



Topic: **Reservoir Committee Meeting Agenda Item 3.1**

2021 March 18

Subject: **Status Update on the Sites Water Storage Policy**

Requested Action:

Review and comment on changes to the Sites Water Storage Policy.

Detailed Description/Background:

In February 2021, staff provided revisions to the Storage Policy to the Reservoir Committee and Authority Board for review and requested comments, questions or concerns be provided to staff by March 1. Based on a request from a Reservoir Committee member, staff held a meeting to discuss the revisions to the Storage Policy with participant Legal Counsel. Staff received and addressed comments on the revised Policy at the participant Legal Counsel meeting along with comments from members and the Authority's Legal Counsel. Changes made since the last meeting are shown in redline/strikeout in Attachment A. This report is being made with the intent of receiving feedback on the proposed changes and receiving any concerns with the remaining work to finalize the document.

The most significant changes to the document since the last meeting are as follows:

- Changes made in response to comments from Reservoir Committee and Authority Board members, including their Legal Counsel:
 - One paragraph was added (now paragraph 26) to clarify and identify conditions under which Storage Partners can sell water held in their Storage Allocation.
 - Clarified that dead pool is not allocated to any Storage Partner.
 - Clarified that storage released for emergencies will be allocated proportionally to each Storage Partner based on amount of water in storage prior to the release.
 - Simplified language on conflicts between placing water into storage from other sources and release of water at the same time.
 - Continued to remove some detail from the Policy as it is more appropriate in other documents.
- Changes made in response to comments from the Authority's Legal Counsel:
 - Clarified that Storage Partners are treated equitably based on Storage Allocation, versus completely equal treatment.

The Authority Board and Reservoir Committee, at their February 2021 joint meeting, also requested that items removed from the 2019 version of the Storage Policy for further development in other documents be listed for tracking purposes. These items are provided in Attachment B.

Through the final review process for the revised Storage Policy, additional comments on the structure and level of detail in the Storage Policy were raised by the Metropolitan Water District of Southern California (MWD) including possibly calling the document something other than “policy”. These comments are consistent with the overall goals of revisions to the Policy previously discussed with the Reservoir Committee and Authority Board and staff does not believe that these changes result in substantial changes in the content of the Storage Policy. Staff is continuing to work with MWD in coordination with the Storage Policy Small Group and the Ad Hoc Reservoir Operations and Engineering Workgroup on these changes and anticipates bringing a final revised Storage Policy to the Storage Policy Small Group, Ad Hoc Reservoir Operations and Engineering Workgroup, Reservoir Committee, and Authority Board in April.

There is no schedule impact as a result of waiting another month to finalize the document as long as the changes stay within the bounds of form as opposed to content.

Prior Reservoir Committee Action:

February 19, 2021: Reviewed and commented on updates to the Water Storage Policy.

July 16, 2020: Reviewed and commented on the conditionally approved August 2019 Water Storage Policy and consideration of updates to align with Value Planning. Recognize the Storage Policy serves as the foundational document to 2021 key milestones of creating a Plan of Finance and Operations Plan and refer consideration of updates to the Ad Hoc Reservoir Operations and Engineering Workgroup.

Fiscal Impact/Funding Source: None.

Staff Contact: Ali Forsythe

Attachments:

Attachment A – Revised Water Storage Policy as of March 12, 2021 (with redline/strikeout of changes made since the February 2021 review of the document)

Attachment B – Tracking List of Items Removed from 2019 Storage Policy to be Addressed in Other Documents

Draft Revisions – Changes Made in Response to WG, RC, and AB Review
March 12, 2021

STORAGE POLICY
BY
THE SITES PROJECT AUTHORITY

(1) This Storage Policy was adopted by the Sites Project Authority (Authority) on 26th day of August 2019 and amended on _____ 2021 to assist in the development and operation of the Sites Reservoir Project (Project) by the Authority and the Sites Storage Partners.

PURPOSE

(2) The purpose of this Policy is to identify the principles the Authority will adhere to during Project development and operations as they relate to participation in the Project as well as diversions, storage, and releases of water from the Project.

DEFINITIONS

(3) Authority – For the purposes of this Policy, the term Authority collectively refers to the Sites Project Authority and its standing Reservoir Committee. The final roles and responsibilities of the Authority and the Reservoir Committee in the day-to-day operations of Sites Reservoir have not yet been defined and thus the term Authority is used to refer to both entities collectively.

(4) Available Storage – That portion of Sites Reservoir that can be filled less dead storage and any storage space intentionally left unfilled at the direction of the Storage Partner who has contracted for that storage space.

(5) Beneficiary Pays – The principle for allocating all costs associated with delivering certain Project benefits, including public and non-public benefits, to the party receiving said benefits (beneficiary).

(6) Operations, Maintenance and Replacement (O&M) or (OM&R) – Those costs associated with the operations of the Project. These can be broken down into: (a) Fixed operations and maintenance and replacement costs that are more predictable year-to-year and that are not significantly influenced by varying diversions or releases of water; and (b) Variable operations and maintenance costs that reflect annual operations and maintenance costs that vary based on actual operations each year, including operations and maintenance costs associated with water transfers or exchanges.

(7) Sites Reservoir Project (Project) – Sites Reservoir and associated diversion and conveyance facilities.

(8) Sites Water – Water that is appropriated under the Authority's water right.

(9) Storage Allocation – The amount of storage space (storage volume) in Sites Reservoir allocated to a Storage Partner, as agreed upon in that Storage Partner's Water Storage and Supply Services Contract and the amount of storage space shared or leased, if any, pursuant to Paragraph 25 of this Policy. Dead storage is not allocated to any Storage Partner.

(10) Storage Partners – The governmental agencies, water organizations and others who have funded and received a Storage Allocation in Sites Reservoir and the resulting water supply or water supply related environmental benefits from the Project. Storage Partners could include local agencies, the State of California, and the Federal Government.

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March 12, 2021

PRIORITY OF OPERATION

(11) Sites Reservoir will provide water supply and water supply related environmental benefits (including water quality benefits) along with flood control, recreation, and power generation benefits. Sites Reservoir will be operated for water supply and water supply related environmental benefits that accrue to the Storage Partners. Flood control benefits are inherent and will accrue regardless of the other benefits. Recreation and power generation benefits are incidental to the operations of Sites Reservoir for water supply and water supply related environmental benefits.

ROLES

(12) Authority - The Authority will develop, own, operate, and maintain the Project. The Authority will obtain and comply with all applicable permits and approvals to construct, operate and maintain the Project. The Authority will oversee the planning, permitting, and day-to-day operations and accounting of Sites Reservoir storage, releases and losses and related activities including coordination with each of the Storage Partners. This will be done in a way that is open and transparent to all the Storage Partners.

(13) Storage Partners – The Storage Partners are responsible for managing their Storage Allocation to realize water supply and water supply related environmental benefits and paying their allocated capital, fixed O&M&R, and variable O&M costs.

WATER STORAGE AND SUPPLY SERVICES CONTRACTS

(14) The Authority will enter into Water Storage and Supply Services Contracts with individual Storage Partners for the use of Project facilities. Each Water Storage and Supply Services Contract will be based on a Storage Partner's Storage Allocation.

WATER RIGHTS AND POINT OF DELIVERY

(15) The Authority will apply for and hold the water right for the Project. The Authority will be responsible for compliance with the terms and conditions in the water right and other permits and approvals that control the diversion of water to storage for the Project. The Storage Partners will be responsible for using Sites Water within the parameters allowed in the Authority's water right and timely reporting to the Authority requested information necessary for the Authority to complete any required reporting. To the extent permitted by applicable law and with the cooperation of the Storage Partners, the Authority will undertake all reasonable measures to manage, control and protect Sites Water up to the primary or secondary point of delivery, as applicable, including initiating any appropriate enforcement proceedings to prevent unlawful diversion of or interference with Sites Water.

(16) The Authority will manage Sites Water from the points of diversion to the primary point of delivery. The primary point of delivery will be Funks Reservoir or the Terminal Regulating Reservoir. For Sites Water delivered to Storage Partners not served by the Tehama-Colusa Canal or the Glenn Colusa Irrigation District's distribution system, the Authority may retain control of Sites Water to a secondary point of delivery, as agreed upon by the Authority and the Storage Partner in the respective Water Storage and Supply Services Contract. The Storage Partner will be responsible for all costs and losses between the primary and secondary point of delivery.

STORAGE OF WATER BY DIVERSION

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(17) The Authority will take all actions practicable to maximize the diversion of water into Available Storage consistent with regulatory requirements, physical constraints and hydrologic conditions. Water diverted will be allocated to each Storage Partner's contractual storage space proportional to its Storage Allocation.¹

(18) The Authority will establish a process, including schedule, that allows for a Storage Partner to determine the maximum amount of water allocated to the Storage Partner's Storage Allocation each year along with a process to make changes to this amount. A Storage Partner may opt out of having water allocated to their Storage Allocation if they so inform the Authority through the process established by the Authority.

(19) If a Storage Partner's Storage Allocation is not available (whether due to that Storage Partner's Storage Allocation being fully utilized, a Storage Partner opting out of filling for the season, or any other reason), the available water will be allocated to the remaining Storage Partners who have available Storage Allocation space. The water will be used to proportionally fill the other Storage Partners' Storage Allocations until all Storage Partners' Storage Allocations are filled up to each Storage Partner's requested amount of fill within that Storage Partner's space.

(20) The diversion of water to storage will take priority over the release of stored water. The diversion of Sites Water to storage will take priority over the diversion of water from other sources to storage.

STORAGE OF WATER FROM OTHER SOURCES

(21) Storage Partners may request that the Authority place water from sources other than Sites Water into storage and allocate that water to their Storage Allocation. These other sources could include among other sources: the re-diversion of previously stored water, water transfers, exchanges between Storage Partners, and exchanges with other entities. The Authority will take all reasonable steps to facilitate these requests. Beneficiary pays principles shall apply. Placing water into storage from other sources shall not negatively impact other Storage Partners or negatively impact overall Project operations.

(22) If there is a conflict between placing water into storage in Sites Reservoir from other sources of water and the release of water from Sites Reservoir at the same time, the Authority will take reasonable measures to accommodate both Storage Partners' requests.

ACCOUNTING FOR LOSSES

(23) Losses of water held in Sites Reservoir storage – including but not limited to evaporation, seepage, and any releases for dam safety or emergency conditions – will be allocated proportionally to each Storage Partner based on the amount of its water in storage.

(24) Losses, if any, incurred after the primary point of delivery, including carriage costs through the Sacramento-San Joaquin Delta, are the responsibility of the receiving Storage Partner. Losses, if

¹ For example, if 275,000 acre-feet of water is able to be diverted to Sites Reservoir in any one year, this represents 20% of the total allocated storage space in Sites Reservoir (275,000/1.38 million acre-feet = 20%). In that year, each Storage Partner would receive an amount of water equal to 20% of their Storage Allocation, unless the Storage Partner has opted out of having water allocated to their Storage Allocation or their Storage Allocation is full. This example assumes a 1.5 million acre-foot reservoir with about 120,000 acre-feet allocated to dead pool.

Draft Revisions – Changes Made in Response to WG, RC, and AB Review
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any, for Storage Partners that divert from the Sacramento River and receive Sites Water by exchange with other entities shall be determined in the applicable exchange agreement and are the responsibility of the receiving Storage Partner.

SHARING OR LEASING OF STORAGE ALLOCATION

(25) Storage Partners are allowed to share or lease their Storage Allocation with other Storage Partners or other entities. The terms of sharing or leasing are at the discretion of the Storage Partners who are parties to a storage or lease agreement but must not negatively impact other Storage Partners, Project operations or financing. Any sharing or leasing of Storage Allocation shall be coordinated with the Authority so that proper Project operations and water accounting can be maintained. A Storage Partner may not transfer or assign any of its rights or obligations as part of any sharing or leasing agreement.

SALE OF SITES WATER

(26) Storage Partners are allowed to sell water held in their Storage Allocation to other Storage Partners or other entities. The terms of sales of water held in a Storage Allocation are at the discretion of the Storage Partners who are parties to the sale but must not negatively impact other Storage Partners, Project operations or financing. Any sale of water held in a Storage Allocation shall be coordinated with the Authority so that proper Project operations and water accounting can be maintained. A Storage Partner may not transfer or assign any of its rights or obligations as part of any sale of water. The receiving Storage Partner or other entity must have sufficient available Storage Allocation to store the water or release the water upon purchase.

RELEASES OF WATER FROM STORAGE

(27) To the extent allowed by water rights, purpose and place of use, permit requirements and physical capabilities of the Project, Storage Partners have total discretion on the amount of water held in their Storage Allocation that they request to be scheduled for release for their use, and will have control over the use of their Storage Allocation space based on the conditions set forth in this Policy.

(28) Each year, the Authority will make a water storage forecast for each Storage Partner. Each Storage Partner will provide the schedule and amounts of the water they wish to be released in that year. The Authority will establish a process, including schedule, that allows for the Storage Partner to make changes to its water schedule and amounts for release throughout the year.

(29) The Authority will work with each Storage Partner, the State Water Project, Central Valley Project, Tehama Colusa Canal Authority, the Glenn Colusa Irrigation District, entities along the Colusa Basin Drain, and regulatory agencies and make all reasonable efforts to satisfy the water release schedules requested by each Storage Partner. If there is a Sites Reservoir release constraint affecting the ability of the Authority to meet the requested water release schedules from Sites Reservoir, the Authority will first work with those conflicted Storage Partners to see if accommodations can be made. If the conflict cannot be resolved, releases will be made in proportion to the Storage Allocation attributable to the conflicted Storage Partners.

UNIFORM STANDARDS FOR ALL STORAGE PARTNERS

(30) All Storage Partners, including local, State, and Federal partners, are subject to uniform standards in the operation of the Project. Uniform standards include, but are not limited to, priority

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March 12, 2021

of diversions, storage, releases, and conveyance of Sites Water through Project facilities and utilization of their respective Storage Allocation in Sites Reservoir.

OPERATION, MAINTENANCE AND REPLACEMENT

(31) Operation and Maintenance (O&M) costs will be divided into fixed O&M&R and variable O&M.

(a) Fixed O&M&R will cover those O&M&R costs that are generally stable from year to year such as monitoring costs, routine maintenance, Authority staff and consulting costs, repair funds, replacement of equipment funds, and similar. They will be allocated to all the Storage Partners in the same manner as the capital costs in accordance with the principles of beneficiary pays.

(b) Variable O&M costs include pumping costs to divert and convey water into storage, other costs related to the placement of water into storage and the costs, if any, of releasing water from storage. These cost for pumping will be assessed to each Storage Partner based on the amount of water allocated to their Storage Allocation that year and the cost for releases will be assessed based on the amount of water released from their Storage Allocation that year. Variable O&M costs of activities that benefit one or a specific group of Storage Partners, such as pumping water from other sources, including transfers and exchanges, shall be borne by that Storage Partner(s).

(32) The allocation of power revenues, if any are generated, is not addressed in this Storage Policy.

CONFLICT RESOLUTION

(33) The Authority will develop a conflict resolution mechanism to resolve conflicts that may arise in Project operations. This conflict resolution process will be included in the Water Storage and Supply Services Contract between the Authority and the individual Storage Partner.

FUTURE STORAGE POLICY CHANGES

(34) This Policy will likely evolve and change as the Project develops. This Policy may be modified in the future by the Authority.

DATE

August 26, 2019 _____

**Final 2021 Sites Water Storage Policy
 Tracking List of Items Removed from the 2019 Storage Policy
 to be Addressed in Other Documents**

Table 1 list the key items removed from the 2019 Storage Policy along with the document in which they will ultimately be included.

**Table 1. Key Items Removed from 2019 Storage Policy and
 Document Item will be Move To**

Item	Document that Item will be Moved To
Specifics on the agreement between Storage Partners and the Authority	Water Supply and Storage Services Contract
Specifics on payment for leasing storage to other entities (either Sites Storage Partners or others)	Water Supply and Storage Services Contract
Specifics on the annual scheduling of releases from the reservoir	Operations Plan
Specifics on the method of determining losses from storage and conveyance	Operations Plan
Detailed breakdown of reservoir storage and dead pool	Operations Plan
Details of water rights parameters that have not yet been determined	Water Rights Application and Permit
Differentiation of roles and responsibilities of the Reservoir Committee and the Authority Board during project operations	Future changes to governance documents and operating bylaws