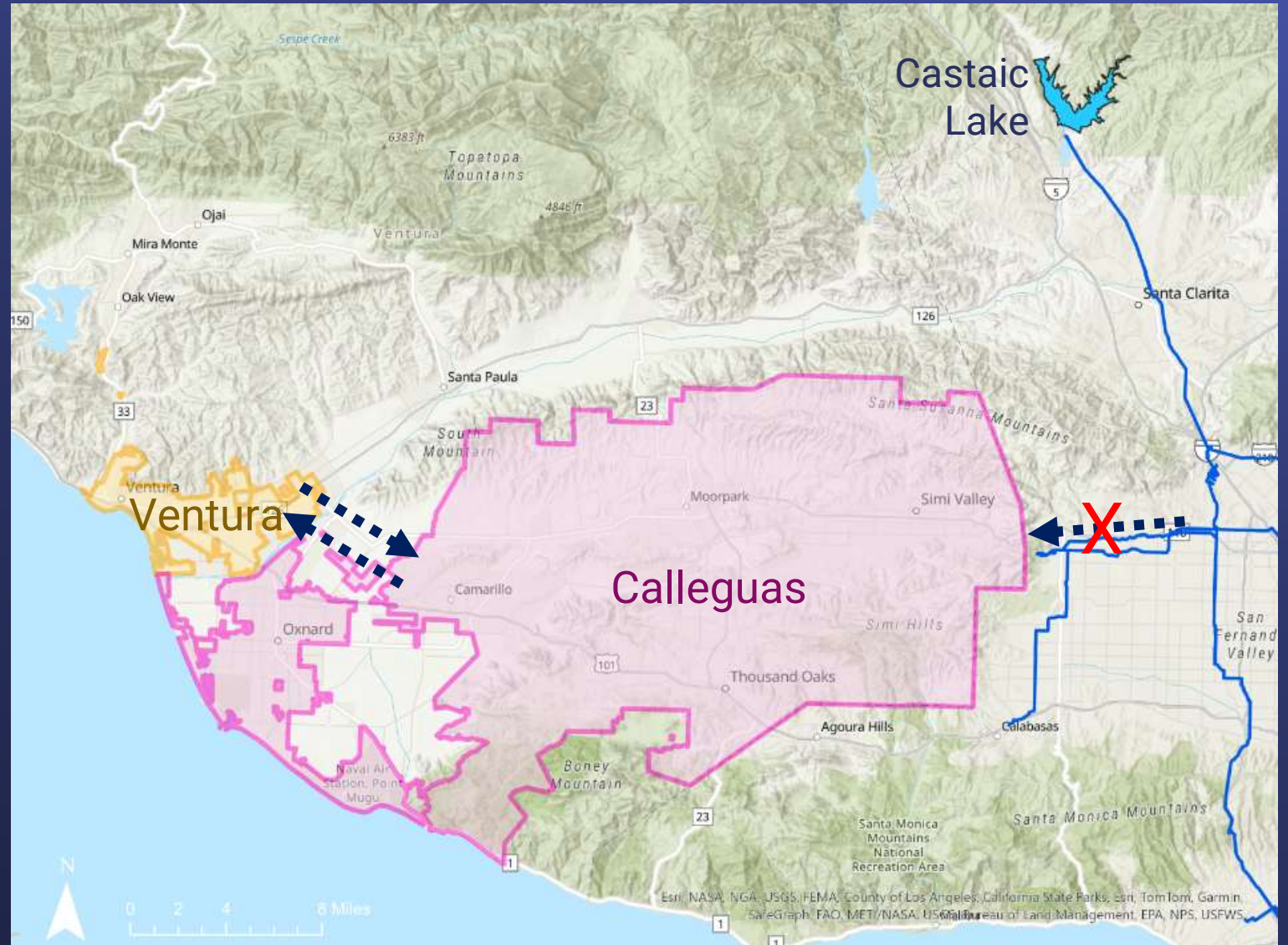
Operational Considerations

- Metropolitan staff will determine available capacity prior to wheeling
- System losses will be applied for the wheeled water
- Metropolitan will deliver treated water to Calleguas via existing service connections

Emergency Water Deliveries

Calleguas receives imported supplies from Metropolitan via a single-entry point

- During emergencies that prevent Metropolitan from delivering to Calleguas
- Ventura and Calleguas could take deliveries from each other during emergencies
- Since their supply might contain SWP water, authorization from Metropolitan is needed



Proposed Emergency Water Deliveries Agreement Terms



Summary of the emergency use of SWP supplies agreement

- Calleguas and Ventura propose borrowing water from each other during emergency circumstances
- The agency borrowing the water will return an equal amount
- Calleguas would purchase Metropolitan water to return to Ventura after the emergency at the full Metropolitan rate

Definition of Emergencies

- Planned and unplanned water service interruptions
- Emergencies do not include drought conditions

Scope of Metropolitan's obligations

- Limited to consent for water to be delivered in each other's (Ventura or Calleguas) service area
- No obligation for Metropolitan to make water available to Calleguas for emergency deliveries to Ventura or for return of water by Calleguas to Ventura

Next Steps



- Receive board feedback
- Return to the board with an action item in March 2025





- **Board of Directors**
One Water and Stewardship Committee

2/11/2025 Board Meeting

9-3

Subject

Update on treatment approaches, contingencies, and amendments to the High Desert Water Bank Program agreement.

Executive Summary

This letter provides an update on the status, debt financing, groundwater modeling, and water quality of the High Desert Water Bank (HDWB or Water Bank) Program with Antelope Valley-East Kern Water Agency (AVEK). In September 2023, the Metropolitan Board authorized additional funding for the HDWB to cover costs due to (1) higher-than-anticipated rates of inflation due to supply chain constraints and other factors; (2) revisions to the design, construction, and operation of the Water Bank's recharge and recovery facilities; and (3) the need for additional electrical infrastructure to support the operation of the Water Bank's facilities. Staff provided the Board with additional information related to the potential need for arsenic treatment and estimated costs and also provided information regarding the detection of nitrate. At that time, additional analysis and modeling were needed to better understand the groundwater basin's potential water quality changes over time and the project's potential impacts on nearby private and agricultural wells. The modeling is complete, and the results helped staff identify the appropriate arsenic treatment technology and optimize the design of the arsenic treatment system. There are also several considerations that are being evaluated that may lead to a more comprehensive and cost-effective approach to address arsenic and nitrate.

In December 2024, Metropolitan entered into a System Conservation Implementation Agreement (SCIA) with the United States Bureau of Reclamation (USBR). Under the SCIA, USBR agreed to provide \$82 million in funding for the Water Bank in exchange for Metropolitan leaving 168,000 acre-feet (AF) of conserved Colorado River water in Lake Mead. Funding provided by USBR under the SCIA could be withdrawn by future congressional action or delayed by the new federal administration. Staff will continue to monitor developments and provide updates as more information becomes available.

In the adopted Biennium Budgets for Fiscal Years 2022/23-2023/24 and 2024/25-2025/26, the Board approved debt financing the HDWB to reduce cash expenditures. The HDWB Agreement term ends on September 20, 2037; however, in order to debt finance the capital costs of the HDWB over a longer term of the project's useful life, the HDWB Agreement must be amended to authorize the debt service payments of the bonds and extended to accommodate the maturity of the bonds to be issued.

Staff will return to the Board to request authorization for recommended treatment approaches and costs, and any necessary amendments to the HDWB Agreement, and to provide regular updates.

Fiscal Impact

The HDWB Program has two main financial components: (1) capital costs that will be financed, and (2) operating and maintenance (O&M) costs. The financed capital costs will be amortized over a term of up to 30 years, while the O&M costs will span through 2057, the new term of the HDWB Agreement after execution of the optional extension provision. Staff anticipates that the long-term bond financing for board-approved capital costs to date

will have an annual debt service payment of approximately \$10.4 million, depending upon debt structure and market conditions at the time of sale. The primary O&M costs are estimated to be \$0.60 million annually.

Alternative strategies identified by staff for the treatment of arsenic and nitrate will have additional capital and O&M costs. The preliminary estimated capital and O&M costs for arsenic treatment range from \$44 million to \$55 million (in total) and \$6 million per year, respectively. The range of the preliminary estimated capital and O&M costs for nitrate treatment are up to \$250 million (in total) and \$4 million per year, respectively.

In addition, staff and AVEK will be working to develop options to mitigate the impacts of the HDWB operations on nearby wells.

Applicable Policy

By Minute Item 50302, dated November 10, 2015, the Board authorized entering into an agreement for Storage and Exchange Programs with AVEK.

By Minute Item 51564, dated April 9, 2019, the Board authorized entering into an agreement for the High Desert Water Bank Program with AVEK.

By Minute Item 55360, dated September 12, 2023, the Board authorized up to \$80 million for additional costs associated with changes to the High Desert Water Bank Program with AVEK.

Metropolitan Water District Administrative Code Section 4203: Water Transfer Policy

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Related Board Action(s)/Future Action(s)

Staff plans to return to the Finance and Asset Management Committee in March or April 2025 to bring an Amended and Restated HDWB Agreement, together with other required bond-related documents, for the Board's consideration.

Details

Background

In April 2019, the Board authorized the General Manager to enter into an agreement with AVEK (the HDWB Agreement). At that time, the Board approved capital payments for the HDWB Program of up to \$131 million.

In March 2023, staff informed the Board that resampling of the first four pilot recovery wells revealed that arsenic levels in all four wells were above the Maximum Contaminant Level (MCL) of 10 micrograms per liter ($\mu\text{g/L}$), ranging from 11 to 19 $\mu\text{g/L}$. Based on the water quality data, performance requirements, project constraints, and cost-effectiveness for large flow rates, coagulation followed by sedimentation was the recommended treatment process. Staff provided a preliminary cost estimate for the construction of a treatment facility and its O&M. Nitrate levels in the ten completed recovery wells range from 2.7 to 5.9 milligrams per liter (mg/L) as nitrogen (N), below the MCL of 10 mg/L as N. However, these levels are higher than the background levels in the California Aqueduct and Metropolitan's systems.

In September 2023, the Board authorized additional funding for the HDWB of up to \$80 million for various unforeseen issues that have impacted the HDWB and increased estimated costs since it was approved in 2019. These include: (1) higher-than-anticipated rates of inflation due to supply chain constraints and other factors; (2) revisions to the design, construction, and operation of the Water Bank's recharge and recovery facilities, which are necessary to achieve the original performance targets; and (3) the need for additional electrical infrastructure to support the operation of the Water Bank's facilities. The additional \$80 million did not include the then-unknown water quality treatment capital costs for arsenic (\$44-\$55 million) or nitrate (up to \$250 million), which are explained in more detail below. Combined with the original approval for \$131 million, the additional \$80 million results in a total of \$211 million in authorized expenditures.

In December 2024, AVEK's consultants, Montgomery & Associates and Stantec, completed additional groundwater modeling for the HDWB, confirming that the one-year recharge goal of 70,000 AF is achievable. However, due to groundwater mounding during recharge, infiltration rates decrease, and the project cannot sustain

recharge rates to store a full 70,000 AF every year within a four-year period. Continuous recharge for periods longer than one year is projected to increase the likelihood of groundwater levels rising above 75 feet below ground surface (ft bgs) beneath the California Aqueduct, which would require a modification to recharge operations to limit additional groundwater level rise to less than 50 ft bgs. Groundwater levels above 50 ft bgs beneath the aqueduct could increase the likelihood of liquefaction and hydro-collapse during an earthquake near the HDWB, which could damage the aqueduct. If conditions were such that there was a need to continuously store supplies, the project could recharge about 64 percent of the 280,000 AF total storage volume. In other words, it would take longer than four years to fully store the 280,000 AF. Additionally, the study confirmed that the one-year recovery goal of 70,000 AF is achievable. However, the total projected recovered volume will depend on the frequency of recovery and available stored water due to mounding.

In January 2025, Montgomery & Associates also completed a report to assess the potential impacts of the HDWB operations on nearby private domestic wells and Tejon Ranch (TR) groundwater wells. Groundwater levels are projected to rise during recharge and fall during recovery compared to levels prior to HDWB operation in the three private domestic wells located immediately east of the HDWB and the two TR wells located on the HDWB property. Lower groundwater levels in the wells may require the owners to modify well operations and may result in temporary higher pumping costs. Conversely, groundwater level rise during recharge events could result in greater well production and/or lower pumping costs. TR requested an analysis of multiple operating scenarios for their wells. The model results indicate that the TR's pumping capacity would decline in all scenarios. The maximum total reduction in pumping capacity for the TR wells is approximately 44 percent of the original total capacity of the wells. Staff has asked AVEK to evaluate the potential impact of the pumping of the TR wells on AVEK's ability to pump water from the HDWB recovery wells. Depending on the results of the analysis, staff and AVEK will work with TR to develop options for considerations to mitigate the pumping impacts.

As of January 2025, Metropolitan has paid approximately \$100.95 million and \$1.03 million to reimburse AVEK for Water Bank capital and O&M costs, respectively. AVEK has completed the construction of ten recovery wells, five monitoring wells, and the turn-in/turnout facilities for the California Aqueduct. Construction of the Stage 1 Recharge Basins was completed in July 2023, and delivery of State Water Project (SWP) supplies to the Water Bank began in September 2023. Construction of the Stage 2 Recharge Basins was completed in September 2024, and Metropolitan began delivering SWP supplies to the Water Bank in October 2024. To date, Metropolitan has stored about 45,000 AF before losses. There are no fees to put water in the HDWB. However, Metropolitan will pay AVEK a recovery usage fee of \$100/AF (escalated annually by the Consumer Price Index). Additionally, 10 percent of the water Metropolitan delivers for storage is subject to a one-time loss/leave behind.

Amendment(s) to the Existing Agreement

Staff is working on amendments to the agreement to include updated language related to the design changes, operation and maintenance, funding for the water treatment facilities, and requirements to comply with the SCIA with USBR.

Water Quality Update

Arsenic and nitrate are constituents of concern at the HDWB. Based on the samples collected from the ten existing wells, the average arsenic concentrations range from 8.4 µg/L to 20 µg/L, which exceed California's primary MCL for arsenic of 10 µg/L. The average nitrate concentrations range from 2.7 mg/L to 5.9 mg/L, which are less than California's primary MCL for nitrate in drinking water of 10 mg/L as N, but are above Department of Water Resources (DWR)'s Pump-In Policy requirements and higher than Metropolitan's current nitrate levels. In September 2023, staff informed the Board that additional modeling was required to help staff select the appropriate treatment technology and optimize the design of the treatment system and remaining recovery wells.

In October 2024, AVEK's consultant, Stantec, completed the Water Bank Groundwater Treatment – Design Development Study. The objectives of the study were to: (1) answer key technical questions and prepare an updated cost estimate for the preferred arsenic treatment system, and (2) develop a conceptual nitrate management option including treatment alternatives. For the arsenic treatment, a coagulation followed by sedimentation process was selected due to its low process energy cost, minimal maintenance requirements, ability to handle long periods of non-operation, and quick start-up after non-operation. The recommended nitrate treatment alternative is

ion exchange. Ion exchange systems are simple to operate, can be monitored remotely, can target specific contaminants, and have small footprints. The capital and O&M costs will depend on the target nitrate concentration set for the HDWB water.

Arsenic

The recommended treatment process to meet the MCL consists of coagulation, flocculation, and sedimentation to precipitate the arsenic and remove it through the settling of particles. Like traditional treatment plants, coagulants are added to the water and are thoroughly mixed prior to flocculation. The flocs then settle in the sedimentation basin to form a layer of sludge. The effluent water from the sedimentation basins will be sent back to the aqueduct. There were two alternatives evaluated for the flocculation-sedimentation processes in the study: (1) a conventional treatment train involving mechanical flocculation and typical sedimentation basins with mechanical sludge removal (Option 1); and (2) a simple, non-mechanical system involving hydraulic flocculation and dual-purpose sedimentation basins that accumulate sludge and are taken offline for dewatering and drying in the basin (Option 2). The estimated capital cost ranges for treatment Options 1 and 2 are \$120 million – \$190 million and \$44 million - \$55 million, respectively. Option 2 better meets the project constraints with reduced mechanical equipment and maintenance. The estimated O&M cost for this option range from \$6 million – \$11 million per year.

Nitrate

Although the nitrate levels in the recovery wells are below the California primary MCL for drinking water of 10 mg/L as N, they exceed the ambient water quality levels in the SWP Aqueduct. Staff previously informed the Board that nitrate may also require treatment to comply with the Department of Water Resources' (DWR) Pump-in Policy and Metropolitan's Board-adopted policy governing the introduction of new water sources into treated and untreated conveyance facilities. As an alternative to the treatment approach described below, and consistent with DWR pump-in policy, Metropolitan intends to work with DWR's Facilitation Group and advocate for introducing HDWB supplies without nitrate treatment. Since Metropolitan is the largest downstream SWP Contractor, staff does not anticipate any issues. Metropolitan understands that there are some member agencies that may be impacted by increased Nitrate levels in SWP supplies. Metropolitan will work with the member agencies to determine acceptable Nitrate concentrations. If treatment is ultimately required, the potential treatment alternative under consideration for the Water Bank is the ion exchange technology. The estimated capital and O&M costs for ion exchange treatment depend on the target nitrate concentration set for the HDWB water. The estimated capital and O&M costs to treat nitrate in the HDWB to below 0.7 mg/l, which is the current nitrate level of the SWP water, are up to \$250 million and \$4 million per year, respectively.

Project Partnership as an Alternative to Direct Treatment for Arsenic and Nitrate

Staff has been in discussions with the Los Angeles Department of Water and Power (LADWP) to evaluate the possibility of constructing new infrastructure as well as utilizing existing infrastructure to move water from the HDWB to the LA Aqueduct, which passes near the HDWB on its way into the City of Los Angeles. Moving water directly to the LA Aqueduct would avoid the need to introduce water into the SWP and would potentially remove the need to construct nitrate or arsenic treatment facilities at the HDWB. LADWP and Metropolitan are considering entering into a Memorandum of Agreement (MOA). The intent of the MOA is for LADWP and Metropolitan to collaborate, explore, and potentially develop a mutually beneficial water supply management project to utilize existing and planned infrastructure to help address issues with the Water Bank's water quality, as well as water delivery to the SWP-dependent area in the west side of Metropolitan's service area.


Finance Update and Proposed Agreement Amendments

In the adopted Biennium Budgets for Fiscal Years 2022/23-2023/24 and 2024/25-2025/26, the Board approved debt financing the HDWB to reduce upfront cash expenditures. Staff and the bond financing team considered options to debt finance the HDWB Program using Metropolitan's revenue bond program or an alternative project financing approach utilizing a third-party JPA. Staff recommends the JPA approach considering benefits to the preservation of Metropolitan's debt capacity and debt service coverage. To debt finance the capital costs of the HDWB Program, utilizing the AVEK Finance Authority JPA, the HDWB Agreement must be amended and restated to include required payment provisions. These amendments include the addition of a schedule of

installment payments that will match the debt service payments of the bonds; securing Metropolitan’s obligation to pay installment payments as a first-tier parity obligation under its Master Subordinate Resolution; and extending the agreement’s term to match the maturity of the bonds to be issued. In addition to an Amended and Restated HDWB Agreement, staff will seek approval of other debt-finance-related agreements from the Finance and Asset Management Committee to effectuate the bond transaction.

Summary

The estimated range for arsenic treatment capital costs for Option 1 and Option 2 are \$120 million – \$190 million and \$44 million - \$55 million, respectively. The estimated capital and O&M costs to treat nitrate in the HDWB to below 0.7 mg/l, which is the current nitrate level of the SWP water, are up to \$250 million and \$4 million per year, respectively. In December 2024, Metropolitan entered into an SCIA with USBR under which USBR agreed to provide \$82 million in funding for the Water Bank in exchange for Metropolitan leaving 168,000 AF of conserved Colorado River water in Lake Mead. The funding will defray Metropolitan’s overall costs on the project by paying for the construction of new infrastructure such as wells, recovery facilities, water treatment facilities, and on-site electrical. Funding provided by USBR under the SCIA could be withdrawn by future congressional action or delayed by the new federal administration. Staff will continue to monitor developments and provide updates as more information becomes available. Staff will work with DWR to determine if a revision to the existing pump-in policy on the SWP is an appropriate approach to avoid treatment for nitrate. Staff will also continue to work with LADWP to enter into the MOA and collaborate on a project that will be mutually beneficial for water supply management by utilizing existing and planned infrastructure to potentially reduce water quality capital treatment costs related to arsenic and/or nitrate. Staff will seek approval for the debt finance-related amendments to the HDWB Agreement from the Finance and Asset Management Committee in March or April 2025. Staff will incorporate committee feedback and return to the Board to request authorization for the additional costs for treatment options, and necessary contract amendments in the fourth quarter of 2025.



Brandon J. Goshi *2/5/2025*
Interim Manager *Date*
Water Resource Management



Deven N. Upadhyay *2/5/2025*
General Manager *Date*

Ref# wrm12698298



One Water and Stewardship Committee

Update On Treatment Approaches, Contingencies,
and Amendments to the
High Desert Water Bank Program Agreement

Item 9-3

February 10, 2025

Item #9-3

AVEK High Desert Water Bank

Subject

Update On Treatment Approaches, Contingencies, and Amendments to the High Desert Water Bank Program Agreement

Purpose

AVEK HDWB Program could store up to 280,000 acre-feet of SWP Table A or other supplies in the Antelope Valley groundwater basin in an account designated for Metropolitan. This is to provide an update status on treatment approaches and amendments on the project agreement.

Original Authorization



- Board authorized in April 2019
- Capital costs up to \$131 million
- Program size:
 - Storage capacity of 280,000 AF
 - Put/take capability of 70,000 AFY
 - Would more than double existing direct pump-back
- Agreement term: 2019 - 2037
 - 20-year no cost option to extend

Board Updates and Additional Authorization



- Authorization of additional \$80M for increases to capital costs
 - Total authorization \$211M
- Information on changes to water quality
 - Arsenic concentration, treatment, costs
 - Other constituents of concern
- Additional modeling needed
 - Evaluate recharge and recovery performance
 - Impacts to surrounding wells
 - Potential water quality changes over time and treatment

Evaluation of HDWB Performance with Phase 3 Groundwater Model

- Modeling confirmed single-year recharge and recovery goal of 70,000 acre-feet
 - Recharge capacities may decrease due to mounding resulting from continuous recharge
 - Recovered volume will depend on the frequency of recovery and available stored water
- Continuous recharge may have impacts to SWP resulting in the need for modification to recharge operations

Evaluation of Recharge and Recovery Performance

Impacts to Surrounding Wells

Tejon Ranch Model Simulations

- Nearby Domestic Wells and Tejon Ranch Wells
 - Levels in all nearby wells expected to rise and drop during full recharge and full recovery events
 - May require modification of well operations and potential added costs
 - If necessary, Metropolitan and AVEK will work with Watermaster to develop options to mitigate and monitor potential impacts



HDWB Groundwater Treatment - Design Development Study

- Objectives
 - Answer key technical questions and prepared an updated cost estimate for arsenic treatment system
 - Develop a conceptual nitrate management option including treatment alternatives and cost

Constituents of Concern	Proposed Treatment Process	Estimated Capital Cost (\$ Million)	Estimated O&M Cost (\$ Million / year)
Arsenic	Coagulation and Sedimentation	\$44M - \$55M	\$6M - \$11M
Nitrate	Ion Exchange	Up to \$250M	\$4M

Water Quality
Changes and
Treatment

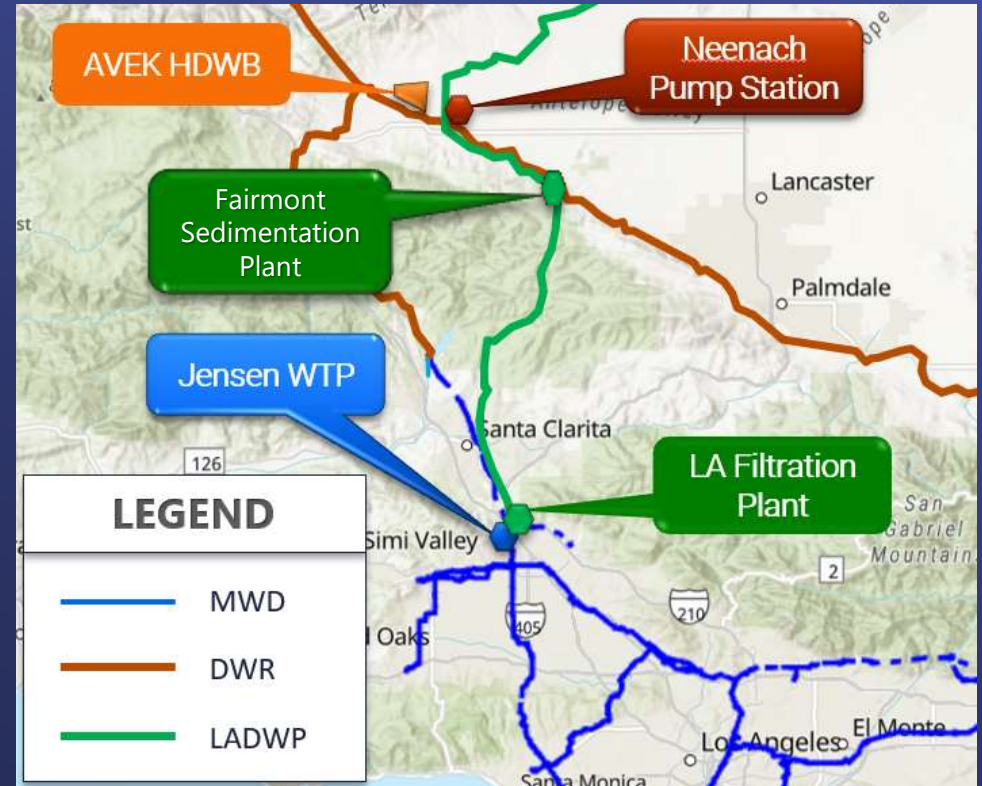
Arsenic and Nitrate Treatment Facilities

- Identified location within project footprint for construction of arsenic treatment system
- Nitrate treatment facility may be co-located



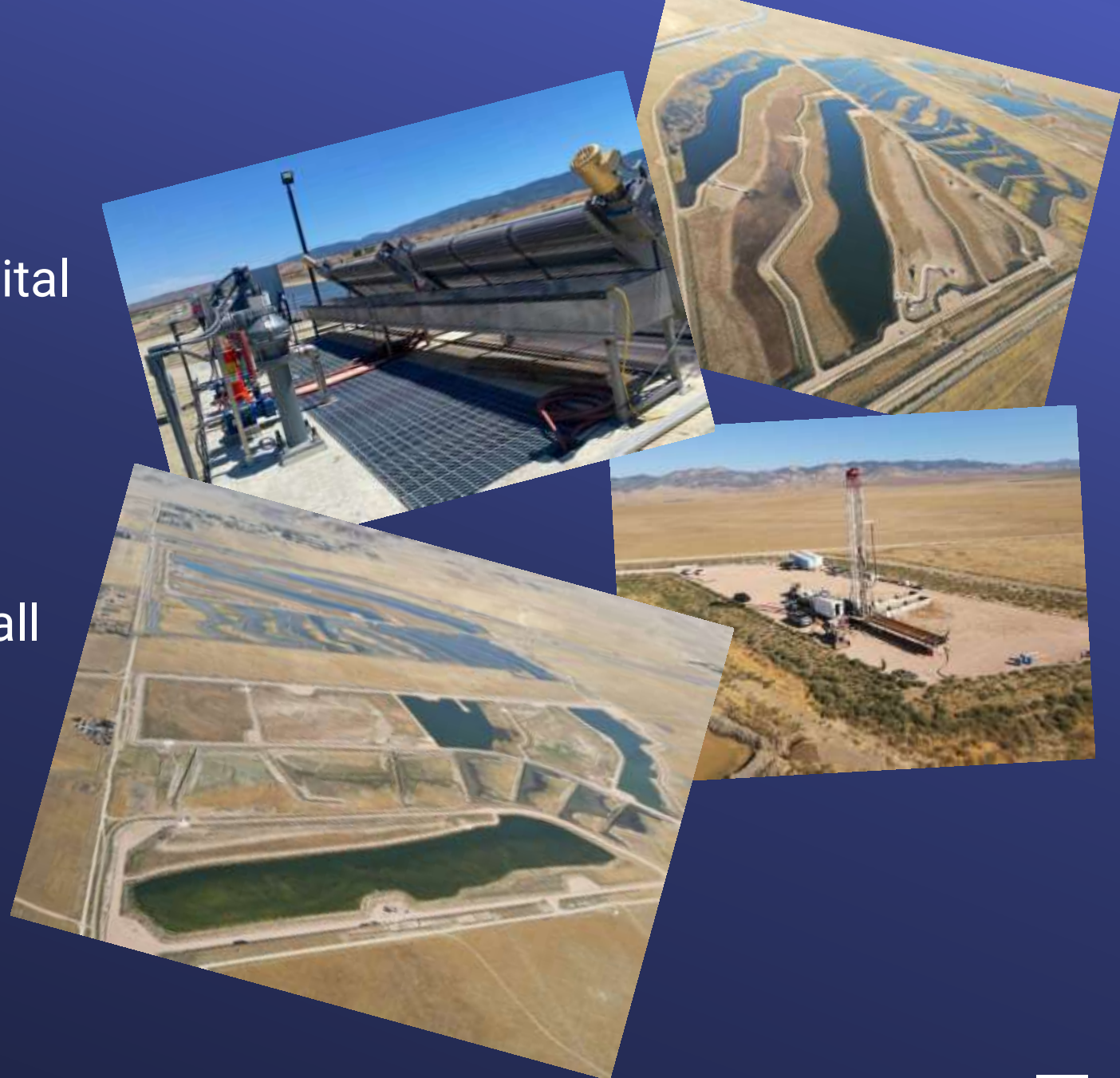
Potential Partnership with LADWP

- Opportunity to deliver water from HDWB to LA Aqueduct through Neenach Pump Station
- Could address water quality issues
 - Arsenic could be treated at the Fairmont Sedimentation Plant
 - Nitrate levels in LAA with AVEK pump in would not be significantly degraded
- Ability to move water to West side of Metropolitan's service area
- Developing a Memorandum of Agreement to collaborate, explore, and potentially develop a mutually beneficial water supply management solution



Project Status

- As of January 2025, Metropolitan provided about \$101 million for capital and about \$1 million for O&M
- Completed construction of 10 recovery wells, 5 monitoring wells, pipelines, turn-in/out facilities, and all recharge basins
- Stored about 45,000 acre-feet



Status of Federal Funding

- Board Authorized entering into agreement with USBR
- System Conservation Implementation Agreement (SCIA) was executed in December 2024
- Eligible for up to \$82 Million
 - In exchange for 168,000 acre-feet of Colorado River water stored in Lake Mead
- Funding will pay for infrastructure such as wells, recovery facilities, water treatment facilities, and on-site power
 - Scheduled payment #1 anticipated in Q3 of 2025
- Update on environmental documents



Agreement Amendments

February 10, 2025

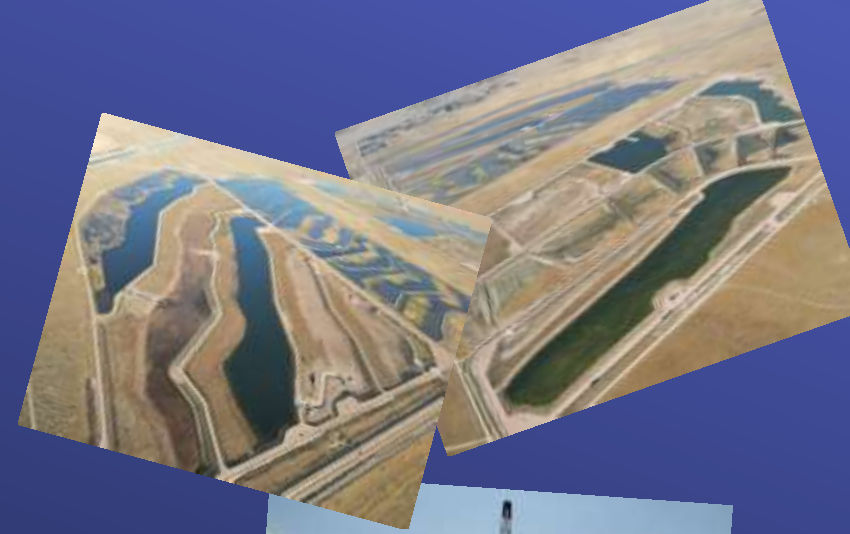
- Anticipated Changes to the HDWB Program
 - Modification of funding language to include language on debt capacity and debt service coverage, and required payment provisions for HDWB
 - Extend agreement term by 20 years (exercise no cost option already authorized by Board)
 - Include requirements to comply with the SCIA
 - Add new language to include the design changes, operation and maintenance responsibilities and costs, and responsibilities for water treatment facilities

Summary

- Project has begun recharging and there is stored water in the bank
- Evaluation of models on project performance, impacts on nearby wells, and water quality is almost complete
 - Confirmed treatment process and updated costs for arsenic
 - Identified treatment process and costs for nitrate
 - If necessary, develop options to mitigate impacts
- The Metropolitan and LADWP project partnership could remove the need for direct treatment and move water to the west side
 - The estimated cost for partnership with LADWP is not determined yet
 - Developing Memorandum of Agreement with LADWP

Next Steps

- Continue to develop Project partnership with LADWP
- Determine whether arsenic and nitrate treatment facilities are necessary
- Complete evaluation of groundwater modeling
- Continue to monitor the USBR funding status
- Additional Board action: Return the Board for additional costs for either treatment or LA partnership option and amendment to the agreements







THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Date: February 10, 2024
To: Board of Directors
From: Nina E. Hawk, Chief of Bay-Delta Resources/Group Manager, Bay-Delta Initiatives
Subject: Sites Reservoir – Informational Update and Schedule

At the upcoming One Water and Stewardship Committee meeting on February 10, 2025, staff will provide an overview and update of the proposed Sites Reservoir Project. Over the next year, a series of informational updates and Board review and feedback sessions will be provided to build the necessary body of knowledge to support decision-making on this proposed project. The information will include a robust analysis of risks, value, financial, governance, environmental impact, system integration, and other elements.

For additional background details, attached is a previous Board Letter, dated April 12, 2022, that authorized participation and funding the planning, permitting, and environmental review.

DocuSigned by:

nina hawk

932135CA12344FB...

Nina E. Hawk
Chief of Bay-Delta Resources/Group Manager, Bay-Delta Initiatives

2/10/2025

Date

Attachment 1 – Board Letter 7-13, April 12, 2022



● **Board of Directors**
Water Planning and Stewardship Committee

4/12/2022 Board Meeting

7-13

Subject

Appropriate \$20 million and authorize an amendment to the 2019 Reservoir Project Agreement with the Sites Project Authority to allow participation in the Sites Reservoir Project Amendment 3 Workplan; the General Manager has determined that the proposed actions are exempt or otherwise not subject to CEQA

Executive Summary

This Board letter requests authorization for Metropolitan to participate in and fund completion of the planning, permitting, and environmental review effort of the proposed multi-benefit Sites Reservoir Project (Project) over the next three years.

In 2017, 2019, and 2020, the Metropolitan Board (Board) authorized participation in the planning and environmental review/permitting effort for the proposed Project, which would be located in the Sacramento Valley in northern California, and appropriated \$1,500,000, \$4,212,500, and \$5,000,000, respectively. In 2021, the Sites Project Authority proposed a workplan and budget for funding the remaining three-year planning effort through 2024.

The 2021 workplan, referred to as the Amendment 3 Workplan, will focus on finalizing the environmental planning documents, project construction/operation permits, and a coordinated operations plan with the federal and state water projects. The Amendment 3 Workplan would be implemented through an amendment to the 2019 Reservoir Project Agreement (**Attachment 4**) previously executed by Metropolitan and other project participants. The overall participant budget for this Amendment 3 Workplan is \$142,863,000, which includes funding from the state of California, the United States Bureau of Reclamation (USBR), and 23 public water agencies.

For Metropolitan to continue its participation and reserve 311,700 acre-feet (AF) of storage rights, which is equivalent to approximately 50,000 AF of annual water supply reservoir releases, the additional planning cost share would total \$20 million. This cost-share amount is payable over a three-year period, \$5 million in calendar year (CY) 2022, \$7 million in CY 2023, and \$8 million in CY 2024. The obligation of the proposed Project participants to make the second and third installments is conditioned upon the Sites Project Authority and the Sites Reservoir Committee members each annually reapproving the Amendment 3 Workplan by an affirmative vote of at least 75 percent.

Continued participation in planning, permitting, and environmental review of the proposed Project will preserve the opportunity to work with the participants to jointly improve water supplies for both northern and southern California, enhance critical habitat and flows for native fish species, reduce the impacts of the frequent wet and dry hydrologic swings, and develop key analyses of project feasibility. The proposed Project is identified as one of only two priority surface water reservoir projects in the Governor's Water Resilience Portfolio and is one of the first multi-benefit reservoirs in California that would have dedicated water storage and yield to be used for fishery enhancement, instream flow releases in drier periods, and improved habitat for native species.

Metropolitan's agreement to participate in funding for the Amendment 3 Workplan does not commit Metropolitan to the proposed Project implementation.

Details

History

The proposed Project first emerged as part of a second stage of the State Water Project (SWP) proposed in the 1980s, which included multiple water-related projects in northern California. In 1996, the proposed Project was further analyzed by the California Department of Water Resources (DWR) and the USBR as part of the state and federal water cooperative effort called the CALFED Bay-Delta process. The CALFED environmental planning process resulted in a Programmatic Record of Decision that recommended implementation of the proposed Project as a component of the Preferred Program Alternative. In 2010, the Sites Project Authority was formed as a joint powers authority to continue moving forward with development of the proposed Project. There are 31 agencies participating in the planning phases of the proposed Project, including the state of California and the USBR. In 2020, the proposed Project was identified as a priority in the Governor's Water Resilience Portfolio.

Project Location

The proposed Project would be located in rural Glenn and Colusa counties, 60 miles north of Sacramento and about 10 miles west of the town of Maxwell in northern California (**Attachment 1**). The proposed Project location is separated from the greater Sacramento Valley by a foothill range to the east, making it suitable for off-stream storage of water from the Sacramento River.

Project Description

The proposed Project is currently being analyzed as a 1.3 million to 1.5 million AF off-stream surface water storage reservoir that would divert unregulated high-flow water from the Sacramento River. The proposed Project would require the construction of two dams up to 310 feet high and nine smaller saddle dams. Water to be stored in the proposed Project would be conveyed through existing intakes on the Sacramento River at Red Bluff Pumping Plant and Glenn-Colusa Diversion Dam. Water from these diversions would be conveyed through the existing Tehama-Colusa and the Glenn-Colusa canals to the proposed Project (**Attachment 2**). Combined, the diversions could deliver as much as 3,900 cubic feet per second of water from the Sacramento River to the proposed Project. Water diversions would only occur when conditions exist that are: (1) protective of aquatic resources; (2) after all other downstream senior water rights and conditions are met; and (3) only when excess flow conditions exist in the Delta. Water discharged from the proposed Project would flow through the existing Tehama-Colusa Canal, then into the Colusa Basin Drain before reaching the Sacramento River or the Upper Yolo Bypass. Project participants would divert their share of the water as it moves through the Tehama-Colusa Canal and river system, including Central Valley Project and SWP participating agencies south of the Delta. Dedicated environmental storage funded with state Proposition 1 monies would also utilize this system to convey supplies to enhance fishery flows, habitat, and water quality.

Key Benefits

For the Metropolitan service area, key benefits include improving drought-year supply reliability, securing additional sources for SWP dependent areas, providing low-salinity groundwater recharge, reducing risk of declining groundwater storage in the service area, and assisting in the Board's water quality blending salinity objective. Other key benefits of the proposed Project include providing:

- Off-Stream, Fish-Friendly Storage. The proposed Project would provide storage off-stream of the Sacramento River using existing modern-screened fish intakes designed to minimize fish losses and not block fish migration or spawning.
- California's Largest Dedicated Ecosystem Storage. Current methods of allocating water to support ecosystem health rely on minimum flow standards. The proposed Project will be one of the first reservoirs in California that will have dedicated ecosystem water and storage to enable more flexible and effective water management during dry times. This ecosystem water will be used to enhance instream fishery flows, water temperatures for spawning, pulse flows for out-migrating fish, riparian/floodplain habitat, water quality, and other environmental purposes.
- Climate Change Resiliency to Shrinking Snowpack. The proposed Project is envisioned as a climate change adaptation measure to manage the shrinking snowpack, to capture and manage the increased flood

flows for use in dry times, to enhance upstream Sacramento River water temperature management for migrating salmon, and to augment flows for fishery protection. In 2021, if the proposed Project had been in operation, it is estimated that there could be close to one million AF of additional water supplies, previously stored during wet periods, available for release over a two to three-year period to farms, cities, and the environment.

- Enhance Statewide Depleted Groundwater Basins. The state estimates that approximately 50 percent of the water that could be used to replenish California's groundwater will need to come out of the Sacramento River. The proposed Project is well suited to staging and conveying water to areas where groundwater depletion is producing undesirable effects.
- Local Flood Control and Recreational Opportunities. The proposed Project will enhance flood control protection for small communities prone to flooding near the reservoir project and expand recreational opportunities in northern California.
- Diversion Only During High-Flow Events. The proposed Project will enhance the ability to store unregulated flows during high precipitation events and release those water supplies for environmental and water supply purposes during dry water years.
- Significant Local and Statewide Support. The proposed Project has significant local, statewide, and bipartisan support from more than 175 organizations, agencies, businesses, and elected officials.

Tribal, Environmental, and Local Stakeholder Outreach

Sites Project Authority has been conducting an extensive outreach process to meet with local stakeholders, including environmental, salmon fishing, and tribal interests. During the past 18 months, over 40 meetings and workshops have been conducted to communicate and listen to additional input. This includes reaching out to over a dozen Native American tribes. The Sites Project team has also been holding monthly meetings with two local tribes (Yoche Dehe Wintun Nation and the Colusa Indian Community Council) with a known historical connection to the proposed Project area. In addition, the USBR has consulted with federally recognized tribes. The proposed Project does not occur in an area that would affect tribal hunting or water rights, nor is the alternative on tribal trust lands.

These listening sessions and public input have been used by the Sites Project Authority to substantially modify the proposed Project facilities and operations to be more protective of the environment and reduce local impacts.

Sites Project Authority Members

The Sites Project Authority was formed under California law in 2010 as a joint powers authority and currently consists of 11 public agencies: Colusa County, Glenn County, Tehama-Colusa Canal Authority, Colusa County Water District, Glenn-Colusa Irrigation District, Reclamation District 108, Westside Water District, Sacramento County Water Agency/City of Sacramento, Placer County Water Agency/City of Roseville, Western Canal Water District, and Maxwell Irrigation District. DWR and USBR also participate on the Sites Project Authority as non-voting members.

For decision-making purposes, approval of at least 75 percent of the total weighted vote of both the Sites Project Authority and the Sites Reservoir Committee members is required for any material change actions, including changes to budget, schedule, and workplan. For non-material changes, an affirmative vote of at least a majority of the total weighted vote is required.

Current Participating Project Partners

Currently, there are 31 agencies participating in the proposed Project, including the state of California and the USBR, with 23 agencies reserving water supply storage in the reservoir. In 2021, Rosedale-Rio Bravo Water Storage District and Irvine Ranch Water District joined in funding the planning effort. A full list of participating agencies is attached (**Attachment 5**). Metropolitan is currently a member of the Sites Reservoir Committee, which has certain decision-making authority in carrying out the budget and workplan.

Participating agencies are currently in the process of reviewing the Amendment 3 Workplan with their governing boards to consider approving participation and funding. The Sites Project Authority is also in discussions with other water agencies that have expressed an interest in participating in the proposed Project.

Project Environmental Documentation

An initial feasibility study and Administrative Draft Environmental Impact Report (EIR) were completed in 2013 by DWR. A Public Draft EIR/ Environmental Impact Statement (EIS) for the proposed Project was released by the Sites Project Authority (state lead agency) and the USBR (federal lead agency) in August 2017.

However, with the completion of a value-planning process in 2019, a Revised Draft EIR and Supplemental EIS were initiated due to modifications that included a smaller proposed Project footprint and operational changes to enhance environmental flows. The Revised Draft EIR and Supplemental EIS were released in November 2021, with a Final EIR/EIS scheduled for completion in fall 2022. The formal Notice of Determination and Record of Decision are scheduled for late 2022 or early 2023.

Responses to Common Questions About Potential Environmental Impacts

In November 2021, the Sites Project Authority released a fact sheet responding to common questions about the potential environmental impacts of the proposed Project (**Attachment 7**). In addition, the Revised Draft EIR/Supplemental Draft EIS includes more details related to the analysis of the proposed Project's potential impacts on a range of environmental resource areas.

In general, the proposed Project is an off-stream facility that does not dam a major river system or block fish migration or spawning. The proposed Project diverts water only during high-flow events. In addition, after discussions with state and federal fishery agencies, local stakeholders, environmental and Native American interests, the proposed Project operations were modified to be more protective of the environment. These modifications reduced the proposed Project diversions from the Sacramento River substantially, by almost 50 percent, as compared to the criteria proposed in 2017.

Storing water in Sites Reservoir during high-flow wet periods is part of the statewide strategy for adapting to changing climate conditions and to return much-needed flexibility to enhance environmental and water user needs.

Project Yield

The current operations model estimates the annual water yield of the proposed Project at approximately 207,000 to 260,000 AF per year. This model utilizes upstream Sacramento River flow and fishery regulatory criteria to protect instream river flows and water temperatures for salmon and other native species. Additional modeling analyses will continue to be conducted as further refinements are made to proposed Project operations.

Implementation of the proposed Delta Conveyance Project could allow for greater yields south of the Delta due to potential savings in Delta carriage water losses and south Delta regulatory restrictions. In 2021, if the proposed Project had been in operation, it is estimated that there would be close to one million AF of additional water supplies, previously stored during wet periods, and available for release over a two to three-year period to farms, cities, and the environment.

For Metropolitan, that additional storage in 2021 would amount to an approximate 230,000 AF share, which could have been used to secure water for our SWP exclusive areas, provide low-salinity supplies to reduce salt impacts and recharge our region's groundwater basins, and assist in meeting the Board's 500 mg/L water quality blending salinity objective.

Final Project formulation and annual operations will determine how the reservoir storage and yield will be divided between meeting water supply and environmental improvements funded by state Proposition 1 grant and federal Water Infrastructure Investment for the Nation (WIIN) Act appropriations.

Effect of Potential Climate Change Impacts

California's climate has always featured wide swings between drought and flood events. Storing water in natural snowpack reservoirs in the winter, which is slowly released through snowmelt into California's river system during the hotter spring/summer months, is critical to our economy and natural ecosystem. In a warming world,

the snowpack will become even more volatile, melting faster with more precipitation falling as rain. River flows will increase during the winter, causing more flooding, and less during the spring/summer months.

If the current climate change projections are right, the increasing temperature will require additional reservoirs to capture the more volatile runoff. Sites Reservoir helps provide more flexibility to water supply and fishery agencies to mitigate these climate change impacts. In addition, as climate temperatures increase, the effectiveness of the reservoir increase, both from a water supply and environmental flow perspective.

Operations and Coordination with Other Regional Reservoirs

The proposed Project is designed to divert water from the Sacramento River through existing state-of-the-art fish screens, only when actual flows on the Sacramento River exceed that needed by more senior water right holders, the Delta is in excess conditions, and based on stringent criteria to protect aquatic resources. Releases from the reservoir will be based on environmental needs, water user participant requests, and regulatory permit conditions.

The proposed Project's unique location, south of Lake Shasta and Lake Oroville but north of the Delta, allows it to enhance the environmental, water quality, flood control, recreational, and water supply functions those existing reservoirs serve. Sites Reservoir allows the state and federal fishery agencies and water supply operators more flexibility to adapt to changing river, climate, Delta flow, and water quality conditions.

As an example, the proposed Project could be operated in coordination with Lake Shasta to preserve and enhance cold water for endangered salmon in the Sacramento River. The proposed Project could also contribute to the increased fresh-water flow into the Delta during drier periods to assist with salinity management of this critical estuary. The proposed Project would not compete for the water resources stored in these state and federal facilities but would increase the total amount of managed water in storage. With the uncertainty associated with California's varying snowmelt runoff in the next century, having Sites Reservoir will enhance the conservation of our critical statewide water supplies.

Proposed Participant Budget and Metropolitan Cost Share

The proposed participant budget for the Amendment 3 Workplan is \$142,863,000, which includes:

Revenue Source	2022	2023	2024	TOTAL
State (Proposition 1)	\$ 18,300,000	--	--	\$ 18,300,000
Federal (WIIN Act)	\$ 10,000,000	\$ 20,000,000	\$ 20,000,000	\$ 50,000,000
Water User Participants	\$ 16,762,000	\$ 23,467,000	\$ 26,819,000	\$ 67,048,000
Sites Joint Powers Authority	\$ 505,000	\$ 505,000	\$ 505,000	\$ 1,515,000
Carryover Funds	\$ 6,000,000	--	--	\$ 6,000,000
TOTAL	\$ 51,567,000	\$ 43,972,000	\$ 47,324,000	\$ 142,863,000
Metropolitan Share	\$ 5,000,000	\$ 7,000,000	\$ 8,000,000	\$ 20,000,000

Costs associated with the proposed Project planning activities currently are being allocated to each water user participant based on its share of an assumed project yield of approximately 168,000 AF, which does not include the state or federal shares. The total assumed project yield for all participants is 234,000 AF. At present, Metropolitan holds 50,000 AF of participation rights in the proposed Project, which equates to 29.8 percent. Thus, Metropolitan's cost share for this next phase of planning activities would total \$20 million. This cost share would be paid over a three-year period, \$5 million in CY 2022, \$7 million in CY 2023, and \$8 million in CY 2024. Subsequently, costs associated with the proposed Project would be allocated based on each participant's share of the ultimate storage capacity approved for construction. As before, participation in this planning phase does not commit Metropolitan to participate in the construction phase of the proposed Project.

The obligation of the Project participants under the 2019 Reservoir Project Agreement and Third Amendment (**Attachments 3 and 4**) to make the second installment and third installment is conditioned upon the Sites Project

Authority and the Sites Reservoir Committee members each annually reapproving the Amendment 3 Workplan by an affirmative vote of at least 75 percent.

The final amount of water supplies available to Metropolitan and other participants from the proposed Project, if it is implemented, and the unit costs will depend on state and federal participation levels, the total dollar amount that Metropolitan and others elect to contribute through future phases, and the final costs and yield for the proposed Project.

Estimated Overall Project Cost

In 2019, the Sites Project Authority and participating agencies conducted a value-planning effort to minimize potential Project costs and impacts. That effort resulted in an improved Project that reduced costs from \$5.2 billion to approximately \$3.9 billion (in 2021 dollars). Cost savings came primarily from the removal of the proposed 13.5-mile Delevan Diversion pipelines and intake facility on the Sacramento River. The annual costs for operations, maintenance, and power are estimated at \$83 million to \$100 million annually. The estimated average cost per AF of yield ranges from \$700 to \$900 per AF at the reservoir. For Metropolitan, it is estimated that an additional \$300 to 400 per AF would be added to the yield cost to take care of conveyance losses in the Delta, SWP pumping costs, and Metropolitan water treatment costs. Efforts are underway by the Sites Project Authority to continue refining the proposed Project cost estimates as potential additional state and federal funding becomes available.

State and Federal Investment Funding

In 2017, the Sites Project Authority applied for state Proposition 1 grant funding to the California Water Commission. Proposition 1 included \$2.7 billion for new storage projects. In 2018, the California Water Commission approved \$816 million in state investment to advance the proposed Project, the largest grant award given to any project requesting Proposition 1 support. The state's Proposition 1 investment was increased in 2020 to \$836 million, and in 2022 to \$875 million. To date, the state has released approximately \$40 million to the proposed Project for completion of the environmental documentation and permit process. This state investment will pay for a portion of the reservoir cost, and in return, the state will receive flood control and recreation benefits as well as a portion of the water and storage produced by the proposed Project to be dedicated to environmental benefits in the watershed and Delta. On the federal side, the proposed Project has been awarded \$104 million in WIIN Act grants by the US Environmental Protection Agency (EPA). In addition, the proposed Project was awarded a \$449 million US Department of Agriculture loan that can be used to build the intertie between the Glen-Colusa Irrigation District and Tehama-Colusa Irrigation District canals to assist in water operations for the Project and its partners. The Sites Project Authority has been invited to apply for an EPA Water Infrastructure Finance and Innovation Act (WIFIA) loan in the amount of 49 percent of the total project cost (currently estimated to be \$2.2 billion). When executed, this low cost and flexible source of financing is estimated to reduce annual debt service payments by approximately 10 percent compared to without WIFIA.

Schedule

The proposed key milestones to be completed over the next three years include:

- Mar 2022 – Section 7 Biological Assessment for the US Fish & Wildlife Service (USFWS) and National Marine Fisheries Service (NMFS)
- Mar 2022 – CDFW Incidental Take Permit issued for Operations and Construction
- Oct 2022 – Final Revised EIR and Supplemental EIS issued
- Oct 2022 – Section 106 – National Historic Preservation Act Final Programmatic Agreement
- Dec 2022 – Federal ESA – Receive Biological Opinions from USFWS & NMFS
- Dec 2022 – Execute State (DWR) and Federal (USBR) Coordinated Operations Agreements
- Apr 2023 – Section 408 US Army Corps of Engineers Levee & Flood Permit and Central Valley Flood Protection Board Encroachment Permit issued
- Jun 2023 – Section 401 and 404 US EPA Clean Water Act Permit issued
- Jun 2023 – Section 1602 CDFW Streambed Alteration Agreement issued
- Oct 2023 – State Water Resources Control Board Water Right Permit issued
- Dec 2023 – 30 percent engineering design completed

- Nov 2023 – Proposition 1 Water Storage Investment Program final award from California Water Commission

Final engineering design for the project is scheduled to be completed by 2026, with reservoir construction completed by 2030 (**Attachment 6**).

Previous Metropolitan Board Authorizations

In April 2017, the Board authorized appropriation of \$1.5 million and participation in the Phase 1 Sites Reservoir Project Agreement. The \$35 million budget for the 2017/18 Workplan includes funding from the state of California, USBR, and public water agencies.

On February 12, 2019, the Board authorized appropriation of \$4,212,500, and participation in the 2019 Reservoir Project Agreement (**Attachment 3**) through December 31, 2019. The budget for the 2019 agreement was approximately \$15 million.

On October 12, 2020, the Board authorized appropriation of \$5 million and participation in the Phase 2 Workplan and the Second Amendment to the 2019 Reservoir Project Agreement. The budget for the Phase 2 Workplan was \$31.75 million, and included funding from the state of California, USBR, and public water agencies.

Policy

By Minute Item 45753, dated May 11, 2004, the Board adopted refined Bay-Delta finance and cost allocation policy principles for communication with the California Bay-Delta Authority and interested parties, as set forth in the letter signed by the Chief Executive Officer on April 20, 2004.

By Minute Item 46637, dated April 11, 2006, the Board adopted the policy principles regarding long-term actions for the Sacramento-San Joaquin River Delta as described in the revised letter signed by the General Manager on April 4, 2006.

By Minute Item 47135, dated June 12, 2007, the Board supported, in principle, the proposed Delta Action Plan, as set forth in the letter signed by the General Manager on May 25, 2007.

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines), and involves only feasibility or planning studies for possible future actions which the Board has not approved, adopted or funded (Section 15262 of the State CEQA Guidelines). In addition, the proposed action is categorically exempt under the provisions of CEQA and the State CEQA Guidelines because the proposed action involves basic data collection and research activities which do not result in a serious or major disturbance to an environmental resource, which may be strictly for information gathering purposes, or as part of a study leading to an action which a public agency has not yet approved, adopted, or funded (Class 6, Section 15306 of the State CEQA Guidelines).

CEQA determination for Option #2:

None required

Board Options

Option #1

- a. Authorize the General Manager to sign the Third Amendment to the 2019 Reservoir Project Agreement with the Sites Project Authority and other participants for participation in the Amendment 3 Workplan process for an amount not to exceed \$20,000,000; and
- b. Appropriate \$20,000,000 for the Amendment 3 Workplan based on reserving 311,700 acre-feet of storage rights, which is equivalent to approximately 50,000 AF of annual water supply reservoir releases.

Fiscal Impact: \$20,000,000; This cost share would be paid over a three-year period, \$5 million in CY 2022, \$7 million in CY 2023, and \$8 million in CY 2024. CY 2023 and 2024 funding is included in the Proposed Biennial Budget for FYs 2022/23 and 2023/24. CY 2022 funding is unbudgeted, but the additional costs will be offset by lower State Water Contract power costs as a result of the low SWP allocation.

Business Analysis: Allows active participation in the development of the Project, its benefits, and associated operations plan that could impact SWP supplies. Maintains option for reserving priority status in participating in future Project implementation.

Option #2

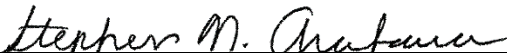
Do not authorize the General Manager to sign the Third Amendment to the 2019 Reservoir Project Agreement with the Sites Project Authority for participation in the Amendment 3 Workplan.

Fiscal Impact: None

Business Analysis: Vacates the option to participate in the benefits of the Project.

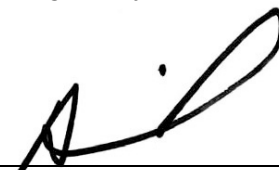
Staff Recommendation

Option #1


 Stephen N. Arakawa
 Manager, Bay-Delta Initiatives

3/24/2022

Date


 Adel Hagekhalil
 General Manager

3/30/2022

Date

Attachment 1 – Sites Reservoir Location Map

Attachment 2 – Sites Reservoir Facilities Map

Attachment 3 – 2019 Reservoir Project Agreement

Attachment 4 – Third Amendment to the 2019 Reservoir Project Agreement

Attachment 5 – Sites Reservoir Project Participants

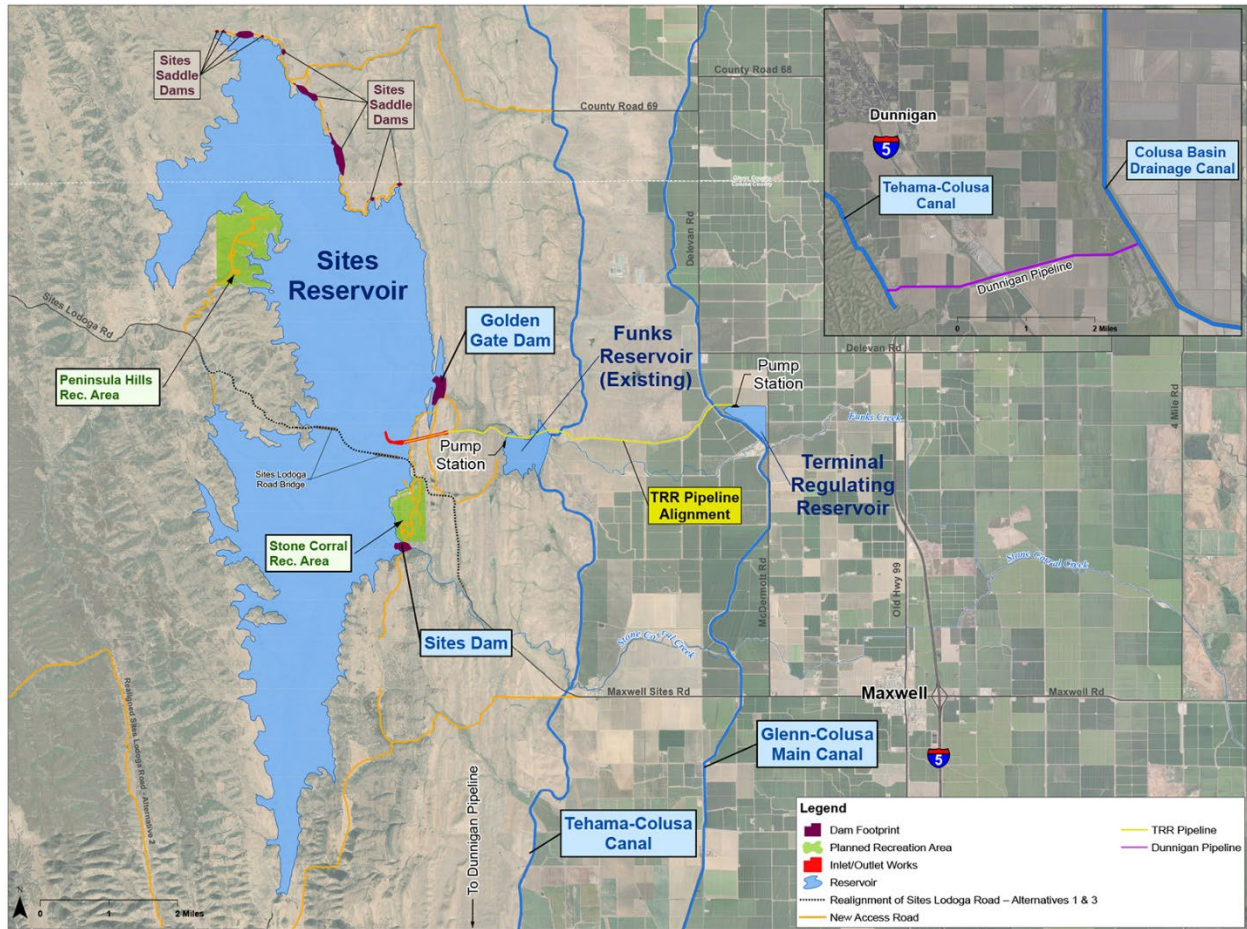
Attachment 6 – Sites Reservoir Schedule

Attachment 7 – Sites Reservoir RDEIR-SDEIR Common Questions & Responses

Sites Reservoir – Location Map



Sites Reservoir Project – Facilities Map



SITES PROJECT AUTHORITY

2019 RESERVOIR PROJECT AGREEMENT

DATED AS OF APRIL 1, 2019

BY AND AMONG

SITES PROJECT AUTHORITY

AND

THE PROJECT AGREEMENT MEMBERS LISTED HEREIN

TABLE OF CONTENTS

Section 1	Definitions.....	2
Section 2	Purpose.....	3
Section 3	Reservoir Project Committee.....	3
Section 4	Funding	5
Section 5	Participation Percentages	6
Section 6	Future Development of the Sites Reservoir Project.....	6
Section 7	Indemnity and Contribution.....	7
Section 8	Term.....	7
Section 9	Withdrawal From Further Participation.....	7
Section 10	Admission of New Project Agreement Members	8
Section 11	Amendments	8
Section 12	Assignment; Binding on Successors	8
Section 13	Counterparts.....	9
Section 14	Merger of Prior Agreements	9
Section 15	Severability	9
Section 16	Choice of Law.....	9
Section 17	Notices	9
EXHIBIT A	PROJECT AGREEMENT MEMBERS	A-1
EXHIBIT B	2019 WORK PLAN.....	B-1
EXHIBIT C	NOTIFICATIONS	C-1

THIS 2019 RESERVOIR PROJECT AGREEMENT is made effective as of April 1, 2019, by and among (a) the Sites Project Authority (the “Authority”) and (b) certain Members and/or Non-Member Participating Parties, listed on the attached **Exhibit A** and is made with reference to the following facts:

RECITALS

A. Various public agencies in the Sacramento River Watershed created the Authority in 2010. Various public agencies in the Sacramento River Watershed, including certain Project Agreement Members, previously entered into the Fourth Amended and Restated Sites Project Authority Joint Exercise of Powers Agreement, dated November 21, 2016, pursuant to which they are developing the Sites Reservoir Project, which is contained in the CalFed Bay-Delta program Programmatic Record of Decision, August 28, 2000. The Joint Powers Agreement provides a mechanism for “Project Agreements” (as defined in the Joint Powers Agreement) to undertake specific work activities for the development of the Sites Reservoir Project. On September 17, 2018, the Authority’s Board of Directors also adopted Bylaws for Phase 2 of the Sites Reservoir Project, which also address Project Agreements and their management through Reservoir Project Committees.

B. On April 11, 2016, certain Authority Members of the Authority entered into the PHASE 1 RESERVOIR PROJECT AGREEMENT which was amended and restated as of November 21, 2016.

C. The Authority and certain Project Agreement Members have undertaken a process to negotiate a 2019 Reservoir Project Agreement to undertake specific work activities.

D. The Project Agreement Members wish to continue development of the Project pursuant to a Work Plan approved by the Authority on November 19, 2018 and the Reservoir Project Committee on November 16, 2018 and a summary of which is described in **Exhibit B** attached hereto. The Project will be undertaken in the name of the Authority and in accordance with the Authority’s stated Mission as set forth in the fourth Recital of the Joint Powers Agreement. The Project Agreement Members are entering into this Project Agreement to satisfy the requirements of Article VI of the Joint Powers Agreement.

E. All members of the Authority have also been given the opportunity to enter into this Project Agreement. The form of this Project Agreement was determined to be consistent with the Joint Powers Agreement and the Bylaws and approved by the Authority’s Board of Directors on September 17, 2018.

F. The Authority and the Project Agreement Members acknowledge that one of the Authority’s goals, in addition to providing environmental benefits, is to develop and make both a water supply and storage capacity available to water purveyors and landowners within the Sacramento River watershed, and in other areas of California, who are willing to purchase either or both a water supply and storage capacity from the Sites Reservoir Project, and that the Project Agreement Members should have a preference to the water supply or storage capacity.

G. The Authority and the Project Agreement Members acknowledge that the approval and execution of this Project Agreement does not commit the Authority, the Project Agreement Members or any other party to any definite course of action regarding the Sites Reservoir Project. As

set forth in Section 6(a) of this Project Agreement, there are no assurances that the Sites Reservoir Project will be constructed. One of the prerequisites that would need to be fulfilled before the Sites Reservoir Project could be constructed is the completion of environmental review under the California Environmental Quality Act (“CEQA”). As part of this environmental review, the Authority, as the lead agency that is conducting the review, reserves all of its rights, responsibilities, obligations, powers, and discretion under the provisions of CEQA to: (i) evaluate the environmental impacts of the Sites Reservoir Project; (ii) deny and disapprove the Sites Reservoir Project if the environmental review reveals significant environmental impacts that cannot feasibly be mitigated; (iii) adopt feasible mitigation measures and/or an alternative to the Sites Reservoir Project to avoid or lessen significant environmental impacts; or (iv) determine that any significant environmental impacts that cannot feasibly be mitigated are outweighed by the economic, social or other benefits of the Sites Reservoir Project.

AGREEMENT

THEREFORE, in consideration of the facts recited above and of the covenants, terms and conditions set forth herein, the parties agree as follows:

Section 1 Definitions

“Authority” means the Sites Project Authority, a joint exercise of powers agency created pursuant to the Joint Powers Agreement.

“Authority Members” means the members of the Authority executing the Joint Powers Agreement, as such members may change from time-to-time in accordance with Section 3.3, Section 7.12 and Section 7.2 of the Joint Power Agreement.

“Board” means the Board of Directors of the Authority.

“Bylaws” means the Bylaws for Phase 2 of the Sites Reservoir Project adopted by the Authority on September 17, 2018, as such Bylaws may be amended or supplemented from time-to-time in accordance therewith.

“Committee” means the Reservoir Project Committee described in Section 3 of this Project Agreement.

“Fiscal Year” means the fiscal year of the Authority, which currently begins on January 1 of each calendar year and ends on December 31 of each calendar year, or such other twelve month period which may be designated by the Authority as its Fiscal Year.

“Joint Power Agreement” means the Fourth Amended and Restated Sites Project Authority Joint Exercise of Powers Agreement, dated November 21, 2016, as such agreement may be amended or supplemented from time-to-time in accordance therewith.

“Law” means Articles 1 through 4 (commencing with Section 6500), Chapter 5, Division 7, Title 1 of the California Government Code, as amended or supplemented from time-to-time.

“Material Change Item” shall have the meaning ascribed thereto in the Bylaws.

“Participation Percentage” means the Participation Percentages as set forth in **Exhibit A** hereto, as such Participation Percentages may be modified in accordance herewith.

“2019 Budget” means the 2019 Budget approved by the Committee on November 16, 2018 and the Authority on November 19, 2018, as such 2019 Budget may be amended or supplemented from time-to-time in accordance with the Joint Powers Agreement, this Project Agreement and the Bylaws.

“Project” or “Sites Reservoir Project” means the Sites Reservoir Project as described in **Exhibit B** hereto, as modified from time-to-time in accordance therewith.

“Project Agreement” means this Project Agreement, dated as of April 1, 2019, by and among the Authority and the Project Agreement Members listed on **Exhibit A** from time-to-time, as such Project Agreement may be amended or supplemented from time-to-time in accordance herewith.

“Project Agreement Members” means (a) the Authority Members listed in the attached **Exhibit A**, (b) the Non-Member Participating Parties listed in the attached **Exhibit A** and (c) additional Authority Members or Non-Member Participating Parties who execute this Project Agreement from time-to-time pursuant to Section 10 hereof.

“Work Plan” means the activities described in **Exhibit B** hereto as such description may be amended or supplemented from time-to-time.

Section 2 **Purpose**

The purpose of this Project Agreement is to permit the Authority and the Project Agreement Members to continue development of the Project in the name of the Authority consistent with the Joint Powers Agreement. The activities undertaken to carry out the purposes of this Project Agreement shall be those, and only those, authorized by the Authority and the Committee in accordance with this Project Agreement, the Joint Powers Agreement and the Bylaws. Without limiting in any way the scope of the activities that may be undertaken under this Project Agreement, such activities shall include funding the Authority’s costs undertaken to carry out the directions of the Committee. Notwithstanding any other provision of this Project Agreement, no activity undertaken pursuant to this Project Agreement shall conflict with the terms of the Joint Powers Agreement or the Bylaws, nor shall this Project Agreement be construed in any way as creating an entity or combination of entities that is separate and apart from the Authority.

Section 3 **Reservoir Project Committee**

(a) **Committee Membership.** The business of the Project Agreement Members under this Project Agreement shall be conducted by a Committee consisting of one member appointed by each Project Agreement Member. Appointment of each member of the Committee shall be by action of the governing body of the Project Agreement Member appointing such member, and shall be effective upon the appointment date as communicated in writing to the Authority. Project Agreement Members may also appoint one or more alternate Committee members, which alternate(s) shall assume the duties of the Committee member in case of absence or unavailability of such member. Project Agreement Members may also appoint an alternate Committee member from a different Project Agreement Member for convenience in attending Committee meetings, who may

cast votes for such Project Committee Members, provided that no person shall represent more than five other Project Committee Members and more than 20% of the weighted vote as provided in Subsection 3(g) at any given meeting; provided however, that if the appointing Project Committee Member is an officer of the Committee, the appointed alternate Committee member shall not assume the capacity of such officer position. In order to serve as an alternate Committee member, a written evidence of such designation shall be filed with the Committee Secretary. Each member and alternate member shall serve on the Committee from the date of appointment by the governing body of the Project Agreement Member he/she represents and at the pleasure of such governing body.

(b) Officers. The Committee shall select from among its members a Chairperson, who shall annually act as presiding officer, and a Vice Chairperson, to serve in the absence of the Chairperson. There also shall be selected a Secretary, who may, but need not be, a member of the Committee and a Treasurer. All elected officers shall be elected and remain in office at the pleasure of the Committee, upon the affirmative vote of at least a majority of the total weighted vote as provided at Subsection 3(g);

(c) Treasurer. The Authority Treasurer shall serve as the Committee's Treasurer and shall act as the Committee's liaison to the Authority's General Manager and Authority Board on financial matters affecting the Committee. The Treasurer shall prepare and provide regular financial reports to the Committee as determined by the Committee. The Treasurer shall not be required to be a member of the Board of Directors of the Authority.

(d) General Manager. The Authority's General Manager shall (1) serve as the Project Director responsible for advancing the Sites Reservoir Project, (2) be a non-voting member of the Committee, (3) ensure coordination of activities between the Authority and Committee, (4) convene, on an as needed basis, legal representatives from the Project Agreement Members and Authority Members to advise the General Manager on legal matters that will be reported to the Committee and Authority on a timely basis, and (5) coordinate the activities between the Committee and both the United States Bureau of Reclamation and Department of Water Resources.

(e) Meetings. The Chairperson of the Committee or a majority of a quorum of the members of the Committee are authorized to call meetings of the Committee as necessary and appropriate to conduct its business under this Project Agreement. All such meetings shall be open to the public and subject to the requirements set forth in the Ralph M. Brown Act (Government Code Sections 54950 et seq.).

(f) Quorum. A majority of the Committee members based on the weighted vote provided in Subsection 3(g) shall constitute a quorum of the Committee.

(g) Voting. Notwithstanding any provisions of the Bylaws that might be construed otherwise, for purposes of this Project Agreement, the voting rights of each Project Agreement Member shall be determined as follows:

(i) an equal number of voting shares for each Project Agreement Member as defined in **Exhibit A**, that being for each Project Agreement Member, 1 divided by the total number of Project Agreement Members, multiplied by 50; plus

- (ii) an additional number of voting shares for each Project Agreement Member equal to its respective Participation Percentage described in **Exhibit A**, multiplied by 50, using the version of **Exhibit A** in effect at the time the Committee votes.

The resulting weighted total of all voting shares shall equal 100. An Example of this weighted voting incorporating the formulas for determining participating percentages is attached at **Exhibit A**.

(h) Decision-making Thresholds. In accordance with Section 5.8 of the Bylaws, for purposes of this Project Agreement, approval by the Committee for material and non-material changes shall be as follows: for actions other than Material Change Items, action of the Committee shall be taken upon the affirmative vote of at least a majority of the total weighted vote as provided in Subsection 3(g); for Material Change Items, action shall be taken upon the affirmative vote of at least 75% of the total weighted vote as provided at Subsection 3(g).

(i) Delegation of Authority/Powers and Limitations Thereon. Subject to the direction of the governing bodies of the Project Agreement Members, the Committee shall undertake all actions necessary for carrying out this Project Agreement, including but not limited to setting policy for the Project Agreement Members acting under this Project Agreement with respect to the Project; recommending actions to be undertaken in the name of the Authority under this Project Agreement; determining the basis for calculation of the Participation Percentages for each fiscal year, and the timing required for payments of obligations hereunder; authorizing expenditure of funds collected under this Project Agreement within the parameters of the Work Plan and budget; and such other actions as shall be reasonably necessary or convenient to carry out the purposes of this Project Agreement. This Section 3(i) is subject to any and all limitations set forth in the Joint Powers Agreement and Bylaws, including but not limited to, any action that constitutes a material change as defined at Section 12.3 of the Bylaws requiring the approval of both the Committee and the Authority Board, and actions specified in Section 10 of the Bylaws which remain exclusively with the Authority Board.

Section 4 Funding

(a) Budget. The Committee shall, in cooperation with the Authority's Board, provide and approve both a Fiscal Year operating budget and reestablish a Phase 2 budget target, annually or more frequently as needed. On November 19, 2018, the Board approved the Fiscal Year 2019 operating budget. The Work Plan, including annual budget, dated November 19, 2018, is attached at Exhibit B, along with the budget approval process and requirements. The Project Agreement Members shall contribute their respective pro-rata share of the budgeted sums in accordance with Section 5 of this Project Agreement; provided, however, that in no event shall the amount paid by a Project Agreement Member exceed \$60 per acre-foot without the approval of such Project Agreement Member.

(b) Fiscal Responsibilities. Exhibit B specifies the Authority's requirements regarding the fiscal responsibilities of the Committee.

(c) Allocation of Project Agreement Expenses. The Project Agreement Members agree that all expenses incurred by them and/or by the Authority under this Project Agreement are the costs of the Project Agreement Members and not of the Authority or the Project Agreement Members of the Authority that do not execute this Project Agreement, and shall be paid by the Project Agreement Members; provided, however, that this Section shall not preclude the Project

Agreement Members from accepting voluntary contributions and/or Authority Board's pre-approval of in-kind services from other Authority Members, or Project Agreement Members, and applying such contributions to the purposes hereof. The Project Agreement Members further agree to pay that share of any Authority costs reasonably determined by the Authority's Board to have been incurred by the Authority to administer this Project Agreement. Before the Authority's costs of administering this Project Agreement become payable, the Authority will provide its calculation of such costs to the Committee, which will have the right to audit those costs and provide comments on the calculation to the Authority Board. The Authority Board shall consider the Committee's comments, if any, including the results of any such audit, in a public meeting before the Authority Board approves a final invoice for such costs.

Section 5 Participation Percentages

Subject to Section 4(a), each Project Agreement Member shall pay that share of costs for activities undertaken pursuant to this Project Agreement, whether undertaken in the name of the Authority or otherwise, equal to such Project Agreement Member Participation Percentage as established in this Section 5. The initial Participation Percentages of the Project Agreement Member are set forth in the attached **Exhibit A**. These initial Participation Percentages are for the purpose of establishing the Reservoir Project Agreement Members respective responsibilities for costs under this Project Agreement and other amounts contained in the approved Fiscal Year budget and Phase 2 budget target, which is defined as the "Reservoir Total" on **Exhibit B**. The Participation Percentages of each Project Agreement Member will be modified by the Committee from time to time as the result of the admission of a new Project Agreement Member to this Project Agreement or the withdrawal of a Project Agreement Member, and **Exhibit A** shall be amended to reflect all such changes. Such amended **Exhibit A** shall, upon approval by the Committee, be attached hereto and upon attachment, shall supersede all prior versions of **Exhibit A** without the requirement of further amendment of this Project Agreement.

Section 6 Future Development of the Sites Reservoir Project

(a) The Project Agreement Members acknowledge that the Sites Reservoir Project is still in the conceptual stage and there are no assurances that the Sites Reservoir Project will be constructed or that any water supplies will be developed as a result of this Project Agreement. **Exhibit B** includes a partial list of some of the risks and uncertainties that underlie the lack of assurances. The Project Agreement Members therefore recognize that they are not acquiring any interest in the Sites Reservoir Project other than their interest in the specific permitting, design, engineering and other materials that will be in the Work Plan Project as described in **Exhibit B**, and that the Project Agreement Members are not acquiring under this Project Agreement any interest in any future water supply or access to any other services from the Sites Reservoir Project except as provided hereunder.

(b) Without limiting the foregoing, any Project Agreement Member that elects to continue participating in the development, financing, and construction of the Sites Reservoir Project to the time when the Authority offers contracts for a water supply or other services, will be afforded a first right, equal to that Project Agreement Member's Participation Percentage, to contract for a share of any water supply that is developed, and for storage capacity that may be available from, the Sites Reservoir Project. In any successor phase agreements, Project Agreement Members who are parties to this Project Agreement that submitted a proposal to participate before February 15, 2019, shall be granted rights to contract for a share of any water supply that is developed, and for storage capacity

that may be available from the Sites Reservoir Project prior to the rights of those becoming parties to this Project Agreement after that date. The Authority and the Project Agreement Members will cooperate on the drafting of provisions in the water supply contract that will allow a Project Agreement Member or other eligible entity that commits to purchase a Sites Reservoir Project water supply to transfer water that the entity may not need from time to time on terms and conditions acceptable to the such Project Agreement Member.

Section 7 Indemnity and Contribution

(a) Each Project Agreement Member, including Authority Members acting in their capacity as Project Agreement Members, shall indemnify, defend and hold the Authority, Authority Members and other Project Agreement Members and their directors, trustees, officers, employees, and agents harmless from and against any liability, cause of action or damage (including, without limitation, reasonable attorneys' fees) arising out of the performance of this Project Agreement multiplied by each Project Agreement Member's Participation Percentage. Notwithstanding the foregoing, to the extent any such liability is caused by the negligent or intentional act or omission of an Authority Member or a Project Agreement Member, such Authority Member or Project Agreement Member shall bear such liability.

(b) Each Project Agreement Member, including Authority Members acting in their capacity as Project Agreement Members, shall indemnify, defend and hold the Authority and the members of the Authority that do not execute this Project Agreement and their directors, trustees, officers, employees and agents harmless from and against any liabilities, costs or expenses of any kind (including, without limitation, reasonable attorney's fees) arising as a result of the activities described in or undertaken pursuant to this Project Agreement multiplied by each Project Agreement Member's Participation Percentage. All assets, rights, benefits, debts, liabilities and obligations attributable to activities undertaken under this Project Agreement shall be assets, rights, benefits, debts, liabilities and obligations solely of the Project Agreement Members in accordance with the terms hereof, and shall not be the assets, rights, benefits, debts, liabilities and obligations of the Authority or of those members of the Authority that have not executed this Project Agreement. Members of the Authority not electing to participate in the Project Agreement shall have no rights, benefits, debts, liabilities or obligations attributable to the Project Agreement.

Section 8 Term

(a) No provision of this Project Agreement shall take effect until this Project Agreement has been duly executed and delivered by the Authority and by one Project Agreement Member.

(b) The term of this Project Agreement shall continue until December 31, 2019, unless extended in writing by the parties hereto.

Section 9 Withdrawal From Further Participation

To withdraw from this Project Agreement, a Project Agreement Member shall give the Authority and other Project Agreement Members written notice of such withdrawal not less than 30 days prior to the withdrawal date. As of the withdrawal date, all rights of participation in this Project Agreement shall cease for the withdrawing Project Agreement Member. The financial obligation as prescribed in the Bylaws' Section 5.11 in effect on the withdrawal date, shall consist of the

withdrawing Member's share of the following costs: (a) payment of its share of all non-contract costs incurred prior to the date of the written notice of withdrawal, and (b) those contract costs associated with funds approved in either contract amendments or task orders that were approved prior to the date of the written notice of withdrawal for which the contractor's work extends beyond the withdrawal date. However, a withdrawing member shall have no liability for any change order or extensions of any contractor's work that the remaining Project Agreement Members agree to after the withdrawing Member provides written notice of withdrawal. Withdrawal from this Project Agreement shall not be considered a Material Change Item and shall not be subject to the Dispute Resolution process provided for in Section 13.3 of the Bylaws.

Section 10 Admission of New Project Agreement Members

Additional Members of the Authority and Non-Member Participating Parties may become Project Agreement Members upon (a) confirmation of compliance with the membership requirements established in the Bylaws, (b) the affirmative vote of at least 75% of the total weighted vote as provided at Subsection 3(g) of the then-current Project Agreement Members, (c) the affirmative vote of at least 75% of the total number of Directors of the Authority, and (d) upon such conditions as are fixed by such Project Agreement Members.

Section 11 Amendments

This Project Agreement may be amended only by a writing executed by the Authority and at least 75% of the total weighted vote as provided in Subsection 3(g) of the then-current Committee members.

Section 12 Assignment; Binding on Successors

Except as otherwise provided in this Project Agreement, the rights and duties of the Project Agreement Members may not be assigned or delegated without the written consent of the other Project Agreement Members and the Authority, which consent shall not be unreasonably withheld. Any attempt to assign or delegate such rights or duties in contravention of this Project Agreement shall be null and void. Project Agreement Members may assign and delegate their rights and duties under this Project Agreement to other Project Agreement Members, and they may assign, sell, trade, or exchange all or a fraction of the potential benefits (e.g. acre-feet of water supply, megawatt-hours of power) they expect to receive through their participation in this Project Agreement. Any approved assignment or delegation shall be consistent with the terms of any contracts, resolutions, indemnities and other obligations of the Authority then in effect. This Project Agreement shall inure to the benefit of, and be binding upon, the successors and assigns of the Authority and the Project Agreement Members.

Section 13 **Counterparts**

This Project Agreement may be executed by the Authority and each Project Agreement Member in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument. Facsimile and electronic signatures shall be binding for all purposes.

Section 14 **Merger of Prior Agreements**

This Project Agreement and the exhibits hereto constitute the entire agreement between the parties and supersede all prior agreements and understanding between the parties relating to the subject matter hereof. This Project Agreement is intended to implement, and should be interpreted consistent with, the Joint Powers Agreement.

Section 15 **Severability**

If one or more clauses, sentences, paragraphs or provisions of this Project Agreement shall be held to be unlawful, invalid or unenforceable, the remainder of the Project Agreement shall not be affected thereby.

Section 16 **Choice of Law**

This Project Agreement shall be governed by the laws of the State of California.

Section 17 **Notices**

Notices authorized or required to be given under this Project Agreement shall be in writing and shall be deemed to have been given when mailed, postage prepaid, or delivered during working hours, to the addresses set forth **Exhibit E** (“**Notifications**”), or to such other address as a Project Agreement Member may provide to the Authority and other Project Agreement Members from time to time.

IN WITNESS WHEREOF, the Authority and Project Agreement Members hereto, pursuant to resolutions duly and regularly adopted by their respective governing bodies, have caused their names to be affixed by their proper and respective officers on the date shown below:

Dated: _____

SITES PROJECT AUTHORITY

By: _____

Name:

Title:

[PROJECT AGREEMENT MEMBER]

Dated: _____

(Authority & Project Agreement Member)

By: _____

Name:

Title:

EXHIBIT A

PROJECT AGREEMENT MEMBERS

Participant	Participation (Annualized Acre-Foot)	
	Preliminary	Percent
American Canyon, City of	~4,000	1.7%
Antelope Valley-East Kern Water Agency	~500	0.2%
Carter Mutual Water Company ‡	~500	0.2%
Coachella Valley Water District	~10,000	4.3%
Colusa County	~10,000	4.3%
Colusa County Water District	~13,100	5.6%
Desert Water Agency	~6,500	2.8%
Glenn-Colusa Irrigation District	~5,000	2.1%
Metropolitan Water District of S. CA	~50,000	21.4%
Pacific Resources Mutual Water Company ‡	~20,000	8.5%
Reclamation District 108	~5,000	2.1%
San Bernardino Valley Municipal Water District	~21,400	9.1%
San Geronio Pass Water Agency	~14,000	6.0%
Santa Clara Valley Water District	24,000	10.3%
Santa Clarita Valley Water Agency	~5,000	2.1%
TC-4: Cortina Water District	~300	0.1%
TC-4: Davis Water District	~2,000	0.9%
TC-4: Dunnigan Water District	~2,774	1.2%
TC-4: LaGrande Water District	~1,000	0.4%
Westside Water District	~15,000	6.4%
Wheeler Ridge-Maricopa Water Storage District	14,000	6.0%
Zone 7 Water Agency	~10,000	4.3%
Potential new participants	TBD	%
Total:	234,074	100.0%

Participation Percentages exclude State of California and United States Bureau of Reclamation share of the Project.

NOTE: Any annualized amounts listed for Phase 2 are preliminary and are based on best estimates received after participants' respective review of the draft financing plan and draft Phase 2 Reservoir Project Agreement. These amounts do not represent the results of any action having been taken by the participants' respective governing body to formally execute the Phase 2 Reservoir Project Agreements. Final participation amounts will be established after interim financing terms and conditions have been provided and incorporated into the final Phase 2 Reservoir Project Agreement.

‡ Denotes a non-public agency. Refer to California Corporations Code Section 14300 et. seq. with additional requirements provided in both the Public Utilities Code and Water Code.

EXHIBIT B
2019 WORK PLAN

2018 November 16 Reservoir Committee Meeting - Attachment A - Agenda Item 3-3

Category	(Multiple Items)
Action	(Multiple Items)
Funding Source	(Multiple Items)
Work Manager	(All)
Priority	(All)

Report: **Reservoir Committee 2019 Work Plan & Budget**
Report Date: 2018 Nov 12

Expense (-) or Revenue (+)	Cost Center	Task	Resource	Reprioritize	Proposed Budget
				Currently Approved Budget	Authority= 12 mon Res. Comm= 9 mon
				Sum of Total End of Phase 1	Sum of Total 2019
Expense	C.R. Policy			\$ -	\$ (2,067,094)
	Engagement			\$ -	\$ (135,000)
	Operations	Contingency		\$ -	\$ -
		Env Interests		\$ (44,936)	\$ (120,552)
		Exchange		\$ -	\$ (75,550)
		Modeling		\$ (325,000)	\$ (998,480)
		Op POA		\$ (59,488)	\$ (61,040)
		Staff+		\$ (69,705)	\$ (417,555)
		Storage		\$ (17,824)	\$ (136,300)
		Water Rights		\$ (29,712)	\$ (204,264)
		Water Rights+		\$ (29,712)	\$ (119,892)
	Operations Total			\$ (576,377)	\$ (2,133,633)
	Power	Grid Interconn+		\$ -	\$ (1,097,880)
		H2oPower+		\$ -	\$ (668,453)
		Staff Aug+		\$ -	\$ (632,880)
		Staff+		\$ -	\$ -
	Power Total			\$ -	\$ (2,399,213)
	Res. Comm. O	Advisory		\$ (43,200)	\$ (82,565)
		Office		\$ -	\$ (133,100)
		Participation		\$ (109,800)	\$ (210,600)
		PROCURE		\$ -	\$ (80,240)
		PROCURE-2		\$ -	\$ -
		Rebalance		\$ (8,400)	\$ (134,070)
		Staff		\$ (6,000)	\$ (1,739,573)
		Staff Aug		\$ -	\$ (4,237,495)
		Staff Aug+		\$ -	\$ (225,990)
		Staff+		\$ -	\$ -
		Support		\$ (26,925)	\$ (107,678)
		Technology		\$ (3,330)	\$ (13,280)
		USDA-1		\$ (10,000)	\$ (10,800)
		WSIP-1		\$ (51,440)	\$ (81,960)
	Res. Comm. OH Total			\$ (259,095)	\$ (7,057,351)
	Water	Dam Design		\$ -	\$ (8,776,500)
		Economics+		\$ -	\$ (329,880)
		EIR-EIS		\$ (165,000)	\$ (2,371,767)
		Field Studies		\$ (200,000)	\$ (887,876)
		Field Surveys		\$ -	\$ (91,980)
		Permit Coord		\$ (590,000)	\$ (8,095,900)
		Rights of Entry		\$ (306,000)	\$ (600,119)
	Water Total			\$ (1,261,000)	\$ (21,154,022)
Expense Total				\$ (2,096,472)	\$ (34,946,312)

Summary - Page 1 of 2

NOTE: 2019 proposed budget, which is applicable to this Agreement, was approved by the Reservoir Committee at their November 16, 2018 meeting with the Reservoir Committee's share of expenses listed on page B-2.

Expense (-) or Revenue (+)	Cost Center	Task	Resource	Reprioritize	Proposed Budget
				Currently Approved Budget	Authority= 12 mon Res. Comm= 9 mon
				Sum of Total End of Phase 1	Sum of Total 2019
Revenue	Conversion			\$ -	\$ 2,067,094
	WIIN			\$ -	\$ 8,776,500
	WSIP			\$ 821,603	\$ 10,077,760
	Res. Comm.			\$ -	\$ 14,044,440
Revenue Total				\$ 821,603	\$ 34,965,795
Grand Total				\$ (1,274,870)	\$ 19,482

EXHIBIT C

NOTIFICATIONS

Attention: Mr. Steve Hartwig
City of American Canyon
4381 Broadway, Suite 201
American Canyon, CA 94503

Attention: Mr. Tom Charter
c/o Ms Jamie Traynham
Davis Water District
P.O. Box 83
Arbuckle, CA 95912

Attention: Mr. Dwayne Chisam
Antelope Valley-East Kern WA
6500 West Avenue N
Palmdale, CA 93551

Attention: Mr. Mark Krause
Desert Water Agency
1200 South Gene Autry Trail
Palm Springs, CA 92264

Attention: Mr. Ben Carter
Carter MWC
4245 River Road
Colusa, CA 95932

Attention: Mr. Bill Vanderwaal
Dunnigan Water District
P.O. Box 84
Dunnigan, CA 95937

Attention: Mr. Jim Barrett
Coachella Valley Water District
P.O. Box 1058
Coachella, CA 92236

Attention: Mr. Thad Bettner
Glenn-Colusa Irrigation District
P.O. Box 150
Willows, CA 95988

Attention: Ms. Wendy Tyler
Colusa County
547 Market St., Suite 102
Colusa, CA 95932

Attention: Mr. Matt LaGrande
LaGrande Water District
P.O. Box 370
Williams, CA 9598

Attention: Ms. Shelley Murphy
Colusa County Water District
P.O. Box 337
Arbuckle, CA 95912

Attention: Mr. Steve Arakawa
Metropolitan Water District of Southern
California
1121 L Street, Suite 900
Sacramento, CA 95814

Attention: Mr. Jim Peterson
Cortina Water District
P.O. Box 489,
Williams, CA 95987

Attention: Mr. Preston Brittain
Pacific Resources MWC
4831 Calloway Drive, Ste. 102
Bakersfield, CA 93312
Bakersfield, CA 93312

Attention: Mr. Bill Vanderwaal

Reclamation District 108
P.O. Box 50
Grimes, CA 95950

Attention: Mr. Dirk Marks

Santa Clarita Valley Water Agency
27234 Bouquet Canyon Road
Santa Clarita, CA 91350

Attention: Mr. Doug Headrick

San Bernardino Valley Municipal Water District
380 East Vanderbilt Way
San Bernardino, CA 92408-3593

Attention: Dan Ruiz

Westside Water District
5005 State Hwy 20
Williams, CA 95987

Attention: Mr. Jeff Davis

San Geronio Pass Water Agency
1210 Beaumont Ave,
Beaumont, CA 92223

Attention: Robert Kunde

Wheeler Ridge-Maricopa Water Storage District
12109 Highway 166
Bakersfield, CA 93313

Attention: Ms. Cindy Kao

Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, CA 95118-3686

Attention: Ms. Valerie Pryor

Zone 7 Water Agency
100 North Canyons Parkway
Livermore, CA 945

Attention: Mr. Dirk Marks

THIRD AMENDMENT TO 2019 RESERVOIR PROJECT AGREEMENT

BY AND AMONG
SITES PROJECT AUTHORITY

and

THE PROJECT AGREEMENT MEMBERS LISTED HEREIN

Dated as of January 1, 2022

THIS THIRD AMENDMENT TO 2019 RESERVOIR PROJECT AGREEMENT (this “Third Amendment”), dated as of January 1, 2022, by and among SITES PROJECT AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the “Authority”), and the project agreement members listed in the Agreement referenced below (the “Project Agreement Members”) amends that certain 2019 Reservoir Project Agreement dated as of April 1, 2019 (the “Original Agreement”), as previously amended by the First Amendment to 2019 Reservoir Project Agreement dated as of January 1, 2020 (the “First Amendment”) and by the Second Amendment to 2019 Reservoir Project Agreement dated as of July 1, 2020 (the “Second Amendment” and, together with the Original Agreement, the First Amendment and the Second Amendment, the “Agreement”), each by and among the Authority and the Project Agreement Members;

WITNESSETH:

WHEREAS, Authority and the Project Agreement Members have determined to approve an Amendment 3 Work Plan and to extend the term of the Agreement to December 31, 2024; and

WHEREAS, under Section 11 of the Agreement, the Agreement may be amended by a writing executed by the Authority and at least 75% of the total weighted vote of the then current Committee members as provided in Subsection 3(g); and

WHEREAS, except as provided below in Section 2.07 below, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and the entering into of this Third Amendment do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Third Amendment;

NOW, THEREFORE, THIS THIRD AMENDMENT WITNESSETH, the Authority and the Project Agreement Members agree, as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. All capitalized terms not otherwise defined herein shall have the meaning set forth in the Agreement.

ARTICLE II

AMENDMENTS TO AGREEMENT

Section 2.01. Project Agreement Members.

(a) Effective January 1, 2022, Exhibit A to the Agreement titled “Project Agreement Members” shall be removed and replaced with Exhibit A to this Third Amendment titled “Project Agreement Members.”

Section 2.02. Work Plan.

(a) Effective January 1, 2022, the Amendment 2 Work Plan attached as Exhibit B to the Second Agreement shall be supplemented by the Work Plan attached hereto as Exhibit B (the “Amendment 3 Work Plan”).

Section 2.03. Funding.

The Agreement is hereby amended to remove Section 4(a) in its entirety and replace it with the following:

“(a) Budget. The Committee shall, in cooperation with the Authority’s Board, provide and approve both a Fiscal Year operating budget and reestablish a Phase 2 budget target, annually or more frequently as needed. The Project Agreement Members shall contribute their respective pro-rata share of the budgeted sums reflected in the Amendment 3 Work Plan in accordance with Section 5 of this Project Agreement. The contribution with respect to the pro-rata budgeted sums reflected in the Amendment 3 Work Plan shall be payable by each Project Agreement Member in three installments. The first installment shall be in an amount equal to \$100 per acre-foot and shall be payable by no later than May 1, 2022. The second installment shall be in an amount equal to up to \$140 per acre-foot and shall be payable by no later than January 1, 2023. The third installment shall be in an amount equal to up to \$160 per acre-foot and shall be payable by no later than January 1, 2024. The obligation of the Project Agreement Members to make the second installment and third installment shall be conditioned upon the Authority and the Committee reapproving the Amendment 3 Work Plan or approving an amendment thereto by (i) an affirmative vote of at least 75% of the total number of Directors of the Authority Board and (ii) an affirmative vote of at least 75% of the total weighted vote as provided at Subsection 3(g) of the then-current Committee members, prior to January 1, 2023 or January 1, 2024, as applicable.”

Section 2.04. Future Development of the Proposed Sites Reservoir Project.

The Agreement is hereby amended to add the below Sections 6(c), 6(d) and 6(e):

“(c) On or prior to March 31, 2022, each Project Agreement Member shall provide the Authority with a completed Project Agreement Member Project Payment Annex in the form attached hereto as Exhibit C. The Project Agreement Members, upon written request of the Authority, will meet with Authority staff from time to time, but not more often than once per calendar quarter, at which meeting, Authority staff will provide such Project Agreement Members with information regarding the then-current financing options being considered by the Authority and the expected terms of such financing options and the Project Agreement Member will provide updates regarding the status of the items identified in the Project Agreement Member Project Payment Annex.

(d) On or prior to June 30, 2023, each Project Agreement Member shall provide the Authority with a written update (the “Project Agreement Member Update”) with respect to the progress in the implementation of such repayment option, the remaining actions to be taken and the estimated completion dates.

For those Project Agreement Members that identified special benefit assessments or land based charges imposed in an improvement district as a source of repayment for an Authority

financing in its Project Agreement Member Payment Annex, the Project Agreement Member Update will also include a confirmation that such Project Agreement Member has the legal or contractual authority to discontinue water service to a water user that is delinquent in the payment of such special benefit assessment or land based charge, as applicable.

The Project Agreement Member Update will also include a confirmation that the Project Agreement Member has adopted a debt management policy that is compliant with California Government Code Section 8855(i), or, if such Project Agreement Member has not adopted such a debt management policy, the Project Agreement Member Update will include a statement that such Project Agreement Member expects to adopt such a debt management policy or an opinion from the general counsel to such Project Agreement Member to the effect that such a debt management policy is not required to be adopted by the Project Agreement Member to finance its share of the Project.

The Project Agreement Member Update shall also identify any change in the proposed source of repayment from the source identified in the Project Agreement Member Payment Annex previously submitted to the Authority.

(e) The Project Agreement Members that identified the repayment options of either special benefit assessments or land based charges imposed in an improvement district in their respective Project Agreement Member Payment Annexes agree to use best efforts to complete the necessary procedures to comply with the applicable requirements of Proposition 218 by no later than June 30, 2023.”

Section 2.05. Term. The Agreement is hereby amended to remove Section 8(b) in its entirety and replace it with the following:

“(b) The term of this Project Agreement shall continue until December 31, 2024. In the event that this Third Amendment is not approved by Project Agreement Members with the requisite percentage of the total weighted vote as set forth in the Agreement by March 31, 2022, the Agreement shall be revived immediately upon approval by such requisite percentage, without any additional approval of the Project Agreement Members, and this Third Amendment shall become effective.”

Section 2.06. Admission of New Project Agreement Members. The Agreement is hereby amended to add the following sentence to end of the paragraph included under Section 10 of the Agreement:

“The Authority shall have the right to charge Project Agreement Members executing the Agreement after a date determined by the Board a fee, which such fee shall be established by the Board, to compensate Project Agreement Members who executed the Agreement prior to a date determined by the Board, for providing funding for the initial phases of the Project.”

Section 2.07. California Environmental Quality Act. The Agreement is hereby amended to add the following Section 18:

“Section 18 California Environmental Quality Act

Notwithstanding any provision of this Agreement, the Authority and the Project Agreement Members fully reserve all of their respective rights, powers, authority and discretion with respect to

the proposed Project pursuant to the agencies' respective obligations and responsibilities under the California Environmental Quality Act ("CEQA"). This includes: (A) the power and discretion of the Authority as the lead agency, upon the completion of its CEQA review, to adopt feasible mitigation measures or a feasible project alternative, to approve the proposed Project based on the requisite CEQA findings, or to disapprove the proposed Project; and (B) the powers and discretion of the Project Agreement Members concerning the specific matters within their respective jurisdiction and authority acting as responsible agencies under CEQA. Any future decisions on whether to issue an approval of the proposed Project, and if so, how to issue such approval, will not be made until the agency making the decision has first completed its CEQA review of the proposed Project."

ARTICLE III

PROJECT AGREEMENT MEMBER PARTICIPATION

Section 3.01. Project Agreement Participation. Each Project Agreement Member shall specify its participation in the Sites Reservoir Project by indicating its storage amount in the Sites Reservoir Project on the signature page to this Third Amendment. Based upon the respective participation elections of the Project Agreement Members, the Authority shall update Exhibit A pursuant to Section 5 of the Agreement.

ARTICLE IV

MISCELLANEOUS

Section 4.01. Effectiveness of Agreement. Except as expressly amended by this Third Amendment, the Agreement is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof. The amendments set forth in this Third Amendment shall be incorporated as part of the Agreement upon their effectiveness in accordance with Section 11 of the Agreement.

Section 4.02. Execution in Several Counterparts. This Third Amendment may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Project Agreement Members shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 4.03. Laws Governing Third Amendment. The effect and meaning of this Third Amendment and the rights of all parties hereunder shall be governed by, and construed according to, the laws of the State.

IN WITNESS WHEREOF, the Authority and Project Agreement Members hereto, pursuant to resolutions duly and regularly adopted by their respective governing bodies, have caused their names to be affixed by their proper and respective officers on the date shown below:

Dated: _____

SITES PROJECT AUTHORITY

By: _____
Name:
Title:

[PROJECT AGREEMENT MEMBER]

Dated: _____

(Authority & Project Agreement Member)

By: _____
Name:
Title:

[PROJECT AGREEMENT MEMBER]
REPRESENTATIVES

The primary and alternate representatives of the [PROJECT AGREEMENT MEMBER] are identified below.

Primary Representative:

Alternate Representative:

ELECTION OF PARTICIPATION AMOUNT

[PROJECT AGREEMENT MEMBER] hereby elects to participate in the Sites Reservoir Project in the below amount.

- a) **Annualized Acre-Foot**
(acre-feet of releases)
- b) **Storage Allocation**
(acre-feet of storage)
*Box "a" * 6.234*
- c) **Total Budget Authorization**
*Box "a" * \$400 per acre-foot*

*****PARTICIPATION LEVELS ARE PRELIMINARY AND MAY BE ADJUSTED FOLLOWING REBALANCING*****

EXHIBIT A

PROJECT AGREEMENT MEMBERS

Participant	Third Amendment Participation		Percent
	Annualized Acre-Foot (Box "a")	Storage Allocation (Box "b")	
American Canyon, City of	4,000	24,936	2.4%
Antelope Valley-East Kern Water Agency	500	3,117	0.3
Carter Mutual Water Company #	300	1,870	0.2
Coachella Valley Water District	10,000	62,340	6.0
Colusa County	10,000	62,340	6.0
Colusa County Water District	10,073	62,795	6.0
Cortina Water District	450	2,805	0.3
Davis Water District	2,000	12,468	1.2
Desert Water Agency	6,500	40,521	3.9
Dunnigan Water District	2,972	18,527	1.8
Glenn-Colusa Irrigation District	5,000	31,170	3.0
Irvine Ranch Water District	1,000	6,234	0.6
LaGrande Water District	1,000	6,234	0.6
Metropolitan Water District of S. CA	50,000	311,700	29.8
Reclamation District 108	4,000	24,936	2.4
Rosedale-Rio Bravo Water Storage District	500	3,117	0.3
San Bernardino Valley Municipal Water District	21,400	133,408	12.8
San Geronio Pass Water Agency	14,000	87,276	8.4
Santa Clara Valley Water District	500	3,117	0.3
Santa Clarita Valley Water Agency	5,000	31,170	3.0
Westside Water District	5,375	33,508	3.2
Wheeler Ridge-Maricopa Water Storage District	3,050	19,014	1.8
Zone 7 Water Agency	10,000	62,340	6.0
Total:	167,620	1,044,943	100.0

Participation Percentages exclude State of California and United States Bureau of Reclamation share of the Project.

Denotes a non-public agency. Refer to California Corporations Code Section 14300 et. seq. with additional requirements provided in both the Public Utilities Code and Water Code.

EXHIBIT B
AMENDMENT 3 WORK PLAN

Exhibit B
Reservoir Committee
2022, 2023 and 2024 Work Plan Summary

Reservoir Committee and Authority Board Annual Budget for FY 2022, FY 2023 and FY 2024 (\$000)

Work Plan	Subject Area	2022	2023	2024	Total
Revenue	Participation Revenue	\$16,762	\$23,467	\$26,819	\$67,048
	Authority Board Seats	\$505	\$505	\$505	\$1,515
	Federal Revenue	\$10,000	\$20,000	\$20,000	\$50,000
	State Revenue	\$18,300	\$0	\$0	\$18,300
	Carry-over Funds	\$6,000	\$0	\$0	\$6,000
Revenue Total		\$51,567	\$43,972	\$47,324	\$142,863
Expenses	Communications	(\$477)	(\$477)	(\$495)	(\$1,449)
	Engineering	(\$18,715)	(\$30,516)	(\$20,485)	(\$69,716)
	External Affairs	(\$273)	(\$273)	(\$282)	(\$828)
	General Project Activities	(\$620)	(\$545)	(\$565)	(\$1,730)
	Permitting	(\$7,503)	(\$4,731)	(\$2595)	(\$14,829)
	Planning	(\$5,092)	(\$1,212)	(\$278)	(\$6,582)
	Program Operations	(\$8,594)	(\$7,440)	(\$5690)	(\$21,724)
	Real Estate	(\$902)	(\$903)	(\$935)	(\$2,740)
Expenses Total		(\$42,176)	(\$46,097)	(\$31,325)	(\$119,598)
Grand Total		\$9,391	(\$2,125)	\$15,999	\$23,265

EXHIBIT C

FORM OF PROJECT AGREEMENT MEMBER
PROJECT PAYMENT ANNEX

Project Agreement Member:

Date:

Expected Source(s) of Repayment For Authority Financing (Check Each Box That Applies):	<input type="checkbox"/> Amounts Collected Through Department of Water Resources State Water Project Annual Statement of Charges	<input type="checkbox"/> Water Rates and Charges (Proposition 218 Compliance Required)	<input type="checkbox"/> Water Rates and Charges (Proposition 218 Compliance Not Required)	<input type="checkbox"/> Special Benefit Assessment-Districtwide	<input type="checkbox"/> Special Benefit Assessment Levied by District on Certain Lands	<input type="checkbox"/> Land-Based Charges Imposed Within an Improvement District
If An Improvement District, Has It Been Formed?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	If no, is it anticipated to be formed by June 30, 2023? <input type="checkbox"/> Yes <input type="checkbox"/> No			
If A Special Benefit Assessment, Has the Special Benefit Been Approved In An Amount To Pay Debt Service On The Authority Financing?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	If no, is it anticipated to be presented for landowner approval by June 30, 2023? <input type="checkbox"/> Yes <input type="checkbox"/> No			
Does the District Have A Debt Management Policy Compliant With Section 8855(i) of the California Government Code?	<input type="checkbox"/> Yes	<input type="checkbox"/> No				

Sites Reservoir Project

Project Participants in the Sites Project Planning

Sacramento Valley

- Carter Municipal Water Company
- City of American Canyon
- Colusa County
- Colusa County Water District
- Cortina Water District
- Davis Water District
- Dunnigan Water District
- Glenn County
- Glenn-Colusa Irrigation District
- La Grande Water District
- Reclamation District 108
- City of Roseville
- Sacramento County Water Agency
- City of Sacramento
- Tehama Colusa Canal Authority
- Westside Water District
- Western Canal Water District

Bay Area

- Santa Clara Valley Water District
- Zone 7 Water Agency

Southern California

- Antelope Valley - East Kern Water Agency
- Coachella Valley Water District
- Desert Water Agency
- Irvine Ranch Water District
- Metropolitan Water District of Southern California
- San Bernardino Valley Municipal Water District
- San Geronio Pass Water Agency
- Santa Clarita Valley Water Agency

San Joaquin Valley

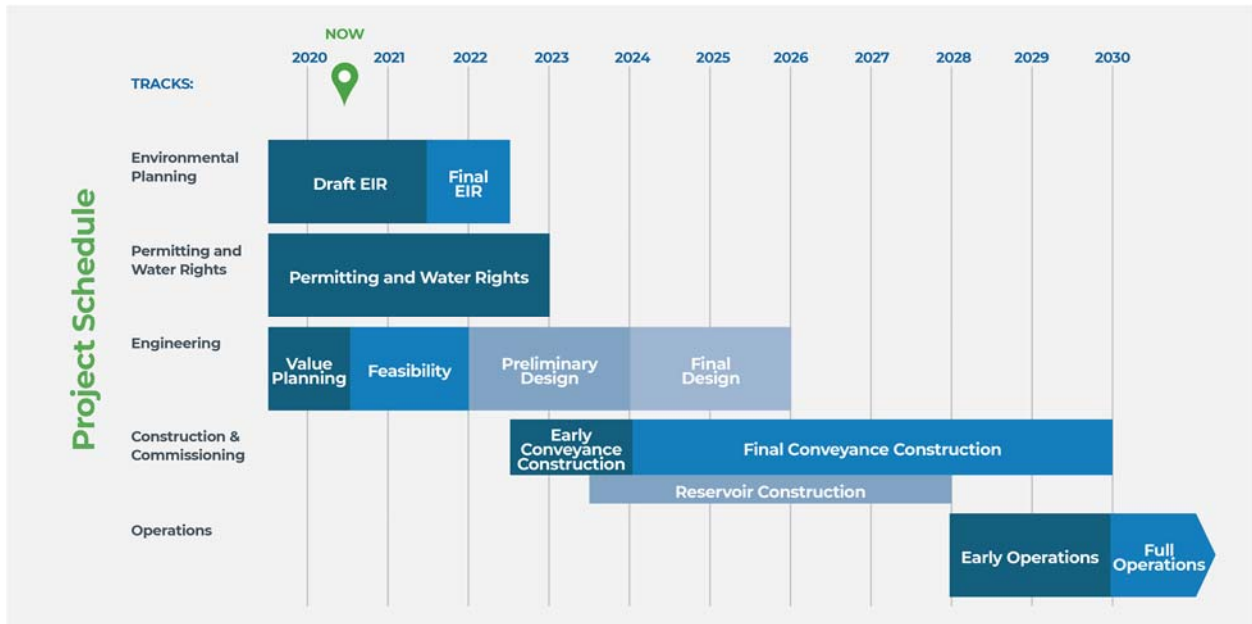
- Rosedale-Rio Bravo Water Storage District
- Wheeler Ridge - Maricopa Water Storage District

State/Federal

- California Department of Water Resources
- US Bureau of Reclamation



Sites Reservoir Schedule



	2020				2021				2022		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
	AMENDMENT 1A and 1B				AMENDMENT 2						
Go/No-Go Decision Points		★			★		★				
Participation Agreement Materials		◆	Home board package approved					◆	Home board package approved		
Value Planning		◆	Preferred Project Facilities								
Engineering			Engineering to support Project Description		Engineering to support Prop 1 Feasibility						
Confirm Operations and Temperature Benefits			◆	Preferred Project Operations							
Environmental Documentation							◆	EIR/EIS Response to Comments and Revisions		◆	Final EIR/EIS
Ongoing Operations Modeling Support											
Prop 1 Feasibility Report (Env, Eng, Fin, Eco)						◆	Submit to State	◆	State Review	◆	State Validation of Eligibility
Advance Key Permits Needed for Project Certainty											
Water Rights											◆
Biological Assessment							◆	Submit to USFWS & NMFS			
Incidental Take Permit (CDFW)								◆	Submit to CDFW	◆	
106 Programmatic Agreement									◆	Final Section 106 PA	◆

NOTE: This graphic includes schedule drivers only and does not include all activities/deliverables. This work plan is based on current participation commitments.



Sites Reservoir Project

RDEIR/SDEIS Frequently Asked Questions

The following questions and answers are meant to respond to common questions about the potential environmental impacts of the proposed Sites Reservoir Project.

1. Would Sites Reservoir divert water from the Sacramento River during dry and critically dry years?

Yes, even during drier years there can be significant precipitation events that present conditions where water can be diverted safely from the river and placed in Sites Reservoir. All diversions would be subject to the highly protective operating conditions that are currently being proposed for the Sites Reservoir Project.

2. Would Sites Reservoir meaningfully address future droughts?

Sites Reservoir is an insurance policy for future droughts. Sites Reservoir does not rely on snowpack and if the scientific projections are correct about the impacts of climate change (i.e., California is expected to receive about the same annual precipitation that it currently does but more will come as rain than snow and be subject to year-to-year variability), then having Sites Reservoir would mean we can collect more water in the reservoir for use during future droughts.

3. Would Sites Reservoir decrease Delta flows?

Yes, slightly, when the Project is diverting. However, since the Sites Reservoir diversions would occur only when there are high river flows, any reduction to Delta flows would be minor and would not impact any of the beneficial uses of the water in the Delta. Storing water in Sites Reservoir during times when there is a lot of flow in the Sacramento River for use during times when the flows are low, including during drought periods, is part of the statewide strategy for adapting to changing climate conditions and to return much needed flexibility to our statewide water management system.

4. Have concerns about the impact of Sites Reservoir operations on the environment been addressed in the current proposal?

The Project operations have been modified substantially over the last two years to be more protective of the environment. These modifications have reduced the Project diversions from the Sacramento River substantially (almost in half) as compared to the criteria proposed in 2017. The current Project operations strikes the needed balance between environmental protections and Project affordability that has to exist for the Project to proceed.

5. Does this Project impact the Trinity River?

The Project would not affect or result in changes in the operation of the Central Valley Project (CVP), Trinity River Division facilities (including Clear Creek). Reclamation would continue to operate the Trinity River Division consistent with all applicable statutory, legal, and contractual obligations, including but not limited to the Trinity River Record of Decision (ROD), the 2017 ROD for the Long-Term Plan for the Lower Klamath River, and the provision of (not less than) 50,000 acre-feet identified in Trinity River Division Central Valley Project Act of 1955 to be made available to Humboldt County and downstream water users.



6. How does this Project impact water quality in the Sacramento River and Delta?

The Project would have some impacts to water quality and would also enhance beneficial uses of water, even improving water quality in some areas. For example, increases in outflow in drier years could reduce seawater intrusion into the Delta. During those same periods, exchanges with Sites water could benefit fish by preserving cold-water supplies from Shasta Lake, Lake Oroville, and Folsom Lake later into the year. The Sites Project Authority would implement best management practices to minimize any potential water quality impacts associated with facility operations and maintenance. These would include actions to prevent spills and reduce runoff that may cause sediment or contaminants to flow into waterbodies. Monthly water quality testing would be performed for discharges moving into and through the Yolo Bypass, and mitigation measures – such as mercury sediment management – would be implemented to counteract any impacts to water quality.

7. How will the Project benefit anadromous fish?

The additional water supply provided by Sites Reservoir may provide opportunities for improved management of salmonid habitat, particularly in the Sacramento River above Red Bluff Diversion Dam. By exchanging Sites water for CVP water, Reclamation has an additional tool to maintain and improve habitat for salmonid spawning, incubation, rearing, and migration. By delivering water to CVP contractors from Sites Reservoir, Reclamation may maintain supply in Shasta Lake for important periods to support these habitat conditions. The possible additional water supply in Shasta Lake can then be allocated during real-time management scenarios for a number of uses (e.g., cold-water pool maintenance, spring pulse or fall pulse flow events, reduced fall flows) that may provide enhanced anadromous fish benefits.

8. Will this Project curtail or otherwise reduce allocations for other water right holders?

Sites Reservoir would only divert water when flows in the Sacramento River meet minimum diversion criteria, when the Delta is in “excess” conditions, when all senior downstream water rights have been met, when all environmental permit conditions have been met, and when there is excess capacity within the conveyance facilities, such as the Tehama-Colusa and Glenn-Colusa Canals. The Project would not curtail or otherwise reduce allocations of water for other water right holders.





One Water and Stewardship Committee

Overview of Sites Reservoir Project

Item 6a

February 10, 2025

Item 6a
Overview of
Sites Reservoir
Project

Subject

Overview of Sites Reservoir Project

Purpose

Provide an overview of the Sites Project, its progress, and proposed Board informational & feedback sessions

Next Steps

Board feedback and schedule

An aerial photograph of a reservoir with a central island and surrounding land. The water is a deep blue, and the land is a mix of green vegetation and brownish-yellow earth. A dirt road or path is visible on the island and the surrounding land. The background is a solid dark blue.

SITES RESERVOIR PROJECT

Overview & Executive Summary

Overview

Annual Runoff
vs.
Ability to Store

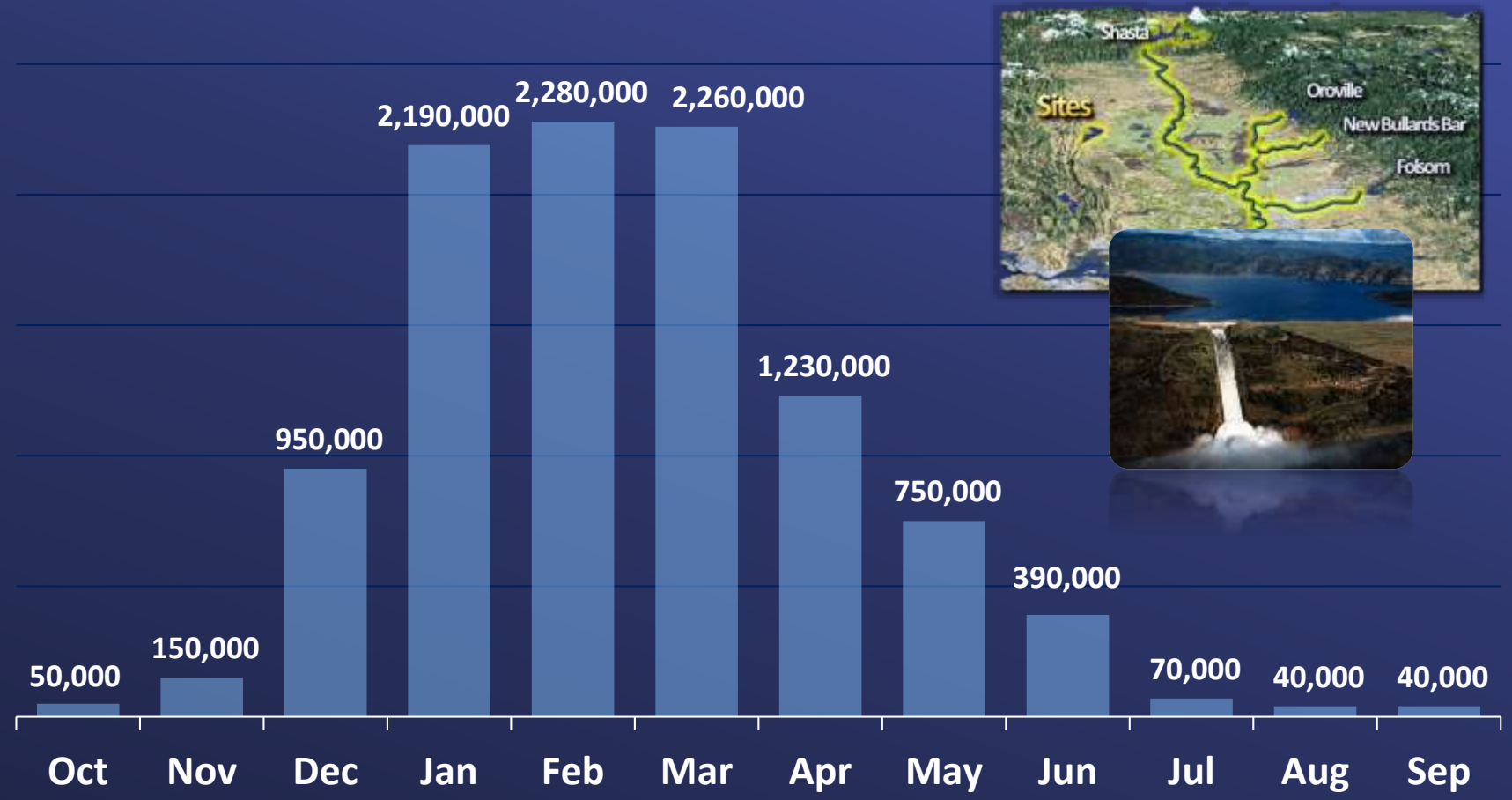


Overview

Unregulated Delta Outflow¹

Shasta, Oroville, Folsom Reservoirs

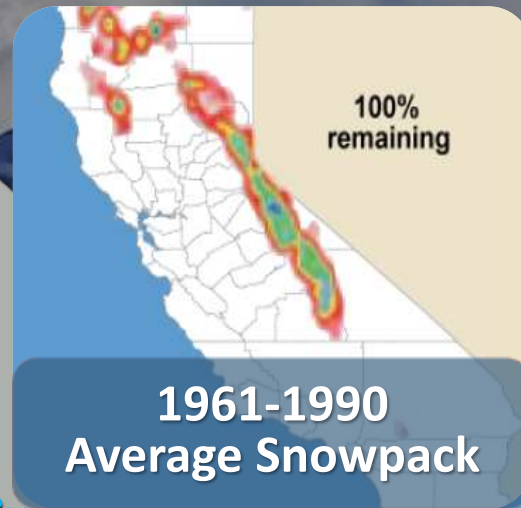
Average Unregulated Delta Outflow 10.4 million acre-feet/year



1. Unregulated or surplus outflow is defined as water above what is needed to meet Delta regulations, in-basin needs, and exports
 2. Based on the DWR modeling of the SWP long-term operations (Proposed Project plus Cumulative)
 3. Data modeled over a 100-yr hydrologic sequence. Average annual Delta surplus outflow = 10,400,000 acre-feet / year.

Climate Research

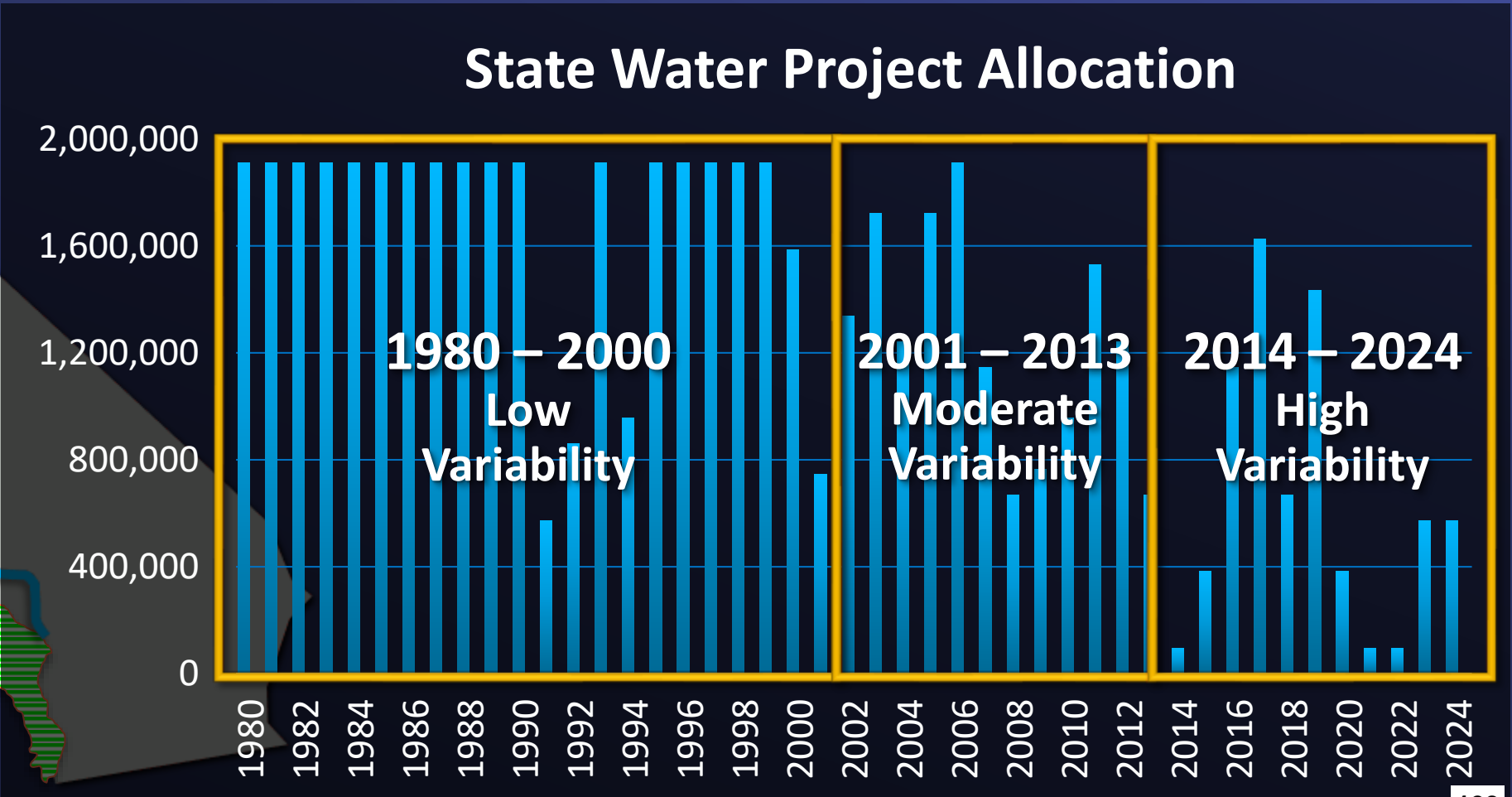
30% of annual state supply currently stored in snowpack



- Future snowpack ... smaller
- Overall precipitation similar
- Higher peak winter storm flow

Runoff Variability Increasing

More Variability Requires More Storage



Sites Project

Proposed



- 1957 – CA Water Plan identifies Sites
- 1.5 million acre-feet
- Off-stream Sacramento River storage

Sites Project

Proposed



- Large un-controlled runoff area below rim dams
- Can produce significant flood & surplus outflows

Sites Project

Statewide Benefits



Broad Statewide Involvement



● Bay Area

- Santa Clara Valley WD
- Zone 7 Water Agency

● San Joaquin Valley

- Rosedale-Rio Bravo WSD
- Wheeler Ridge - Maricopa

● Southern California

- Antelope Valley - East Kern WA
- Coachella Valley WD
- Desert Water Agency
- Irvine Ranch Water District
- Metropolitan Water District
- San Bernardino Valley MWD
- San Geronio Pass Water Agency
- Santa Clarita Valley Water Agency

● State/Federal

- California Dept. of Water Resources
- U.S. Bureau of Reclamation



● Sacramento Valley

- Carter Municipal Water Co.
- City of American Canyon
- Colusa County
- Colusa County Water District
- Cortina Water District
- Davis Water District
- Dunnigan Water District
- Glenn County
- Glenn-Colusa Irrigation District
- La Grande Water District
- Reclamation District 108
- Rosedale-Rio Bravo WSD
- City of Roseville
- Sacramento County WA
- City of Sacramento
- Tehama Colusa Canal Authority
- Westside Water District
- Western Canal Water District



Sites

(1.5 million acre-ft. storage)



**North-of-Delta
Participants**
~ 272,000 AF (19%)

**South-of-Delta
Participants**
~ 766,000 AF (54%)

**Bureau of
Reclamation**
~ 128,000 AF (9%)

**State of
California**
~ 244,000 AF (17%)

Metropolitan – 311,700 AF (22%)

Deadpool (non active) ~ 60,000 AF



Metropolitan Board

Policies & Funding

- Bay-Delta Policy Framework
 - Policy 2A – Protect water supply reliability and quality
 - Policy 2B – Invest in actions that provide climate resiliency
 - Policy 2C – Seek flexible operations, water management actions, and infrastructure solutions
 - Policy 3B – Foster broad and inclusive engagement of Delta interests and beneficiaries
- Sites Authorized Funding (2017 – 2025)
 - \$30.7 million MWD cost-share
 - \$224.6 million overall Sites budget for all participants

Key Risks & Questions

- If we don't need the water in a certain year type, can we sell it and generate revenue? No stranded assets
- Is there available SWP capacity to pump Sites water? If Delta regulations increase, what is the impact on Sites?
- Why not just build storage in our service area? Benefit?
- How does climate change effect this project compared to other alternative supplies?
- How will the Sustainable Groundwater Management Act and the SWRCB's Delta Water Quality Control Plan influence this project?
- Does Sites Reservoir need new Delta conveyance?
- What assurances are there that Sites will not harm the SWP?
- How does the cost compare to other alternative supplies?
- Does this project come with new water rights (i.e. a new water supply) and individual storage rights?

Other Key Interests to Evaluate

- **Not Just a Reservoir ... A New Water Right**
 - ... for urban, agriculture, and environment
 - ... adds enviro flows, Prop 1 funded
- **Investor Decides**
 - ... investor controls storage space and releases
 - ... take water, sell water, lease storage, etc.
- **Already Half Built**
 - ... intake & conveyance facilities already exist
- **Gets Better with Age**
 - ... climate change enhances project storage
 - ... consistent with MWD's resource targets

Other Key Interests to Evaluate

- **New Approach – State Funded Environmental Flows**
 - ... implements new approach to improve Delta estuary flows with state funds
 - ... costs not imposed on water users
- **Stabilizes Future Water Transfer Prices**
 - ... Sustainable Groundwater Management Act & proposed Delta Plan (HRL) will impact future water markets
 - ... allows exclusive participation in new transfer and exchange market with multiple agencies
- **Bipartisan State & Nationwide Support**
 - ... large coalition of interests & participants
 - ... waiting list to join the project

Notes: Sustainable Groundwater Management Act (SGMA) requires the preparation of plans to achieve sustainable groundwater management. California's Healthy Rivers and Landscapes Program aims to implement environmental improvements across key rivers and the Bay-Delta estuary

Resource Targets

Metropolitan Resource Targets

Category	MWD Resource Targets
Flexible Supply (Dry-Yr. Equivalent)	100,000 AF
New Storage	500,000 AF (by 2035)
Core Supply	300 – 650,000 AF/yr.

- *Data: From CAMP4Water Annual Report, time bound targets, presented to MWD Board in January 2025*
- *MWD Resource target range: Year 2035 (mid-term) thru Year 2045 (long-term)*
- *Sites Reservoir: Online operational date year 2033*

Next Steps

- Board informational updates & feedback sessions throughout 2025
 - Robust analysis - risks, value, financial, governance, environmental impact, system integration, CAMP4 water, comparison with other proposed alternatives
- Decision on participation and funding in early 2026



An aerial photograph of a reservoir with a prominent curved dam. The water is a deep blue, and the surrounding land is a mix of green vegetation and brownish, possibly dry or cleared, areas. The sky is a clear, deep blue.

SITES RESERVOIR PROJECT

Proposed Facilities



Reservoir & Dams



Sites

Largely undeveloped, agricultural grazing land



**Takes advantage of existing facilities
Tehama-Colusa & Glen-Colusa Irrigation District canals**



Sites

Tehama-Colusa Canal Intake Fish Screen

... and existing screened river intakes

Virtual Tour of Sites Reservoir

Online Video



Sites Reservoir Operations Online Video



Gov Newsom
Discusses
Sites
Reservoir
Jan 2025

Online Video



An aerial photograph of a reservoir with a central island. The water is a deep blue, and the surrounding land is a mix of green vegetation and brownish soil. A dirt road or path is visible on the island and the surrounding land. The sky is a clear, light blue.

SITES RESERVOIR PROJECT

Key Progress

Key Progress

✓ Technical Analyses

- Initial water supply modeling & operations
- Initial engineering design & cost estimates
- Value Planning project improvements

✓ Regulatory/Environmental

- Final Environmental Impact Report/Statement
- Incidental Take Permits received
- Water Right hearings ongoing

✓ State/Federal Funding

- \$875 million State Proposition 1 grant
- \$104 million federal WIIN Act grant
- \$449 million US Dept. of Agriculture loan
- \$2.2 billion federal WIFIA loan (application)



Sites Workplan

2022-25 Focus & Key Deliverables

- Environmental
 - Final EIR/EIS & Record of Decision
- Permits/Agreements
 - Water rights permit
 - Environmental permits
- Local agency agreements
 - Project Operations
 - Final coordinated operations agreement with DWR/USBR
- Engineering
 - Advance 30% design & geotechnical investigations
 - Develop mitigation & land acquisition master plan

1. 2022-25 Workplan, also referred to as the Amendment 3 Workplan

Native American Tribes Coordination

- USBR & Sites Authority Coordination
 - Yoche Dehe Wintun Nation^{1,2}
 - Colusa Indian Community Council (Cachil Dehe Band of Wintun Indians)^{1,2}
 - Cortina Indian Rancheria of Wintun Indians²
 - Grindstone Indian Rancheria of Wintun-Wailaki²
 - Paskenta Band of Nomlaki Indians
 - Round Valley Indian Tribe of Round Valley (only Reclamation)²
 - Wintun Tribe in Redding (only Reclamation)
 - Estom Yumeka Maidu Tribe of the Enterprise Rancheria (only Authority)²
 - Mechoopda Indian Tribe (only Authority)²
 - United Auburn Indian Community of the Auburn Rancheria²
- Other Tribes contacted by Sites Authority
 - Ione Band of Miwok Indians²
 - Konkow Valley Band of Maidu
 - Redding Rancheria²
 - Shingle Springs Band of Miwok Indians²
 - United Auburn Indian Community of the Auburn Rancheria²
 - Wilton Rancheria²
 - Wintu Tribe of Northern California

1. Tribes requesting consultation under AB 52
2. Federally-recognized tribes

Sites Reservoir Project

Project Yield Estimate

Annual Reservoir Release Estimate

- Average – 207,000 to 260,000 AF/yr. all participants (40,000 – 50,000 AF/yr. MWD's share)
- Dry/Critical – 308,000 to 429,000 AF/yr.

State/Federal¹
~ 92,000 AF/yr.

Water Users¹
~ 166,000 AF/yr.

¹ Federal share subject to appropriation; User share subject to Board authorization; State share subject to final approval by California Water Commission

Board Question

Is there available SWP capacity to pump Sites water?
... No stranded assets



Sources: Sites Project Authority CalSim Modeling for Interim Take Permit

Sites Diversions

If Already
Built



- Forecasted diversions include Bend Bridge pulse flow protection, Wilkins Slough bypass flow requirements, and the Delta in excess conditions
- Metropolitan Service Area usage = 100-150 gallons per capita per day

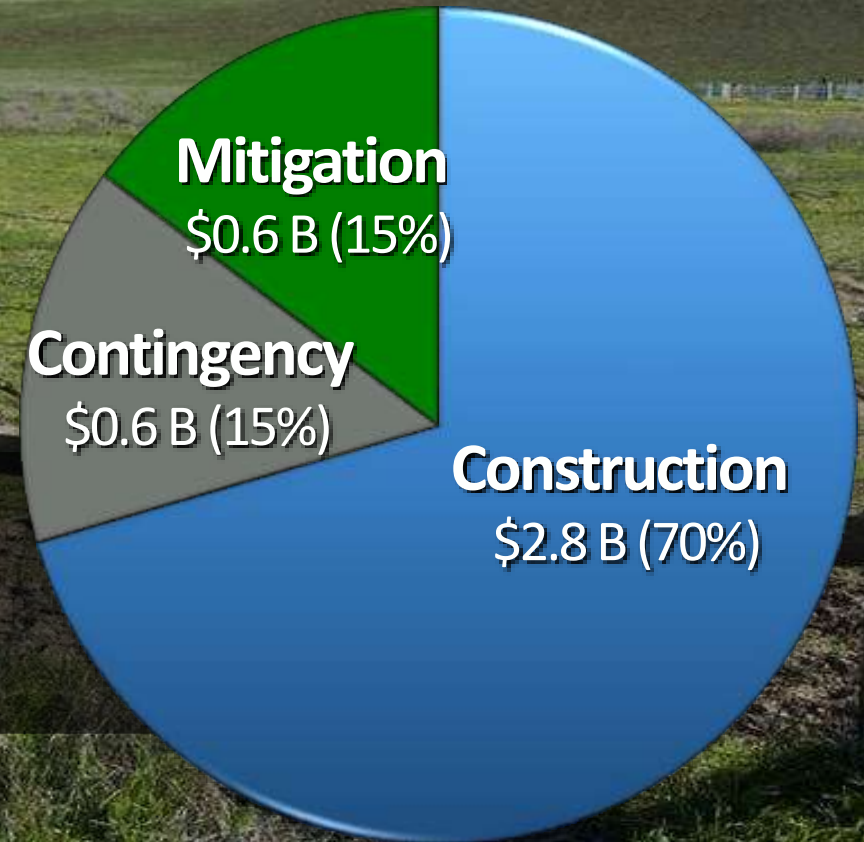
Sites Reservoir Project

Project Cost Estimate

Cost Estimate (2021\$)¹

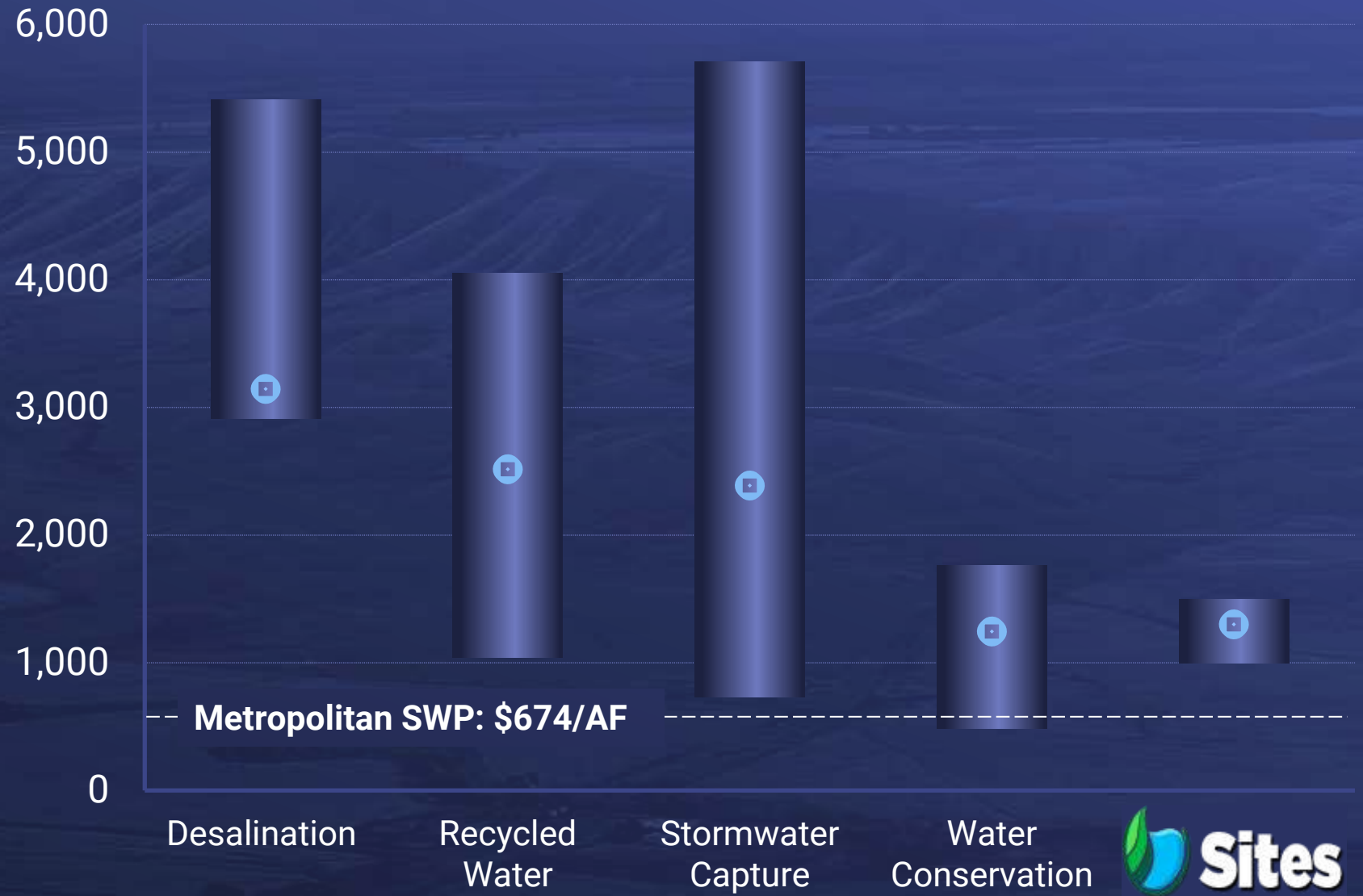
- Total Project Cost Estimate ~ \$4 billion
- Reservoir Release Estimate ~ \$700 - 1,000/acre-ft.

1. Construction costs are based on a Class 4 cost estimate
2. Total marginal cost in MWD Service Area ~ \$1,000 - \$1,500 / AF



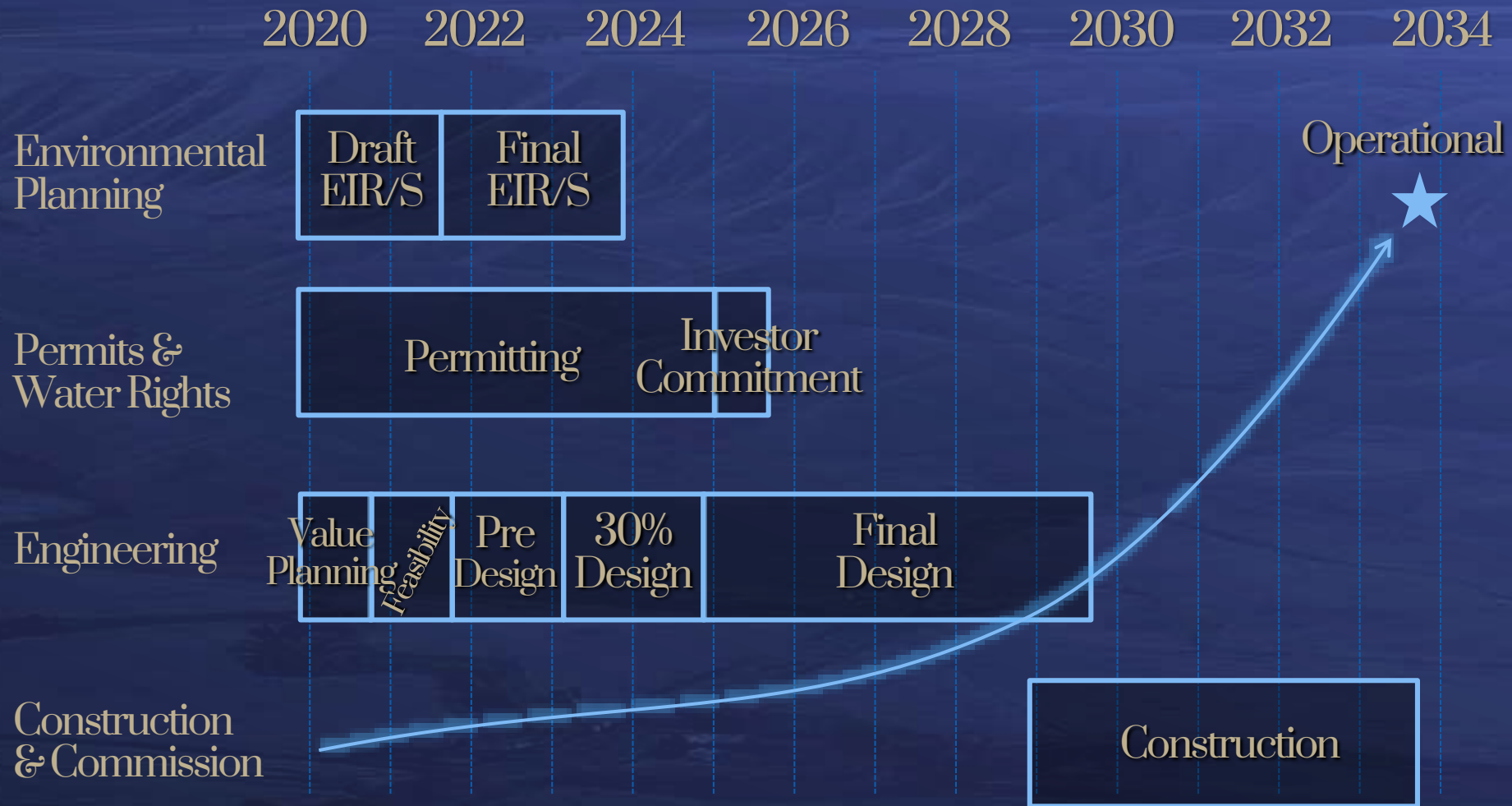
Supply Cost Comparisons \$ 2023

to be updated
Spring 2025



*Data: Information on supply comparisons presented to MWD Board OWS Committee in September 2024, not including Sites Project
Sources: Metropolitan SWP costs calculated from DWR Bulletin-132 and adjusted to 2023 dollars. Other values from previous studies by the Pacific Institute, PPIC, and CPUC and adjusted to 2023 dollars as published in "Facts About the Economic Value of the Delta Conveyance Project"
Sites Project costs include construction, mitigation, contingency, Delta transportation losses, SWP conveyance, power and water treatment*

Sites Project Schedule



Sites Project

Questions & Answers

- What assurances are there that Sites will not harm the SWP, and that the SWP will have priority to move water through the Delta and priority to pump SWP when conditions permit? The Sites Authority has signed and completed a settlement agreement with the Department of Water Resources and the State Water Contractors dated June 7, 2024, that provides numerous protections for State Water Project supplies. The agreement includes real-time protections for exports, stored water, contains provisions for payback, and clearly states that SWP water rights are senior to Sites.
- What are the effects, if any, of member agencies or others within Metropolitan's service area investing in Sites? There are agencies in the MWD service area that have developed their own SWP-conveyed supplies independent from Metropolitan. MWDOC retail agency, Irvine Ranch Water District, independently stores water supplies in the Central Valley. This can provide a net benefit, as IRWD can call upon their stored supplies and Metropolitan can even borrow IRWD's stored supplies for use within the region during dry years. Metropolitan member agency owned storage in Sites would further enhance our region's dry year water supply reliability.

Sites Project

Questions & Answers (Continued)

- What assurances will Metropolitan have that water stored in Sites will be conveyed into the service area? On October 24, 2024, the California Department of Fish and Wildlife issued an Incidental Take Permit for the operations of Sites Reservoir through 2039. The ITP specifies that Sites releases for South of Delta participants for export at state and federal facilities would occur from July 1 to November 30. This period is known as the transfer window and during this time the State Water Project and Central Valley Project are permitted to move non-project water like Sites, Yuba Accord supplies, and other transfers.
 - During the transfer window, regulations in the Delta are less restrictive and the main limiting factor is the actual capacity of the export facilities.
 - In wetter years, and as a general rule, during State Water Project Allocations of 40% or above, there is limited capacity for transfers. This is because the pumps are prioritizing the movement of project supplies.
 - The SWP and CVP can move up to 650,000 AF of transfer supplies during Dry and Critically Dry years. In all other year types, the projects can move up to 300,000 AF of transfers.
- Very generally, when conditions are dry and Metropolitan needs to take delivery of Sites supplies, there will be ample capacity to move this water into Metropolitan's service area. The most challenging situations will arise when the SWP allocation is greater than 35% and transfer capacity is limited. In such cases Metropolitan will need to take delivery of Sites.

Sites Project

Questions & Answers (Continued)

- Is Sites Reservoir a private reservoir? No. Sites Reservoir is funded 100% by local, state, and federal public dollars. There are environmental, recreational and flood control benefits – as well new dry year water supplies secured for public agency ratepayers throughout California. Participation in Sites is broad and diverse, including the Bureau of Reclamation, State of California, urban areas of Southern California and the Bay Area, as well as public irrigation districts in the Sacramento and San Joaquin Valley's.
- Does Sites Reservoir need new Delta conveyance? No. The project is not dependent on the construction of Delta tunnels. Sites Reservoir will function independently, with or without a new Delta conveyance system. The Draft Environmental Impact Report/Statement evaluates Sites Reservoir as a standalone project.
- Has the Sites Project Authority consulted with Native American tribes during this process? Yes. Both the Sites Project Authority and the Bureau of Reclamation have consulted and will continue to consult with recognized Native American tribes regarding impacts to Tribal people and resources. The Authority has reached out to over a dozen tribes under Assembly Bill 52 and is in ongoing consultation under AB 52 with several tribes.

Sites Project

Questions & Answers (Continued)

- Will the project harm fish species in the Sacramento-San Joaquin Delta?
No. Sites Reservoir does not threaten salmon and other fish. In fact, there are highly protective operating conditions in place that must be in place before diversions into Sites Reservoir can proceed, including adapting to evolving conditions. In addition, the intakes being used for diverting water into Sites Reservoir include state of-the-art fish screens that are proven to be highly effective at protecting fish. And, the current proposed project includes more cold water for salmon in the driest years when it is needed most. Not only is no harm done, but 1/18/22 there is also a net benefit from this project to Sacramento River salmon, Delta smelt, and the Sacramento-San Joaquin Delta estuary.
- Will Sites Reservoir harm the environment? Transformational projects of the magnitude and importance of Sites are not without tradeoffs. There are specific elements of the Project that are critical to enhancing environmental conditions. First, the State has made a large investment, through the 2014 passage of Proposition 1, to enhance their ability to support critical aquatic needs. Second, there are opportunities to partner with the state and federal water projects in coordinated operations that will enhance fishery protections associated with their operations. Beyond these enhancements, the Project itself is being designed to avoid and lessen any environmental concerns and, when necessary, provide appropriate mitigation.

Sites Project

Questions & Answers (Continued)

- Will Sites Reservoir help increase water supplies in future droughts? Yes. Sites Reservoir is an insurance policy for future droughts. Sites Reservoir does not rely on snowpack and if the scientific projections are correct about the impacts of climate change (i.e. California is expected to receive about the same annual precipitation that it currently does but more will come as rain instead of snow), then having Sites Reservoir will mean we can safely collect more water in the reservoir for use during future droughts.
- Will Sites Reservoir divert water from the Sacramento River even during critically dry years? It depends. Even during drier years there can be significant precipitation events that present conditions where water can be diverted safely from the river and placed in Sites Reservoir. All diversions will be subject to the highly protective operating conditions that are currently being proposed and will ultimately be permitted by state and federal regulatory agencies for the Sites Reservoir Project.

Sites Project

Questions & Answers (Continued)

- Does Sites Reservoir guarantee water to participants? Sites Reservoir is a beneficiary pays project, which means that the benefits of the project go to those paying. Each participant (including environmental users) has control over their portion of the storage space and a proportionate share of the water diverted into Sites Reservoir. There is flexibility in the timing and uses of the water, including for the environment. The assurance of water being in the reservoir is largely the result of the individual participant decisions in their operations of their portion of the facility. This way, each member is assured to receive what they pay for in a way that works within and complements that member's water supply portfolio.
- Is water from the project too expensive? The Sites Project Authority will continue to look at all options as to ensure that the project is affordable to all participants. Affordability is essential, and the Project will only move forward if participants decide that it is affordable.





One Water and Stewardship Committee

Report on Metropolitan's State Water Project 2025 Statement of Charges and Audit

Item 6b
February 10, 2025

Item 6b
Report on
State Water
Project
2025
Statement of
Charges and
Audit

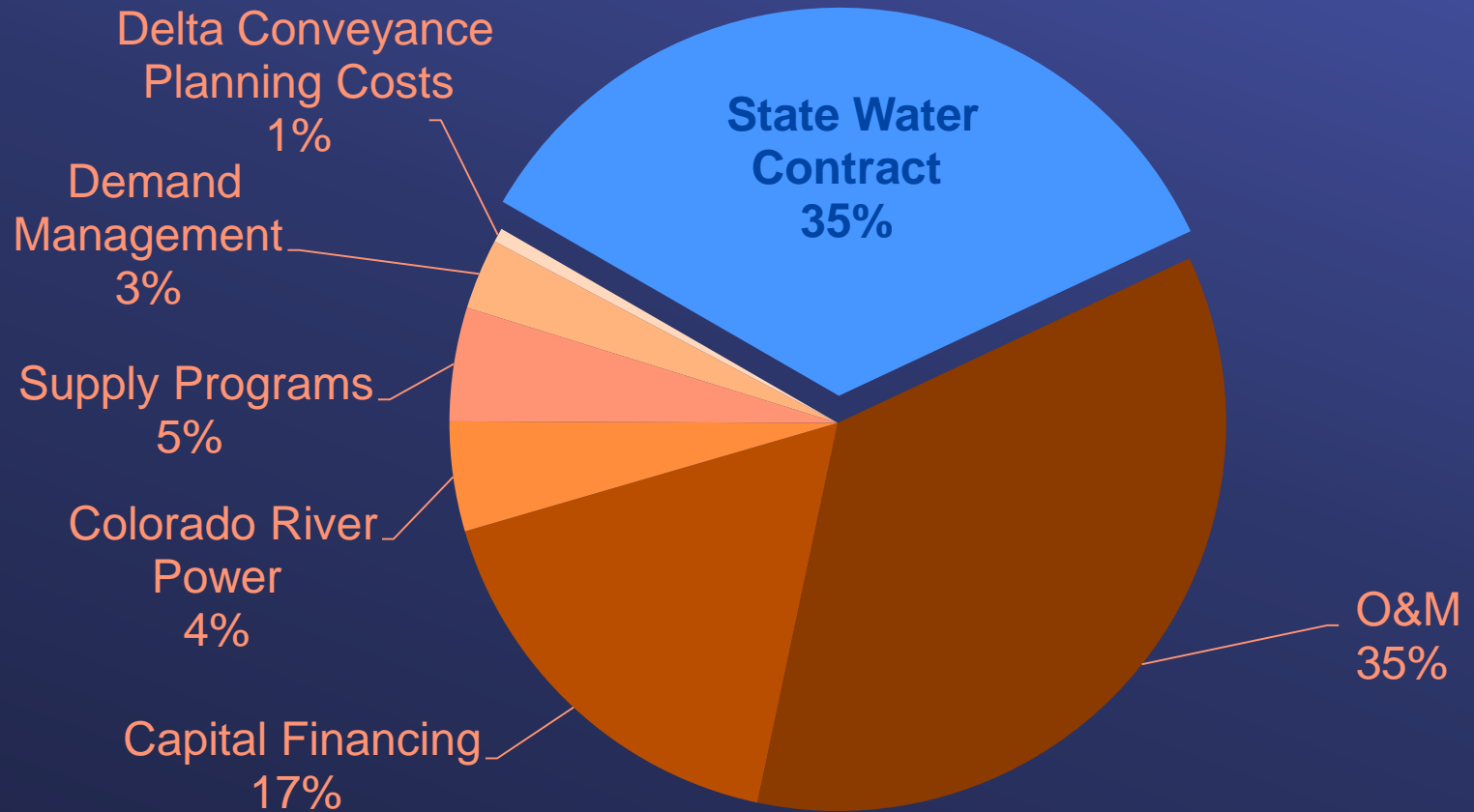
Subject

Report on State Water Project 2025 Statement of Charges and Audit

Purpose

Provide information on 2025 audit of State Water Project charges in advance of a future request to extend audit contract

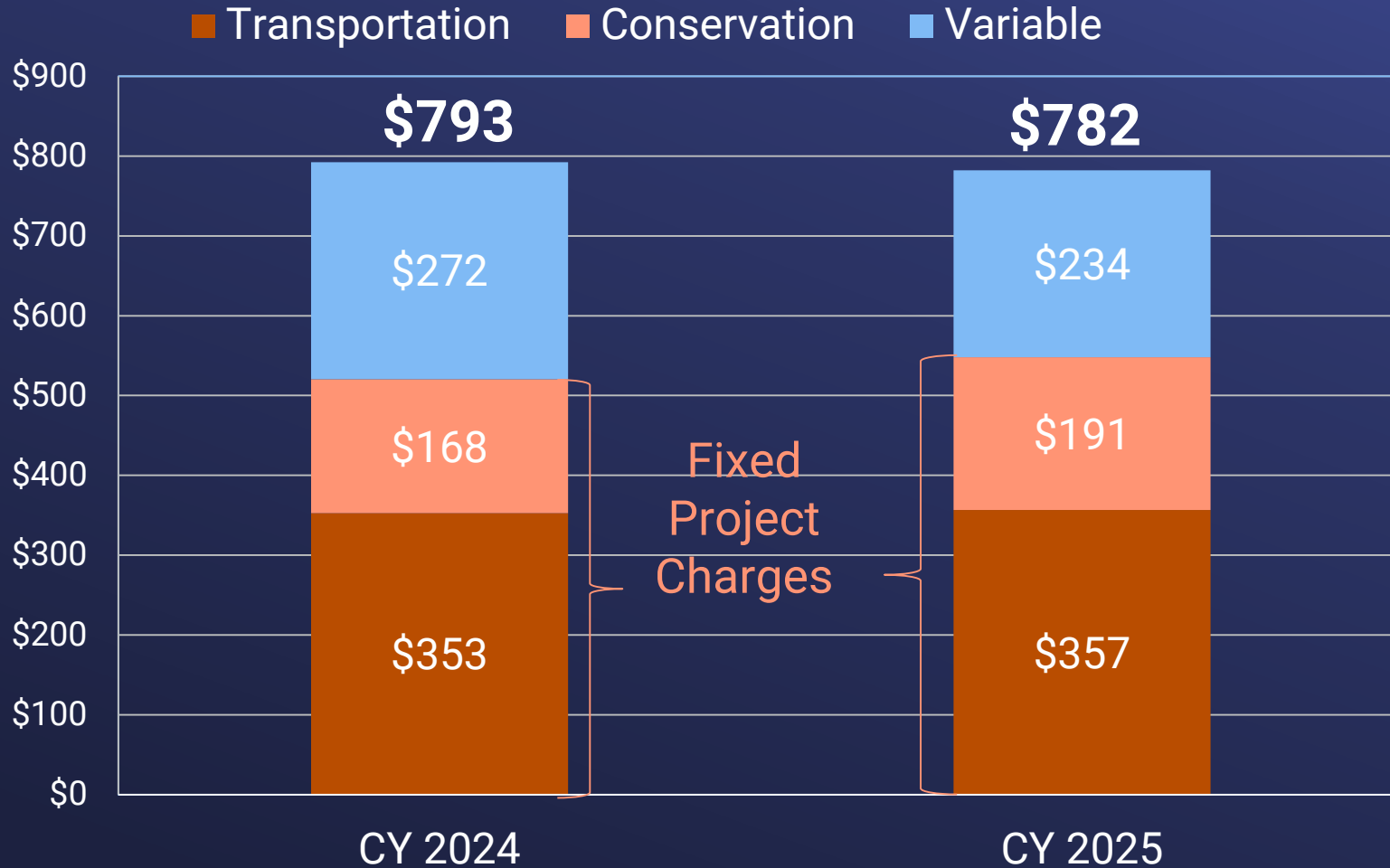
State Water
Project is
Metropolitan's
Second
Largest Budget
Expenditure at
\$689 Million
FY 2024/25



SWP Statement of Charges Comparison

Calendar Year

(\$'s in millions)



*Excludes Delta Conveyance Project

Decrease in Variable Charges:

- Assumed reduced service area deliveries

Increase in Conservation Charges:

- Administration of Incidental Take Permit
- Start of Environmental Compliance Tracking program

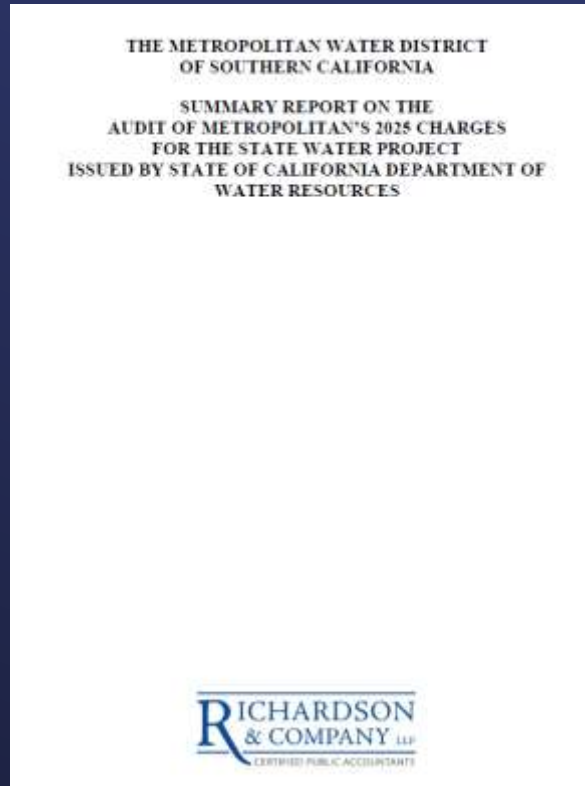
Background
Richardson
& Company



Richardson Contract Ensures Accuracy of our State Water Project Charges

- Audits annual charges for over 30 years
 - Specialized contractual audit
 - Summary and detailed audit reports
- Provides expert technical support
- Contract ends March 31, 2025

Audit Findings



Findings	Number of Findings	Net Dollar Value
Resolved this Year	7	(\$2.0M)
Unresolved	78*	\$234M**

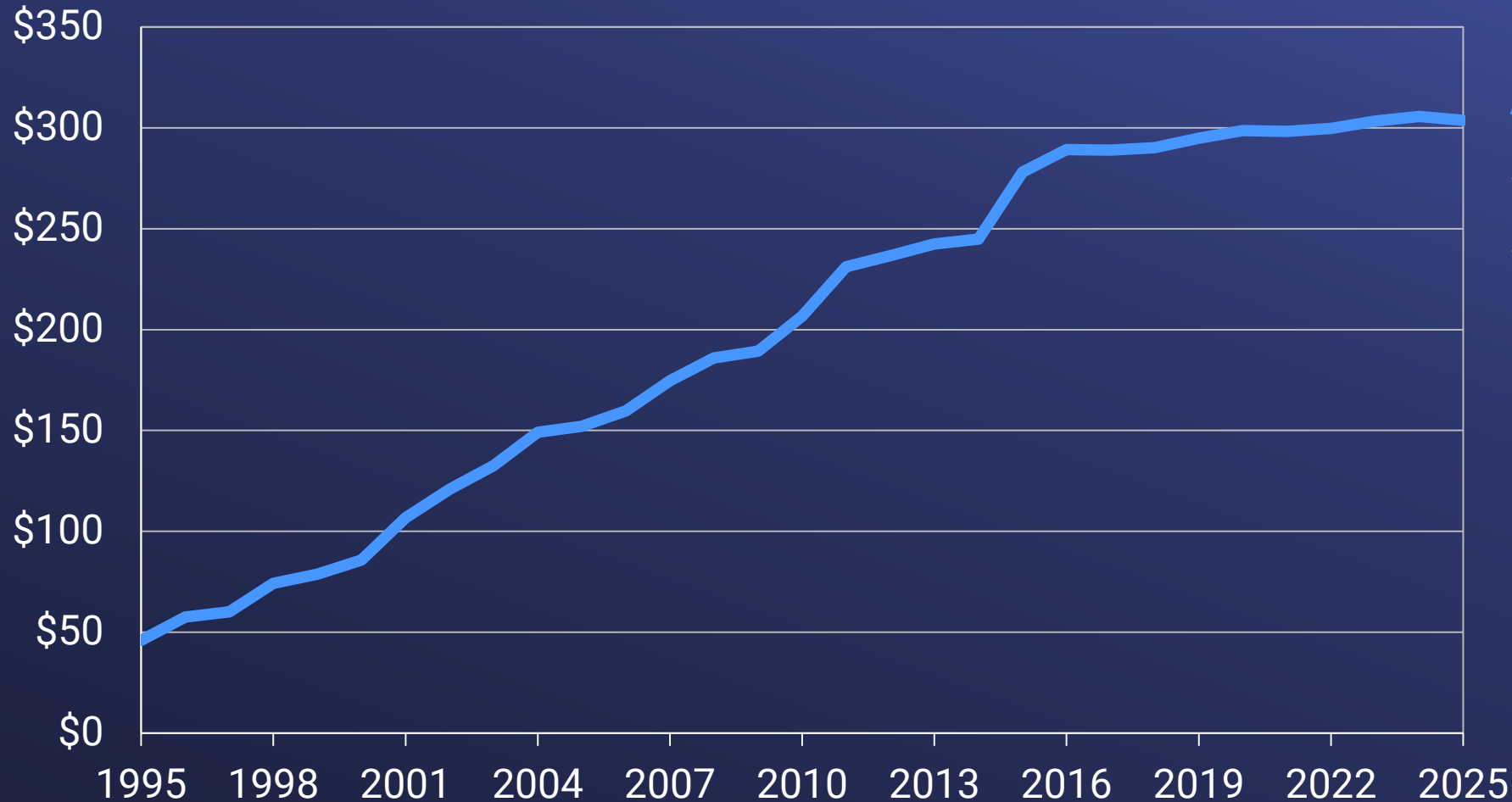
* Includes 6 new findings with a net value of (\$9.0M)

** Includes:

- Water System Revenue Bond Surcharge estimation under discussion with DWR
- Protest items that were referenced in the letter from DWR dated 10/29/24

Audit Results in Substantial Savings Over Time

(\$'s in millions)



Accumulated Savings:

- \$304 million since 1991

Next Steps

- March action item to increase maximum amount payable and extend Richardson & Company contract to March 31, 2028
- Return in the future years for periodic updates on the Statement of Charges





One Water and Stewardship Committee

Report on Coachella Valley Water District Exchange Agreements

Item 6c

February 10, 2025

Item 6c

Report on CVWD Exchange Agreements

Subject

Report on Metropolitan's existing partnerships and exchange agreements with the Coachella Valley Water District

Purpose

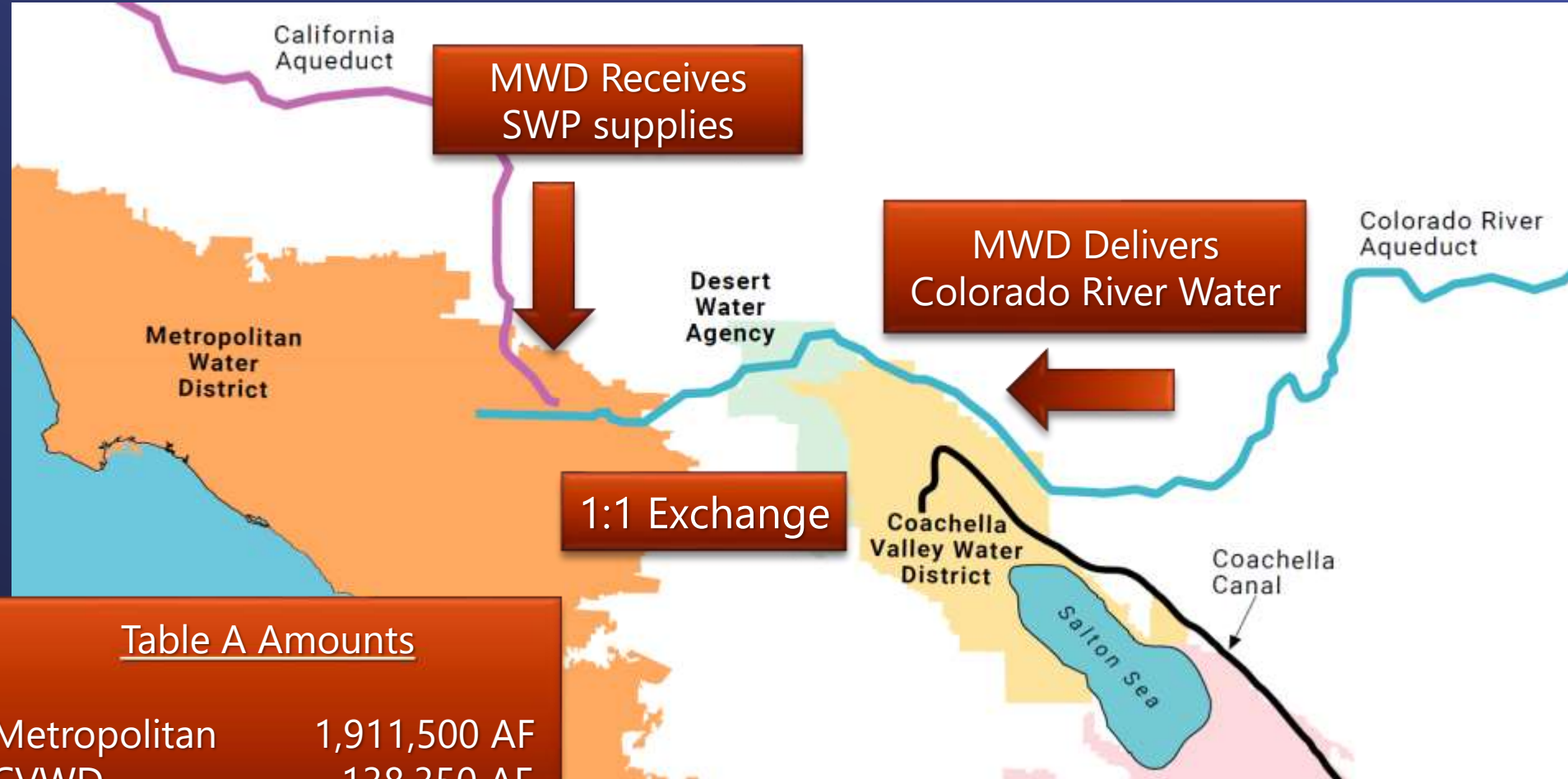
- (1) Provide information on all the existing exchange agreements between the Coachella Valley Water District and Metropolitan and
- (2) update the Board on the status of an additional exchange agreement that is under development

Next Steps

Develop additional exchange agreement and return for Board consideration to authorize new exchange agreement

Metropolitan/Coachella Valley Water District/Desert Water Agency State Water Project/Colorado River Exchange

- CVWD/DWA pay SWP variable costs
 - ~\$300/AF
- Metropolitan pays CRA pumping costs
 - ~\$100/AF
- Agreement expires in 2035



<u>Table A Amounts</u>	
Metropolitan	1,911,500 AF
CVWD	138,350 AF
DWA	55,750 AF

Metropolitan/ CVWD/DWA 100 TAF Transfer

MWD-CVWD-DWA Exchange Agreement

- Authorized in 2003 and expires in 2035
- Transferred 100 TAF/year of MWD's Annual Table A Amount to CVWD and DWA
- Metropolitan provides Colorado River Water by Exchange at Whitewater and Mission Creek
- CVWD and DWA pay fixed and variable charges
 - Annual Fixed Costs Savings: ~\$20 Million/year

Additional Exchanges in the 2019 Amendments

2019 Amendment Expires in 2026

CVWD-MWD 35 TAF Exchange

- Part of Quantification Settlement Agreement
- Metropolitan transfers 35,000 AF per year of Table A supply to CVWD each year, and provides Colorado River water by exchange
- A 2019 Amendment provided flexibility
- Metropolitan receives ~\$350/AF

CVWD-MWD 15 TAF Exchange

- 2019 Amendment also provided for an additional 15 TAF Exchange
- CVWD reduces call on IID-MWD Conservation Program
 - 20 TAF/year to 15 TAF/year
- Metropolitan to deliver 105,000 AF to Whitewater from 2020-2026
 - 15 TAF/year on average
- Metropolitan receives ~\$350/AF

Exchanges Provide Benefits to Both Parties

CVWD Benefits

- Receives water without a physical connection to the State Water Project
- Exchanges provide more certainty for water supply

Metropolitan Benefits

- Additional SWP supplies, providing increased reliability for the SWP-dependent areas
- Significant financial benefits
- System flexibility and additional storage

Exploring New Exchange Concept

Expansion of Existing Exchange

- Amendments expire in 2026
- Exploring extending provisions of the 2019 Amendment to 35,000 AF and 15,000 AF exchange agreements
- Include ability to pre-deliver water in the next two years for additional revenue





Water Resources Management Group

- **Water Surplus and Drought Management Update
Conditions as of 1/9/2025**

Summary

This report provides the monthly update in accounting for water supply, demand, and storage conditions for calendar year (CY) 2025 as of January 9, 2025. This report also tracks the hydrologic conditions for water year (WY) 2024-2025. Updated supply and hydrologic information will be provided during the oral report in February.

On December 23, 2024, the California Department of Water Resources (DWR) increased the State Water Project (SWP) Table A Allocation from the initial five percent to 15 percent as a result of improved hydrologic conditions observed in late November that brought above-normal precipitation to the northern Sierra. This brings Metropolitan's currently allocated SWP supplies to 287 thousand acre-feet (TAF). Further increases to the SWP allocation are possible and will depend on future hydrologic conditions. Metropolitan's Colorado River supply is currently estimated at 958 TAF but is affected by higher priority water use in California and future water management actions taken by Metropolitan. Combining both imported supplies results in 1.25 million acre-feet (MAF) for Metropolitan in CY 2025.

The demand on Metropolitan is currently estimated to be 1.37 MAF for CY 2025. Since supply is less than demand, there is a supply/demand gap of 129 TAF based on the current demand and supply estimate. Assuming no changes to the CRA supply and demand estimate, a final SWP allocation of 25 percent would be required to balance supply and demand without the need to utilize stored supplies. It is still early in the water year and a wide range of supply and demand balances remain possible. Should supplies remain low, Metropolitan has sufficient dry-year storage available to satisfy the potential supply gap for CY 2025, including for the SWP Dependent Area.

Purpose

Informational

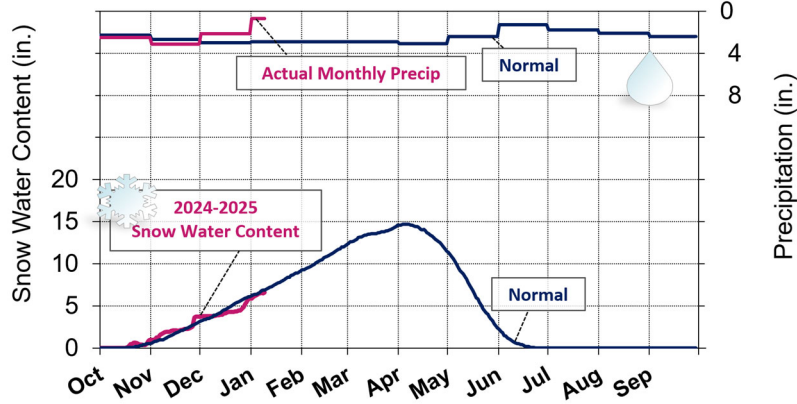
Attachments

- Attachment 1: Projected 2025 WSDM Storage Detail (15 percent SWP Table A allocation)
- Attachment 2: Future Contributions and Obligations and Cyclic Program

Detailed Report

This Water Surplus and Drought Management (WSDM) report provides the water supply and demand estimates for CY 2025 and developing hydrologic conditions for water year (WY) 2024-2025.

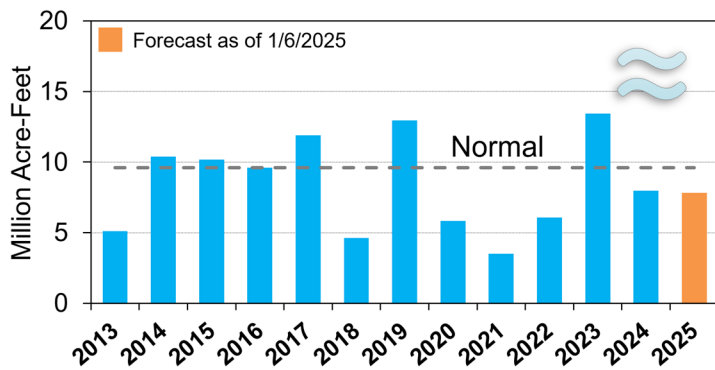
Upper Colorado Basin Snowpack & Precipitation



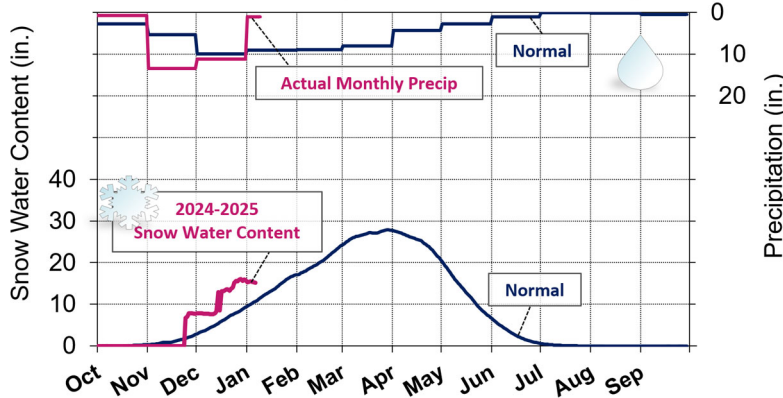
Upper Colorado River Basin

- ❄ Below normal snowpack water content for this date: 6.6 inches or 95% of normal.
- 💧 Below normal precipitation to date: 8.5 inches or 96% of normal.
- ≈ Runoff into Lake Powell for WY 2025 is forecasted at 82% of normal.

Powell Unregulated Water Year Runoff



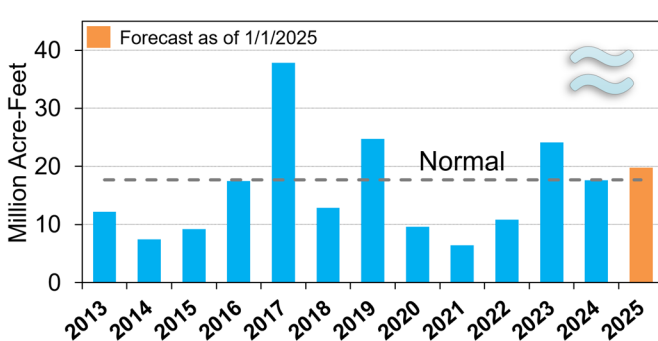
Northern Sierra Snowpack & 8-Station Precipitation



Sacramento River Basin

- ❄ Above normal snowpack water content for this date: 15.2 inches or 139% of normal.
- 💧 Above normal precipitation to date: 26.4 inches or 126% of normal.

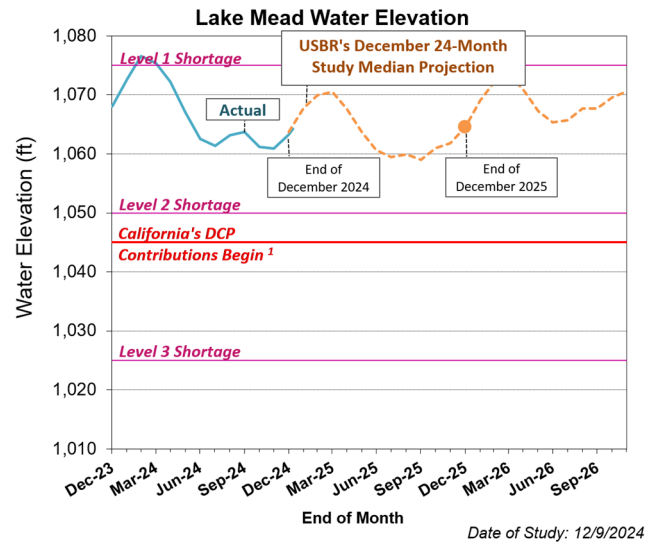
Sacramento River Water Year Runoff



- ≈ Runoff forecast for WY 2025 is forecasted at 112% of normal.

CRA Supplies	Acre-Feet
Basic Apportionment	550,000
IID/MWD Conservation Program	105,000
CVWD - 2nd Amendment, Exchange of Additional Water	0
PVID Following Program ¹	0
Exchange w/ SDCWA (IID/Canal Lining)	278,000
Exchange w/ USBR (San Luis Rey Tribe)	16,000
Lower Colorado Water Supply Project	9,000
Bard Seasonal Following Program ¹	0
Quechan Diversion Forbearance ¹	0
Quechan Seasonal Following Program ²	0
Higher Priority Water Use Adjustment	0
Total CRA Supplies³	958,000

¹ Not a supply for Metropolitan in 2025. Water generated from these programs becomes system water as part of USBR’s Lower Colorado Conservation Program to help protect Lake Mead.
² Program available to Metropolitan in 2025. An estimate will be provided when more information becomes available.
³ Supplies based on Metropolitan’s submitted water order to USBR. Total may not sum due to rounding.

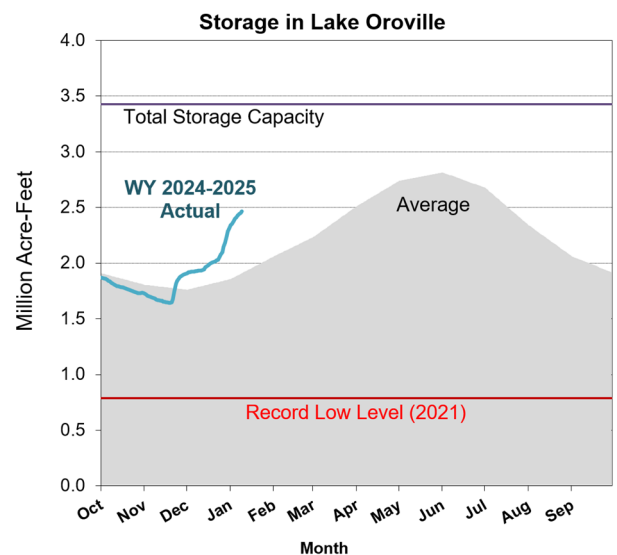


¹ Metropolitan is not required to make Drought Contingency Plan (DCP) contributions in 2025 because the August 2024 24-month Study projected Lake Mead’s elevation to be above 1,045 feet on January 1, 2025. This figure reflects the latest 24-month study (December 2024) available at the time of this report.

- Lake Mead storage is currently 8.75 MAF or elevation 1,064.3 feet (33 percent of total capacity).
- The Lower Basin is at a Level 1 shortage in CY 2025. Under this level, Metropolitan’s operations and water supply are not impacted.

SWP Supplies	Acre-Feet
Table A (15% SWP allocation)	287,000
Port Hueneme ¹	0
Total SWP Supplies²	287,000
Total Supplies (CRA + SWP)	
(Prior to storage actions)²	1,245,000

¹ Rounded to the nearest thousand. Supply is 278 AF.
² Total may not sum due to rounding.

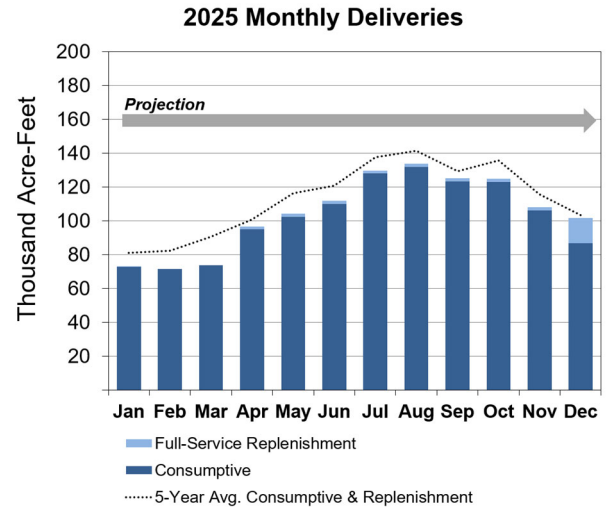


- The SWP allocation for CY 2025 is currently 15 percent of Table A. Further increases to the SWP allocation are possible and will depend on future hydrologic conditions. The final allocation is typically determined in May or June.
- Lake Oroville is currently at 2.46 MAF (72 percent of total capacity) or 129 percent of historical average, as of the date of this report.

Current Demand	Acre-Feet
Member Agency Consumptive ¹	1,263,000
Member Agency Replenishment	30,000
Coachella Valley Water District Agreement	15,000
Imperial Irrigation District Return	0
Exchange w/ San Luis Rey Tribe	16,000
System and Storage Losses	50,000
Cyclic Deliveries	0
2022 Reverse Cyclic Deliveries	0
Total Demands ²	1,374,000

¹ Includes exchange w/ SDCWA (IID/Canal Lining) and CUP sales.

² Total may not sum due to rounding.

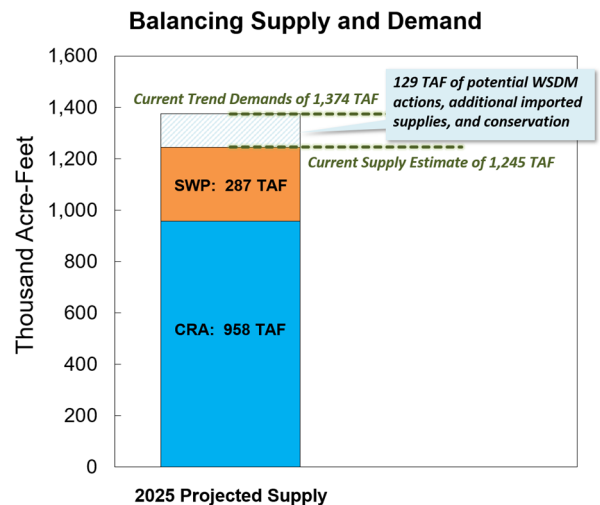


Member agency demands for CY 2025 are forecasted to be slightly below the 5-year average due to higher initial local supplies.

MANAGING REGIONAL SUPPLY AND DEMAND

Supply/Demand Balance	Acre-Feet
Total Supplies	1,245,000
Total Demands	1,374,000
Current Balance Estimate ¹	-129,000

¹ Total may not sum due to rounding.



WSDM Strategies/Actions

Metropolitan is monitoring supply development and updated demand projections. Appropriate WSDM actions will be taken to satisfy any supply/demand gap. Even with the current low SWP Allocation, Metropolitan has sufficient dry-year storage available to satisfy the current projected supply gap for CY 2025, including for the SWP Dependent Area.

2025 WSDM Storage Detail

	1/1/2025 Estimated Storage Levels ¹	CY 2025 Take Capacity ²	2025 Total Storage Capacity
WSDM Storage			
Colorado River Aqueduct Delivery System	1,596,000	161,000	1,622,000
Lake Mead ICS	1,596,000 ³	161,000 ⁴	1,622,000 ³
State Water Project System	1,163,000	681,000	2,341,000
MWD & DWCV Carryover	383,000	383,000	532,000 ⁵
MWD Articles 14(b) and 12(e)	0	0	0
Castaic and Perris DWR Flex Storage	219,000	219,000	219,000
Arvin-Edison Storage Program	100,000	0	350,000
Semitropic Storage Program	227,000	47,000	350,000
Kern Delta Storage Program	142,000	32,000	250,000
Mojave Storage Program	19,000	0	330,000
AVEK Storage Program	27,000	0	30,000
AVEK High Desert Water Bank Program	45,000	0	280,000
In-Region Supplies and WSDM Actions	1,060,000	645,000	1,246,000
Diamond Valley Lake	788,000	531,000	810,000
Lake Mathews and Lake Skinner	188,000	76,000	226,000
Conjunctive Use Programs (CUP)	84,000	38,000	210,000 ⁶
Other Programs	762,000	39,000	1,181,000
Other Emergency Storage	381,000	0	381,000
DWCV Advanced Delivery Account	381,000	39,000	800,000
Total	4,581,000	1,525,000	6,390,000
Emergency	750,000	0	750,000
Total WSDM Storage (AF) ⁷	3,831,000	1,525,000	5,640,000

¹ Preliminary start of year balances, subject to DWR adjustments and USBR final accounting in May 2025.

² Take capacity assumed under a 15 percent SWP Table A Allocation. Storage program losses included where applicable.

³ This amount is net of the water Metropolitan stored for IID in Lake Mead in an ICS sub-account.

⁴ Take capacity will be based on planned maintenance activities and current CRA supply estimate.

⁵ Total storage capacity varies year-to-year as the contractual annual storage limit, based on the SWP Table A allocation, is combined with the remaining balance from the previous year. There is a potential risk that Metropolitan's stored water be converted to SWP contractor water if San Luis Reservoir approaches full capacity.

⁶ Total of all CUP programs including IEUA/TVMWD (Chino Basin); Long Beach (Central Basin); Long Beach (Lakewood); Foothill (Raymond and Monk Hill); MWDOC (Orange County Basin); Three Valleys (Live Oak); Three Valleys (Upper Claremont); and Western.

⁷ Total WSDM Storage level subject to change based on accounting adjustments. Total may not sum due to rounding.

Future Contributions and Obligations and Cyclic Programs

Table 1: Future Obligations ¹

	Beginning of Year 2025 Balance
Water Stored for IID under the California ICS Agreement and its Amendment or the 2021 Settlement Agreement with IID	258,000 ²
Storage and Interstate Release Agreement with Southern Nevada Water Authority (SNWA)	330,000 ³
Coachella Valley Water District Agreement	70,000 ⁴
2022 Reverse Cyclic Program	3,000 ⁵
2024 Reverse Cyclic Program	100,000 ⁶
United States Bureau of Reclamation (USBR) Phase 2 of the Lower Colorado River Basin System Conservation and Efficiency Program	265,000 ⁷
Total (AF) ⁸	1,026,000

¹ Rounded to the nearest thousand AF. Subject to change based on accounting adjustments.

² Reflects final accounting under USBR's 2023 Water Accounting Report released May 15, 2024. IID can request a return in any year, conditional on agreement terms.

³ SNWA may request up to 30,000 AF per year.

⁴ Obligation must be met by the end of 2026.

⁵ Deferred delivery from Calleguas Municipal Water District in 2022. Obligation must be met by 2027.

⁶ Deferred delivery from participating member agencies in 2024. Obligation must be met by 2029.

⁷ USBR will provide federal funding to Metropolitan for the AVEK HDWB System Conservation Project and Turf Replacement System Conservation Project. In exchange, Metropolitan will implement the projects and create conserved water to benefit Lake Mead as system water. Obligation must be met by 2033.

⁸ Total may not sum due to rounding.

Table 2: Potential Magnitude of California's Drought Contingency Plan Contribution

	2025	2026
Likelihood of Required California Drought Contingency Plan Contribution ¹	0%	0%
Average Metropolitan DCP Contribution When Contributions Are Required (AF)	0	0

¹ Results from USBR's December 2024 Colorado River Mid-Term Modeling System (CRMMS) model run.

Table 3: Cyclic Program Activity ¹

CY	Starting Balance (AF)	CY Actions (AF)				Ending Balance (AF)
		Cyclic Pre-Delivery	Cyclic Cost-Offset Pre-Delivery	Total Pre-Delivery	Sale Out of Cyclic to Date	
2019	51,000	147,000	19,000	166,000	91,000	126,000
2020	126,000	2,000	0	2,000	50,000	79,000
2021	79,000	0	0	0	28,000	51,000
2022	51,000	0	0	0	27,000	24,000
2023	24,000	33,000	14,000	48,000	72,000	0
2024	0	77,000	0	77,000	0	77,000

¹ This table is updated with actual Cyclic Program activity on a monthly basis. Total may not sum due to rounding.



One Water and Stewardship Committee

Update on Water Surplus and Drought Management

Item 6d
February 10, 2025

Item 6d
Update
on
WSDM

Subject

Update on Oral Report on Water Surplus and Drought Management

Purpose

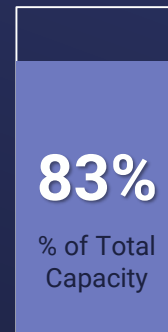
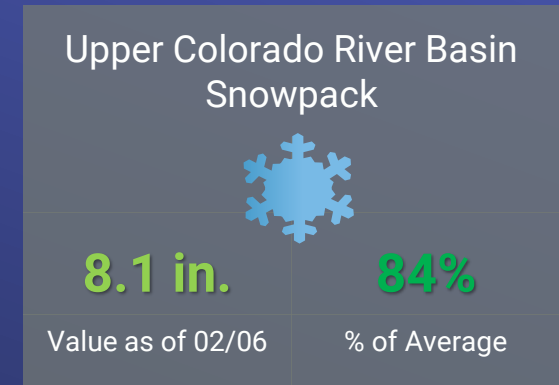
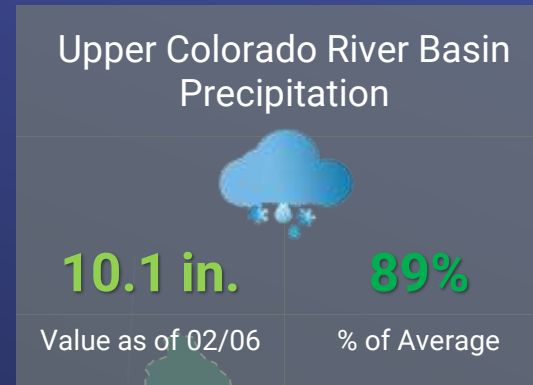
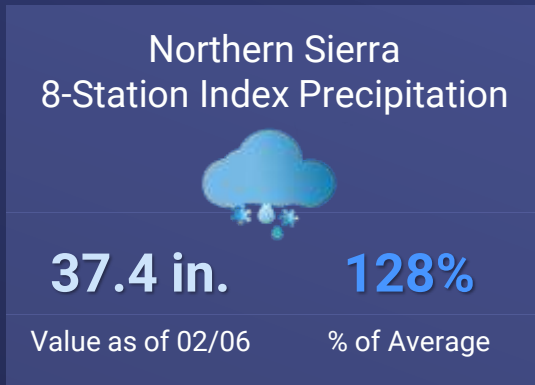
Provide updated supply and hydrologic information

Improving State Water Project Outlook

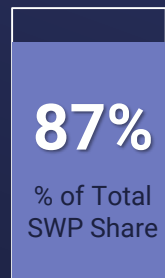
- SWP Table A Allocation Increase to 20%
- Allocation likely to increase with developing hydrologic conditions
 - Healthy gain in Oroville storage from early Feb atmospheric river
 - Oroville in flood control



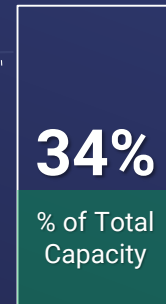
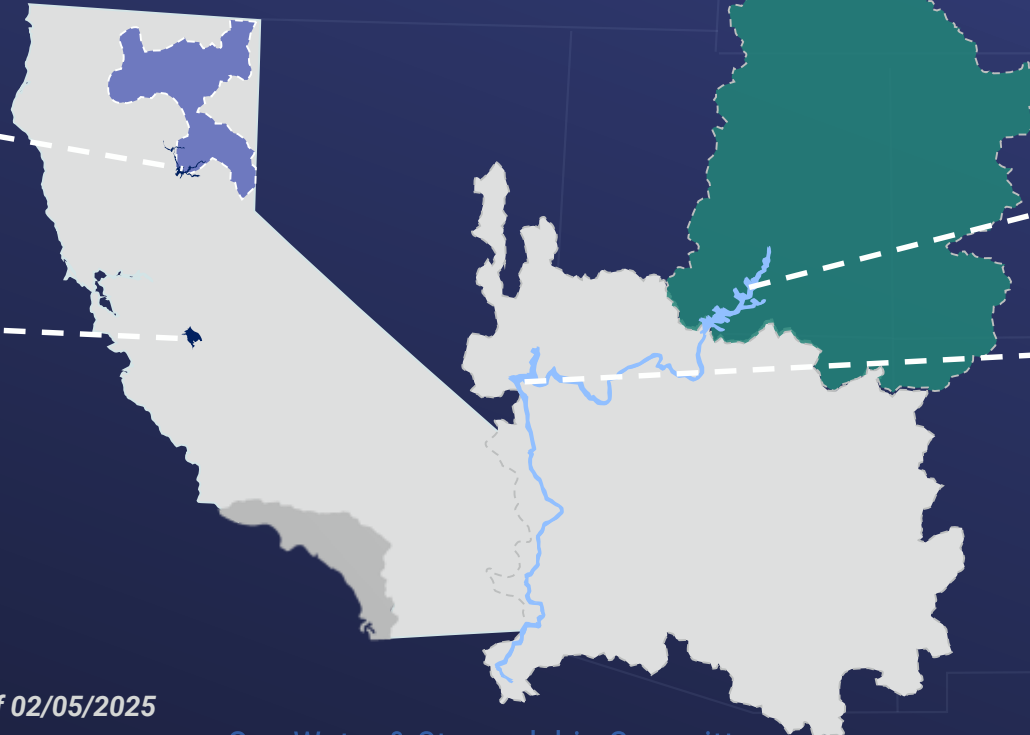
Hydrologic Conditions Summary



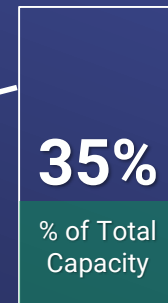
Oroville
2.86 MAF



SWP San Luis
0.93 MAF



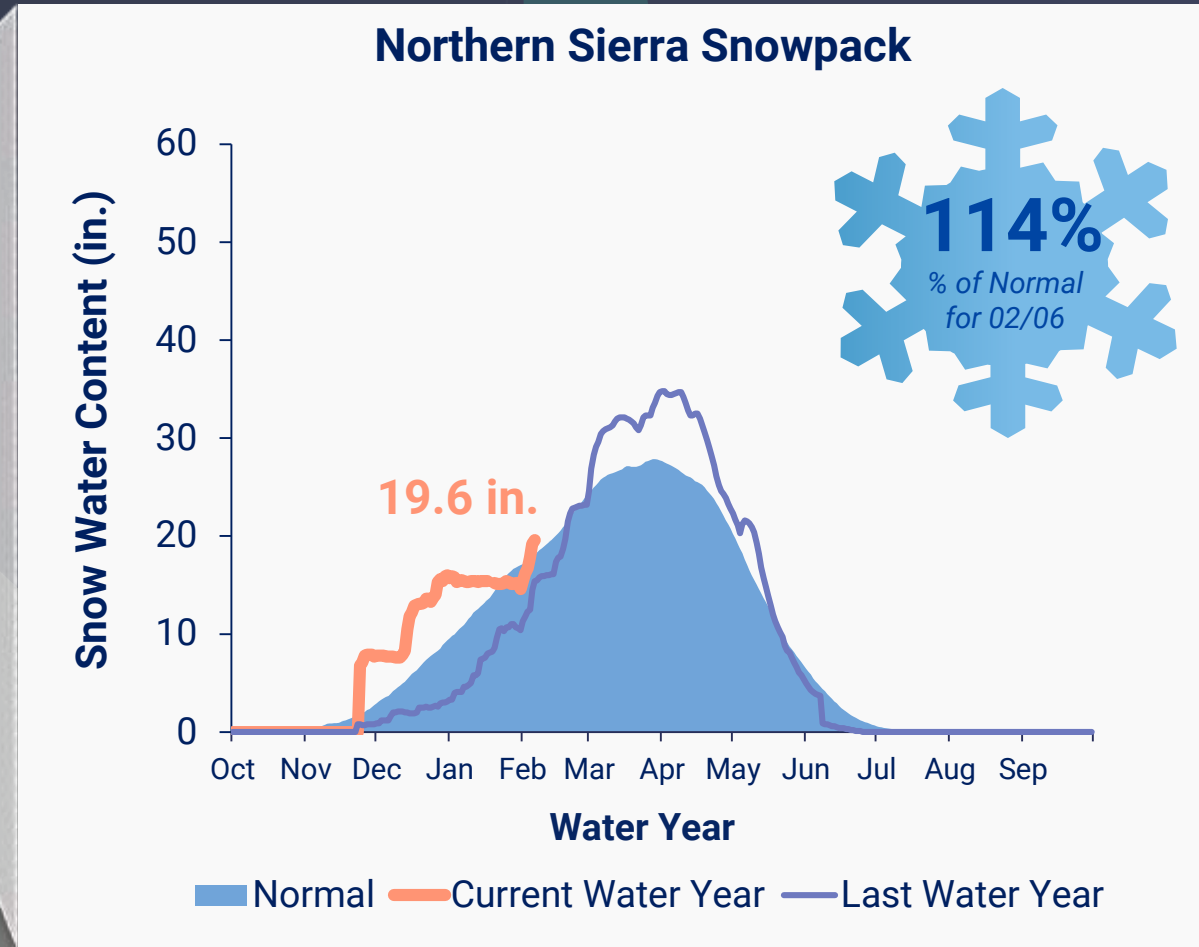
Mead
8.95 MAF



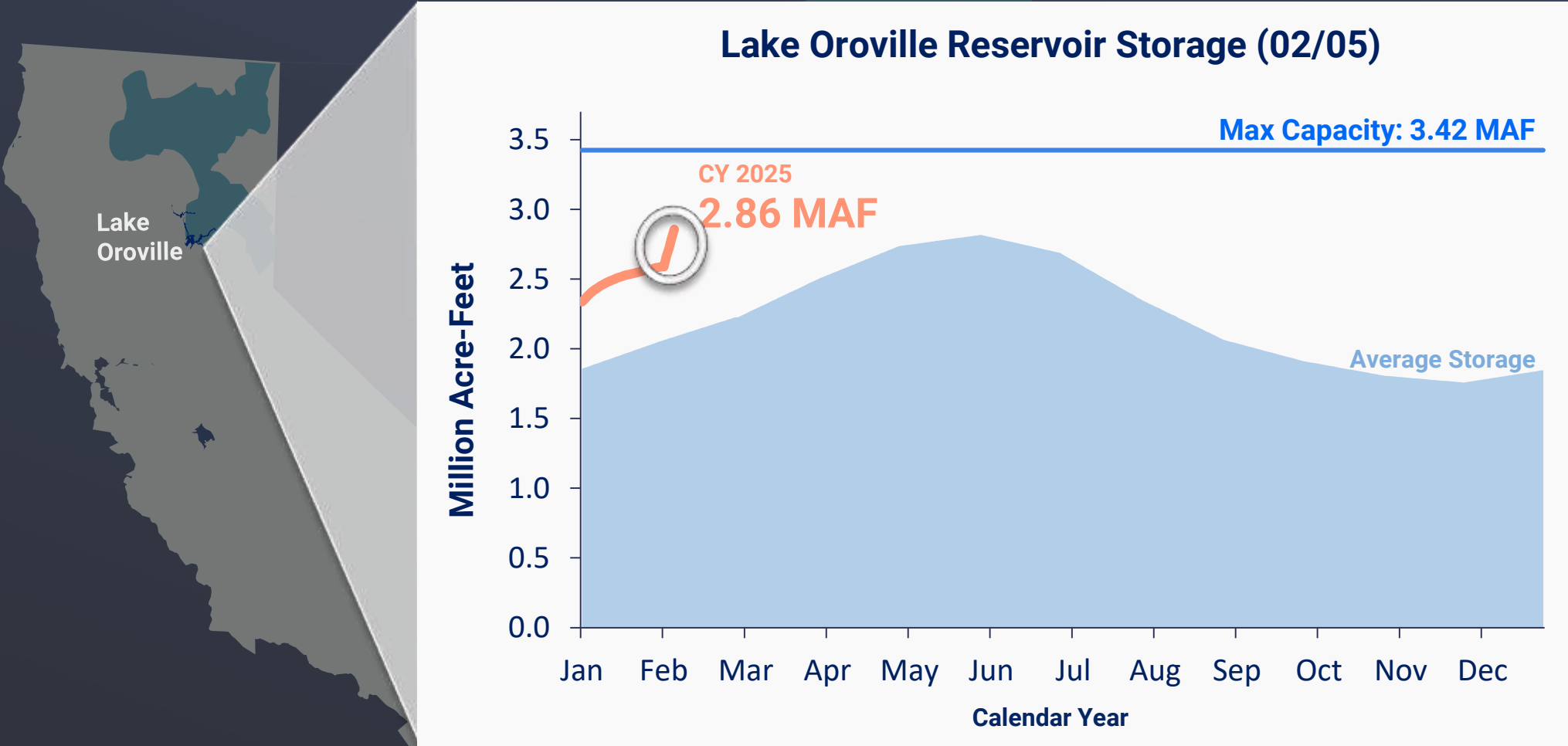
Powell
8.22 MAF

Note: Images not drawn to scale. Storage data as of 02/05/2025
February 10, 2025

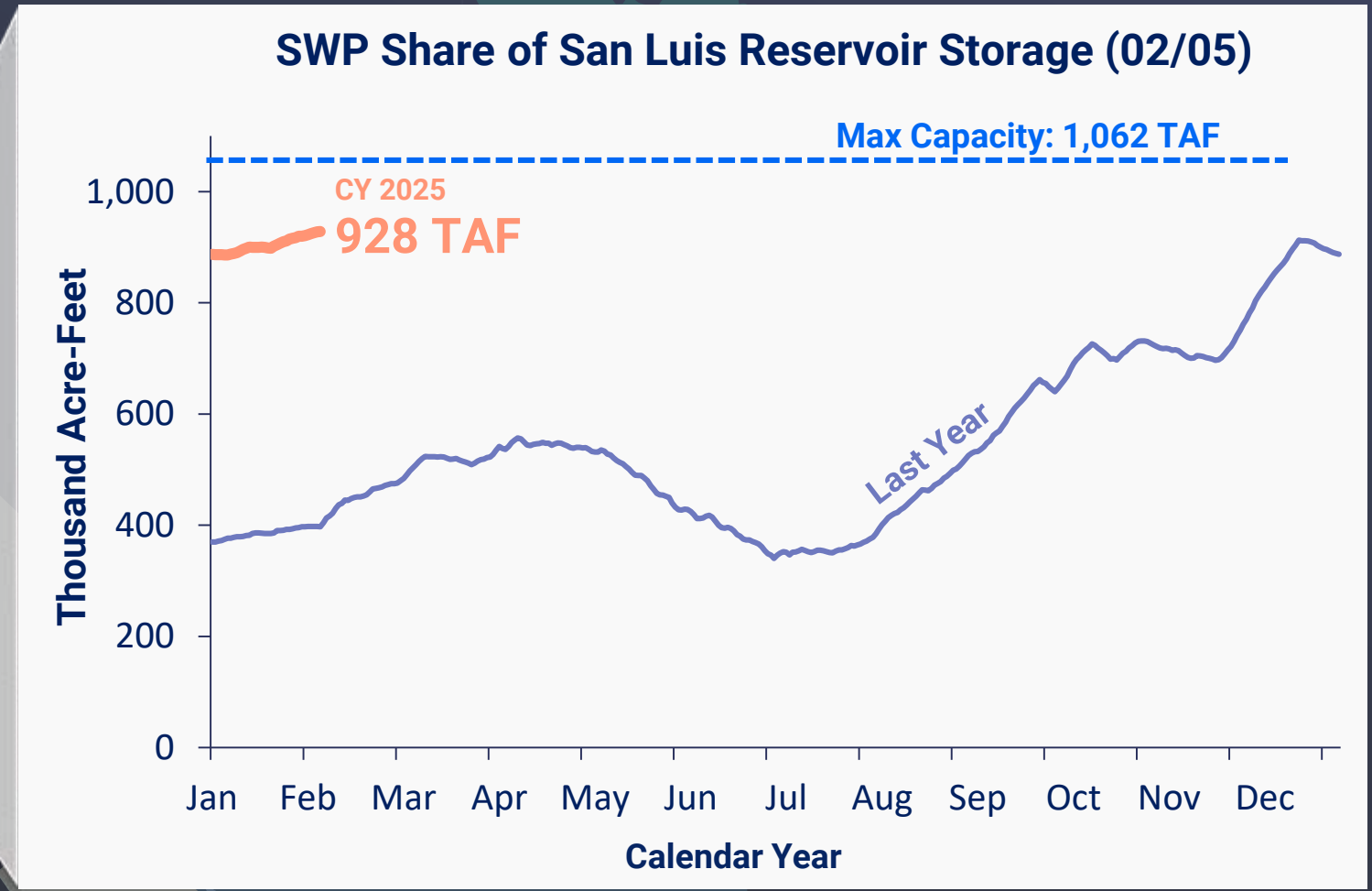
Northern Sierra Snowpack



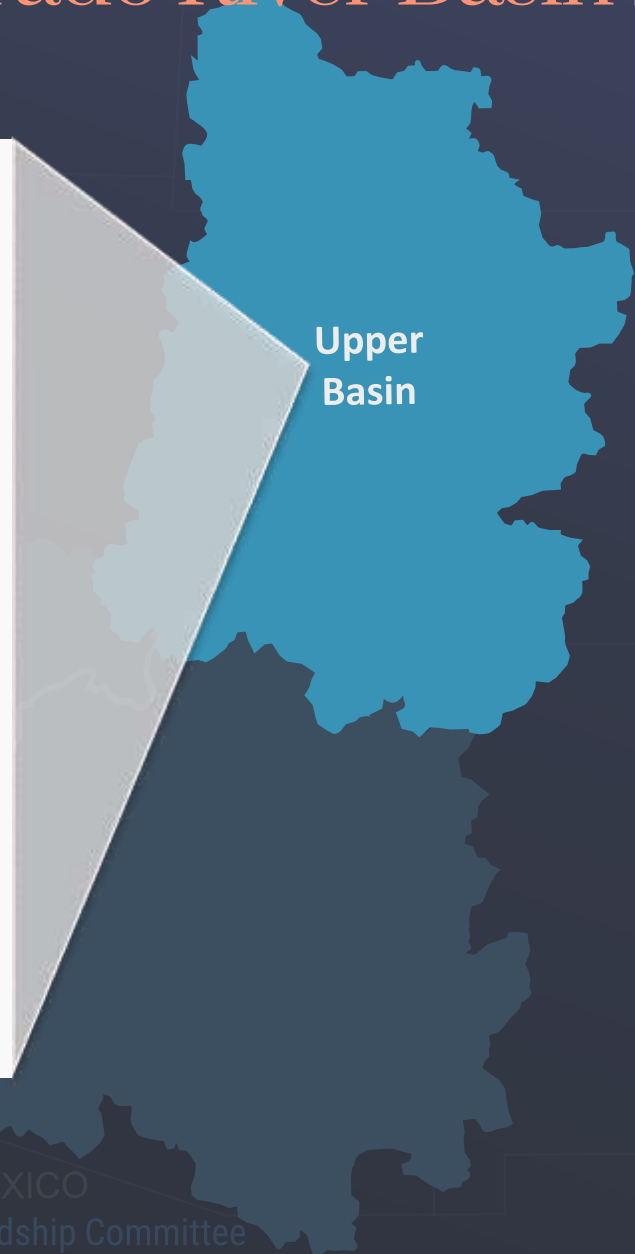
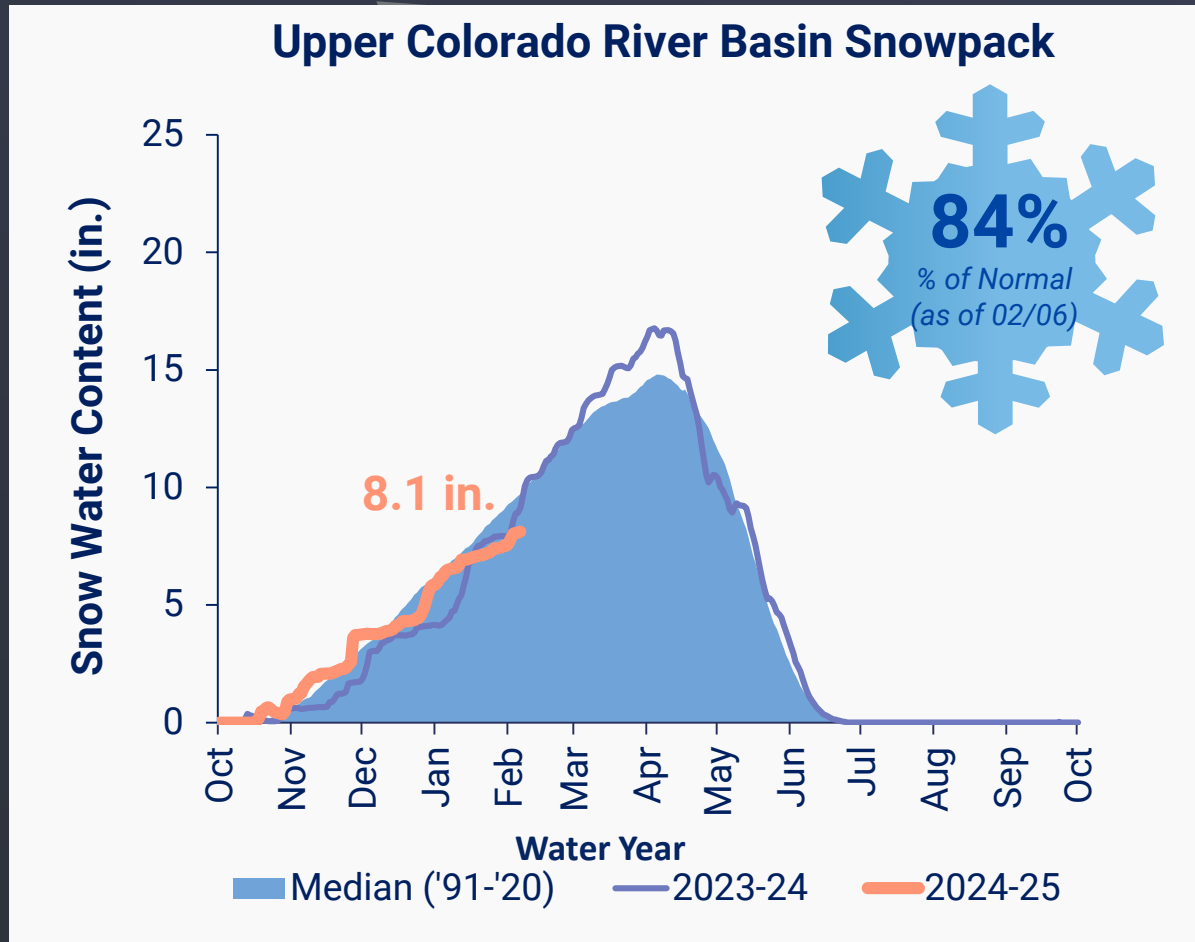
Increasing Storage Level in Lake Oroville



SWP San Luis Storage Remains High

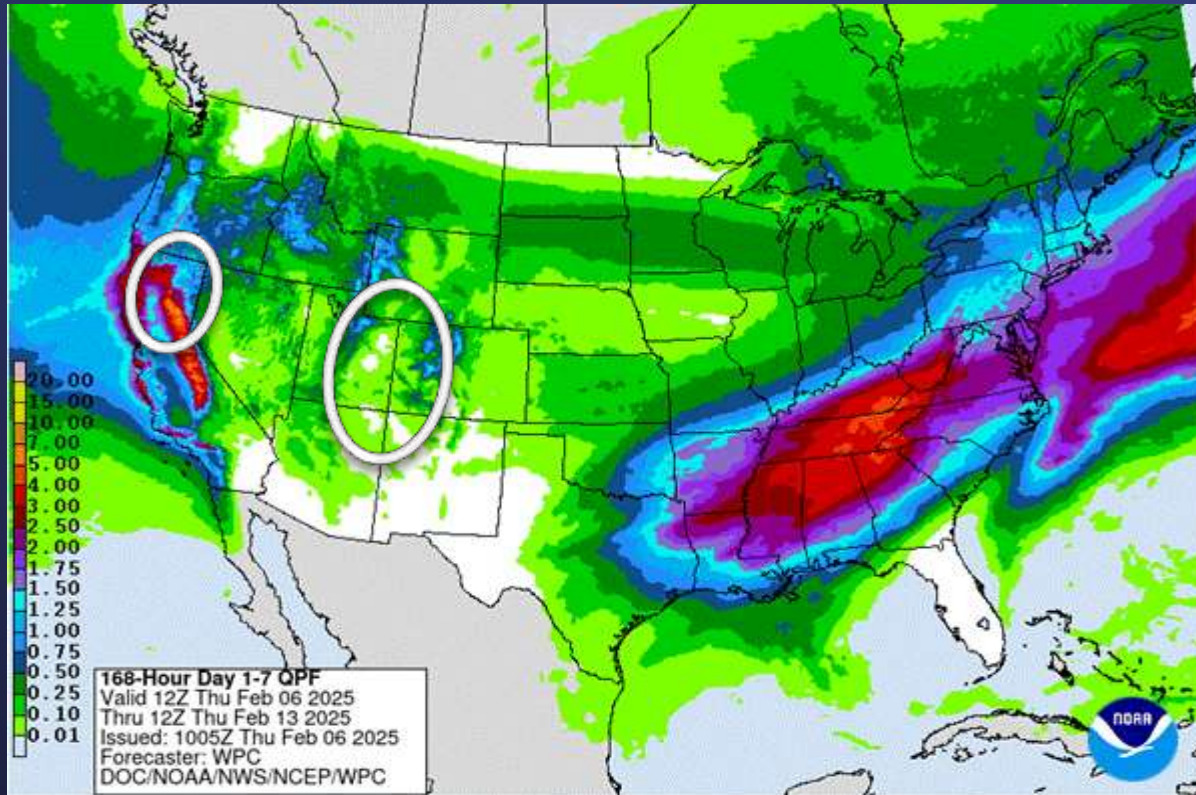


Below Average Upper Colorado River Basin Snowpack

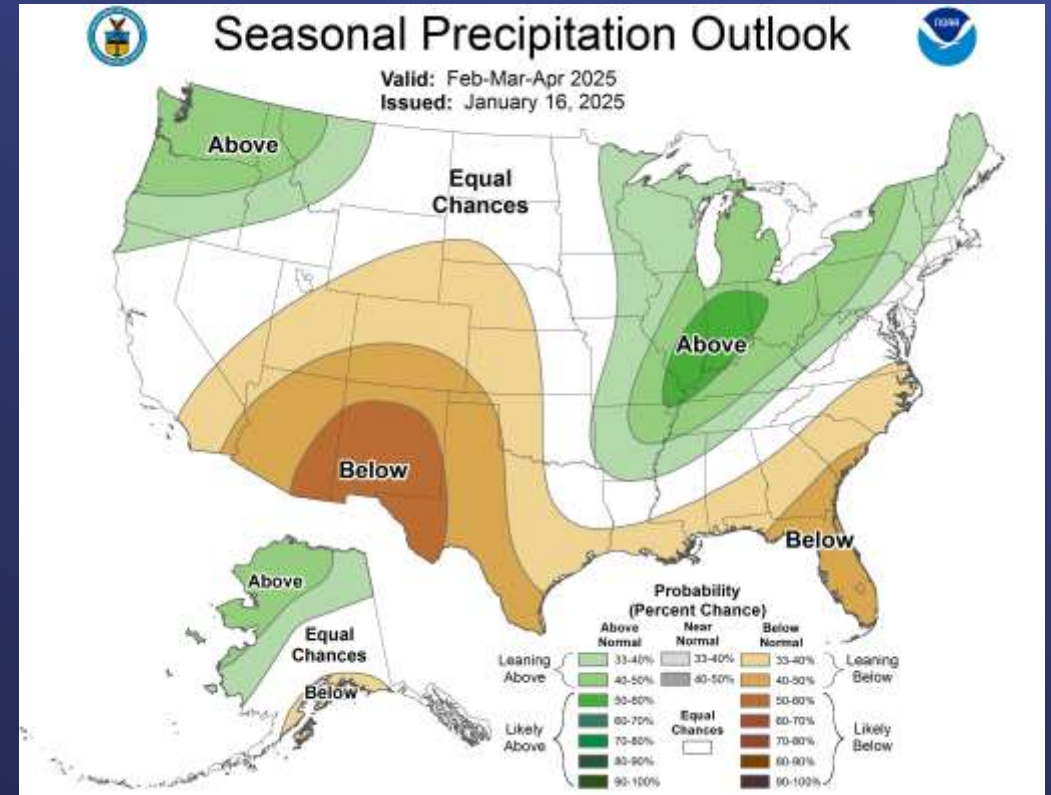


Precipitation Outlook

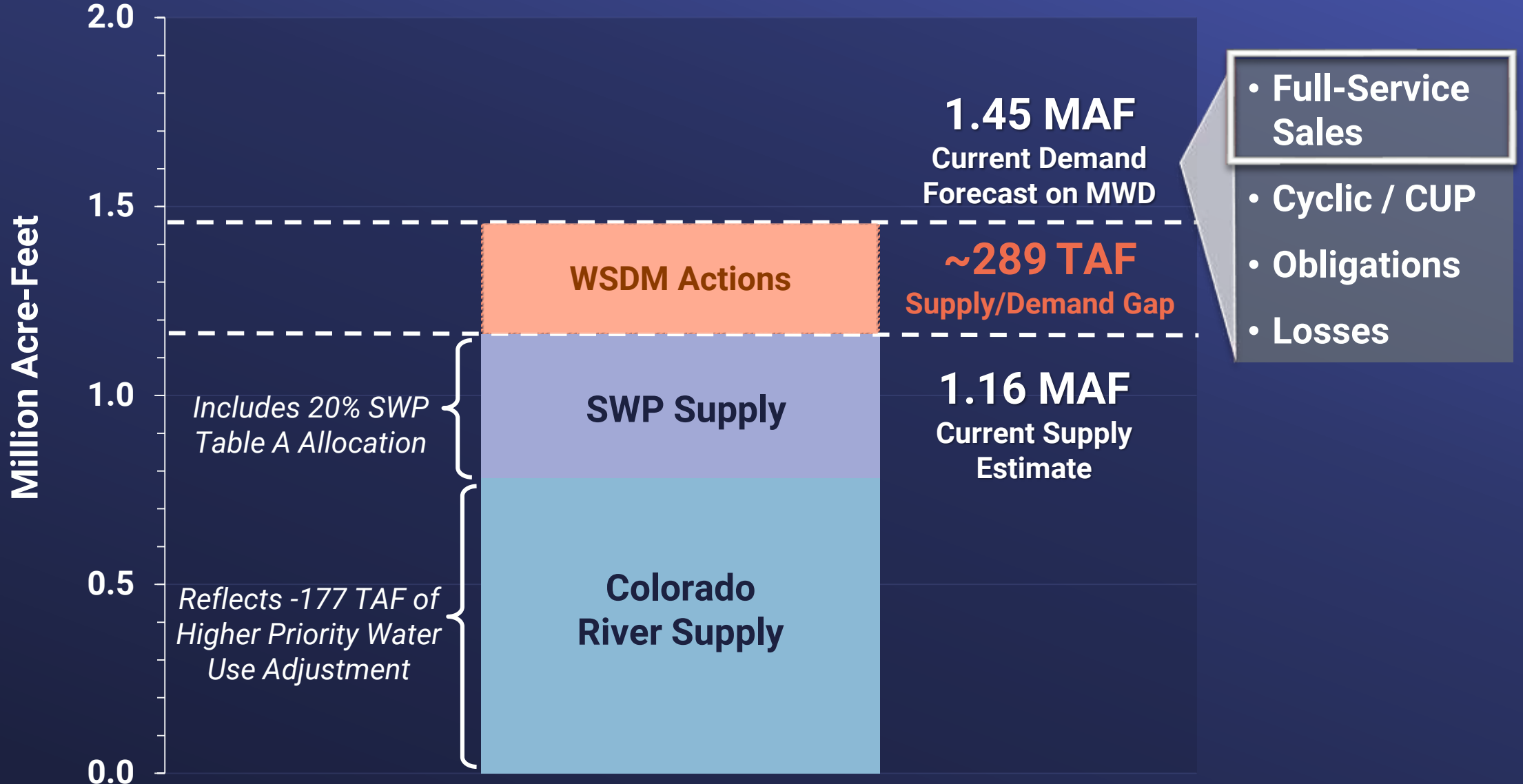
Feb 6 - Feb 13



Feb-Mar-Apr Outlook



2025 Water Supply/Demand Balance: *Regional View*



Note: Data as of February 5, 2025.





Executive Office

- **Bay-Delta Management Report**

Summary

This report provides a summary of activities related to the Bay-Delta for January 2025.

Purpose

Informational

Detailed Report

Long-Term Delta Actions

Delta Conveyance Project

On January 17, 2025, the Delta Stewardship Council dismissed the four appeals of the California Department of Water Resources' Certification of Consistency for 2024-2026 geotechnical work. The appeals were dismissed for lack of jurisdiction because the 2024-2026 geotechnical work is not a covered action.

Delta Conveyance Related Joint Powers Authority

At the January 16 Delta Conveyance Finance Authority (DCFA) Board of Directors meeting, the DCFA Board made decisions to re-elect several members to leadership positions. Paul Sethy, representing Alameda County Water District, remains as President of the board; Miguel Angel Luna, representing Metropolitan, is now the Vice President; Robert Cheng, representing the Coachella Valley Water District, stays on as Secretary, and Metropolitan's Katano Kasaine has been reinstated as Treasurer. On January 14, Valley Water voted to support continued funding for Delta Conveyance Project planning; all participating agencies are expected to vote by the end of March 2025.

Near-Term Delta Actions

Regulatory and Science Update

Staff co-authored two papers that were published in January 2025. The first paper, titled "Insights from a Year of Field Deployments Inform the Conservation of An Endangered Estuarine Fish," was published in *Conservation Physiology*. The second paper, titled "Influence of an Impacted Estuary on The Reproduction of an Endangered Endemic Fish," was published in *Science of the Total Environment*.

Upper Watershed Projects

Metropolitan staff executed agreements with the Plumas Community Protection I Forest Resilience Bond LLC, the North Feather I Forest Resilience Bond LLC, and the Upper Butte Creek I Forest Resilience Bond LLC per the Board's authorization in September 2024. The North Feather I Forest Resilience Bond is expected to officially launch in the next couple of months, with the others following later this year.

Delta Islands

Metropolitan staff executed a short-term lease for farming on Webb Tract. The lease will ensure crop insurance can be maintained for the island while providing revenue and weed control.

Date of Report: 02/10/2025

Metropolitan Bay Delta Conservation Plan/California WaterFix and California EcoRestore/Delta Conveyance Project (BDCP/CWF-CER/DCP) Expenditures

The following is a summary of Metropolitan’s cumulative BDCP/CWF-CER/DCP expenditures updated for the quarter ending December 2024. This report includes the total internal costs related to the BDCP, the CWF-CER, and the subsequent DCP efforts with the state administration.

Staff will continue to provide this report on a quarterly basis in the Bay Delta Management Report.

Total (July 2005 – December 2024)

BDCP/CWF-CER/DCP Internal MWD	Total Costs (19.5 yrs.)
Labor & Benefits ⁽¹⁾	\$ 39.98M
Professional Services	\$ 7.59M
Travel	\$ 1.81M
Other ⁽²⁾	\$ 0.22M
SUBTOTAL	\$ 49.58M
<u>Administrative Overhead</u>	<u>\$ 14.18M</u>
TOTAL	\$ 63.76M

⁽¹⁾ Labor costs include salary, leave and non-leave benefits

⁽²⁾ Other includes charges for materials and supplies, trainings & seminars, conferences & meetings, reprographics, and other incidental expenses

Quarterly Summary (Jan 2024 – Dec 2024)

	FY23-24 Q3	FY23-24 Q4	FY24-25 Q1	FY24-25 Q2
	Jan-Mar 2024	Apr-Jun 2024	Jul-Sep 2024	Oct-Dec 2024
Labor	0.249M	0.253M	0.221M	0.268M
Professional Services	0.004M	0.002M	0.001M	0.003M
Travel	0.004M	0.000M	0.000M	0.005M
Other	0.000M	0.000M	0.000M	0.001M
SUB-TOTAL	0.257M	0.184M	0.222M	0.277M
<u>Admin. Overhead</u>	<u>0.048M</u>	<u>0.038M</u>	<u>0.062M</u>	<u>0.057M</u>
TOTAL	0.305M	0.223M	0.284M	0.334M

The following is a summary of the Delta Conveyance Finance Authority costs for member’s share of administrative expenses:

Quarterly Summary (Jan 2024 – Dec 2024)

	FY23-24 Q3	FY23-24 Q4	FY23-24 Q1	FY24-25 Q2
	Jan-Mar 2024	Apr-Jun 2024	Jul-Sep 2024	Oct-Dec 2024
TOTAL	0.001M	0.002M	0.002M	0.002M



Office of the General Manager

• Colorado River Management Report

Summary

This report provides a summary of activities related to management of Metropolitan's Colorado River resources for January 2025.

Purpose

Informational

Detailed Report

Post-2026 Colorado River Operational Guidelines Alternatives Report

The Colorado River Basin States were not able to reach a seven-state consensus on an alternative to provide to the Bureau of Reclamation (Reclamation) in time to be included in the post-2026 Colorado River Guidelines. Instead, the Lower Division States and Upper Division States each submitted to Reclamation their own proposals for consideration in 2024, with refinements in early 2025. Other proposed alternatives were also submitted, including one from the Gila River Indian Community.

On January 17, Reclamation released the Post-2026 Colorado River Operations Alternatives Report, outlining four action alternatives for managing the Colorado River system after the current guidelines expire in 2026. Reclamation intends to also analyze these alternatives and a No Action Alternative (as required by the National Environmental Policy Act) in the Post-2026 Operational Guidelines Environmental Impact Statement (EIS). Reclamation does not intend to analyze the alternatives submitted by the Lower Division States, Upper Division States, or the Gila River Indian Community. Instead, components of each of the submitted alternatives will be analyzed in the Basin Hybrid Alternative.

The Alternatives Reclamation has identified for analysis in the EIS are summarized below:

FEDERAL AUTHORITIES ALTERNATIVE

- Emphasizes infrastructure protection based on existing legal authorities; would not require new federal statutory authorities or stakeholder agreements.
- Lake Powell releases adjusted based on reservoir elevations, ranging from 9.5 to 5.0 million acre-feet (maf), with potential reductions to protect Glen Canyon Dam infrastructure.
- Lower Basin shortages up to 3.5 maf, distributed according to the priority system, triggered by combined storage levels of Lake Powell and Lake Mead.
- No new Intentionally Created Surplus (ICS) delivery or storage mechanisms.

FEDERAL AUTHORITIES HYBRID ALTERNATIVE

- Combines reservoir elevations, 10-year hydrology, and Lower Division States deliveries to determine Lake Powell releases, with potential increases from other reservoirs to protect infrastructure.
- Introduces new delivery and storage mechanisms for both lakes, including federal and non-federal storage pools with maximum flexibility.

Board Report Colorado River Management Report

- Basin-wide shared contributions, with Upper Division States conservation stored in Lake Powell and Lower Division States shortages starting at 1.5 maf and reaching up to 3.5 maf, triggered by combined storage levels.
- Shortages distributed pro-rata.
- Some elements may require additional federal statutory authorities and stakeholder agreements.

COOPERATIVE CONSERVATION ALTERNATIVE

- Informed by the Cooperative Conservation alternative submitted by a group of environmental organizations.
- Lake Powell releases between 11.0 and 5.0 maf, determined by total Upper Division States storage and recent hydrology, switching to “run-of-river” below 3,510 feet elevation.
- Basin-wide shared contributions, including up to 4.0 maf of Lower Division States shortages triggered by combined seven-reservoir storage and recent hydrology.
- Includes voluntary water conservation in both basins.
- Some elements may require additional federal authorities and stakeholder agreements.

BASIN HYBRID ALTERNATIVE

- Includes some components from the alternatives submitted by Upper and Lower Division States and the Gila River Indian Community.
- Lake Powell releases primarily based on its elevation, considering Lake Mead’s elevation in some scenarios, ranging from 12.0 to 5.0 maf, with potential increases from other reservoirs to protect infrastructure.
- Introduces new delivery and storage mechanisms for both Lake Powell and Lake Mead, incentivizing conservation and managing reductions, affording equal ability to Tribal and non-Tribal entities to participate.
- Basin-wide shared contributions, including Upper Division States conservation stored in Lake Powell and up to 2.1 maf of Lower Division States shortages triggered by combined seven-reservoir storage.
- Analyzes shortage distribution using both priority and pro-rata approaches, with and without shortages to Tribes.
- Some elements may require additional federal authorities and stakeholder agreements.

NO ACTION ALTERNATIVE

- Reverts operations to pre-2007 guidelines, with Lake Powell releasing 8.23 maf annually unless adjustments are necessary.
- Lower Division States shortages capped at 600,000 acre-feet, based on priority.
- No new mechanisms for ICS beyond existing agreements.

The report emphasizes that all action alternatives aim to provide a broad range of operations to capture potential environmental impacts of new guidelines post 2026. Reclamation will continue refining these alternatives with input from partners and stakeholders as they develop the Draft EIS. The door remains open, however, for inclusion of a Basin State alternative in the Final EIS, which is likely to be released in early 2026. If a Basin State alternative is developed, staff will provide a detailed review to the Board.



Sustainability, Resilience, Innovation Group

• Sustainability Resilience, and Innovation Group Manager Report

Summary

To report on Sustainability, Resilience, and Innovation activities for January 2025.

Purpose

Informational

Detailed Report

SRI Core Activities

SRI and the Core Planning Team for the Climate Adaptation Master Plan for Water (CAMP4W) issued the draft 2024 CAMP4W Annual Report. This first report provides the template for annually reporting on CAMP4W Signposts, Time-Bound Targets, and Implementation Highlights. Working Memorandum #7 on Integrating Climate Change Adaptation into Metropolitan's Planning Processes and Working Memorandum #8 on Signposts and Time-Bound Targets were completed. Working Memorandum #10 on the Climate Adaptation Policy Framework was provided for review. This completes the series of Working Memoranda that will be incorporated in the upcoming draft CAMP4W Implementation Strategy. An Environmental Listening Session is planned for early February to address questions and seek input on the draft Annual Report.

SRI collaborated with External Affairs to host a CORO Public Affairs Fellow in January. The Fellow helped to engage young civic leaders in the CAMP4W process and identified concepts for sustainable operating strategies from other large public organizations that Metropolitan could consider in the future.

Sustainability and Resilience

Zero Emission Vehicle (ZEV) Transition: SRI coordinated with the Fleet Services Unit and other Groups to continue Metropolitan's transition to ZEVs.

ZEV Purchases: Metropolitan currently has 14 zero emission vehicles in its fleet with purchase orders pending for six additional ZEVs and has 15 vehicle chargers installed. Fleet ZEV drivers now have access to Ford's Blue Oval Charge Network which is a public charging network for Ford ZEVs.

Vehicle Trials: Metropolitan tested a Mack Class 7 electric truck to use for deliveries across Metropolitan's service area. Fleet is currently working on an agreement for trial of a Volvo Class 8 electric truck in February.



Heavy Duty Electric Mack Truck Charging at Weymouth



Employees at Weymouth with Mack Class 7 Electric Truck

ZEV Availability: To assist public agencies to comply with the Advanced Clean Fleets (ACF) regulation, CARB released its “unavailability” list of vehicles that are not available in zero emission models. Metropolitan will evaluate this list for alternative purchase options in 2025.

ZEV Driver Handout: Staff developed a ZEV driver handout that is now included in all of its ZEVs. This handout provides information on the how to drive a ZEV, charging options, and safety precautions. SRI and Fleet are working with Training on a video that provides this same information and should be available in February.

CARB Advanced Clean Fleets (ACF) rule Environmental Protection Agency (EPA) waiver: On January 13, 2024, CARB withdrew its EPA waiver request that would have granted CARB the authority to enforce the ACF rule on private transportation companies. Metropolitan is closely monitoring any changes in the ACF which still requires that public agencies purchase zero emission medium and heavy-duty vehicles that meet operational needs and are available in the marketplace.

Sustainable Procurement: SRI is partnering with the Contracting Services Unit to evaluate its current janitorial supplies and Office Depot contracts for more sustainable purchase options. A “Green Purchasing 101” presentation for employees with purchasing responsibilities is planned for the first quarter of 2025.

Centralized Grants Management Office

On January 23, Metropolitan hosted a virtual SoCal Water Grants Network (SCWGN) meeting. The SCWGN is now made up of over 70-member agency, sub-agency, and consultant agency grant professionals and managers. At the latest meeting attendees received the following presentations:

- a. New Administration and BABA (Buy American, Build American) Update by Witt O’Brien
- b. EVenergi (BetterFleet) and National Fleet Electrification Network Grants
- c. Upcoming grant and partnership opportunities
- d. Grants, Research, and Innovation Projects (GRIP) List

Board Report Sustainability Resilience, and Innovation Group Manager Report

Innovation, Pilots, and Emerging Technologies

Peer-2-Peer Engagements: Innovation staff hosted staff training on the Knowledge to Implementation (K2i) peer-2-peer exchange. K2i facilitates the exchange of actionable information between global leading utilities, by matching agencies sharing common strengths and needs through structured conversations. Around twenty staff members participated in the training and offered feedback on both the K2i platform and Innovation at Metropolitan. Interesting feedback included: “I’ve used the K2i platform quite a lot. The water resource management topics are most relevant to my day-to-day activities (Source of Supply, Ops, Water Quality).”

Environmental Planning Services

Core Business: Environmental Planning and Regulatory Compliance Support

Environmental Planning Section staff continued to prepare California Environmental Quality Act (CEQA) documentation for capital projects, including preparation and internal review of the second screen check. Draft Environmental Impact Report for the Pure Water Southern California program. For the Inland Feeder/Foothill Pump Station Intertie Project, work continued on state and federal Endangered Species Act permitting, including continued development of the mitigation strategy and coordination with the U.S. Bureau of Reclamation (USBR) regarding review of the Biological Assessment and USBR’s consultation with the State Historic Preservation Officer under Section 106 of the National Historic Preservation Act. Staff continued to provide environmental planning support to the progressive design build efforts for the Lake Mathews Pressure Control Structure and Electrical Upgrades Project and the Sepulveda Feeder (Venice and Sepulveda Canyon) Pump Stations Project. Environmental monitoring of construction activities continued for the Rialto Pipeline Rehabilitation, Perris Valley Pipeline, Prestressed Concrete Cylinder Pipe Second Lower Feeder Reach 3B, Weymouth Basins 5 to 8 Rehabilitation, Weymouth Asphalt Rehabilitation, and La Verne Shops Upgrades projects.

Critical operations and maintenance activities were supported by the Environmental Planning Section. Staff provided CEQA and regulatory clearances and conducted pre-construction biological resource surveys and construction monitoring for operations and maintenance activities throughout the service area, including the February 2025 Rialto Feeder shutdown. Staff continued to participate in planning efforts for the upcoming March 2025 Colorado River Aqueduct shutdown. Staff reviewed eight external project CEQA notices and prepared comment letters for proposed projects or actions that may affect Metropolitan facilities and/or operations.

Environmental Planning Section continued oversight of reserve management activities to protect valuable natural resources and meet Metropolitan’s mitigation obligations. Security patrols were conducted throughout the Lake Mathews Multiple Species Reserve and the Southwestern Riverside County Multi-Species Reserve (MSR) to prevent trespassing, vandalism, poaching, theft and to protect the reserves’ natural and cultural resources, facilities, and equipment. Specific activities at the Lake Mathews Reserve included removal of invasive vegetation and targeted mowing to remove dense populations of invasive vegetation; application of pre-emergent herbicide to prevent regrowth of invasive vegetation; and repairs to patrol roads and fencing. Activities at the MSR included coordinating with researchers conducting burrowing owl surveys and approving new proposals for rare plant and biodiversity surveys; conducting tree maintenance and removal along Reserve roads; planting mulefat cuttings in the Tualota Creek restoration site; and installing perimeter fencing to prevent trespassing. The Alamos Schoolhouse interpretive center at the MSR was open on Saturdays and hosted 65 visitors during the month.

Land Management

Nothing to report



Water Resource Management Group

- **Water Resource Management January Activities**

Summary

The Water Resource Management Group January 2025 Monthly Activities

Purpose

Informational

Detailed Report

Ensure Access to Sufficient Water Supplies to Operate a Full Colorado River Aqueduct in Times of Drought

After Board approval, Metropolitan staff completed and executed three Bucket 2 agreements under Reclamation’s Lower Colorado River Basin System Conservation and Efficiency Program. These agreements include our Antelope Valley-East Kern High Desert Water Bank Project, our Commercial Industrial & Institutional Turf Replacement Program, and Leak Detection and Repair efforts focused on disadvantaged communities. In combination, Metropolitan will receive up to \$186 million in funding through September 30, 2031, to implement these projects. In exchange, Metropolitan would create up to 269,296 acre-feet of system conservation water in Lake Mead. These projects will yield long-term reductions in demand for Colorado River water, and these demand reductions will continue after all agreement terms have been met. Long-term reductions in demand will improve our ability to manage our water supply under post-2026 operations, which could include potential supply reductions. Metropolitan and other Colorado River water users would also benefit from increased Lake Mead elevation associated with the system water creation. *Strategic Priority 2.2.3 “Secure Inflation Reduction Act funding that supports Colorado River water use objectives.”*

Staff led a Colorado River Basin Salinity Control Forum Work Group in St. George, Utah from January 14-16, 2025, with participants from the United States Bureau of Reclamation, United States Geological Survey, and Upper and Lower Basin state agencies and water districts. Topics covered during this three-day meeting included discussions on the Paradox Valley Unit, Habitat Replacement Program, Salinity Control Fix Act, the Salinity Economic Impact Model, and a fiscal year 24/25 funding update among others. *Strategic Priority 3.2.1 “Advance multiple strategies toward sustainable Colorado River supplies toward broad agreement in long-term compact negotiations.”*

Ensure reliable State Water Project (SWP)

The Board authorized the General Manager to execute a renewal of two agreements to continue Metropolitan’s participation and funding in the Municipal Water Quality Investigations Program (MWQI). The Municipal Water Quality Investigations Agreement and the Municipal Water Quality Investigations Specific Project Agreement will both be renewed for an additional three-year term of 2026-2028. Metropolitan anticipates signing both agreements within the next three months. Metropolitan’s share of the MWQI Program costs is based on our SWP Table A allotment, and Metropolitan’s maximum annual cost under both agreements is \$2.1 million per year. *Strategic Priority 4: “Protect public health, the regional economy, and Metropolitan’s assets.”*

Board Report Water Resource Management January Activities

Implement Local Resource Program

Staff worked with Legal to finalize a Local Resource Program Agreement with the Los Angeles Department of Water and Power for the Los Angeles Groundwater Replenishment Project for up to 19,500 acre-feet per year of potable recycled water through groundwater replenishment in the San Fernando Valley. *Strategic Priority 3.2* “Advance the long-term reliability and resilience of the region’s water sources through a One Water approach that recognizes the interconnected nature of imported and local supplies, meets both community and ecosystem needs, and adapts to a changing climate.”

Support Development of Pure Water Southern California Program

Staff coordinated negotiations of \$125.4 million Large Scale Water Recycling Program grant agreement with the U.S. Bureau of Reclamation (Reclamation) for planning and design of Pure Water Southern California (PWSC). The team was able to work with Reclamation to allow the use of pre-award costs, get a three-year performance period starting 1/10/25, and obligate \$125.4 million with an initial release of \$55 million and the remaining \$70 million as we secure additional non-federal cost match. Reclamation has also requested Metropolitan to consider sharing a copy of the PWSC Feasibility Study as an example for other projects. *Strategic Priority 3.2.5* “Expedite the Pure Water Southern California project.”

Implement Regional Conservation Program

Agreements for Bucket 2 United States Bureau of Reclamation grants have been finalized. Staff will work with the vendor to determine the work necessary to implement the grant into the Regional Conservation Program. *Strategic Priority 3.2.8* “Increase outdoor water use efficiency.”

Manage Existing and Develop New Regional Water Management Programs to Maintain Water Supply Reliability in the Face of Increasing Water Supply Volatility

On January 13, 2025, Metropolitan conducted its annual public hearing on its achievements in conservation, recycling, and groundwater recharge as required by the Metropolitan Act. During the public hearing, staff presented on findings from Metropolitan’s draft “Report to the State Legislature: Achievements in Conservation, Recycling, and Groundwater Recharge for Fiscal Year 2023-2024” which will be submitted to the Legislature by February 1st. Metropolitan also invited knowledgeable individuals from the fields of water conservation and sustainability to speak. The following individuals provided comments:

- Conner Everts of Southern California Watershed Alliance
- Charming Evelyn of Sierra Club
- Tia Fleming of California Water Energy Partnership
- Drew Berenc of Northrop Grumman
- Bob Gehan of Post 43/American Legion
- Parker Cohn of Brentwood Country Club

Strategic Priority 3.2: Advance the long-term reliability and resilience of the region’s water sources through a One Water approach that recognizes the interconnected nature of imported and local supplies, meets both community and ecosystem needs, and adapts to a changing climate

Implement Future Supply Actions Funding Program

On January 7, 2025, Metropolitan and Las Virgenes Municipal Water District (LVMWD) entered into a Future Supply Actions (FSA) Funding Program agreement for the OceanWell Pilot Study. Under this agreement, Metropolitan will provide not-to-exceed funding of \$500,000 to fund a pilot study to validate the OceanWell submerged reverse osmosis (SRO) technology. The pilot study of OceanWell’s novel SRO technology will occur at the Las Virgenes Reservoir in Westlake Village. LVMWD will serve as the test site host and assist OceanWell with the installation, operation, servicing, and maintenance of the SRO system. This agreement is the fourth of seven to be fully executed under the fourth round of FSA Funding Program. *Strategic Priority 5.1: “Grow and*

Board Report Water Resource Management January Activities

deepen collaboration and relationships among member agencies, interested parties, and leaders on the issues most important to them and toward mutual and/or regional benefits.”