

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.

IW Committee

M. Gold, D. Env., Chair
L. Ackerman, Vice Chair
D. Alvarez
J. Armstrong
M. Camacho
G. Cordero
D. De Jesus
J. Garza
C. Kurtz
J. Lewitt
M. Luna
J. McMillan
M. Miller

Subcommittee on Imported Water - Final

Meeting with Board of Directors *

May 27, 2025

12:30 p.m.

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

The 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 teleconference and in-person. To provide public comment by teleconference dial 1-833-548-0276 and enter meeting ID: 876 9484 9772 or to join by computer [click here](#).

Tuesday, May 27, 2025 Meeting Schedule

**09:00 a.m. LTRPPBM
10:00 a.m. JT
EXEC/BOD
12:00 p.m. Break
12:30 p.m. IW**

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

Teleconference Locations:

13 Pumphouse Road • Garden Valley, ID 83622

525 Via La Selva • Redondo Beach, CA 90277

MWD Sacramento Office • 1121 L Street, Suite 900 • Sacramento, CA 95814

26772 Calle Maria • Dana Point, CA 92624

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

* 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

NONE

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

3. SUBCOMMITTEE ITEMS

- a. Roadmap for Developing Post-2026 Colorado River Guidelines [21-4543](#)
Attachments: [05272025 IW 3a Presentation](#)
- b. Roadmap for Key 2025 Bay-Delta Initiatives [21-4541](#)
Attachments: [05272025 IW 3b Presentation](#)
- c. Sites Reservoir Project: Operations and Environmental Update [21-4544](#)
Attachments: [05272025 IW 3c Report](#)
[05272025 IW 3c Presentation](#)
- d. Update on May Revision Proposed Trailer Bill Language: Delta Conveyance Project, Water Quality Control Plans [21-4663](#)
Attachments: [05272025 IW 3d Presentation](#)
- e. Report on the Colorado River Board Meeting [21-4542](#)
Attachments: [05272025 IW 3e Report](#)
- f. Report on the Palo Verde Community Enhancement Collaborative Initiative [21-4545](#)
Attachments: [05272025 IW 3f Presentation](#)
- g. Report on the Delta Conveyance Design and Construction Authority Meeting [21-4553](#)

4. FOLLOW-UP ITEMS

NONE

5. FUTURE AGENDA ITEMS

6. 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.



Subcommittee on Imported Water

Roadmap for Developing Post-2026 Colorado River Guidelines

Item 3a

May 27, 2025

Item 3a Colorado River Roadmap

Subject

Roadmap for Developing Post-2026 Colorado River Guidelines

Purpose

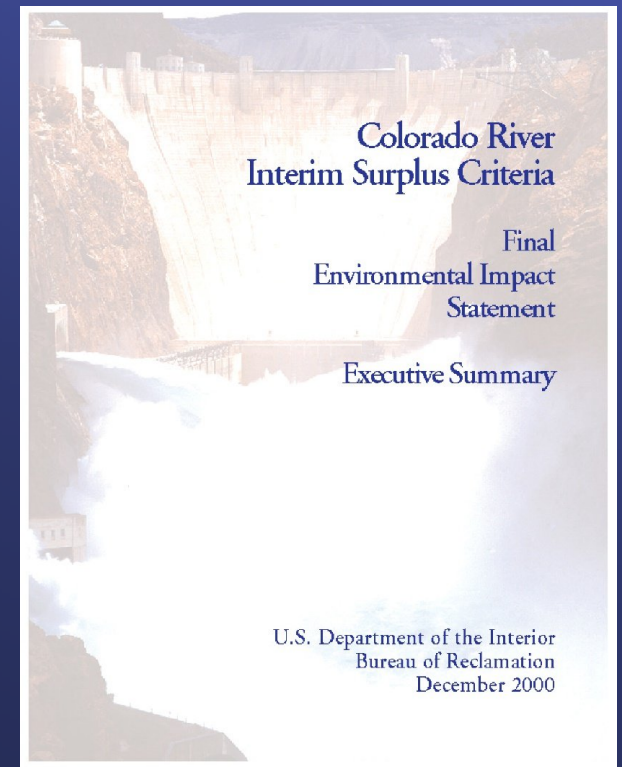
Provide an overview of the process leading up to board consideration of a package of agreements to implement the new guidelines

Next Steps

Update the Sub-Committee monthly on likely components of the package

2001 Interim Surplus Guidelines

- 15 Years of Surplus to MWD, if certain conditions met
- One condition was to execute QSA by December 2002



Metropolitan is the Junior Priority User in California

California Priority System (1931)

1. Palo Verde Irrigation District
 2. Yuma Project
 3. (a) Imperial Irrigation District
Coachella Valley Water District
(b) Palo Verde Irrigation District
 4. Metropolitan Water District
- 3.85 MAF
- 0.55 MAF

Total CA Basic Apportionment 4.4 MAF

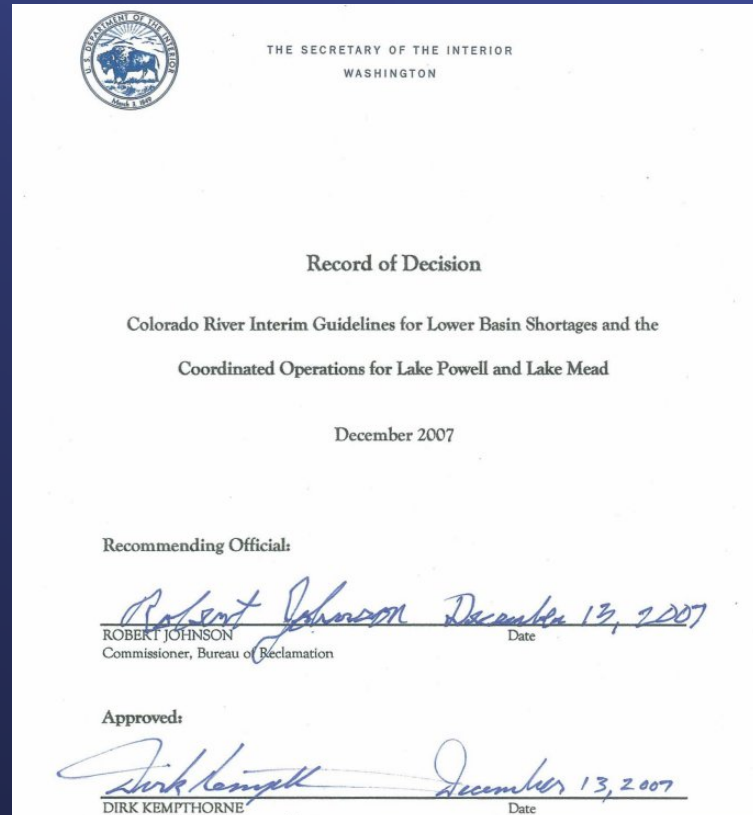


2003 Quantification Settlement Agreement and Related Agreements



- **Quantification** (Caps) of Coachella Valley Water District and Imperial Irrigation District Water Use
- All American and Coachella Canal Lining
- Approved Water Transfers
 - IID to San Diego County Water Authority
 - IID to Coachella Valley Water District
- Allowed MWD to Pursue Additional Transfers
 - IID, PVID, CVWD, Bard, Quechan Tribe
- Mitigation of the Salton Sea

2007 Interim Shortage Guidelines



- Effective through 2025
- Key Guidelines Provisions
 - Established Lower Basin Surplus and Shortage Triggers
 - Coordinated Reservoir Operations
 - Developed Intentionally Created Surplus (ICS) Program

2007 Interim Guideline Related

Agreements Signed by MWD

1

Forbearance Agreement for ICS development and storage

2

Delivery Agreement with the Secretary of the Interior related to ICS

3

California ICS Agreement

Additional Agreements Executed by Metropolitan



USBR Report Reviewing 2007 Interim Guidelines



— BUREAU OF —
RECLAMATION

Review of the Colorado River Interim Guidelines for Lower Basin Shortages and Coordinated Operations for Lake Powell and Lake Mead

Upper and Lower Colorado Basin Regions



U.S. Department of the Interior

December 2020

The 2007 Guideline
were found to:

- Encourage Conservation
- Plan for Shortages
- Implement Closer Coordination of Lakes Powell and Mead
- Preserved Flexibility to Deal with Additional Challenges
- Gain Valuable Operating Experience
- Federal Facilitation, not Dictation

Bureau of Reclamation Process Milestones



Metropolitan is Involved in Concurrent Discussions



Metropolitan's Current Priorities in Negotiations

- Water Supply/Financial Predictability
- Flexibility in Meeting Annual Water Needs
 - *Reliability in Low SWP Allocation Years*
- Interstate Augmentation Opportunities
- Protect Lake Mead Power Generation/Water Delivery Capability
- Strengthen Partnerships

Upcoming Imported Water Sub- Committee Discussions

- Key Law of the River Components
 - Colorado River Compact
 - Arizona vs. California
 - Basin Project Act (CAP Subordination)
- Review of QSA, Transfer Programs, Storage
- MSCP Changes and Salton Sea Issues
- Federal Authorities (Inc. Beneficial Use)
- Mexico, Tribes, and NGOs participation





Subcommittee on Imported Water

Roadmap for Key 2025 Bay-Delta Initiatives

Item 3b

May 27, 2025

Item 3b
Roadmap for
Key 2025 Bay-
Delta Initiatives

Subject

Roadmap for Key 2025 Bay-Delta Initiatives.

Purpose

To provide an overview of upcoming Bay-Delta related committee items.

Next Steps

Update the Board in future months with additional information on key projects and initiatives.

Bay-Delta Resources Committee Roadmap 2025- 2026

Bay-Delta Projects and Initiatives

- Delta Conveyance Project
- Watershed Projects
- Regulatory
- Science Program
- Sites Reservoir Project
- Delta Assets & Options

Bay-Delta 12 Month Look Ahead Board Items*Subject to Change

	May 2025	June 2025	July 2025	August 2025	September 2025	October 2025	November 2025	December 2025	January 2026	February 2026	March 2026
Delta Conveyance Project		Funding Agreement & Other Updates Oral Report				Delta Plan Consistency Update Oral Report	Water Rights Hearing Update Oral Report				
Watershed		Watershed Site Visit(s) Director's Report			Watershed Projects Update Oral Report						
Regulatory (HRL, etc.)				HRL Status Update Oral Report					HRL Status Update Oral Report		
Fishery/ Science			Annual Science Report Oral Report				Delta Smelt Propagation Research Update Oral Report				
Sites Reservoir Project	Operations & Environmental Oral & Written Report		Project Cost Update Oral Report by Sites Authority staff			Governance & Benefits-Obligations Agreement Oral & Written Report	Water Rights Permit Update Oral Report	Financing Oral & Written Report		Project Funding & Capacity Interest Auth. Oral Report & INFO Letter	Project Funding & Capacity Interest Auth. Oral Report & ACTION Letter
Delta Assets and Options		Freshwater Pathway Protection Project Oral Report		Delta Islands Update Part 1 Oral Report		Webb Tract Construction Bid Oral Report & Info Letter			Webb Tract Construction Bid Award Oral Report & Action Letter	Delta Islands Update Part 2 Oral Report	

Subcommittee on Imported Water

One Water and Adaptation Committee

Engineering Operations & Technology Committee

May 27, 2025

Subcommittee on Imported Water

Item 3b Slide 4





Bay-Delta Resources

• Sites Reservoir Project: Operations and Environmental Update

Summary

This report provides a status update on the permitting and environmental work performed to date for the Sites Reservoir Project and the operational conditions that have resulted from the permitting process. This is part of a series of communications intended to provide the Board detailed and relevant information to aid its decision in early 2026 regarding if and if so, at what level, Metropolitan will participate in the Sites Reservoir Project.

Purpose

Informational

Attachments

Attachment 1: Technical Memorandum – Sites Reservoir Project: Operations and Environmental Update

Attachment 2: Previous Board Decisions Regarding Sites Reservoir Project

Detailed Report

The proposed Sites Reservoir Project would be a 1.5 million acre-feet off-stream reservoir that would divert water from the northern Sacramento River into storage during high flow periods under a new water right (Sites Water). The Sites Reservoir Project is governed by the Sites Project Joint Powers Authority that was formed in 2010. Since 2017, Metropolitan's Board has authorized approximately \$31 million in planning costs for the planning and design development phase of the Sites Reservoir Project, with the most recent board action taken in April 2022 (Attachment 2). As of May 2025, Metropolitan is the single largest participant, with a 22.1 percent participation level equivalent to 312 thousand acre-feet (TAF) of storage. During dry and critical years, long-term average annual deliveries of Sites Water to Metropolitan's service area, including State Water Project dependent areas, are currently modeled at about 70–80 TAF.

Attached to this board report is a technical memorandum (Attachment 1) that provides additional details regarding the current status of facilities, operations, environmental documentation, permitting, and water rights.

Accompanying this board report is an oral presentation to the Subcommittee on Imported Water in May 2025 that summarizes the operational flexibility and potential benefits of the project. Participants in the project would have access to a new water supply, a new transfer market amongst other participants, the ability to exchange water in other storage facilities such as Oroville, and an opportunity to lease their storage capacity to others. At this time, Metropolitan is a potential participant in the final implementation and operation of the project. A future board action(s) would be required to commit Metropolitan to continued participation in the project when it moves into the final design and construction phase.



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

To: Board of Directors

From: Maureen Martin, Acting Chief of Bay-Delta Resources
Group Manager, Bay-Delta Initiatives

Date: May 27, 2025

Subject: Sites Reservoir Project: Operations and Environmental Update

1 Overview

This technical memorandum is part of a series of communications intended to provide the Board detailed and relevant information to aid its decision in early 2026 regarding Metropolitan's participation, or level of participation, in the Sites Reservoir Project. Future communications will be provided regarding the cost, governance, and finance. This memorandum specifically seeks to raise and answer, to the extent possible at this time, several key questions regarding operations of the Sites Reservoir Project:

- How do the Sites Reservoir Project facilities fill the Reservoir and convey water?
- Who are the participating entities, and how do they intend to use the resources of the Sites Reservoir Project?
- How do Sites Reservoir Project operations allow participating parties to realize benefits?
- When are required permits for the Sites Reservoir Project anticipated? What is the current status of the permitting process?

1.1 Background

The proposed Sites Reservoir Project would be a 1.5 million-acre-feet off-stream reservoir that would divert water from the northern Sacramento River into storage during high flow periods under a newly assigned water right (Sites Water), which will be separate from the State Water Project's (SWP's) water rights. The Sites Reservoir Project is governed by the Sites Project Joint Powers Authority (Authority) that was formed in 2010. Metropolitan is a potential investor (participant) and has been paying to participate in the environmental review and planning process. The Authority will own the new facilities and the participants would receive a capacity right commensurate with their respective investments. Since 2017, Metropolitan's Board has authorized approximately \$31 million in planning costs for the Sites Reservoir Project, with the most recent Board action taken in April 2022.

The Sites Reservoir Project could serve as an important climate adaptation tool to manage future reductions in snowpack, increased peak storm flows, and prolonged drought periods. In addition to providing storage capacity, the Sites Reservoir Project includes the infrastructure to move water into and out of the reservoir, with ultimate release back to the Sacramento River system. Lastly, the Sites Reservoir Project could also serve as a critical component of the California water-transfer market.

As of May 2025, Metropolitan is the single largest participant, with a 22.1 percent participation level equivalent to 312 thousand acre-feet (TAF) of storage. During dry and critical years, annual average deliveries of Sites Water to Metropolitan's service area, including SWP-dependent areas, are currently modeled at about 70–80 TAF. Metropolitan staff are engaging with the Authority to conduct risk analyses under varying scenarios to determine a range of potential benefits associated with participation in the Sites Reservoir Project.

1.2 Location

The Sites Reservoir Project, located on the western side of the Sacramento Valley in Northern California, west of the community of Maxwell, CA, is shown below in Figure 1. Figures 2 and 3 illustrate the specific location of Sites Reservoir and its associated facilities, including existing canals, regulating reservoirs, and the pipelines.

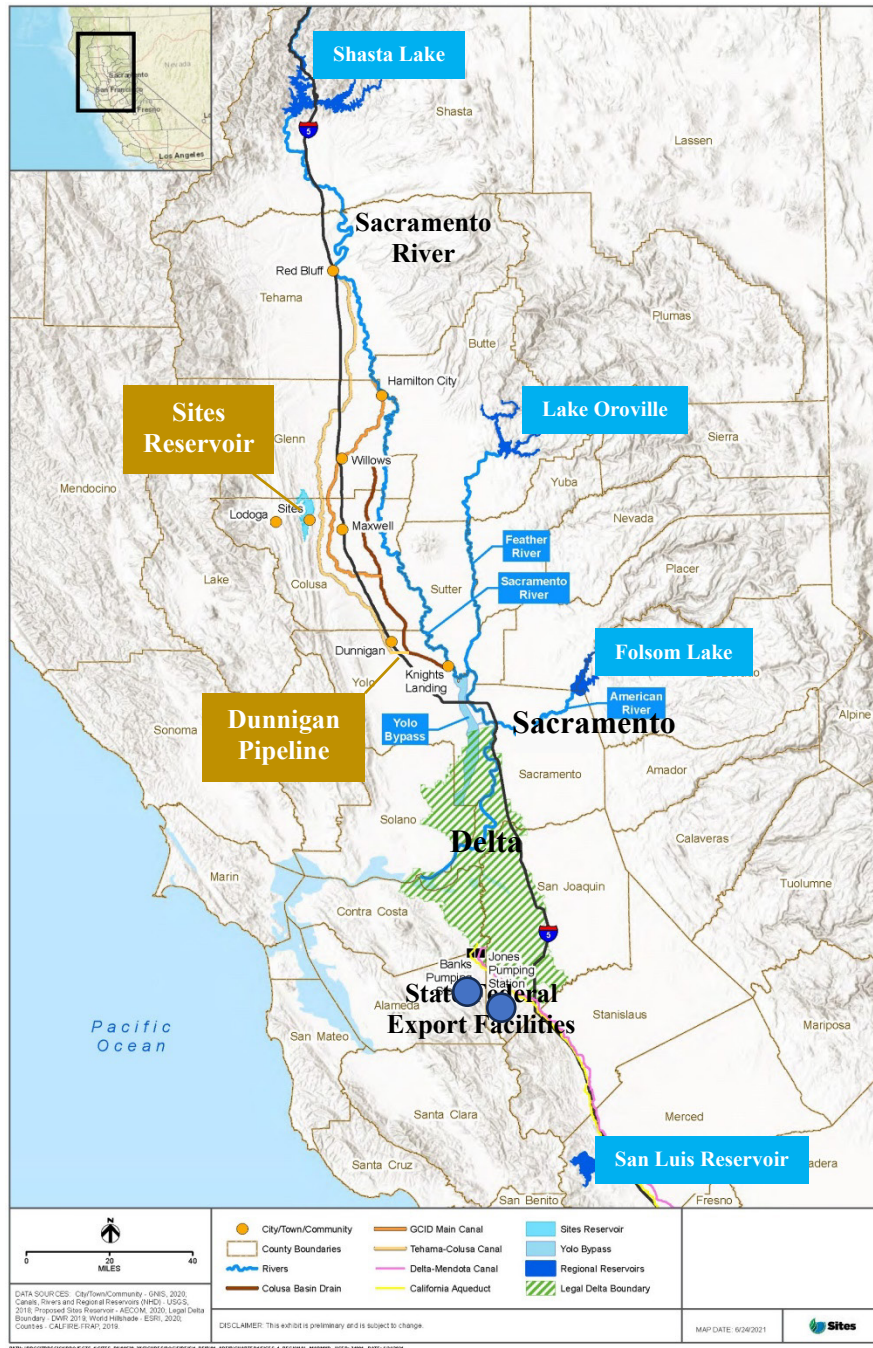


Figure 1. Sites Reservoir Project Location Map

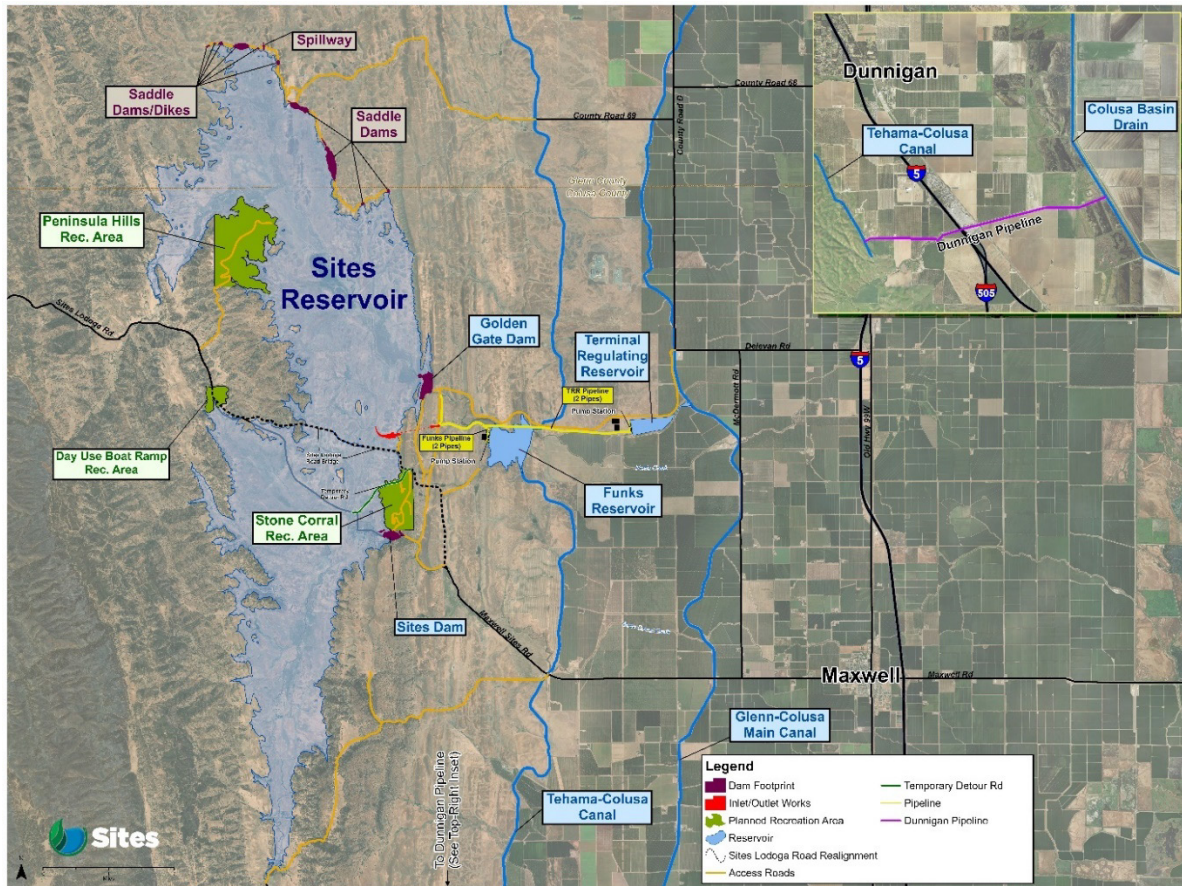


Figure 2. Map of Sites Reservoir and Adjacent Facilities

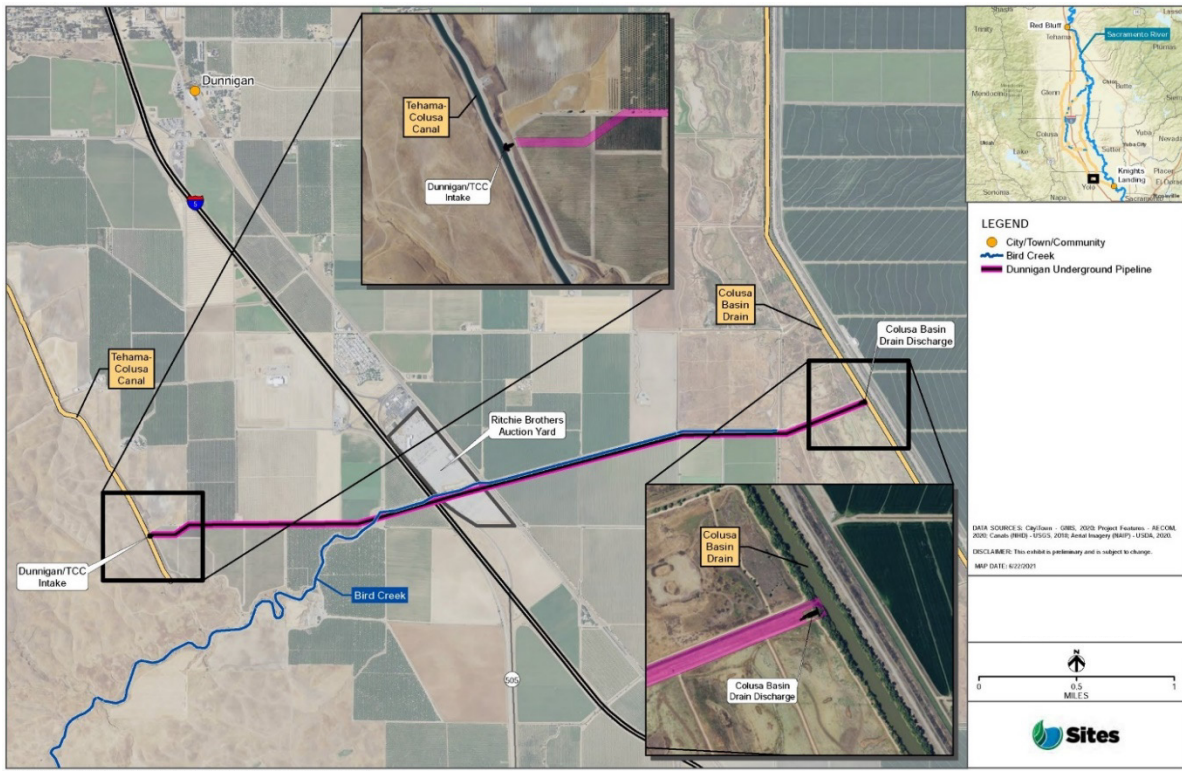


Figure 3. Map of Dunnigan Pipeline

1.3 Facilities

The Sites Reservoir Project includes use of existing infrastructure to divert water from the Sacramento River at Red Bluff and Hamilton City to the reservoir. New and existing facilities would move water into and out of the reservoir, with ultimate release back to the Sacramento River system via existing canals and a new pipeline located near Dunnigan (shown in Figures 1 and 3).

The Sites Reservoir Project's facilities are briefly described below. A summary of key facility metrics and their values are provided in Table 1. More detail on these facilities is provided in Chapter 2 and Appendix 2C, Construction Means, Methods, and Assumptions, of the Sites Reservoir Project Final Environmental Impact Report/Environmental Impact Statement (EIR/EIS), available at [<https://sitesproject.org/final-environmental-impact-report>].

- Two main dams, the Golden Gate Dam on Funks Creek and the Sites Dam on Stone Corral Creek, to impound water in the new reservoir. A series of saddle dams and saddle dikes along the northern and eastern rims of the reservoir would also be constructed to close off topographic saddles in the surrounding ridges.
- An inlet/outlet works, the facility for filling and releasing water from Sites Reservoir, is located near the Golden Gate Dam.
- Improvements to and use of the existing Red Bluff Pumping Plant shown in Figure 4, Tehama Colusa (TC) Canal, Hamilton City Pump Station (Figure 5), and Glenn-Colusa Irrigation District (GCID) Main Canal for the diversion and conveyance of water to and from the Sacramento River.
- Construction of regulating reservoirs and a conveyance complex to control the conveyance of water between Sites Reservoir, TC Canal, and GCID Main Canal. These facilities would include the regulating reservoirs, pipelines, pumping generating plants, electrical substations, and maintenance buildings.
- Construction of an administration and operations building and a maintenance and storage building near the existing Funks Reservoir (Figure 2).
- Upgrades to the TC Canal and construction of a new pipeline (the Dunnigan Pipeline) to convey water from Sites Reservoir to the Colusa Basin Drain and ultimately, to the Sacramento River as shown in Figure 3.
- Development of two primary recreation areas and a day-use boat ramp. The recreation areas would also require a network of new roads and upgrades to existing roads for maintenance and local access. The Peninsula Hills Recreation Area would be located on up to 373 acres along the northwest shore of the new reservoir, and the Stone Corral Creek Recreation Area would be located on up to 235 acres along the eastern shore of the new reservoir. These areas would provide multiple recreational amenities, including campsites, boat access, horse trails, hiking trails, and vista points. Both of the primary recreation areas would have a kiosk, access to electricity and potable water, picnic sites, hiking trails, vault toilets, and campsites. The day-use boat ramp and parking area would be located on up to 10 acres on the western side of the new reservoir.
- Construction of approximately 46 miles of new paved and unpaved roads to provide construction and maintenance access to the new facilities, as well as public access to the recreation areas.

- Construction of Sites Reservoir would necessitate construction of a bridge or bypass road to connect Maxwell with the community of Lodoga, CA.

Table 1. Facility Metrics and Values

Metric	Value
Physical diversion capacity at Red Bluff (after Sites Reservoir Project improvements)	2,500 cubic feet per second (cfs)
Physical diversion capacity at Hamilton City	3,000 cfs
Total filling capacity (Terminal Regulating Reservoir plus Funks)	3,900 cfs
Release capacity in normal operation (Terminal Regulating Reservoir plus Funks) ¹	1,900 cfs
Release capacity to Downstream Participants (Dunnigan Pipeline)	1,000 cfs
Full pool capacity (volume) ²	1,470 TAF
Full pool water surface elevation (WSE) above sea level (ASL) ²	498 ft ASL
Reservoir Floor Lowest WSE ASL ²	241 ft ASL
Dead Pool WSE ASL ²	About 328 ft ASL
Tallest dam height (Golden Gate Dam) crest of dam to downstream grade ²	287 feet
Maximum Reservoir Depth ²	257 feet

¹Flows can be increased under dam safety emergency conditions.

²North American Vertical Datum of 1988 (NAVD 88)

**Figure 4. Red Bluff Pumping Plant**



Figure 5. GCID Hamilton City Pump Station

1.4 Beneficiaries

The Sites Reservoir Project follows the beneficiary pays principle where each participant pays for their agreed-upon share of the project's water storage and conveyance infrastructure and receives proportionate water supply benefits. These benefits include access to and control of a share of the 1.5 MAF of storage space, and a share of water diverted to storage. There are currently twenty-two participants as detailed in Table 2 below. Shares of the reservoir are currently split approximately 20 percent to North of Delta (NOD) participants, 54 percent to South of Delta (SOD) participants, 9 percent to the United States Bureau of Reclamation (Reclamation), and 17 percent to the State of California (State) for environmental benefits under Proposition 1¹. Metropolitan currently has a 22.1percent share, equivalent to about 312 TAF of storage. There is a waitlist of sixteen parties (Table 3) seeking to become participants or to increase their existing participation in the Sites Reservoir Project. The aggregate interested parties request is equivalent to a 31 percent share of the reservoir, with the largest being Reclamation, which seeks an additional 6 percent share. The Sites Reservoir Project would provide opportunities for participants to operate more flexibly with enhanced opportunities for participation in the water-transfer market.

¹ Proposition 1 of 2014 dedicated \$2.7 billion for investments in water storage projects. The California Water Commission is administering the Water Storage Investment Program to fund the public benefits associated with these projects. See <https://cwc.ca.gov/Water-Storage>

Table 2. Current Sites Reservoir Participants. (Note that there is 60 TAF of deadpool storage that is not allocated by participant.)

Participant Name	Requested Storage Allocation (TAF)	% Total Available Storage
Antelope Valley – East Kern WA	3.1	0.2%
City of American Canyon	24.9	1.8%
Coachella Valley WD	62.3	4.4%
Colusa County	62.3	4.4%
Colusa County WD	57.7	4.1%
Cortina WD	2.8	0.2%
Davis WD	12.5	0.9%
Desert WA	40.5	2.9%
Dunnigan WD	18.5	1.3%
Glenn-Colusa ID	31.2	2.2%
Irvine Ranch WD	6.2	0.4%
LaGrande WD	6.2	0.4%
Metropolitan Water District of SC	311.7	22.1%
Reclamation District 108	24.9	1.8%
Rosedale-Rio Bravo WD	3.1	0.2%
San Bernardino Valley Municipal WD	133.4	9.5%
San Geronio Pass WA	87.3	6.2%
Santa Clara Valley WD	3.1	0.2%
Santa Clarita Valley WA	31.2	2.2%
Westside WD	33.5	2.4%
Wheeler Ridge-Maricopa WSD	19.0	1.3%
Zone 7 WA	62.3	4.4%
State of CA	244.0	17.3%
Reclamation	128.0	9.1%
Available Total Storage	1,410	100.0%

Table 3. Sites Reservoir Project Waitlist as of March 2025

Participant Name	Requested Storage Allocation (TAF)
City of Fairfield	9.4
City of Mountain House	34.3
City of Napa	24.9
Dudley Ridge	9.4
Eastern Municipal WD	10.0
Glenn County	6.2
La Cumbre MWC	6.2
Madera County GSA	62.3
Pacific Resources MWC	12.5
Palmdale WD	12.5
Reclamation	86.1
Santa Clara Valley WD	34.3
Western Municipal WD	12.5
Westlands WD	62.3
Wheeler Ridge – Maricopa WSD	23.1
Woodland Davis Clean Water Agency	31.2
Total	437.2

Most beneficiaries expect to request release of their Sites Water from storage during dry conditions. South of Delta participants will request releases during the summer and fall months when there is capacity to divert non-CVP/SWP water in the south Delta in the same fashion as existing water transfers, like those under the Yuba Accord. As discussed in Section 2.2.3, South of Delta participants may also request releases during the spring months for exchanges with the CVP and SWP. The State and Reclamation will utilize their stored water differently.

Operationally, Reclamation may conduct spring releases from Sites Reservoir to help meet existing in-basin regulatory requirements, such as Delta outflow and to preserve reservoir storage in Shasta to protect cold water for fish during the summer and fall months. In contrast, the State may request releases from Sites Reservoir in the summer and fall months for deliveries to wildlife refuges and through the Yolo Bypass to improve Delta smelt habitat. The State storage account is funded by the Proposition 1 Water Storage Investment Program, where funding is based on an assessed value of public benefits (i.e., flood protection, recreation, and ecosystem benefits). Due to Proposition 1 use restrictions, the Authority and the State are discussing how to pay the associated costs of conveying the State's water supply and maintenance of the Sites Reservoir Project facilities.

1.4.1 Potential Metropolitan Benefits

Participation in the Sites Reservoir Project could enhance Metropolitan's water supplies, provide operational flexibility, and provide financial benefits. Metropolitan's participation in the Sites Reservoir Project would provide an additional water supply, which could be important in dry and critically dry years when SWP supplies are reduced and/or limited to human health and safety

levels. This additional water supply could be beneficial to Metropolitan's SWP-dependent areas, and also could increase Metropolitan's surface and groundwater supplies, support local water recycling projects, and provide additional deliveries to member agencies. Participation in the Sites Reservoir Project could also improve Metropolitan's operational flexibility by providing access to several water transfer and exchange opportunities, such as: (1) exchanging water with other participants north and south of the Delta, (2) buying and storing water between participants, and (3) selling water amongst participants or to external parties. These additional avenues for buying and selling water will become even more important in the future as restrictions imposed by the Sustainable Groundwater Management Act, climate change, and other regulatory changes threaten to reduce the volume of water available in the current transfer market.

A few examples of Metropolitan's transfer and exchange opportunities associated with the Sites Reservoir Project are listed below:

- Metropolitan could receive water in Sites Reservoir from another Sites Reservoir Project participant and then deliver the same volume of water (minus losses) to that participant south of the Delta from a Metropolitan supply, providing financial benefits to Metropolitan.
- If Sites Reservoir did not fill and Metropolitan has storage space available, Metropolitan could purchase water from a northern California source and store it in Sites Reservoir. Such a purchase could provide dry or critically dry-year water to Metropolitan.
- Metropolitan could sell portions of its Sites supply for environmental purposes, like to support instream flows, provide spring pulse flows, and to provide refuge supplies. It could also sell its Sites supply to south of the Delta CVP water contractors. This could provide financial benefits to Metropolitan.

2 Operations

Sites Reservoir Project operations fall into two main categories: (1) diverting water to storage and (2) releasing water from storage. Generally, Sites Reservoir will fill in winter months (December through March) in wetter years, and release in the late spring, summer, and fall months of drier years. Figure 6 illustrates the general operations of the Sites Reservoir Project in wetter and drier years. The amount of water coming into and being released from the reservoir is determined by key operations, namely diversion criteria and conveyance capacity.

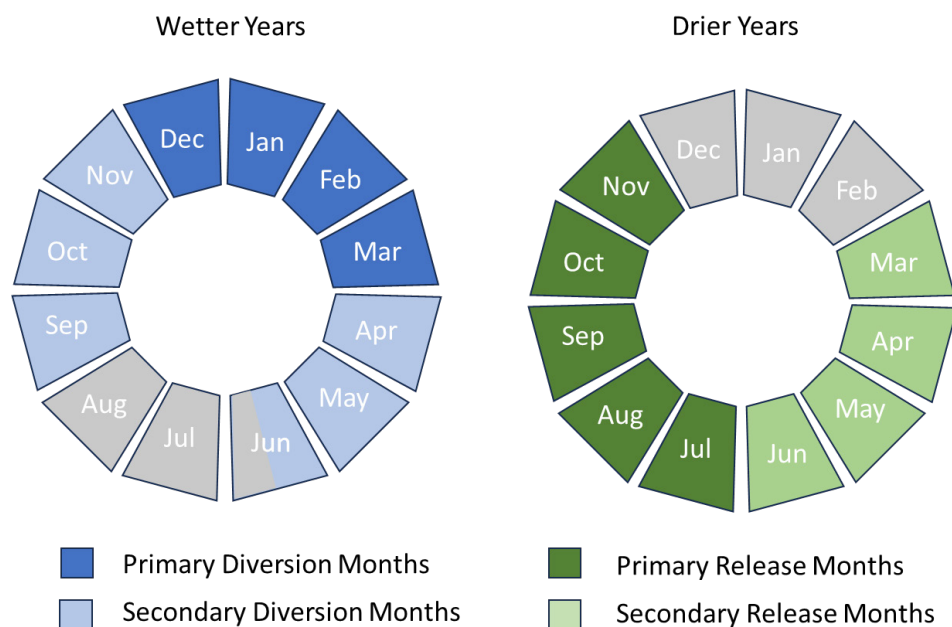


Figure 6. Generalized Sites Operations in Wetter and Drier Years

The diversion, release and delivery volumes presented in the following sections reflect the latest available modeling provided by the Authority. Sites Reservoir Project performance will be updated to reflect operations outlined in the California Department of Fish and Wildlife (CDFW) Incidental Take Permit (ITP), the outcomes of the water rights application process, and risk analyses under various scenarios prior to bringing the Sites Reservoir Project to the Board for final decision-making.

2.1 Diversions

Diversions to storage will generally occur in the winter and early spring of wetter years, but could occur any time from September 1 through June 14 (as shown in Figure 6). The inlet/outlet works at the reservoir allows the reservoir to either fill (at a rate up to 3,900 cfs) or release (at a rate up to 1,900 cfs²) at a given time, but not perform both simultaneously.

2.1.1 Diversion and Conveyance Facilities to Sites Reservoir

Sites Reservoir will be filled primarily through the diversion of Sacramento River flows. Diversions from the Sacramento River and conveyance to Sites Reservoir will occur via: (1) the existing Red Bluff Pumping Plant and fish screen (Figure 4), the TC Canal, and Funks Reservoir or (2) Hamilton City Pump Station and fish screen (Figure 5), GCID Main Canal, and Terminal Regulating Reservoir. These facilities are described in Section 1.3 Facilities. When river conditions and capacity are available for both diversion facilities to be operated simultaneously, there would be a maximum combined diversion rate of 4,200 cubic feet per second (cfs) from the Sacramento River.

Water from Stone Corral and Funks creeks, shown in Figure 2, will also be impounded in Sites Reservoir. Diversions from Funks Creek and its tributaries upstream of Golden Gate Dam, Stone Corral Creek, and its tributaries upstream of Sites Dam, and the watershed of Sites Reservoir will

² Flows can be increased under dam safety emergency conditions.

flow directly into the reservoir. Sites Water diverted from Funks and Stone Corral Creeks, and their tributaries, and from the watershed of Sites Reservoir is allocated to Colusa County until their share of storage in the reservoir is filled.

2.1.2 Diversion Criteria

Table 4 provides a summary of the Sites Reservoir Project Sacramento River diversion criteria. Tables 5 through 7 detail specific timing and allowable diversion rates in the “flow-dependent diversion” criterion listed in Table 4. Table 8 provides a summary of the diversion criteria applicable to the Sites Reservoir Project’s Funks and Stone Corral Creeks diversions. These diversion criteria were approved by CDFW as discussed in Section 3.2, Status of the Permitting Process, below. Diversion criteria are subject to a final decision by the State Water Resources Control Board (State Water Board) and updates to the Water Quality Control Plan. Diversions from the Sacramento River are subject to the Sites/State Water Contractors (SWC)/California Department of Water Resources (DWR) Settlement Agreement, protecting the SWP from being adversely impacted by diversions into Sites Reservoir.

Table 4. Summary of Sites Reservoir Sacramento River Diversion Criteria

Criteria	Description
System-wide Criteria and Regulations	
Diversion Season	Limited to September 1 to June 14
Excess Conditions in the Delta	Diversions only allowed when the Delta has been determined to be in excess conditions and in initiating diversions, Net Delta Outflow Index has increased by an additional 3,000 cfs after the determination of the excess conditions
Excess Conditions with Sacramento River Export Restrictions	No diversions during excess conditions with Sacramento River export restrictions unless DWR has reasonably found that the proposed diversion would not cause an adverse effect as defined in the Sites/SWC/DWR Settlement Agreement
Close Coordination Conditions with DWR and Reclamation	Certain Delta conditions where DWR, Reclamation, and the Authority have agreed to closely coordinate to avoid adverse effects on SWP and CVP operations and water rights
Senior Water Rights	Existing water rights with priority date prior to September 30, 1977, or those listed in Attachment C of the May 2024 Sites Reservoir Operations Plan are senior
Term 91	Diversions only allowed when Term 91 is not in effect
State Water Board Decision 1641 (D-1641)	Sites Reservoir Project operations cannot affect the implementation of water quality and flow objectives in D-1641
SWP ITP	Sites Reservoir Project operations cannot affect DWR’s ability to operate to the 2024 (or any future) SWP ITP
2024 Biological Opinions (2024 BiOps) for the CVP and SWP	Sites Reservoir Project operations cannot affect Reclamation’s or DWR’s ability to operate to the 2024 (or any future) BiOps for the coordinated long-term operations of the CVP and SWP
Diversion Capacity Available	There is available capacity at the Red Bluff Pumping Plant and in the TC Canal and GCID facilities to divert and convey water to Sites Reservoir, above the capacity needed for deliveries to existing TC Canal users and within the GCID service area
Trinity River Water	No water originating from the Trinity River can be rediverted into the Sites Reservoir Project

Temporary Urgency Change Order for Delta Water Quality Objectives	No diversions when D-1641 requirements for Delta Outflow, X2 (Spring), Rio Vista, Emmaton, Jersey Point, and Delta Export to Inflow (E:I) ratio are modified by a Temporary Urgency Change Order and the CVP or SWP are operating to the modified conditions
Temporary Restrictions or Water Right Curtailments	Comply with any temporary restrictions on diversions put into place by the State Water Board, such as water right curtailments
Project-Specific Sacramento River Diversion Criteria	
Flow Dependent Diversion	Permittee shall divert no more than a specified amount of Sacramento River flow at the Red Bluff Pumping Plant and Hamilton City Pump Station under the criteria for Flow Dependent Diversion specified in Tables 5 through 7.
Wilkins Slough Bypass Criteria	Diversions may not cause flow in the Sacramento River at Wilkins Slough to decline below 10,930 cfs
Red Bluff Pumping Plant Bypass Criteria for Proper Fish Screen Operations	Sacramento River flow rate at Red Bluff Pumping Plant must remain at or above 3,250 cfs
Hamilton City Pump Station Bypass Criteria for Proper Fish Screen Operations	Sacramento River flow rate at Hamilton City Pump Station must remain at or above 4,000 cfs
Operable Fish Screens	Diversions may only occur with the fish screen panels at the Red Bluff Pumping Plant and Hamilton City Pump Station installed, maintained, and fully operational
Agreements	The Sites Reservoir Project is implementing all Sacramento River, diversion-related agreements described in the May 2024 Sites Reservoir Operations Agreement

Table 5. Flow Dependent Diversion Requirements at Red Bluff Pumping Plant (Jan 1–end of Feb)

Real-Time Flow in Sacramento River at Bend Bridge (cfs)	Maximum Diversion Rate (cfs)
4,800	0
5,000	130
6,000	230
7,000	360
8,000	520
9,000	710
10,000	930
11,000	1,180
12,000	1,450
13,000	1,760
14,000	2,100
14,100	2,120
>14,100	2,120

**Table 6. Flow Dependent Diversion Requirements at Red Bluff Pumping Plant
(Mar 1–Jun 14 and Sep 1–Dec 31)**

Real-Time Flow in Sacramento River at Bend Bridge (cfs)	Maximum Diversion Rate (cfs)
6,300	0
7,000	120
8,000	220
9,000	340
10,000	480
11,000	640
12,000	810
13,000	1,010
14,000	1,220
15,000	1,460
16,000	1,710
17,000	1,980
17,500	2,120

**Table 7. Flow Dependent Diversion Requirements at Hamilton City Pump Station
(Sep 1–Jun 14)**

Real-Time Flow in Sacramento River at Bend Bridge (cfs)	Maximum Diversion Rate (cfs)
10,500	0
11,500	280
12,500	370
13,500	480
14,500	590
15,500	720
16,500	850
17,500	980
18,500	1,130
19,500	1,290
20,500	1,450
21,500	1,620
22,500	1,800
23,500	1,990
24,500	2,200
>24,500	2,200

Table 8. Summary of Funks and Stone Corral Creek Diversion Criteria

Criteria	Description
System-wide Criteria and Regulations	
Diversion Season	Limited to September 1 to June 14
Excess Conditions in the Delta	Diversions only allowed when the Delta has been determined to be in excess conditions
Close Coordination Conditions with DWR and Reclamation	Certain Delta conditions where DWR, Reclamation, and the Authority have agreed to closely coordinate to avoid adverse effects on SWP and CVP operations and water rights
Senior Water Rights	Existing water rights with priority date prior to September 30, 1977, or those listed in Attachment C of the May 2024 Sites Reservoir Operations Plan are senior
Term 91	Diversions only allowed when Term 91 is not in effect
Temporary Restrictions or Water Right Curtailments	Comply with any temporary restrictions on diversions put into place by SWRCB, such as water right curtailments
Project-specific Funks and Stone Corral Creek Diversion Criteria	
Funks Creek and Stone Corral Creek Operations Plan	No water can be impounded from Funks and Stone Corral Creeks until the Authority completes a Funks Creek and Stone Corral Creek Operations Plan
Agreements	Sites Reservoir Project is implementing all Funks and Stone Corral Creek diversion- related agreements described in the Sites Reservoir Operations Plan

Diversions will be greatest during the winter months (December through March) of wetter years (e.g., Sacramento Valley Wet and Above Normal water years). Diversions are governed by (1) diversion criteria, (2) available conveyance capacity, and (3) available storage capacity in the reservoir. Table 9 provides the long-term and wetter-year average annual diversions at current and future climate conditions. Diversions are projected to increase in the future climate conditions due to the increased frequency and intensity of precipitation events. By the time of operation (roughly 2035), annual diversions are estimated to be 294 TAF, with more diversions occurring in wetter years (465 TAF per year) and fewer in drier years.

Table 9. Sites Reservoir Diversions¹ (TAF per year)

Climate	Long-Term Average	Wet and Above Normal Years ²
Current (2020)	265	422
2035	294	465

¹CalSim II results from the ITP Application

²Sacramento Valley 40-30-30 Index

2.2 Releases

Releases will generally occur in the late spring, summer, and fall months but could happen throughout the year, as long as the Sites Reservoir Project is not diverting water to storage.

Export of Sites Water to participants SOD must occur during the CVP/SWP transfer window³ each year. This is similar to the transfer of water under the Yuba Accord and utilizes Metropolitan's SWP Contract Article 55, which allows Metropolitan to use its capacity in the SWP to wheel non-SWP project water. Sites Water deliveries to participants in the Delta and NOD, including Reclamation (as an exchange partner or investor) and DWR (as an exchange partner), can occur outside the transfer window. Further discussions of exchanges are included in Section 2.2.3.

2.2.1 Release and Conveyance Facilities

Releases from Sites Reservoir will be made through the inlet/outlet works. The primary point of delivery will be either Funks Reservoir or the Terminal Regulating Reservoir, with Funks Reservoir being the primary point of delivery for the majority of participants. Releases to Funks Reservoir may be rediverted along the TC Canal, or continue through the TC Canal, then the Dunnigan Pipeline, then the Colusa Basin Drain where it will flow to the Sacramento River or the Yolo Bypass. Releases to the Terminal Regulating Reservoir and the GCID Main Canal are for use by GCID or as State environmental water for wildlife refuges. Description of these facilities is provided in Section 1.3 and are illustrated in Figures 2 and 3.

Release capacity at new facilities (i.e., Dunnigan Pipeline) is shared under the same capacity interest principle as the Sites Reservoir storage. Each participant that seeks use of new release conveyance facilities is allocated a release capacity interest in the total release capacity. Release and delivery results, presented in Tables 10 and 11, account for the release capacity interest principle.

2.2.2 Release Criteria

Sites Water may be released for uses NOD or in the Delta any time the inlet/outlet works are not diverting water to storage. Sites Water for uses SOD will be released: (1) when the inlet/outlet works are not diverting water to storage; (2) when the Delta is in balanced conditions; and (3) when opportunities exist for movement of non-CVP/SWP project water through the Delta export facilities during the transfer window. All releases of Sites Water are subject to downstream capacity constraints and need to be coordinated with TCCA/Reclamation and GCID, as appropriate. All releases of Sites Water for uses beyond the TC Canal and GCID Canal systems require coordination with Reclamation, DWR, and organizations along the lower Colusa Basin Drain, along with possible coordination with organizations along the Knights Landing Ridgecut and in the Yolo Bypass for any releases conveyed into these facilities.

Sites Reservoir releases will be greatest during the transfer window (July through November) of drier years (i.e., Sacramento Valley Dry and Critical water years). Releases are subject to: (1) storage volume in the reservoir, (2) participant demand, and (3) conveyance capacity. Releases are projected to increase in the future due to increased peak storm flows (increasing the

³ Releases of Sites Water for uses SOD will be exported through Delta Export Facilities consistent with the requirements for transfer of non-CVP/SWP project water. Currently, non-CVP/SWP project water can only be conveyed through the CVP/SWP export facilities during July through November (often referred to as the "transfer window") consistent with the Biological Opinions for CVP and SWP operations issued by National Marine Fisheries Service (NMFS) and US Fish and Wildlife Service. Sites water will be exported during this July through November transfer window.

Sites Reservoir Project's ability to divert) and projected reductions in SWP deliveries⁴ (increasing non-CVP/SWP project water conveyance capacity through the Delta export facilities). By 2035, when the Sites Reservoir Project is scheduled to be operational, long-term average annual releases are estimated to be 271 TAF, with Dry and Critical year average releases of 386 TAF.

Table 10. Sites Reservoir Releases¹ (TAF per year)

Climate	Total Release		SOD Participants	
	Long-Term Average	Dry and Critical Years ²	Long-Term Average	Dry and Critical Years ²
Current (2020)	242	372	97	222
2035	271	386	117	240

¹CalSim II results from the ITP Application

²Sacramento Valley 40-30-30 Index

2.2.3 Exchanges

The Sites Reservoir Project description includes exchanges with the CVP and SWP. Exchanges with the CVP and SWP have the potential to support conveyance of Metropolitan's water in Sites. Exchanges will require agreement by either the SWP or CVP, as applicable, and accounting between the SWP, CVP and the Authority. This can be accomplished through an inter-agency operating agreement, which is currently in development.

The exchanges are expected to primarily occur with Shasta Lake and Lake Oroville. For example, Metropolitan could exchange Sites Water with SWP water in Oroville Reservoir, and then during the SWP water-transfer window Metropolitan could have its exchanged supply released from Oroville, while also having its Sites Water released from Sites Reservoir, which could maximize its use of available SWP conveyance capacity to move more of Metropolitan's water supply south of the Delta. Exchanges are also expected to take place in real-time with participants in the vicinity of Sites Reservoir.

Exchanges would only be conducted when they would be neutral or net beneficial to CVP and SWP operations and not affect the ability of the CVP or SWP to meet applicable laws, regulations, contractual deliveries, biological opinions, and ITP in place at the time. All exchanges being contemplated by the Authority can be accomplished through the Sites water right and existing water rights of the SWP and CVP.

2.2.4 Deliveries and Losses

The primary delivery point for all participants will be either Funks Reservoir or Terminal Regulating Reservoir (shown in Figure 2). Releases from Sites Reservoir downstream from the delivery point are subject to conveyance losses, including but not limited to conveyance losses in the TC Canal, lower Colusa Basin Drain, Sacramento River, Knights Landing Ridgecut (as applicable), Yolo Bypass (as applicable), and carriage water associated with export of water from the Delta export facilities, as appropriate.

The majority of deliveries from Sites Reservoir will occur in drier-year types when SWP allocations are low, and there is available capacity at SWP facilities to convey water. Table 11

⁴ The Final SWP Delivery Capability Report 2023 estimates that, without adaptation, annual average SWP deliveries could decrease by 281 to 496 TAF by 2043 due to climate change and sea level rise.

provides the long-term and dry-year average deliveries, which account for conveyance and carriage water losses, for SOD participants, including Metropolitan, at current and future climate conditions. At 2035 (when the Sites Reservoir Project is expected to be operational), long-term average annual deliveries from Sites Reservoir to SOD participants are estimated to be 86 TAF, with an average of 195 TAF delivered in Dry and Critical years. Of this volume, Metropolitan is estimated to receive an average of 35 TAF per year, with an average of 79 TAF delivered in Dry and Critical years.

Deliveries from the Sites Reservoir Project could supplement imported water during low SWP allocation years, helping meet Metropolitan's goal of maintaining supply through a four-year drought. For example, in 1987 and 1988, CalSim modeling estimates that releases from Sites Reservoir would have increased exports at Banks Pumping Plant by 600 TAF (from roughly 2,080 TAF to 2,680 TAF) (Figure 7). This would have increased deliveries to Metropolitan by 245 TAF (from roughly 835 TAF to 1,080 TAF) at the beginning of the 1987–1992 drought.

Desert Water Agency and Coachella Valley Water District are currently participating in the Sites Reservoir Project at 2.9 (40.5 TAF) and 4.4 (62.3 TAF) percent, respectively, for a combined total of just over 100 TAF. In addition to the exchanges described above, deliveries to Desert Water Agency and Coachella Valley Water District would be through an exchange with Metropolitan using Colorado River deliveries. Staff are beginning discussions on the potential extension of our current agreements with Desert Water Agency and Coachella Valley Water District, and future amendments to include provisions for deliveries from the Sites Reservoir Project.

Table 11. Sites Reservoir Deliveries to SOD Participants and Metropolitan¹ (TAF per year)

Climate Scenario	SOD Participants		Metropolitan	
	Long-Term Average	Dry and Critical Years ²	Long-Term Average	Dry and Critical Years ²
Current (2020)	77	185	31	75
2035	86	195	35	79

¹CalSim II results from the ITP Application

²Sacramento Valley 40-30-30 Index

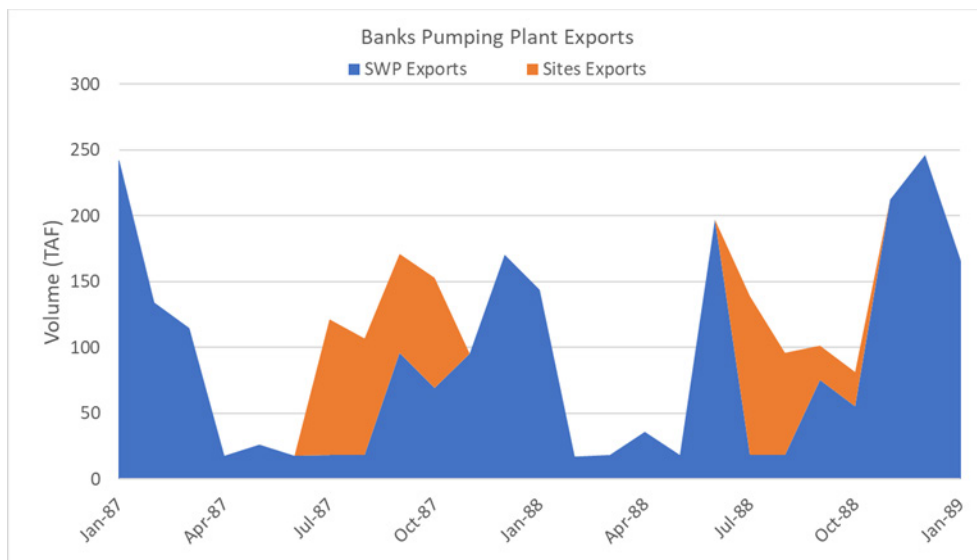


Figure 7. Banks Pumping Plant Exports During Drought Period (1987 - 1988)

3 Environmental Review & Permitting

Environmental review and permitting is well underway for the Sites Reservoir Project. Listed below is a status update of the key environmental review and permitting processes. Outcomes and key terms of the various regulatory processes are anticipated by the end of this year, well ahead of the Metropolitan Board's final decision regarding participation in the Project.

3.1 Status of the CEQA and NEPA Process

The Authority has conducted significant public and tribal outreach, along with extensive scientific analysis as part of the environmental planning process. Refinements to both the physical configuration and operational characteristics were made to address issues raised during the environmental review to reduce impacts and to better protect species. Ultimately, the Authority Board certified the Final EIR/EIS and approved the project on November 17, 2023, and is anticipating a federal Record of Decision (ROD) from Reclamation this summer. More detailed discussion on the milestones and status of the California Environmental Quality Act (CEQA) and National Environmental Policy Act (NEPA) process are below.

In 2017, the Authority and Reclamation prepared a joint Public Draft EIR/EIS for the Sites Reservoir Project. In November 2021, the Authority and Reclamation issued a Revised Draft Environmental Impact Report/Supplemental Draft Environmental Impact Statement (RDEIR/SDEIS) to reflect changes to the project that occurred since the issuance of the 2017 Draft EIR/. The RDEIR/SDEIS included a complete revision of the 2017 Draft EIR/EIS and was circulated for public review and comment. The Authority and Reclamation prepared responses to all comments received on the RDEIR/SDEIS and included responses in the Final EIR/EIS for the project. The Authority certified the Final EIR and approved the project on November 17, 2023. A Notice of Determination was prepared and filed with county clerk-recorders and the State Clearinghouse on November 20, 2023.

On December 18, 2023, petitioners, including the Friends of the River, Center for Biological Diversity, California Sportfishing Protection Alliance, California Water Impact Network, and Save California Salmon notified the Authority of their intent to file a petition for Writ of Mandate in Yolo County Superior Court under the provisions of the CEQA against the Authority,

challenging the Authority's November 17, 2023 certification of the Final EIR, CEQA findings, and approval of the project. On May 31, 2024, the Yolo Superior Court found in favor of the Sites Authority on all causes of action. On June 14, 2024, Friends of the River, et al., appealed the case. On September 20, 2024, the Third District Court of Appeals upheld the trial court's judgment. No petition for review was filed to the State Supreme Court, ending the litigation.

Reclamation has prepared a Draft ROD, anticipated to be completed and signed later this year once compliance with the Endangered Species Act and Section 106 of the Historic Preservation Act has been achieved.

Assembly Bill 52 (AB 52) consultation with Native American tribes traditionally and culturally affiliated with the geographic location of the Sites Reservoir Project was concluded prior to the Authority's certification of the EIR in November 2023. The EIR mitigation measures and corresponding commitments require the continuation of tribal engagement and coordination during project implementation.

Currently, Reclamation is still consulting on Section 106 of the National Historic Preservation Act compliance. Reclamation intends to conclude the Section 106 process through the execution of a programmatic agreement (PA) with the State Historic Preservation Officer and the Advisory Council on Historic Preservation. Native American tribes, other agencies, and the Authority will be invited to sign the PA as Invited Signatories or Concurring Parties. The PA will outline the procedures for identifying and considering historic properties that could be affected by the project. At the beginning of November 2024, Reclamation distributed the second draft of the PA to consulting parties, including Native American tribes, for a 60-day review period. Reclamation has addressed comments received and is preparing to distribute a final PA for signature completion before the end of June 2025.

3.2 Status of the Permitting Process

The Authority's advancement of permits provides additional certainty to the project participants that the Sites Reservoir Project is progressing on target toward construction. Resource agencies have also gained an improved understanding of the project through the permitting progress made throughout the planning phase.

In collaboration with State and federal partners, the Authority has successfully secured several critical permits, including the operational ITP and the construction ITP under the California Endangered Species Act (CESA). Additionally, the Authority is progressing with the Biological Assessment required under the federal Endangered Species Act (ESA) for construction activities. Each of these key permits will be discussed in greater detail below. In 2024, the Authority identified the conditions precedent to proceeding with investor commitment and the next phase of work for each group of local agency, State and federal governments. California Endangered Species Act Incidental Take Permits for Construction

On October 22, 2024, CDFW issued an ITP for the construction of the project. The permit provides incidental take coverage for all species and associated habitats identified in the application. This includes the giant garter snake, Swainson's hawk, tricolored blackbird, and Crotch's bumble bee, a candidate species. The Construction ITP became effective upon issuance and, unless renewed by CDFW, will remain in effect through December 31, 2034.

The Construction ITP requires the Authority to implement species-specific avoidance and minimization measures, as proposed in the ITP application. The compensatory mitigation obligations outlined in the permit align with the types, acreages, and estimated costs included in the Authority's application. Mitigation efforts will be phased in accordance with construction activities and expected impacts over a period of up to two years per phase. As requested in the application, the Construction ITP provides flexibility by allowing the Authority to utilize a variety of methods to fulfill its compensatory mitigation requirements.

In addition to the required compensatory mitigation, the Construction ITP includes conditions of approval that must be implemented and adhered to in order to maintain take coverage throughout the permit term. These conditions outline the types and timing of required biological studies and plans, establish minimum qualifications for biological technical staff working under the permit, and detail avoidance and minimization measures, as well as biological survey, monitoring, and reporting requirements during construction. Many of these conditions are standard, and the Authority anticipates full compliance.

3.2.1 California Endangered Species Act Incidental Take Permit for Operations

The Authority received CESA incidental take coverage for all species identified in the Operations ITP application and the 2024 supplemental application. Covered species include winter-run Chinook salmon, spring-run Chinook salmon, Delta smelt, longfin smelt, and white sturgeon, a candidate species. The Operations ITP became effective upon issuance and will remain in effect through December 31, 2039, unless renewed by CDFW. As noted in Section 2, the evaluation of project performance to reflect operations outlined in the Operations ITP is in progress. Project performance will be updated to reflect the Operations ITP and outcomes from the water rights application process (Section 3.3).

The compensatory mitigation contained within the issued Operations ITP is consistent in the types, acreage, and anticipated costs that were proposed in the ITP Application.

3.2.2 Biological Assessments/Biological Opinions for Construction

To ensure compliance with the federal ESA, the project has been included as a programmatic action in the recently issued 2024 Biological Opinions for the Reinitiation of Consultation on the Long-Term Operation of the CVP and the SWP, issued by the U.S. Fish and Wildlife Service (FWS) and the NMFS. In addition, the Authority and Reclamation are working toward obtaining project-specific operational Biological Opinions. These are anticipated by the end of calendar year 2025. Reclamation has submitted a revised stand-alone construction Biological Assessment to FWS, and a construction Biological Opinion is expected later this year.

3.3 Status of Water Rights

The Authority petitioned the State Water Board for the assignment of a 1977 water right application for the Sites Reservoir Project, and for the release from water right priority of previously filed water right applications. If the Water Board grants the petition, the Authority would have a new appropriative water right to divert up to 1.5 MAF to storage with a 1977 water right priority. The Authority is seeking to divert up to 2,200 cfs at Red Bluff and 2,000 cfs at Hamilton City, which is less than the physical capacity of those facilities.

The Water Board initiated a public hearing on the petition because there were unresolved protests. One of the initial protestants was the SWC, which filed a protest expressing concerns

for the protection of the SWP. The SWC settled its protest prior to the hearing through a settlement agreement that protects the water rights of the SWP by affirming water right priority and by outlining a process for the future parallel operation of the SWP and the Sites Reservoir Project. In light of the settlement, the SWC dropped their protest and participated in the hearing to concurrently protect the SWP and the Sites Reservoir Project.

The public hearing is in its final phase as all evidence has been presented, including rebuttal testimony, and all witnesses have been subject to cross-examination. Metropolitan provided rebuttal testimony on behalf of the SWC to address testimony that challenged the public interest in granting the Sites petition, and to defend and explain Metropolitan's water planning process.

Closing briefs from all parties to the hearing are due May 27, 2025. Responses to the closing briefs are due June 26, 2025. The State Water Board has not provided a schedule for its final decision-making on the petition. The Authority has encouraged an expedited conclusion by September 2025 in order to fulfill the State Water Board's 2025 Strategic Plan and to advance numerous goals and objectives of the Governor and Legislature.

Attachment 2: Previous Board Decisions Regarding Sites Reservoir Project



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

BOARD ACTION

- **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

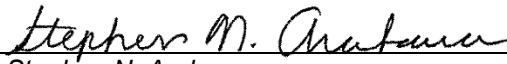
Do not authorize the General Manager to sign the Third Amendment to the 2019 Reservoir Project Agreement with the Sites Project Authority for participation in the Amendment 3 Workplan.

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

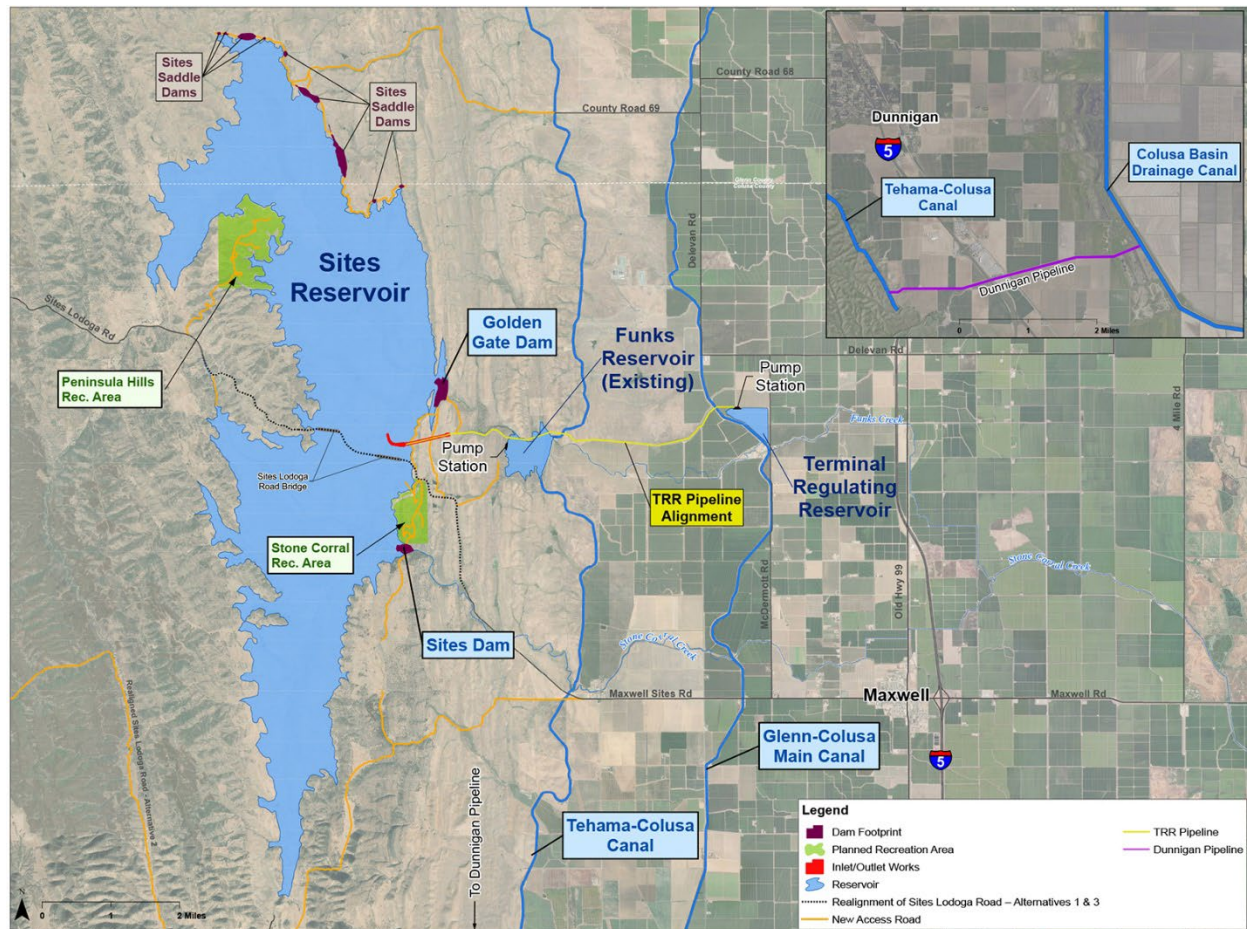
Attachment 6 – Sites Reservoir Schedule

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.

				Reprioritize Currently Approved Budget	Proposed Budget Authority= 12 mon Res. Comm= 9 mon
Expense (-) or Revenue (+)	Cost Center	Task	Resource	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

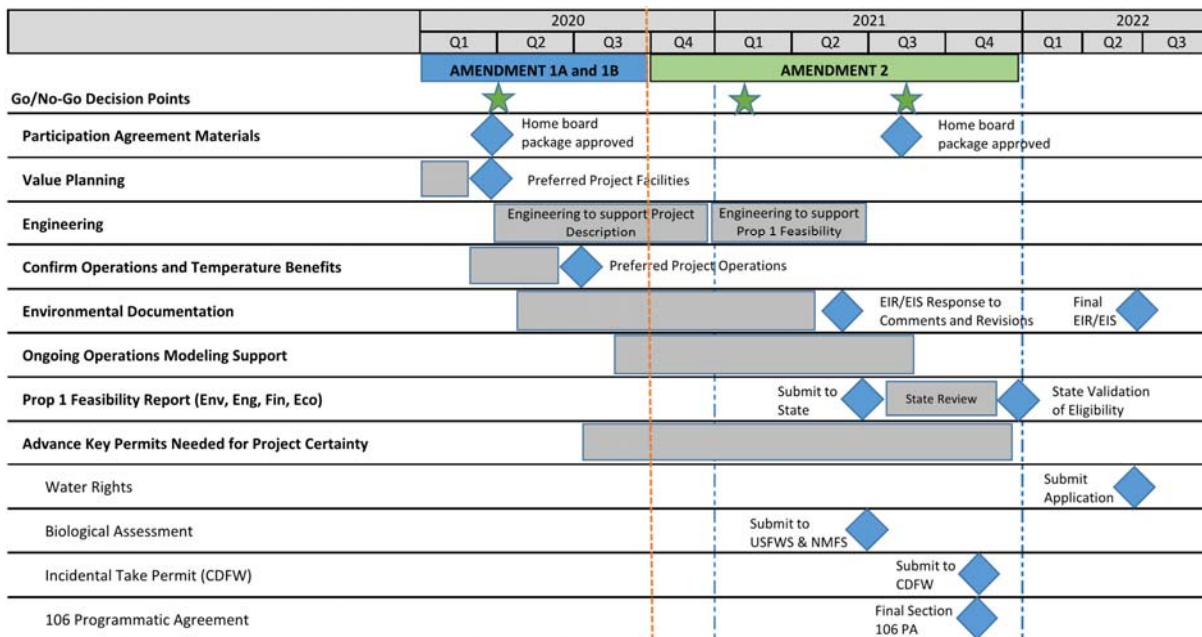
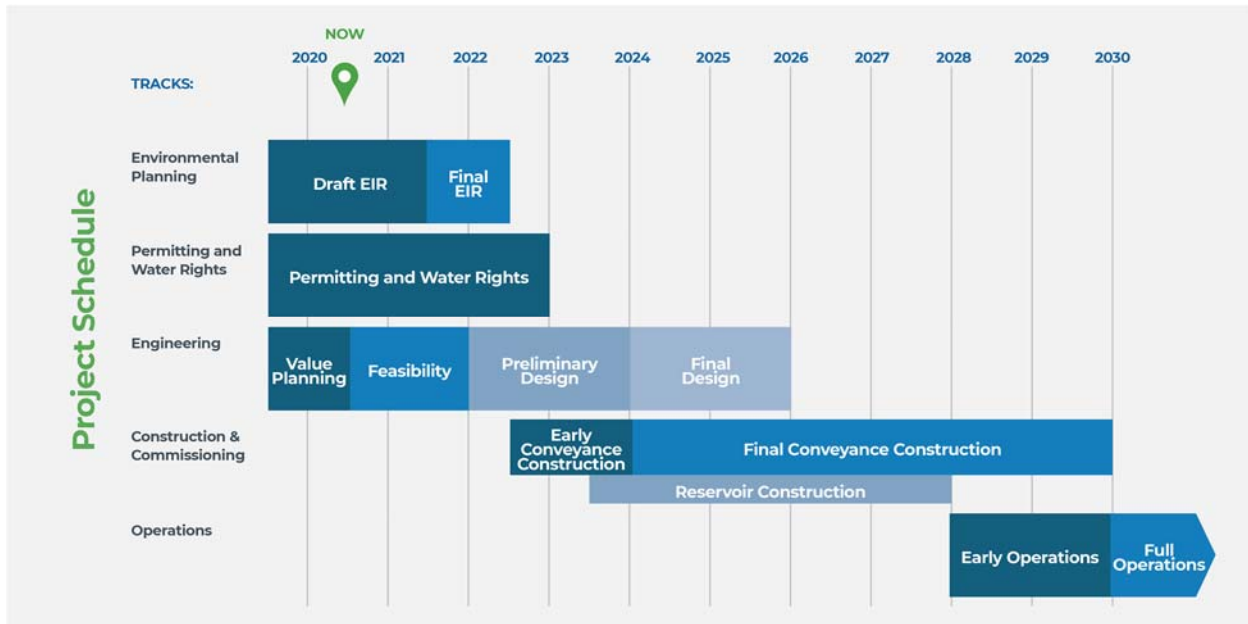
- Rosedale-Rio Bravo Water Storage District
- Wheeler Ridge - Maricopa Water Storage District

State/Federal

- California Department of Water Resources
- US Bureau of Reclamation



Sites Reservoir Schedule



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.





THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

**BOARD
ACTION**

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

10/13/2020 Board Meeting

7-6

Subject

Appropriate \$5 million, and authorize an amendment to the 2019 Reservoir Project Agreement with the Sites Project Authority to allow participation in the Sites Reservoir Project Phase 2 Workplan; the General Manager has determined the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

In 2017 and 2019, the Board appropriated \$1,500,000 and \$4,212,500, respectively, to authorize participation in the Phase 1 Workplan and the 2019 Workplan of the Sites Reservoir Project (Project) located in northern California. The Sites Project Authority is now proposing a Phase 2 Workplan, also referred to as the Amendment 2 Workplan, that will move the Project forward through the end of 2021. This limited Phase 2 Workplan will focus on the continued development of project permits, environmental planning documents, a final federal feasibility report, and a draft operations plan.

The Phase 2 Workplan would be implemented through a second amendment to the 2019 Reservoir Project Agreement (Second Amendment) previously executed by Metropolitan and other project participants. The budget for this limited Phase 2 Workplan is \$31.75 million, which includes funding from the state of California, United States Bureau of Reclamation (USBR), and 21 public water agencies. The proposed budget would require a \$100 per acre-foot funding investment from reservoir participants. For Metropolitan to continue its participation and reserve 50,000 acre-feet (AF) of water supply participation rights in the Project, the cost share would total \$5,000,000. The funding would be paid in installments over the 15-month workplan period.

Continued participation in planning and analysis of the Project will preserve the opportunity to work with the participants to improve water supplies for both northern and southern California, enhance critical habitat for native fish species, prepare for climate change impacts, and develop key analyses of Project feasibility. The Project is identified as a priority project in the Governor's Water Resilience Portfolio and is one of the first multi-benefit reservoirs in California that will have dedicated water storage and yield to be used for fishery enhancement, instream flows releases in drier periods, and improved habitat for native species. As before, Metropolitan's agreement to participate in funding for the Phase 2 Workplan does not commit Metropolitan to moving forward with the actual Project.

The Sites Project Authority is requesting that all participating agencies execute the Second Amendment by November 2020.

Details

Background

History

The Project first emerged as part of a second stage of the State Water Project (SWP) proposed in the 1980s, which included a peripheral canal and other northern California water-related projects. In 1996, the Project was further analyzed by the California Department of Water Resources (DWR) and USBR as part of the CALFED Bay-Delta process. The CALFED process resulted in a Programmatic Record of Decision that recommended implementation of the 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 Project.

Project Location

The Project is located in the Antelope Valley, north of Sacramento, about 10 miles west of the town of Maxwell on Interstate 5 in northern California (**Attachment 1**). The Antelope Valley is separated from the greater Sacramento Valley by a low range of hills, making it suitable for off-stream storage of water from the Sacramento River.

Project Description

The Project is currently analyzing a 1.3 million to 1.5 million AF water storage reservoir. In comparison, Folsom Reservoir on the American River stores about 1.0 million AF of water. The Project would require the construction of two large dams up to 310 feet high and nine smaller saddle dams. The water stored in the Project reservoir would be diverted from the Sacramento River during unregulated high-flow events using existing intake facilities on the river at Red Bluff Diversion Dam and Glenn-Colusa Diversion Dam. Water from these diversions would be conveyed through the existing Tehama-Colusa and the Glenn-Colusa canals to the reservoir (**Attachment 2**). Combined, the diversions could take as much as 3,900 cubic feet per second of water from the Sacramento River to the Project reservoir. Water discharged from the reservoir would flow through the existing Tehama-Colusa Canal, then into the Colusa Basin Drain before reaching the Sacramento River or the Upper Yolo Bypass. These discharges would move down the river or bypass to Project partners, including Central Valley Project (CVP) and SWP agencies south of the Delta.

Key Benefits

The following is a summary of the key benefits of the proposed Project:

- Off-Stream Storage. The Project will be off-stream of the Sacramento River using existing modern-screened fish intakes designed to mitigate fish losses and not block fish migration or spawning.
- Dedicated Ecosystem Water. Current methods of allocating water to support ecosystem health rely on minimum flow standards. The Project will be one of the first reservoirs in California that will have dedicated ecosystem water 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. The Project will enhance the ability to prepare for potential future climate change effects, including more intense levels of precipitation/runoff, faster snowmelt, and increased flood flows.
- Fish Friendly Wet-Year Storage, Dry-Year Yield. The Project will enhance the ability to store unregulated flows during high precipitation years and release those water supplies for environmental and water supply purposed during dry water years.
- Significant Local and Statewide Support. The Project has significant local, statewide, and bipartisan support from more than 175 organizations, agencies, businesses, and elected officials.
- Enhance 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 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 Project will enhance flood control protection for small communities prone to flooding near the reservoir project and expand recreational opportunities in northern California.

Project Yield

The current operations model estimates the annual water yield of the Project at approximately 240,000 AF per year. This model utilizes upstream Sacramento River flow and fishery criteria, assumed in earlier phases of the Project. Additional modeling analyses will continue to be conducted as further refinements are made to Project

operations and projected regulatory requirements, including proposed Delta Conveyance operations. Implementation of the proposed Delta Conveyance Project would allow for greater yields south of the Delta. DWR estimates that if the Project were operational in 2016 (categorized as a ‘below-normal’ water year for the Sacramento River), the reservoir could have captured 448,000 AF of water supplies. Final Project formulation and annual operations will determine how the firm 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.

Proposed Budget & MWD Cost Share

The proposed budget to fund this limited Phase 2 Workplan is estimated at \$31.75 million, which includes:

- State Proposition 1 Funds \$7,300,000
- Federal WIIN Act Funds \$4,000,000
- Carryover Funds \$750,000
- Local (Reservoir Participants) \$19,700,000

The proposed budget would require a \$100 per acre-foot funding investment from reservoir participants. For Metropolitan to continue its participation and reserve 50,000 AF of water supplies under the 2019 Reservoir Project Agreement and Second Amendment (**Attachment 3 and 4**), the cost share would total \$5,000,000. The funding would be paid in installments over the 15-month workplan period from September 2020 through December 2021.

The final amount of water supplies available to Metropolitan and other participants from the 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 Project.

Estimated Overall Project Cost

Over the last six months, the Sites Project Authority 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 a range of \$3.0 billion to 3.3 billion (in 2019 dollars), a reduction of approximately \$2 billion. 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. Efforts are underway by the Sites Project Authority to continue refining the Project cost estimates.

STATUS UPDATE	PREVIOUS PROJECT	REVISED PROJECT
Project Costs	\$4.0 billion	\$2.4 – 2.7 billion
Contingences	\$1.2 billion	\$0.6 billion
Total Costs (2019 dollars)	\$5.2 billion	\$3.0 - 3.3 billion

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 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 the recent value-planning process, a Revised Draft EIR and Supplemental EIS will need to be released due to the smaller Project footprint and operational changes. The Revised Draft EIR and Supplemental EIS are scheduled to be released in July 2021, with a Final EIR/EIS completed in mid-2022.

State Proposition 1 Grant Investment Funding

In 2017, the Sites Project Authority submitted an application for State Proposition 1 grant funding to the California Water Commission. Proposition 1 includes \$2.7 billion for new storage projects. In 2018, the California Water Commission approved \$816 million in funding for the Project, with \$40 million available to complete the environmental documentation and obtain permits. This state investment will pay for a portion of the

reservoir cost, and in return, the state of California will receive flood control and recreation benefits as well as a portion of the water produced by the Project to be dedicated to environmental benefits in the watershed and Delta.

Sites Project Authority Members

The Sites Project Authority was formed under California law 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, Maxwell Irrigation District (and DWR [as a non-voting member] and USBR [as a cost-share partner]).

Current Participating Project Partners

Currently, there are 30 agencies that form a Reservoir Project Committee participating in funding the 2020-21 Workplan. This includes members of the Sites Project Authority, nine State Water Contractor agencies, one State Water Contractor subagency, one south-of-Delta CVP contractor, and others. A full list of participating agencies is attached (**Attachment 5**). Metropolitan is currently a member of the Sites Reservoir Project Committee, which has certain decision-making authority in carrying out the budget and 2020-21 Workplan.

Participating agencies are currently in the process of reviewing the Second Amendment with their boards to approve participation and funding. The Sites Project Authority is also in discussions with other agencies that have expressed an interest in participating in the Project.

Schedule

The proposed key milestones, including permit application submittals, to be completed over the next 15 months include:

- Jun 2020 – Draft Final Federal Feasibility Report and 6-month review process
- May 2021 – State Proposition 1 Feasibility Report
- Jun 2021 – Joint US Fish and Wildlife Service/National Marine Fisheries Service Biological Assessment for Section 7 Compliance
- July 2021 – Recirculated Draft Revised EIR and Supplemental EIS
- Dec 2021 – California Department of Fish and Wildlife Incidental Take Permit Application for Operations and Construction
- Dec 2021 – Clean Water Act Section 401 and 404 Permit Applications
- Dec 2021 – Encroachment Permit/Section 408 Permission Application
- Dec 2021 – Programmatic Agreement for Section 106 Compliance
- Dec 2021 – State validation of eligibility for additional Proposition 1 grant funds

The final EIR is scheduled for completion in mid-2022, with construction completion estimated by 2030 (**Attachment 6**).

Previous Metropolitan Board Authorizations

In April 2017, the Metropolitan 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 Metropolitan 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.

In January 2020, the General Manager approved the First Amendment to the 2019 Reservoir Project Agreement that called for a 180-day no-cost extension from February 1 through June 30, 2020. The First Amendment allowed participants to continue feasibility planning, water supply modeling, and environmental review efforts through June 30, 2020. That no-cost extension was further extended through August 31, 2020. Funding for these no-cost extensions was from previously budgeted funds under the 2019 Reservoir Project Agreement.

Metropolitan's Fiscal Year 2020/21 Budget

Funding for the Sites Phase 2 Workplan was not included as a specific line item in Metropolitan's fiscal year 2020/21 budget. Staff anticipated a need for additional funding for the Sites Reservoir studies at some point during the upcoming budget cycle, but the timing and amount of needed funding was not known. Accordingly, staff is proposing to use budgeted SWP funds, as was done with the previous phases of the Sites Reservoir project. Staff has briefed the Board on this project in the past and is bringing this item for Board consideration due to its merits (including climate change resiliency, environmental enhancement, flood flow capture, etc.) and to continue the opportunity to participate in this multi-agency, multi-benefit project.

Policy

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

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.

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 Second Amendment to the 2019 Reservoir Project Agreement with the Sites Project Authority and other participants for participation in the Phase 2 Workplan process for an amount not to exceed \$5,000,000; and
- b. Appropriate \$5,000,000 for the Phase 2 Workplan based on reserving an option for 50,000 AF of water supply yield.

Fiscal Impact: \$5,000,000 in budgeted State Water Project funds.

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

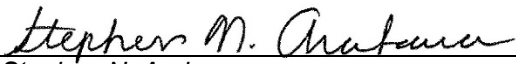
Do not authorize the General Manager to sign the Second Amendment to the 2019 Reservoir Project Agreement with the Sites Project Authority for participation in the Phase 2 Workplan.

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

9/24/2020
Date


Jeffrey Lightlinger
General Manager

9/30/2020
Date

Attachment 1 – Sites Reservoir Location Map

Attachment 2 – Sites Reservoir Facilities Map

Attachment 3 – 2019 Reservoir Project Agreement

Attachment 4 – Second Amendment to the 2019 Reservoir Project Agreement

Attachment 5 – Sites Reservoir Project Participants

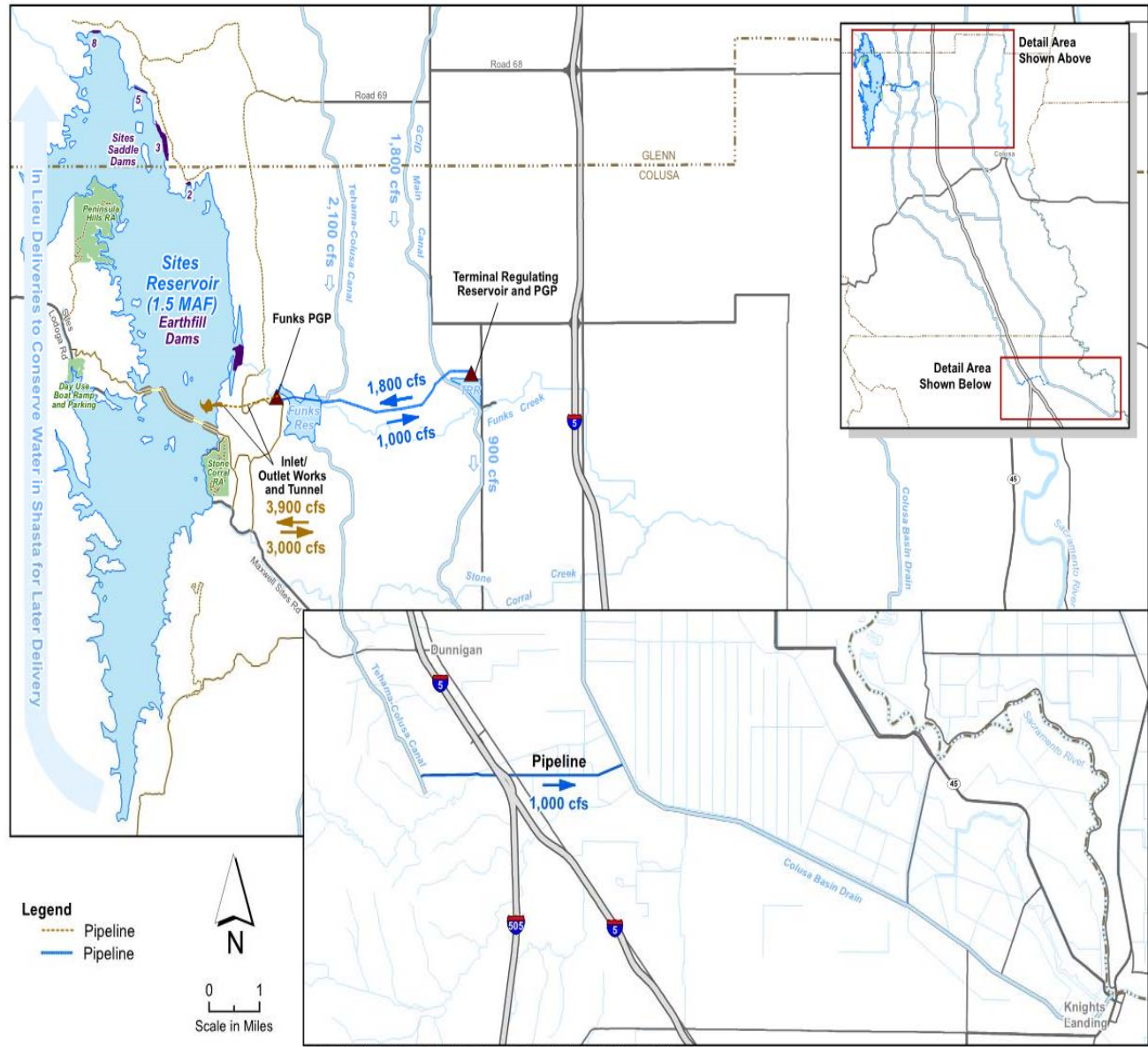
Attachment 6 – Sites Reservoir Schedule

Ref# eo12670633

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.

				Reprioritize Currently Approved Budget	Proposed Budget Authority= 12 mon Res. Comm= 9 mon
Expense (-) or Revenue (+)	Cost Center	Task	Resource	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

SECOND AMENDMENT TO 2019 RESERVOIR PROJECT AGREEMENT

BY AND AMONG
SITES PROJECT AUTHORITY

and

THE PROJECT AGREEMENT MEMBERS LISTED HEREIN

Dated as of July 1, 2020

THIS SECOND AMENDMENT TO 2019 RESERVOIR PROJECT AGREEMENT (this “Second Amendment”), dated as of July 1, 2020, 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”) and 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, together with the Original Agreement, 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 2 Work Plan and to extend the term of the Agreement to December 31, 2021; 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, 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 Second 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 Second Amendment;

NOW, THEREFORE, THIS SECOND 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 September 1, 2020, the Project Agreement Members attached as Exhibit A to the Agreement shall be succeeded in their entirety by the Project Agreement Members attached hereto as Exhibit A.

Section 2.02. **Work Plan.**

(a) Effective September 1, 2020, the 2019 Work Plan attached as Exhibit B to the Agreement shall be supplemented by the Work Plan attached hereto as Exhibit B (the “Amendment 2 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 2019 Work Plan (prior to November 1, 2020) and the Amendment 2 Work Plan (on and after November 1, 2020) 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 \$160 per acre-foot (with \$60 of such amount being attributable to the 2019 Work Plan and \$100 of such amount being attributable to the Amendment 2 Work Plan) without the approval of such Project Agreement Member. The contribution with respect to the pro-rata budgeted sums reflected in the Amendment 2 Work Plan shall be payable by each Project Agreement Member in two installments. The first installment shall be in an amount equal to \$60 per acre-foot and shall be payable by no later than November 1, 2020. The second installment shall be in an amount up to \$40 per acre-foot and shall be payable by no later than April 1, 2021. The exact amount per acre-foot of the second installment shall be established by the Committee, in cooperation with the Authority’s Board, and notice of such amount shall be provided by the Authority to each Project Agreement Member.”

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

The Agreement is hereby amended to remove Section 6(b) in its entirety and replace it with the following:

“(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 28, 2019, shall be granted rights to contract for a share, in an amount equal to that Project Agreement Member’s Participation Percentage as of the effective date of such successor phase agreement, 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.

If a participating Project Agreement Member as of February 28, 2019 identifies a lesser amount in the Second Amendment than its Original Agreement requested amount, that participating Project Agreement Member’s first rights of refusal in the future are to be based on the Second Amendment amounts and not the February 28, 2019 amounts.

Provided, however, that if a Project Agreement Member withdraws from the Project Agreement pursuant to Section 9 of this Agreement but later requests to be reinstated, then to the extent there is unsubscribed participation in the Project as determined by the Committee, the

Committee may vote to readmit said withdrawn Member with a reinstated first right of refusal provided said withdrawing Member provides funding to the Project commensurate with the funding requirements met by all current Project Agreement Members in the current phase of the Project as well as any prior phase, as adjusted for any credits, payments and/or reimbursements made under the Authority's credit reimbursement policy (the "Credit Reimbursement Policy").

Further provided, that if a Project Agreement Member desires to increase its participation after execution of the Second Amendment, then to the extent there is unsubscribed participation in the Project as determined by the Committee, the Committee may vote to approve said increase, or portion thereof, with a first right of refusal attendant thereto, provided said increasing Project Agreement Member provides funding to the Project commensurate with the funding requirements met by all current Project Agreement Members in the current phase of the Project as well as any prior phase, as adjusted for any credits, payments and/or reimbursements made under the Credit Reimbursement Policy.

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 Project Agreement Member."

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, 2021. In the event that this Second Amendment is not approved by Project Agreement Members with the requisite percentage of the total weighted vote as set forth in the Agreement by June 30, 2020, the Agreement shall be revived immediately upon approval by such requisite percentage, without any additional approval of the Project Agreement Members, and this Second Amendment shall become effective."

Section 2.06. **Executive Director.** All references to the "General Manager" in the Agreement shall be changed to "Executive Director."

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 elected water participation amount in the Sites Reservoir Project and the associated cost in the space provided therefor on the signature page to this Second 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 Second 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 Second 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 Second 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. **Authorization, Ratification and Confirmation of Certain Actions.** The Authority and the Project Agreement Members each hereby authorize, ratify and confirm the extension of the term of the Agreement, as previously extended pursuant to the First Amendment, to June 30, 2020, and the expenditure of funds collected under the Agreement with respect to the 2019 Work Plan on and prior to June 30, 2020.

Section 4.04. **Laws Governing Second Amendment.** The effect and meaning of this Second 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:

PARTICIPATION AMOUNT

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

**Participation
(Second Amendment
Annualized Acre-Foot):**

**Second Amendment Cost:
Not to Exceed \$100 per
Acre-Foot**

EXHIBIT A

PROJECT AGREEMENT MEMBERS

Participant	Participation (Second Amendment Annualized Acre-Foot)	
	Preliminary	Percent
American Canyon, City of		
Antelope Valley-East Kern Water Agency		
Carter Mutual Water Company #		
Coachella Valley Water District		
Colusa County		
Colusa County Water District		
Cortina Water District		
Davis Water District		
Desert Water Agency		
Dunnigan Water District		
Glenn-Colusa Irrigation District		
LaGrande Water District		
Metropolitan Water District of S. CA		
Pacific Resources Mutual Water Company #		
Reclamation District 108		
San Bernardino Valley Municipal Water District		
San Geronio Pass Water Agency		
Santa Clara Valley Water District		
Santa Clarita Valley Water Agency		
Westside Water District		
Wheeler Ridge-Maricopa Water Storage District		
Zone 7 Water Agency		
Potential new participants		
Total:		

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 2 WORK PLAN

Exhibit B

Reservoir Committee

2020 and 2021 Work Plan

Reservoir Committee Annual Budget for FY 2020 and FY 2021 (\$000)

	Subject Area	2020	2021	Total
Revenue	Beginning Balance	\$6,847	\$0	\$6,847
	Participation Revenue	\$11,520	\$7,680	\$19,200
	Federal Revenue	\$0	\$4,000	\$4,000
	State Revenue	\$5,134	\$5,502	\$10,636
Revenue Total		\$23,501	\$17,182	\$40,683
Expenses	Permitting	(\$2,558)	(\$5,011)	(\$7,569)
	Early Mitigation	(\$243)	(\$2,257)	(\$2,500)
	Environmental Planning	(\$3,511)	(\$2,376)	(\$5,887)
	Operations Modeling	(\$3,486)	(\$536)	(\$4,022)
	Engineering	(\$4,360)	(\$2,180)	(\$6,540)
	Geotechnical	(\$1,142)	(\$2,003)	(\$3,145)
	Real Estate	(\$145)	(\$272)	(\$417)
	Communications	(\$489)	(\$579)	(\$1,068)
	Project Controls	(\$1,333)	(\$1,528)	(\$2,861)
	Funding	(\$777)	(\$590)	(\$1,367)
	Growth	(\$819)	(\$910)	(\$1,729)
	Management	(\$461)	(\$1,219)	(\$1,681)
	Support	(\$248)	(\$388)	(\$636)
Expenses Total		(\$19,573)	(\$19,848)	(\$39,422)
Grand Total		\$3,928	(\$2,666)	\$1,261

Annual expense budgets are based on the projected spend rate for the Amendment 1B and Amendment 2 work plans combined (Pg 2 and 3).

Amendment 1B Budget by Month (\$000s)

Reservoir Committee Work Plan Summary

Subject Area	Jan 20	Feb 20	Mar 20	Apr 20	May 20	Jun 20	Jul 20	Aug 20	Total
Revenue									
Beginning Balance*	\$6,847								\$6,847
Participation Revenue									\$0
Federal Revenue									\$0
State Revenue	\$3,300								\$3,300
Revenue Sum	\$10,147								\$10,147
Expenses									
Environmental Planning	(\$269)	(\$245)	(\$269)	(\$269)	(\$245)	(\$257)	\$0	\$0	(\$1,555)
Operations Modeling	(\$519)	(\$472)	(\$355)	(\$220)	(\$116)	(\$85)	(\$55)	(\$53)	(\$1,876)
Engineering	\$0	(\$151)	(\$237)	(\$239)	(\$247)	(\$272)	(\$248)	(\$205)	(\$1,600)
Geotechnical	\$0	\$0	(\$27)	(\$118)	(\$107)	(\$118)	(\$118)	(\$113)	(\$601)
Real Estate	(\$7)	(\$6)	(\$7)	(\$7)	(\$6)	(\$7)	(\$7)	(\$7)	(\$55)
Communications	(\$38)	(\$35)	(\$38)	(\$38)	(\$35)	(\$38)	(\$38)	(\$36)	(\$297)
Project Controls	(\$255)	(\$77)	(\$85)	(\$85)	(\$77)	(\$85)	(\$85)	(\$81)	(\$828)
Funding	(\$74)	(\$109)	(\$120)	(\$121)	(\$104)	(\$61)	(\$37)	(\$35)	(\$661)
Growth	(\$93)	(\$84)	(\$93)	(\$93)	(\$84)	(\$93)	(\$93)	(\$88)	(\$719)
Management	\$0	\$0	\$0	(\$1)	(\$23)	(\$25)	(\$9)	\$0	(\$58)
Support	(\$15)	(\$14)	(\$15)	(\$15)	(\$14)	(\$15)	(\$15)	(\$15)	(\$120)
Expenses Sum	(\$1,271)	(\$1,194)	(\$1,247)	(\$1,206)	(\$1,059)	(\$1,056)	(\$705)	(\$633)	(\$8,370)

*Adjusted from value published in work plan based on 2019 close-out

Amendment 2 Budget by Month (\$000s)

Reservoir Committee Work Plan Summary

Subject Area	Sep 20	Oct 20	Nov 20	Dec 20	Jan 21	Feb 21	Mar 21	Apr 21	May 21	Jun 21	Jul 21	Aug 21	Oct 21	Sep 21	Nov 21	Dec 21	Total
Revenue																	
Participation Revenue			\$11,520					\$7,680									\$19,200
Federal Revenue							\$2,000				\$2,000						\$4,000
State Revenue			\$1,834			\$1,834						\$1,834			\$1,834		\$7,336
Revenue Total			\$13,354			\$1,834	\$2,000	\$7,680			\$2,000	\$1,834			\$1,834		\$30,536
Expenses																	
Permitting	(\$253)	(\$577)	(\$1,023)	(\$705)	(\$525)	(\$525)	(\$584)	(\$471)	(\$419)	(\$448)	(\$295)	(\$309)	(\$295)	(\$295)	(\$613)	(\$232)	(\$7,569)
Early Mitigation	\$0	\$0	(\$113)	(\$131)	(\$119)	(\$119)	(\$136)	(\$131)	(\$119)	(\$235)	(\$231)	(\$242)	(\$231)	(\$231)	(\$220)	(\$242)	(\$2,500)
Environmental Planning	(\$488)	(\$512)	(\$442)	(\$513)	(\$474)	(\$474)	(\$218)	(\$71)	(\$65)	(\$71)	(\$61)	(\$62)	(\$216)	(\$42)	(\$343)	(\$279)	(\$4,332)
Operations Modeling	(\$621)	(\$680)	(\$232)	(\$78)	(\$71)	(\$71)	(\$81)	(\$72)	(\$43)	(\$48)	(\$46)	(\$48)	(\$11)	(\$46)	\$0	\$0	(\$2,146)
Engineering	(\$1,134)	(\$768)	(\$398)	(\$461)	(\$108)	(\$185)	(\$355)	(\$292)	(\$221)	(\$190)	(\$161)	(\$186)	(\$155)	(\$155)	(\$147)	(\$25)	(\$4,941)
Geotechnical	(\$52)	(\$54)	(\$61)	(\$374)	(\$346)	(\$461)	(\$513)	(\$134)	(\$124)	(\$172)	(\$42)	(\$44)	(\$42)	(\$42)	(\$40)	(\$42)	(\$2,544)
Real Estate	(\$23)	(\$24)	(\$20)	(\$24)	(\$21)	(\$21)	(\$25)	(\$24)	(\$21)	(\$24)	(\$23)	(\$24)	(\$23)	(\$23)	(\$21)	(\$24)	(\$362)
Communications	(\$48)	(\$50)	(\$43)	(\$50)	(\$46)	(\$46)	(\$52)	(\$50)	(\$46)	(\$50)	(\$48)	(\$50)	(\$48)	(\$48)	(\$46)	(\$50)	(\$771)
Project Controls	(\$126)	(\$132)	(\$114)	(\$132)	(\$120)	(\$120)	(\$138)	(\$132)	(\$120)	(\$132)	(\$126)	(\$132)	(\$126)	(\$126)	(\$120)	(\$132)	(\$2,033)
Funding	(\$29)	(\$30)	(\$26)	(\$30)	(\$64)	(\$66)	(\$76)	(\$73)	(\$66)	(\$71)	(\$29)	(\$30)	(\$29)	(\$29)	(\$28)	(\$30)	(\$706)
Growth	(\$25)	(\$26)	(\$23)	(\$26)	\$0	\$0	(\$38)	(\$36)	(\$33)	(\$36)	(\$35)	(\$154)	(\$146)	(\$146)	(\$139)	(\$148)	(\$1,010)
Management	(\$101)	(\$106)	(\$91)	(\$106)	(\$96)	(\$96)	(\$110)	(\$106)	(\$96)	(\$106)	(\$101)	(\$106)	(\$101)	(\$101)	(\$96)	(\$106)	(\$1,623)
Support	(\$32)	(\$34)	(\$29)	(\$34)	(\$31)	(\$31)	(\$35)	(\$34)	(\$31)	(\$34)	(\$32)	(\$34)	(\$32)	(\$32)	(\$31)	(\$34)	(\$516)
Expenses Total	(\$2,931)	(\$2,994)	(\$2,616)	(\$2,663)	(\$2,020)	(\$2,214)	(\$2,362)	(\$1,624)	(\$1,404)	(\$1,616)	(\$1,230)	(\$1,422)	(\$1,454)	(\$1,314)	(\$1,844)	(\$1,345)	(\$31,052)

Sites Reservoir Project

Project Participants in Phase 2 Workplan Planning Process

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
- Placer County Water Agency
- 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
- Metropolitan Water District
- San Bernardino Valley Municipal Water District
- San Geronio Pass Water Agency
- Santa Clarita Valley Water Agency

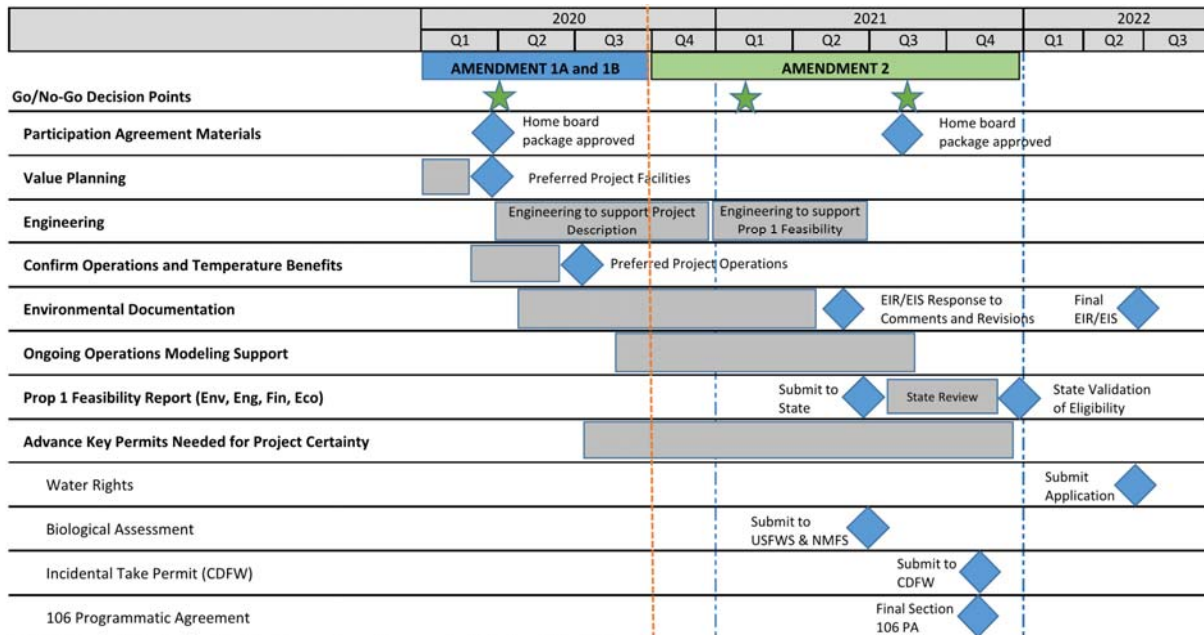
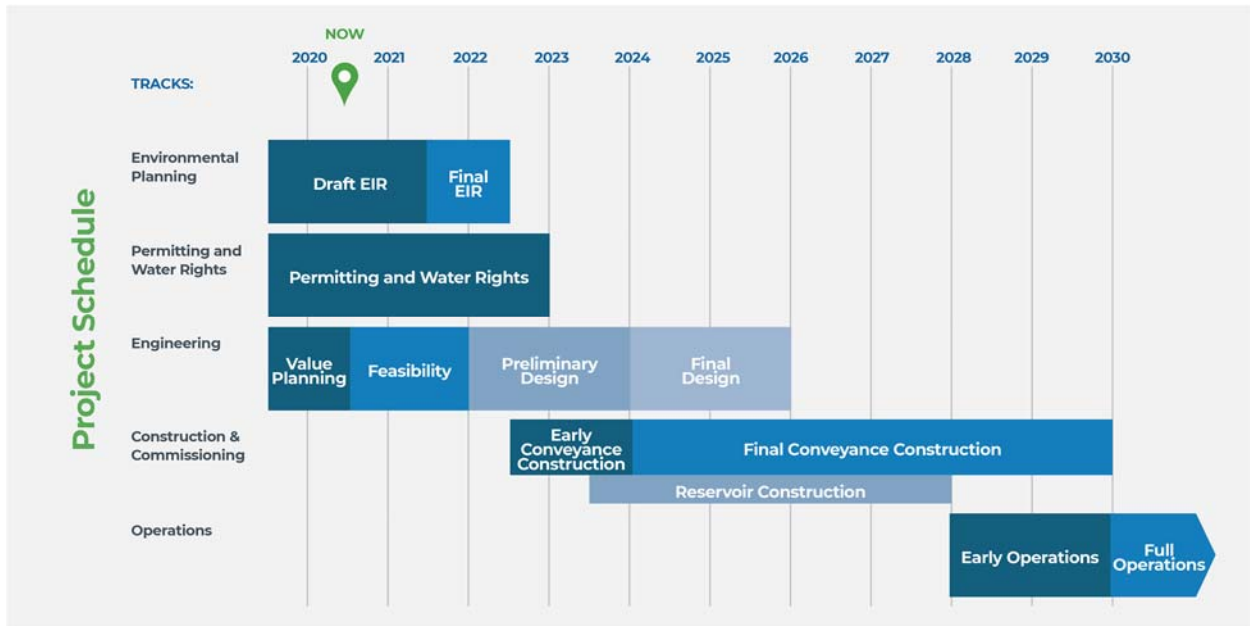
San Joaquin Valley

- Wheeler Ridge - Maricopa Water Storage District

State/Federal

- California Department of Water Resources
- US Bureau of Reclamation

Sites Reservoir Schedule



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



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

**BOARD
ACTION**

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

2/12/2019 Board Meeting

8-3

Subject

Appropriate \$4,212,500, and authorize entering into a project agreement with the Sites Project Authority for participation in the Sites Reservoir 2019 Workplan; the General Manager has determined the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

In April 2017, the Board appropriated up to \$1.5 million and authorized participation in the Phase 1 Agreement of the Sites Reservoir Project (Project) located in northern California. The Phase 1 process is scheduled to conclude in March 2019.

The Sites Project Authority is requesting the Project participants move forward and fund the 2019 Sites Workplan (2019 Workplan). The budget for the 2019 Workplan is approximately \$35 million, which includes funding from the State of California, U. S. Bureau of Reclamation (USBR), and public water agencies. Metropolitan staff is proposing the Board appropriate \$4,212,500 and authorize the General Manager to sign the 2019 Sites Reservoir Project Agreement (2019 Agreement).

Participation in the 2019 Agreement will preserve the opportunity to work with the participants to improve water supplies for both northern and southern California, enhance critical habitat for native fish species, prepare for potential climate change impacts, and develop key analyses of Project feasibility.

Funding for participation in the 2019 Agreement is based on project participants reserving an option for a portion of the Project yield. Metropolitan's share of that yield is 50,000 acre-feet (AF) per year.

The proposed Project is intended to be developed by the Sites Project Authority and its Project partners.

Details

History

The Project first emerged as part of a second stage of the State Water Project (SWP) proposed in the 1980s, which included a peripheral canal and other northern California water-related projects. In 1996, the Project was further analyzed by the California Department of Water Resources (DWR) and USBR as part of the CALFED Bay-Delta process. The CALFED process resulted in a Programmatic Record of Decision that recommended implementation of the 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 Project.

Project Location

The Project would be located in the Antelope Valley, north of Sacramento, about 10 miles west of the town of Maxwell on Interstate 5 in northern California (**Attachment 1**). The Antelope Valley is separated from the greater Sacramento Valley by a low range of hills, making it suitable for off-stream storage of water from the Sacramento River.

Project Description

The Project includes a 1.8 million acre-foot (MAF) water storage reservoir. In comparison, Folsom Reservoir on the American River stores about 1.0 MAF. The Project would require the construction of two large dams up to

310 feet high and nine smaller saddle dams. The water stored in the Project reservoir would be diverted from the Sacramento River during high flow events using existing facilities on the river at Red Bluff Diversion Dam and Glenn-Colusa Diversion Dam. Water from these diversions would be conveyed through the existing Tehama-Colusa and the Glenn-Colusa canals to the reservoir (**Attachment 2**). In addition, a third river diversion and pipeline would be constructed north of Colusa. Combined, the diversions would take as much as 5,900 cubic feet per second of water from the Sacramento River to the Project reservoir. The river diversion near Colusa would also operate as a discharge pipeline to convey water out of the reservoir. These discharges would move down the Sacramento River to Project partners, including Central Valley Project (CVP)/SWP agencies south of the Delta.

Project Phases

Project planning and development is segmented into a series of five phases. In 2018, the Project participants recommended funding completion of the 2019 Workplan, which is the first step of Phase 2. The 2019 Workplan is for the period from April through December 2019.

The Phase 1 process, ending in March 2019, included submission of an application for the Water Storage Investment Program (WSIP) and approval of conditional funding of \$816 million by the State, completion of a Public Draft Environmental Impact Report/Environmental Impact Statement (EIR/EIS), analysis of initial water supply and operational modeling, development of Project cost estimates and potential Project financing mechanisms, and completion of the U.S. Bureau of Reclamation Draft Feasibility Report.

The 2019 Workplan will include further operations modeling, additional environmental surveys and geotechnical data collection, completion of the Final Feasibility Report, analyses to complete the Biological Assessment for a federal Endangered Species Act Section 7 incidental take authorization, and other state/federal permitting consultations.

Future Phase 2 work will include completion of a final EIR/EIS, all required regulatory permits, and preliminary engineering. Phase 2 is scheduled to be completed by 2022. Phase 3 is the final design and pre-construction activities, which is estimated to take two years. Phase 4 will be the construction of the facilities, which is estimated to take seven years. The construction duration may be shortened by use of alternative delivery methods, which became available to the Sites Project Authority through approval of state legislation (AB2551, Gallagher) in 2016. Phase 5 will initiate Project operations. Prior to the start of each phase, the Sites Project Authority and Project participants will revise or rebalance participation amounts on an acre-foot basis, approve the subsequent phase's budget target, and execute new participation agreements.

Project Yield

The modeled annual firm water yield of the Project ranges from 300,000 to 500,000 AF, depending on projected regulatory requirements, operational decisions made by the Project participants, implementation of the California WaterFix, the size of the reservoir, and hydrologic water year types. Implementation of the California WaterFix would allow for greater yields south of the Delta. DWR estimated that if the Project were operational in 2016 (categorized as a 'Below-Normal' water year for the Sacramento River by the Office of the State's Climatologist), the reservoir could have captured 448,000 AF of water supplies. Final Project formulation and annual operations will determine how the firm 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.)

Estimated Overall Project Cost

The total Project cost is estimated at \$5.5 billion (in 2018 dollars). The annual costs for operations, maintenance, and power are estimated at \$83 million to \$100 million annually. Efforts are underway by the Sites Project Authority to refine Project cost estimates.

The amount of water supplies available to Metropolitan from the Project, if it is implemented, and the unit costs will depend on the actual costs and yield for the Project, the state/federal participation, and the total dollar amount that Metropolitan elects to contribute through future phases.

2019 Budget

The 2019 Workplan budget is estimated at \$34,965,764. This includes \$16.1 million in water user funds, \$10.1 million in State Proposition 1 grants, and \$8.8 million in federal WIIN Act grants (subject to federal appropriation).

During the initial Phase 1 process in 2017, the Sites Project Authority created two classes of water, each representing half of the expected annualized yield of up to 500,000 AF at the reservoir outlet. Class 1 covered the portion of the water supply that was not included in the estimated participation by the State under the WSIP – which was 50 percent of yield produced by the Project, whereas Class 2 covered the second 50 percent of yield and was subject to a right of first refusal by the state and federal government for environmental purposes. Metropolitan reserved 50,000 AF of Class 2 supplies under the Phase 1 process. Under Phase 1, the not-to-exceed contract amount to reserve Class 1 supplies was \$60 per AF and \$30 per AF for Class 2 supplies. However, the actual Phase 1 budget ended up at \$48.50 per AF for Class 1 and \$24.25 per AF for Class 2.

It now appears that the state and federal government will not fully exercise options totaling 50 percent of the estimated annual yield. As such, there is no longer a need to have distinct classes of water, and the Sites Project Authority is combining them into a single class, Class 1. To ensure that every participant is paying the same amount per acre-foot, Project partners who purchased Class 2 supplies at the lesser cost will have to pay the incremental costs to step-up to the higher cost Class 1 supplies. In addition to the step-up costs, all participants in the 2019 Workplan will pay \$60 per AF.

Metropolitan Cost Share

For Metropolitan to continue its participation and reserve 50,000 AF of water supplies under the 2019 Agreement (**Attachment 3**), the cost share would total \$4,212,500. This includes a step-up cost of \$1,212,500 (\$24.25 per AF) and a 2019 Workplan participation cost of \$3,000,000 (\$60 per AF).

Project Environmental Documentation

An initial feasibility study and Administrative Draft EIR were completed in 2013 by DWR. A Public Draft EIR/EIS for the Sites Reservoir Project was released by the Sites Project Authority (state lead agency) and the USBR (federal lead agency) in August 2017. The comment period for the Public Draft EIR/EIS was from August 18, 2017 through January 15, 2018. A Final EIR/EIS is scheduled to be completed within the next 12 to 16 months. Final environmental documentation and key permits will need to be acquired before the California Water Commission encumbers Proposition 1 funds to allow final engineering and construction activities to begin.

State Proposition 1 Grant Investment Funding

In 2017, the Sites Project Authority submitted an application for State Proposition 1 grant funding to the California Water Commission. Proposition 1 includes \$2.7 billion for new storage projects. In 2018, the California Water Commission approved \$816 million in funding for the Project with \$40 million available to complete the environmental documentation and obtain permits. This state investment will pay for a portion of the reservoir cost, and in return, the State of California will receive flood control and recreation benefits as well as a portion of the water produced by the Project to be dedicated to environmental benefits in the watershed and Delta.

Sites Project Authority Members

The Sites Project Authority was formed under California law as a joint powers authority and currently consists of 12 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, Maxwell Irrigation District, and Tehama-Colusa 4 (sub agencies), with DWR (as a non-voting member) and USBR as a cost-share partner.

Current Participating Project Partners

Currently, there are 31 agencies that form a Reservoir Project Committee participating in funding the Phase 1 effort. This includes members of the Sites Project Authority, nine State Water Contractor agencies, one State Water Contractor subagency, one south-of-Delta CVP contractor, and others. A full list of participating agencies

is attached (**Attachment 4**). Metropolitan is currently a member of the Sites Reservoir Project Committee, which has certain decision-making authority in carrying out the budget and work plan.

Participating agencies are currently in the process of reviewing the 2019 Agreement with their boards to approve participation and funding. Although all participating agencies are continuing to support the Project, some agencies have indicated they will reduce their requests, or withdraw, due to budget constraints and to better meet their future supply needs. The Sites Project Authority is also in discussions with other agencies that have expressed an interest in participating in the Project.

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 continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines); 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 2019 Agreement with the Sites Project Authority and other participants for participation in the 2019 Workplan process for an amount not to exceed \$4,212,500; and
- b. Appropriate \$4,212,500 for the Sites Reservoir 2019 Workplan based on reserving an option for 50,000 AF of Class 1 water supply yield.

Fiscal Impact: \$4,212,500

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

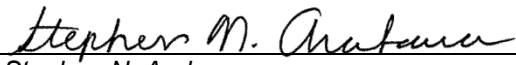
Do not authorize the General Manager to sign the 2019 Agreement with the Sites Project Authority for participation in the Sites Reservoir 2019 Workplan.

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

1/23/2019
Date



Jeffrey Kightlinger
General Manager

1/29/2019
Date

Attachment 1 – Sites Reservoir Location Map

Attachment 2 – Sites Reservoir Facilities Map

Attachment 3 – 2019 Sites Reservoir Project Agreement

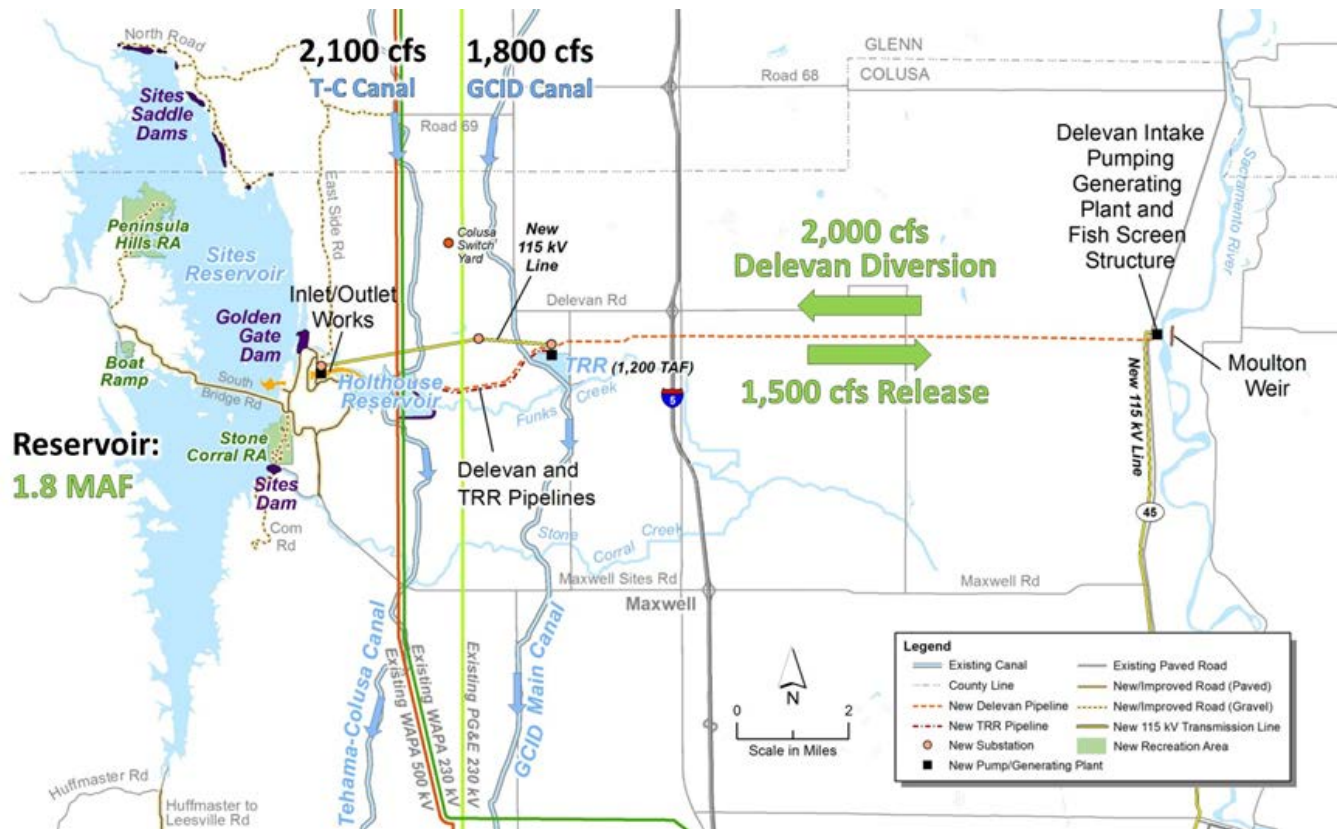
Attachment 4 – Sites Reservoir Project Participants

Ref# eo12661414

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.

				Reprioritize Currently Approved Budget	Proposed Budget Authority= 12 mon Res. Comm= 9 mon
Expense (-) or Revenue (+)	Cost Center	Task	Resource	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

Sites Reservoir Project

Project Participants in 2019 Workplan Planning Process

Sacramento Valley

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

Beyond the Sacramento Valley

- Antelope Valley - East Kern Water Agency
- Coachella Valley Water District
- Desert Water Agency
- Metropolitan Water District
- Pacific Resources Mutual Water Company
- San Bernardino Valley Municipal Water District
- San Geronio Pass Water Agency
- Santa Clara Valley Water District
- Santa Clarita Valley Water Agency
- Wheeler Ridge - Maricopa Water Storage District
- Zone 7 Water Agency

State/Federal

- California Department of Water Resources
- US Bureau of Reclamation



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

**BOARD
ACTION**

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

4/11/2017 Board Meeting

8-6

Subject

Adopt CEQA determination, appropriate \$1.5 million, and authorize entering into a project agreement with the Sites Project Authority for participation in the Sites Reservoir Phase 1 process for an amount not to exceed \$1.5 million

Executive Summary

The Sites Project Authority (Sites Authority) has issued an invitation for potential participants, including State Water Project (SWP) and Central Valley Project (CVP) contractors, to participate in the proposed Sites Reservoir Project (Project) located in northern California. The proposed Project is intended to be developed by the Sites Project Authority and its project partners.

The participation will be used to assist in funding Phase 1 of the Project, which includes preparing information for completion of an application for State Proposition 1 grant funds. The funding for Phase 1 would be proportionally shared based on a water agency's initial participation level. Participation levels are based on a percentage of the overall anticipated water supply yield produced by the Project. After the Phase 1 process is completed in July 2018, staff would recommend to the Metropolitan Board whether to continue participating and funding implementation of the Sites Reservoir project.

Metropolitan staff is proposing the Board appropriate \$1.5 million and authorize the General Manager to negotiate a project agreement with the Sites Authority to participate in the Phase 1 process at a cost-share participation level calculated based on reserving an option for 25,000 acre-feet (AF) of Class 1 supplies or 50,000 AF of Class 2 supplies, or a combination thereof, for an amount not to exceed \$1.5 million.

Upon execution of a Phase 1 project agreement amendment with the Sites Authority and other project agreement members, Metropolitan would become a project participant and be committed to fund up to \$1.5 million.

Details

History: The Project proposal first emerged as part of the proposed second stage of the SWP in the 1980s, which included the original proposed peripheral canal and other northern California water-related projects. In 1996, the Project was further analyzed by the California Department of Water Resources (DWR) and the U.S. Bureau of Reclamation (USBR) as part of the CALFED Bay-Delta process. The CALFED process resulted in a Programmatic Record of Decision that recommended the Project in the Preferred Program Alternative. In 2010, the Sites Authority was formed as a joint powers authority to continue moving forward with development of the Project.

Project Location: The Project would be located in the Antelope Valley, about 10 miles west of the town of Maxwell on Interstate 5 in northern California. The Antelope Valley is separated from the greater Sacramento Valley by a low range of hills, making it suitable for off-stream storage of water pumped from the Sacramento River. Please see location map in Attachment 1.

Project Description: The potential reservoir sizes that have been evaluated in detail include a 1.3 million acre-foot (MAF) and a 1.8 MAF reservoir. In comparison, Folsom Reservoir on the American River stores about 1 MAF.

The Project would require the construction of two large dams up to 310 feet high and nine smaller saddle dams. Most of the water stored in the Project reservoir would be diverted from the Sacramento River during high flow events using existing facilities on the river at Red Bluff and north of Hamilton City. Water from these diversions would be ferried through the existing Tehama-Colusa and the Glen-Colusa canals to Project reservoir. In addition, a third river diversion and pipeline would be constructed north of Colusa. The diversions would take as much as 5,900 cubic feet per second of water from the Sacramento River to the Project reservoir. The river diversion furthest south would also operate as a discharge pipeline to convey water out of the reservoir. These discharges would move down the Sacramento River to project partners, including CVP/SWP agencies south of the Delta.

Project Phases: The Project will be developed in a series of five phases. It is anticipated that new participation agreements will be executed at the beginning of each subsequent phase. The current Phase 1 will complete the information necessary for the California Water Commission to render a decision whether to allocate grant funds under State Proposition 1. This process is expected to conclude by mid-2018. Phase 2 will be completion of the Environmental Impact Report/Statement (EIR/S), obtain regulatory permits and approvals, and complete preliminary engineering. Phase 2 is currently forecast to be completed by 2022. Phase 3 is the final design and preconstruction activities, which is estimated to take two years. Phase 4 will be construction of the facilities, which is estimated to take seven years. The construction duration may be shortened by use of alternative delivery methods, which became available to the Sites Authority through approval of state legislation (AB2551, Gallagher) in 2016. Phase 5 will initiate project operations. Prior to the start of each phase, the Sites Authority and project participants will revise or rebalance participation amounts on an acre-foot basis, approve the subsequent phase's budget target, and execute new participation agreements.

Project Yield: The modeled annual firm water yield of the project ranges from 425,000 AF to 640,000 AF (based on DWR and USBR estimates), depending on the ultimate size of the reservoir and water year. This yield was modeled independent of the implementation of the California WaterFix. DWR estimated that if the Project were operational in 2016, the reservoir could have captured over 448,000 AF of water supplies. Final project formulation and annual operations will determine how this firm yield will be divided between meeting water contracts and environmental improvements (funded by State Proposition 1 grant).

Estimated Overall Project Cost: The total project cost is estimated by DWR at \$4.4 billion to 4.8 billion (in 2015 dollars), depending on reservoir and conveyance options. The annual costs for operations, maintenance, and power are estimated at \$61 million to \$77 million. Efforts are underway by the Sites Authority to refine project cost estimates.

Definition of Class 1 and Class 2 Water Supply Yield: Based on modeling analyses, the Sites Authority is using 500,000 AF as the estimated long-term annual yield of the project. This amount is being used to apportion the costs needed to complete Phase 1. The Sites Authority is providing the state with a first right of refusal for up to 50 percent of the Project's capital costs based on state funding from Proposition 1 Bond Funds. The Sites Authority has created two classes of water, Class 1 and Class 2, each representing 50 percent of the expected annualized yield of 500,000 AF. Class 1 supplies are reserved water supplies for the project participants in the initial 50 percent of yield produced by the project (assumed at 250,000 acre-feet). Class 2 supplies are the second 50 percent of yield produced by the project, which provides supplies for the first right of refusal by the state. The percentage of Class 2 supplies that would become available to the project participants depends on the amount, if any, that the state exercises of its first right of refusal.

At this time, all 250,000 AF of Class 1 water has been reserved or requested by other participants. Metropolitan's ability to reserve an option for Class 1 water will depend on the willingness of one or more other participants to relinquish Class 1 water reservation or request. Class 2 water, which carries a 50 percent discount in price because of the uncertainty of the state's first right of refusal, remains available. For Metropolitan to potentially reserve Class 1 water supplies, in this initial Phase 1 process, the not-to-exceed contract amount is \$60 per AF while the contract amount for Class 2 supplies is \$30 per AF.

The actual amount of water supplies available to Metropolitan from the Project, if it is implemented, and the unit costs, will depend on the actual costs and yield for the Project, the state's participation, and the total dollar amount that Metropolitan elects to contribute through future phases.

Phase 1 Budget: The Phase 1 budget approved by the Sites Authority is \$15,122,000. This equates to \$48.50 per AF for Class 1 supplies, and \$24.25 per AF for Class 2 supplies. Approval to increase the budget (within the not-to-exceed contract amount) requires the approval of the Sites Reservoir Committee and the Sites Authority Board. Prior to the start of the next fiscal year, which starts January 1, 2018, the Sites Authority and its project partners will approve the 2018 budget. If necessary, any additional studies or work needed to complete Phase 1, or to start work currently planned in Phase 2, will be evaluated and approved by the Sites Authority and project partners along with the necessary adjustments in the Phase 1 budget.

Project Environmental Documentation: An initial feasibility study and Administrative Draft Environmental Impact Report (EIR) were completed in 2013 by DWR. A draft EIR is scheduled for completion in mid-2017 with a Final EIR to occur within 12 to 16 months of the California Water Commission's Proposition 1 investment decision and USBR's potential participation under the Water Infrastructure Investment for the Nation Act, which was approved in December 2016. Final environmental documentation and key permits will need to be acquired before the California Water Commission will encumber funds to allow final engineering and construction activities to begin.

State Proposition 1 Grant Investment Funding: The Sites Authority is planning on submitting an application for State Proposition 1 grant funding in mid-2018. Specifically, Chapter 8 includes \$2.7 billion for new storage projects, for which the Project is eligible. This state investment funding would pay for a portion of the reservoir cost and in return the state of California would receive a portion of the water produced by the project reserving it for Delta environmental and water quality purposes. Depending on the amount of state grant investment funding received and the level of water user funding participation, the project may be revised within the alternatives identified in the environmental documentation.

Sites Authority Members: The Sites Authority was formed under California law as a joint powers authority and currently consists of 12 public agencies: Colusa County, Glenn County, Maxwell Irrigation District, Tehama-Colusa Canal Authority, Colusa County Water District, Glenn-Colusa Irrigation District, Orland-Artois Water District, Proberta Water District, Reclamation District 108, Westside Water District, Western Canal Water District, and Placer County Water Agency/City of Roseville, with DWR (as a non-voting member) and Reclamation as a cost-share partner.

Current Participating Project Partners: Currently, there are 31 agencies that form a Reservoir Project Committee participating in funding the Phase 1 effort. This includes members of the Sites Authority, nine State Water Contractor agencies, one State Water Contractor sub-agency, one south-of-Delta Central Valley Project contractor, and others. A full list of participating agencies is attached ([Attachment 2](#)). Upon execution of a project agreement amendment with Metropolitan, Metropolitan would become a member of the Reservoir Project Committee, with certain decision-making authority in carrying out the Phase 1 effort.

Policy

By Minute Item 45753, dated May 11, 2004, and Minute Item 46637, dated April 11, 2006, the Board adopted a set of Delta policy principles to ensure a solid foundation for development of future Metropolitan positions and to provide guidance to Metropolitan staff.

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.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines); 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).

The CEQA determination is: Determine that the proposed action is not defined as a project under CEQA and is categorically exempt.

Option #2

None required

Board Options

Option #1

Adopt the CEQA determination that the proposed action is not defined as a project under CEQA and is categorically exempt, and

- a. Authorize the General Manager to negotiate a project agreement amendment with the Sites Project Authority and other participants for participation in the Sites Reservoir Phase 1 process for an amount not to exceed \$1.5 million; and
- b. Appropriate \$1.5 million for Sites Reservoir Phase 1 based on reserving an option for 25,000 acre-feet of Class 1 water supply yield or 50,000 AF of Class 2 water supply yield, or a combination thereof.

Fiscal Impact: \$1.5 million

Business Analysis: Allows active participation in the development of the Sites Reservoir 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

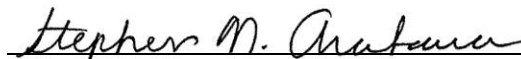
Do not authorize the General Manager to negotiate a project agreement amendment with the Sites Project Authority for participation in the Sites Reservoir Phase 1 process.

Fiscal Impact: None

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

Staff Recommendation

Option #1


 Stephen N. Arakawa
 Manager, Bay-Delta Initiatives

4/4/2017
 Date


 Jeffrey Kightlinger
 General Manager

4/5/2017
 Date

Attachment 1 – Location Map

Attachment 2 – Current Participating Member Agencies

Ref# wrm1264999

Location Map



Sites Reservoir Project

Agencies Participating in Phase 1 Process

- Colusa County
- Colusa Co. WD
- Cortina WD
- Davis WD
- Dunnigan WD
- LaGrande WD
- Glenn County
- Glenn-Colusa ID
- Maxwell ID
- Orland-Artois WD
- Proberta WD
- Reclamation District 108
- Tehama-Colusa Canal Authority
- Westside WD
- 4M WD (Mathis)
- Western Canal Water District
- Placer County WA & City of Roseville
- American Canyon, City of
- Santa Clara Valley Water District
- Westlands Water District
- Antelope Valley-East Kern Water Agency
- Castaic Lake Water Agency
- Coachella Valley Water District
- Desert Water Agency
- San Geronio Pass Water Agency
- San Bernardino Municipal WD
- Wheeler Ridge-Maricopa Water SD
- Zone 7 Water Agency
- Carter MWC
- Garden Highway MWC
- Pacific Resources MWC



Subcommittee on Imported Water

Sites Reservoir Project Operations & Environmental Update

Item 3c

May 27, 2025

Item 3c
Sites Reservoir
Operations and
Environmental
Update

Subject

Operations and permitting of the Sites Reservoir Project.

Purpose

Provide an update on environmental permitting of the Sites Reservoir Project and potential water management operations.

Next Steps

Update the Board in future months with additional information on the Sites Reservoir Project.

Agenda

- Environmental & Permitting
- Supply & Storage Overview
- Participant Flexibility
- Metropolitan Participation

May 27, 2025

Subcommittee on Imported Water

Item 3c Slide 3

Sites Reservoir Project Planning & Permitting Milestones

Final EIR
Dec 2023



State Incidental
Take Permits Issued
Oct 2024

Water Rights
Hearing Ongoing



Federal BiOps
Project-Specific
Late 2025

notes: Both construction and operations Incidental Take Permits were issued by CDFW in October 2024.
Sites Reservoir was included as a programmatic action in the recently issued 2024 Biological Opinions.

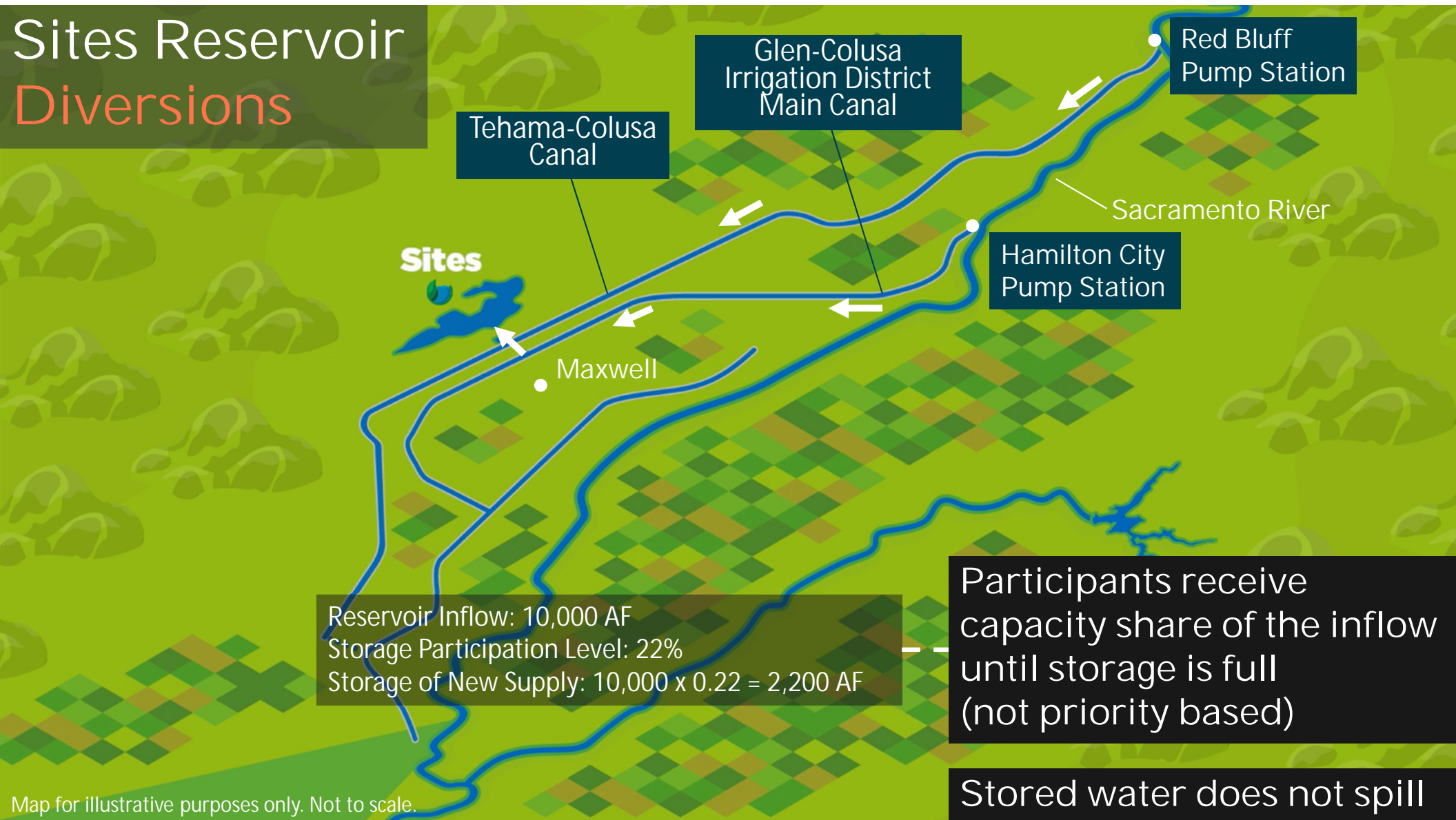
May 27, 2025

Subcommittee on Imported Water

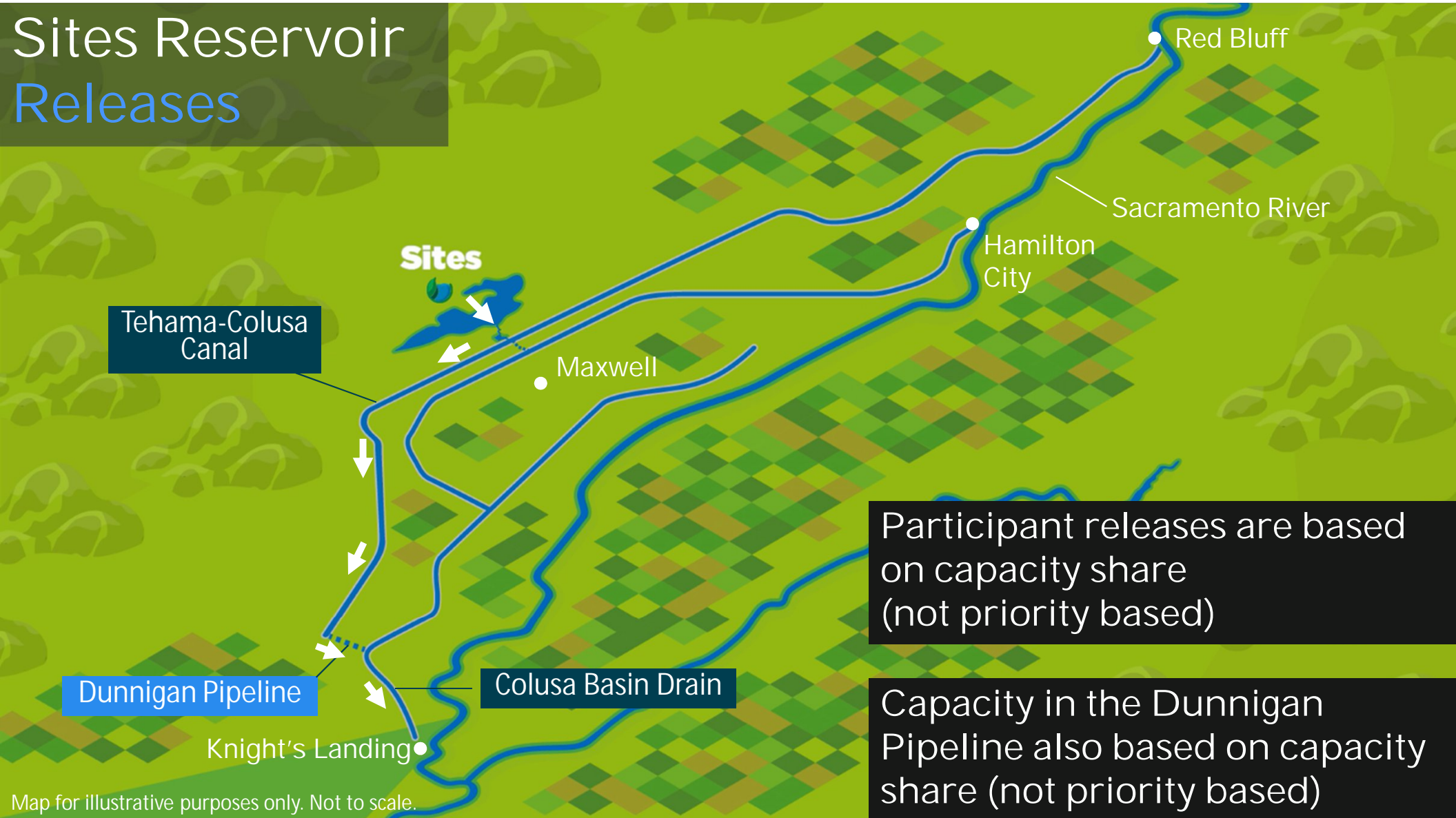
Item 3c Slide 4

Supply & Storage Overview

Sites Reservoir Diversion



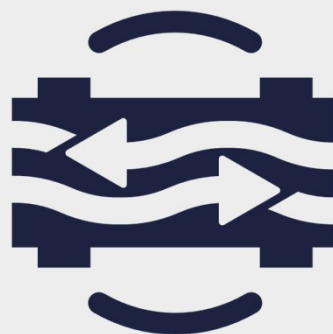
Sites Reservoir Releases



Participant Flexibility



Direct Deliveries



Transfers/Exchanges



Leases



May 27, 2025

Subcommittee on Imported Water

Map for illustrative purposes only. Not to scale.

Item 2a Slide 9



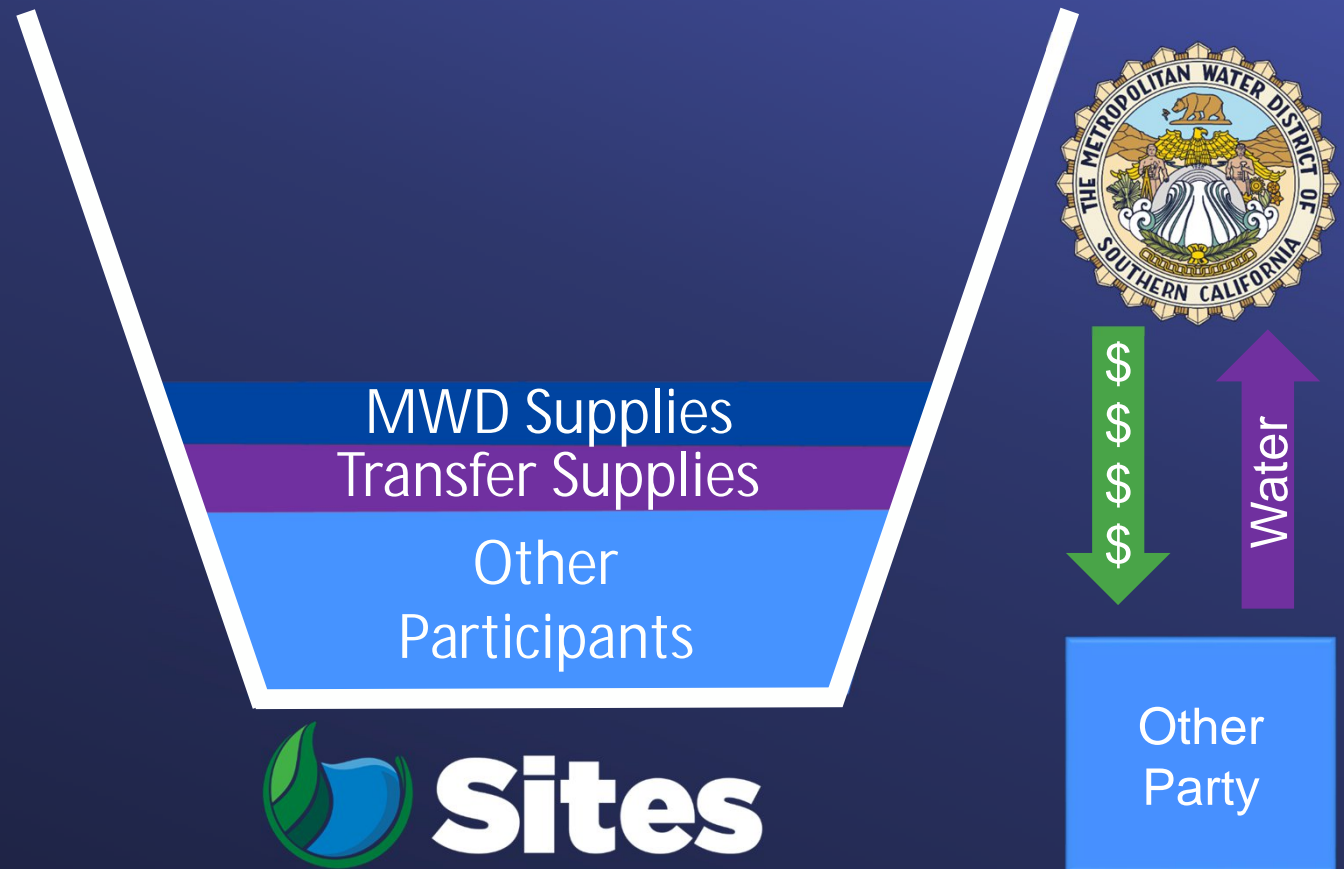
During high storage conditions
Metropolitan can sell transfer water to other participants or to
non-participants within Sites' place of use.





During low storage conditions

Metropolitan can purchase transfer water within the reservoir from other participants.





Exchanges can be made Statewide
Metropolitan can exchange Sites supplies for water supplies stored elsewhere.





Exchanges can be made Statewide
Metropolitan can exchange Sites supplies for water supplies
stored elsewhere.



Other Storage



Direct Deliveries

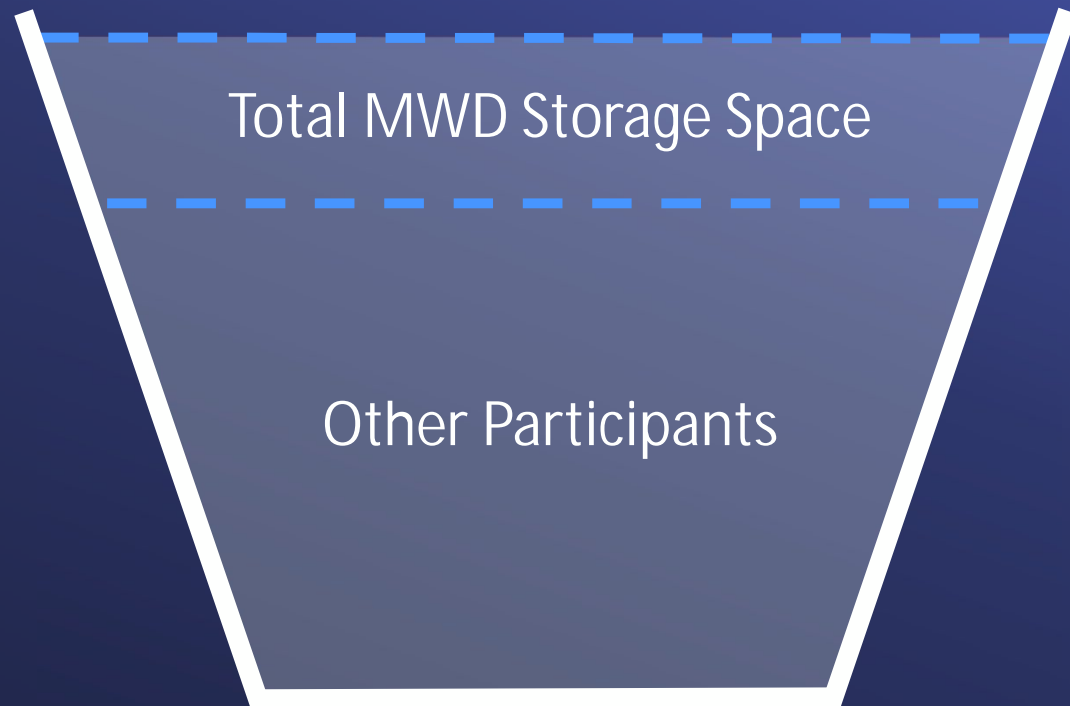


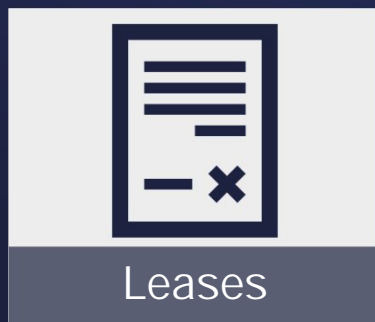
Transfers/Exchanges



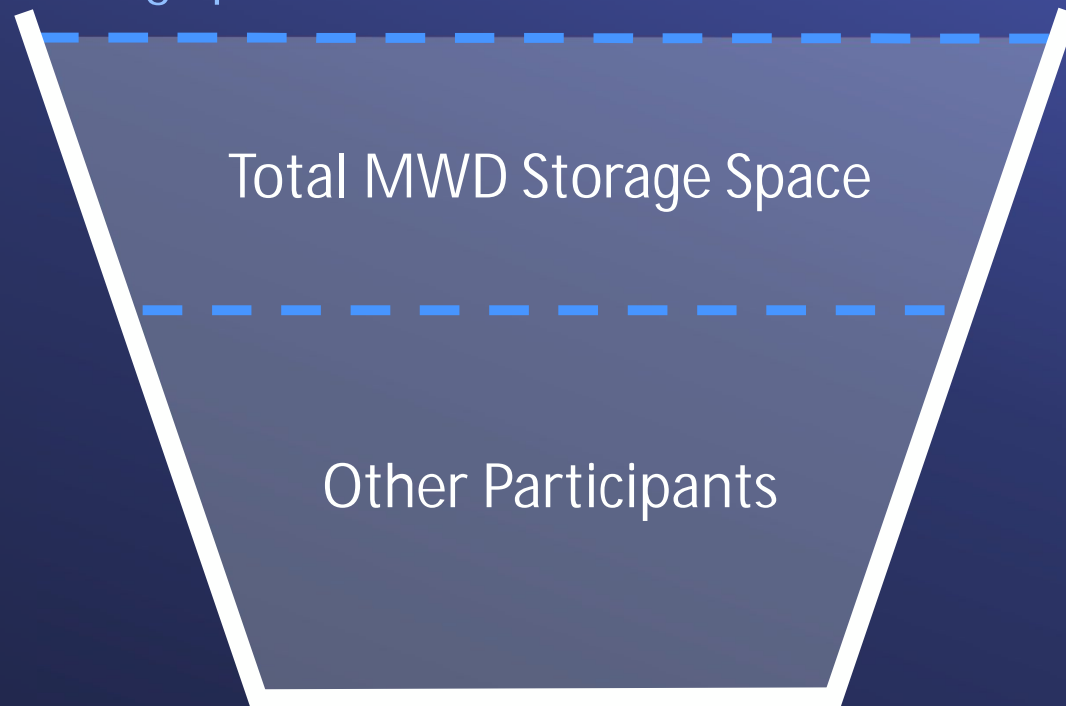
Leases

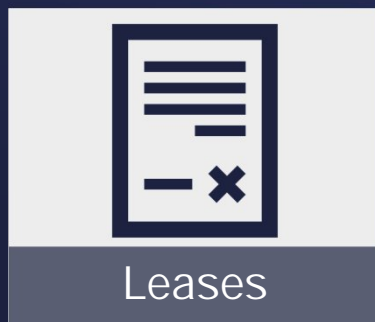
Reservoir space can be leased within the reservoir between participants.





Reservoir space can be leased within the reservoir between participants.
Leasing space from others would increase benefits.





Reservoir space can be leased within the reservoir between participants.

Leasing space to others would reduce benefits.



Metropolitan Can Choose Its Final Participation Level



Source: Sites Project ITP Application CalSim Modeling Results. Potential deliveries to Metropolitan service area after carriage water losses.

May 27, 2025

Subcommittee on Imported Water

Item 3c Slide 17

Metropolitan's Level of Participation to Date

Participant Name	Amendment 3 Storage Allocation	% Available Storage
Antelope Valley – East Kern WA	3,117	0.2%
City of American Canyon	24,936	1.8%
Coachella Valley WD	62,340	4.4%
Colusa County	62,340	4.4%
Colusa County WD	57,702	4.1%
Cortina WD	2,805	0.2%
Davis WD	12,468	0.9%
Desert WA	40,521	2.9%
Dunnigan WD	18,527	1.3%
Glenn-Colusa ID	31,170	2.2%
Irvine Ranch WD	6,234	0.4%
LaGrande WD	6,234	0.4%
Metropolitan Water District of SC	311,700	22.1%
Reclamation District 108	24,936	1.8%
Rosedale-Rio Bravo WD	3,117	0.2%
San Bernardino Valley Municipal WD	133,408	9.5%
San Geronio Pass WA	87,276	6.2%
Santa Clara Valley WD	3,117	0.2%
Santa Clarita Valley WA	31,170	2.2%
Westside WD	33,508	2.4%
Wheeler Ridge-Maricopa WSD	19,014	1.3%
Zone 7 WA	62,340	4.4%
State of CA	244,000	17.3%
Reclamation	128,020	9.1%
Available Total Storage	1,410,000	100.0%

At a glance:

North of Delta	19.4%
South of Delta	53.9%
Reclamation	9.1%
State of CA	17.3%

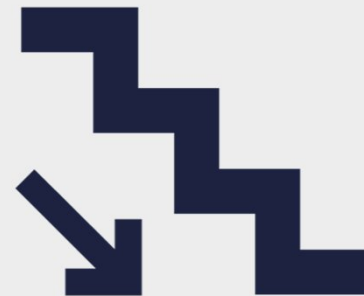
Potential for Increased Affordability & Partnerships



State/Federal Funding



Lease Reservoir Space

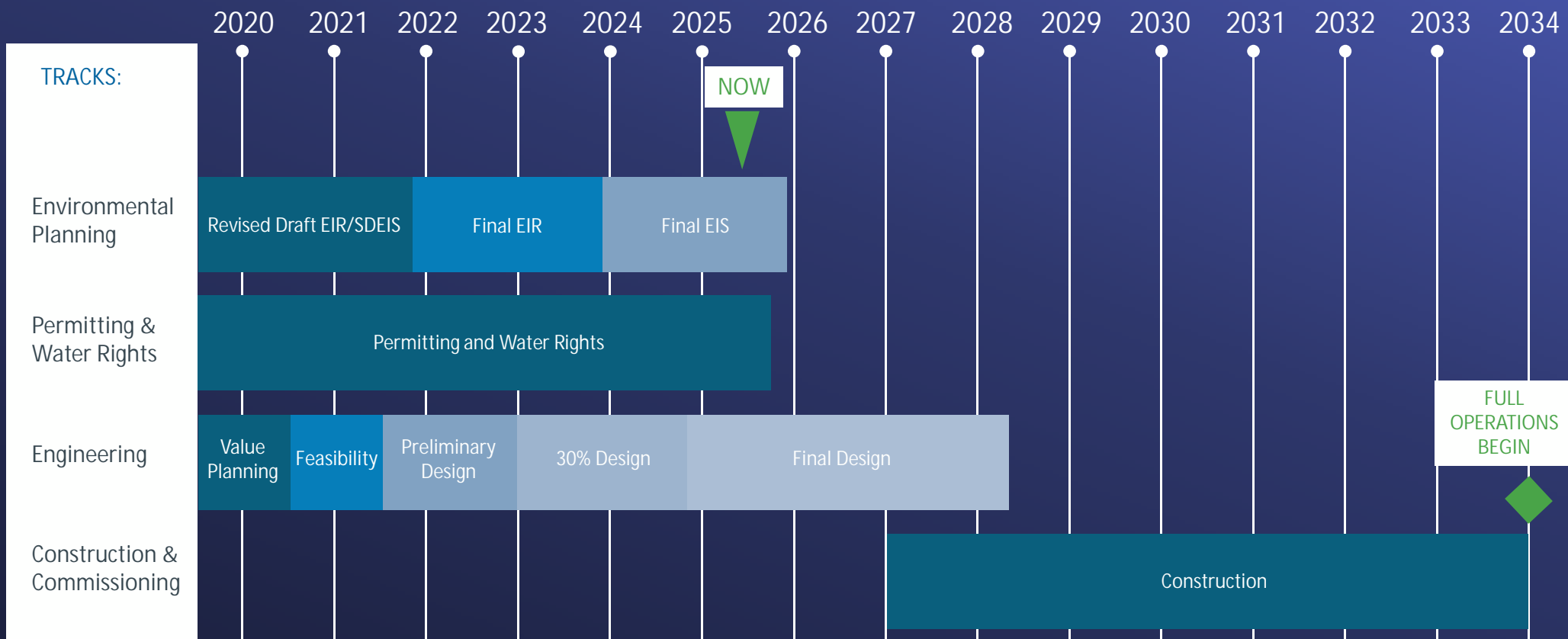


Reduce Participation

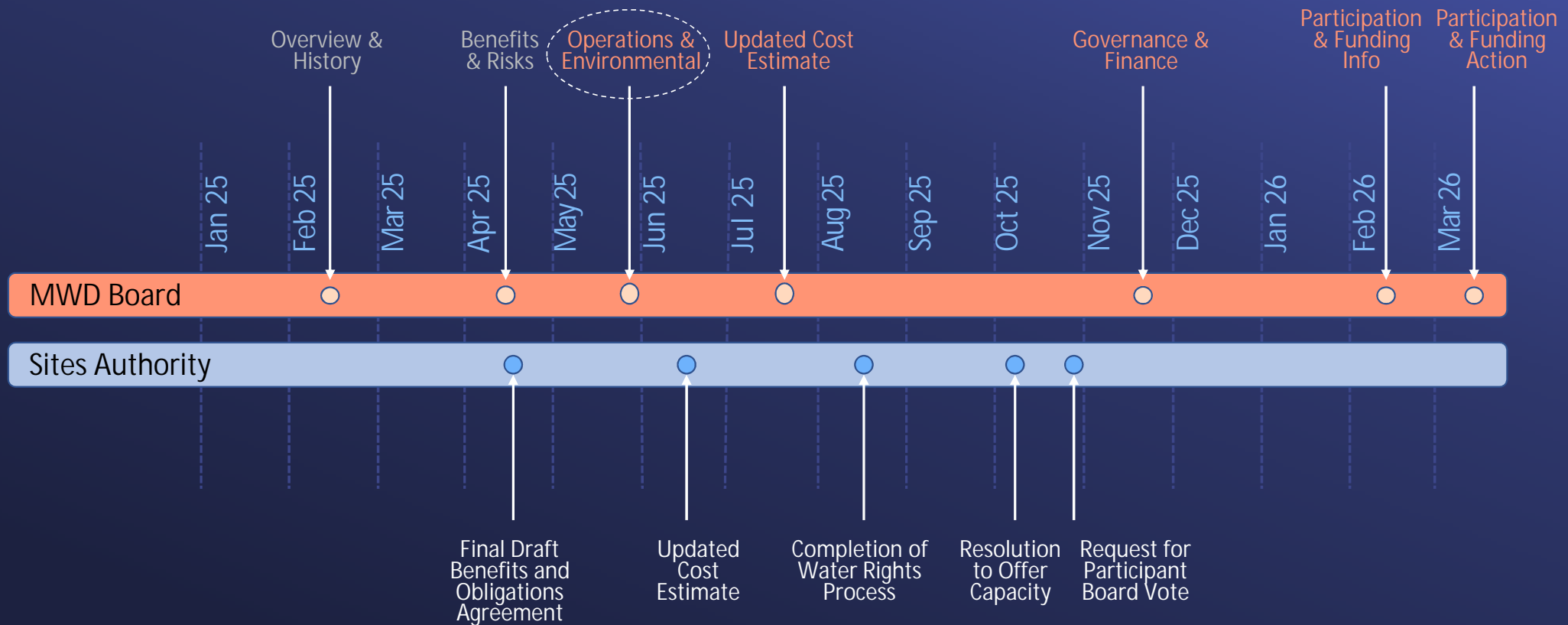
Potential Participants

Participant Name	Requested Storage Allocation (TAF)
City of Fairfield	9.4
City of Mountain House	34.3
City of Napa	24.9
Dudley Ridge	9.4
Eastern Municipal WD	10.0
Glenn County	6.2
La Cumbre MWC	6.2
Madera County GSA	62.3
Pacific Resources MWC	12.5
Palmdale WD	12.5
Reclamation	86.1
Santa Clara Valley WD	34.3
Western Municipal WD	12.5
Westlands WD	62.3
Wheeler Ridge – Maricopa WSD	23.1
Woodland Davis Clean Water Agency	31.2
Total	437.2

Sites Reservoir Project Schedule



Sites Draft Timeline – Subject to Change & Modification



May 27, 2025

Subcommittee on Imported Water

Item 3c Slide 22



Subcommittee on Imported Water



Update on May Revision Proposed Trailer Bill Language: Delta Conveyance Project, Water Quality Control Plans

Item 3d

May 27, 2025

Item 3d Trailer Bill Language Update

Subject

Recent trailer bill language related to the Delta Conveyance Project and the water quality control plan process

Purpose

Provide an update on potential impact of the recent trailer bill language

Trailer Bill Language Update

Background

May 14 Governor's May Revise budget proposal includes trailer bill language to streamline administrative processes for DCP and provide a CEQA exemption for water quality control plans

Examples of Legal and Regulatory Delays

DWR Validation Action for DCP

Change in Point of Diversion Hearings

DCP Trailer Bill Language Update

Expedites the DCP Change in Point of Diversion (CPOD) Water Rights Proceeding

- Makes the SWP a perpetual project until deemed no longer necessary by DWR
- Properly limits CPOD scope to the DCP, not existing SWP water rights
- Clarifies requirements for protests and applications to the Water Board

DCP Trailer Bill Language Update

Clarifies DWR's existing authority to construct and issue revenue bonds to finance the DCP and repay SWP contractors from first bond issuance

- Revenue bonds are repaid by SWP contractors that opt to participate, not state tax revenues
- Bonds could be used to finance planning, design, preconstruction work, construction, operations and maintenance
- Should expedite judicial validation and subsequent bond issuance

DCP Trailer Bill Language Update

Judicial Streamlining

- Modeled after the authority provided through the Governor's Infrastructure Streamlining package and prior sports stadium bills
- Requires judicial review of legal challenges to DCP within 270 days, if feasible
- Limits construction-related injunctions to violations that pose an imminent threat to public health and safety
- Does not relieve DWR from compliance with environmental or other laws

DCP Trailer Bill Language Update

Allows DWR to enter into administrative settlements for land acquisition associated with project construction

- Allows DWR to offer more than the market valuation limits permitted under eminent domain proceedings
- Enables settlement through administrative proceeding, which can avoid costly and time-consuming litigation
- Entirely voluntary/does not authorize DWR to force property owners to settle or do so below fair market value

DCP Trailer Bill Language Update

Provides DWR full contracting authority for land acquisition

- Removes duplicative processes between the Department of General Services and DWR
- Clarifies DWR's authority to enter contracts for land acquisition related to SWP facilities

Allows DWR to issue advanced payments for utility work

- Electrical utilities often require advanced payment for work performed
- Advanced payments for known needs for electrical utility work would help expedite the project, leading to months of time savings

WQCP Trailer Bill Language Update

Exempts state and regional water board water quality control plan updates from CEQA

- Concern that compliance with CEQA delays timely updates and adoption of water quality control plans
- Concern that CEQA compliance is duplicative of other legal requirements for adopting WQCPs, and therefore unnecessarily burdensome and time consuming

Trailer Bill Language Update

Examples of Board Policies and Actions

Legislative Priorities and Principles:

- Priority 1: Continue support for imported water supply resiliency and reliability, including planning for the Delta Conveyance Project, Sites Reservoir Project, Agreements to Support Healthy Rivers and Landscapes (Voluntary Agreements), and the development of post-2026 Colorado River operating guidelines

Planning and Design Funding

- Board authorized funding for \$141.6 million for preconstruction work on the DCP





Colorado River Resources

• Report on the Colorado River Board Meeting

Summary

The Colorado River Board (Board), Colorado River Authority, and Six Agency Committee met on May 14 at the City of Monterey City Hall. The meeting location was set to coordinate with the Association of Clean Water Administrators (ACWA) conference. However, five board members, including Metropolitan, were absent leaving the Board without a quorum to act.

Purpose

Informational

Detailed Report

Water Supply Reports

Following the direction from the Board workshop in March, the Board will no longer use oral reports to provide water supply information. The Board's written packet included a 25-page summary of water supply conditions on the Colorado River and within California. Of note, system storage in Colorado River reservoirs has dropped 1.1 million acre-feet over the last year despite ongoing conservation programs in the Lower Basin. Both Lake Powell and Lake Mead are at 33 percent of storage capacity. Inflows to Lake Powell in the current water year are expected to be well below average.

Colorado River Basin Program

Board staff reported that federal cuts include approximately 25 percent of employees of the Bureau of Reclamation, with significant reductions in staff working on salinity control and the Multi-Species Conservation Program. Additional staff cuts may be coming with a potential 30 percent reduction in appropriations for the Department of the Interior.

Glen Canyon Dam and Hoover Dam are operated in compliance with federal environmental laws through programs to mitigate the impacts on endangered species. Releases from Glen Canyon include bypass flows, if needed, to maintain colder water temperatures in the downstream Grand Canyon for the benefit of endangered humpback chub fish. Impacts of bypass flows on hydropower generation are a concern with an estimated loss of \$18 million in power revenues last year.

Operations at and below Lake Mead were confirmed by the U.S. Fish and Wildlife Service to be in conformance with the scope of incidental take permits provided by the Lower Colorado River Multi-Species Conservation Program.

Budget and Funding Agreement

The Executive Director provided a summary of the budget for fiscal year 2025-2026. The Six Agency Committee, which funds both the Board and the Authority, has a budget of \$3.3 million. The Board's annual budget remained essentially flat at \$2.8 million. The funding agreement among the six water agencies represented on the Board will expire this year and is expected to be extended for one year while the agencies negotiate terms for a longer extension.

Report on the Colorado River Board Meeting

Basin States Negotiations

There was an open session discussion of the status of negotiations on operating guidelines for the Post-2026 period. The Basin States have a deadline of early June 2025 to agree on the outline of terms that may be included in the Draft Environmental Impact Statement to be issued later this year. Regular meetings among the Basin States continue, but terms for an alternative remain elusive.

Board members expressed their concern that California must improve its messaging about the water-saving successes achieved in the Quantification Settlement Agreement and related conservation projects.



Subcommittee on Imported Water

Report on the Palo Verde Valley Community Enhancement Collaborative (CEC)

Item 3f

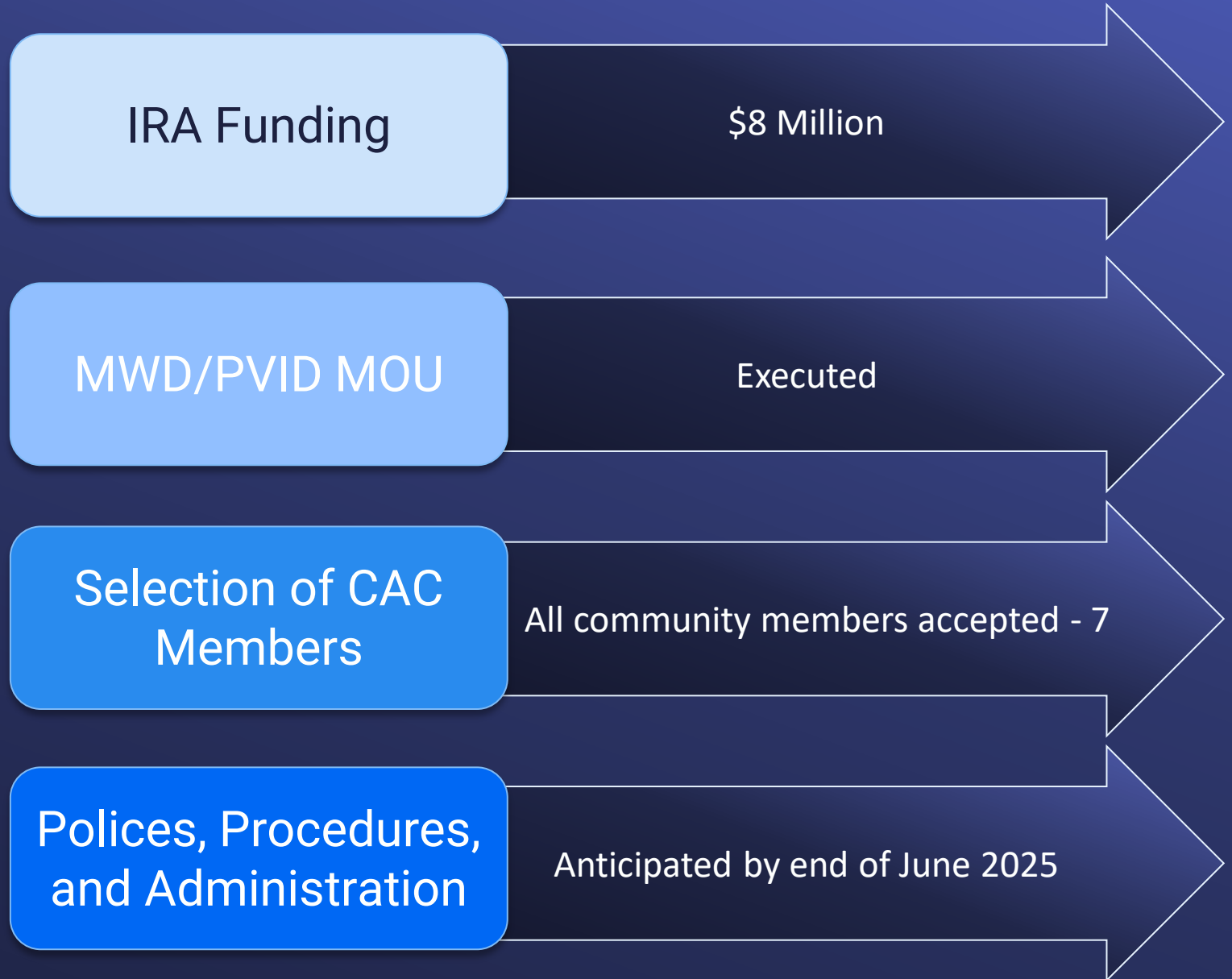
May 27, 2025

CEC Update

Community Enhancement Collaborative

- Meeting with Metropolitan and Palo Verde Irrigation District since August 2024
- Approved by Metropolitan Board in February 2025
- Established to provide \$8 million in grants
 - Small businesses
 - Community Organizations
 - Local Projects

Key Points – Timeline



Hosted by Metropolitan and Palo
Verde Irrigation District

Blythe Chamber of Commerce Mixer



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