

Topic: **Sites Reservoir Project**

2016 May 01

Subject: **On-boarding**

Proposal to Participate

Introduction: The members of the Sites Project Authority include both water agencies and the counties where the project is located, some of whom are also members of the Phase 1 Reservoir Project Agreement Committee. We are seeking additional entities to participate in the development of the Sites Reservoir Project in compliance with the requirements of Proposition 1, chapter 8 (i.e. water code §79750 et seq.). Our mission is "to be a proponent and facilitator to design and potentially acquire, construct, manage, govern, and operate Sites Reservoir and related facilities; to increase and develop water supplies; to improve the operation of the state's water system; and to provide a net improvement in ecosystem and water quality conditions in the Sacramento River system and the Delta".

Proposition 1, chapter 8 builds upon the State's policy to achieve the coequal goals for management of the Delta (water code §85020) by offering to cost-share in water storage projects that will "advance the long-term objectives of restoring ecological health and improving water management for beneficial uses of the Delta" (water code §79755 (a)(5)(B)) by providing up to fifty percent of a project's development cost in exchange for eligible public benefits that are used in a manner that produces a return on investment for the State. The eligible benefits are limited to: (1) Ecosystem improvements, (2) Water quality improvements in the Delta, (3) Flood control benefits, Emergency response (e.g. flows for dilution and salinity repulsion), and (5) Recreation (water code §79753(a)) with the condition that "[f]unds shall not be expended pursuant to this chapter for the costs of environmental mitigation measures or compliance obligations *except for those associated with providing the public benefits*" (water code §79753(b)).

The Sites Reservoir Project is uniquely configured and located to be able to (1) divert surplus flows for storage and then reuse later in time for both consumptive and eligible public benefits and (2) through water operational exchanges, make releases from the proposed Sites Reservoir that will enable Shasta, Oroville, Folsom, and Trinity to maintain higher end-of-year storage levels, especially during dry and critical water year types that can be used for eligible public benefits, such as increasing the volume of cold water pool in each of the respective reservoirs. Furthermore, current operational modeling indicates the reservoir will, on a long-term annual basis, refill on a three- to five-year frequency, which enables the Project to produce 500,000 acre-ft. on a long-term annualized basis, which doesn't include the benefits that can be accrued in the above-listed reservoirs.

We invite you to consider participation in the development of the Sites Reservoir Project by reviewing this package of documents and providing a response.

Status: **Issued for Board's consideration**
Purpose: **Document process and schedule from April 25 Workshop**
Caveat 1: **Subject to change**
Caveat 2:

Version: **B**
Date: **2016 May 02**
Ref/File #: **12.210-00.12**
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Administrative:

- **Due Date:** Must be post marked on or before **4:00 PM, July 1, 2016**.
If emailed, must be received by 4:00 PM, July 1, 2016.

- **Mail Address:** Attention: Board Clerk, Sites Reservoir Project, On-boarding RFP

547 Market Street, Ste. 102 -
Colusa, CA 95932

- **Email Address:** BoardClerk@countvofcolusa.org

- **Contact:**

Technical: Jim Watson
(530) 410-8250
jwatson@sitesipa.net

Administrative: Ann Nordyke
(530) 458-0509
BoardClerk@countvofcolusa.org

If contacting via email, please include in the subject line: Sites On-boarding

Relevant Documents: The following documents are either posted on the Authority's website: www.sitesipa.net or are available online using the link provided. Upon request copies can be obtained via email by contacting Ann Nordyke.

1. **Sites Project Authority's Agreement:** *Modified Third Amendment and Restated Sites Project Authority Joint Exercise of Powers Agreement*. This document has been executed and became effective March 23, 2016. At this time, the Authority does not contemplate the need to make any revisions to this document associated with the on-boarding process.

This document is **Attachment 4.1** to the Proposal to participate.

2. **Sites Project Authority's Bylaws:** *Bylaws of the Sites Project Authority for Phase 1 of the Sites Reservoir Project*. This document has been executed and became effective, Dec 21, 2015. At this time, the Authority does not contemplate the need to make any revisions to this documents associated with the on-boarding process.

This document is **Attachment 4.2** to the Proposal to participate.

3. **Phase 1 Reservoir Project Agreement:** *Sites Project Authority's Phase 1 Reservoir Project Agreement*. This document represents the 'commercial' terms (whereas Exhibit B represents the 'technical' terms). Version 1 was approved on April 11, 2016 to be executed with the current Members listed (refer to Figure 4.1b). Also included in this document are Exhibits A1: participation amounts and

percentages, Exhibit A2: Example of weighted voting, and Exhibit C: Notifications.

The intent is to execute Version 2 with the expanded membership. The draft for applicant's consideration is Version 1b, which incorporates proposed changes to on-board additional members and it creates the different classes of water to be offered for applicant's consideration. Once finalized, Version 1b will require the Authority's and Phase 1 Reservoir Project Agreement Committee's to jointly approval and when executed by the new Members, will become Version 2.

This document is **Attachment 5.1** to the Proposal to participate.

- 4 **Exhibit B: Phase 1 Reservoir Project Agreement Requirements:** This document is an Exhibit to the Project Agreement and represents the 'technical' terms (whereas the Phase 1 Reservoir Project Agreement represents the 'commercial' terms. Version 1 was approved on April 11, 2016 for use. If needed, it will be revised and issued for execution after the evaluation process has been completed and any exceptions have been addressed.

This document is **Attachment 5.2** to the Proposal to participate.

The following documents provide supplemental information about the Sites Reservoir Project related to the technical and environmental aspects.

- 5 **Concept Paper,** submitted to CA Water Commission on March 31, 2016. It is available on the Commission's website:
https://cwc.ca.gov/Documents/2016/WSIP/SitesJPA_SitesReservoir.pdf
- 6 **Additional Engineering/technical and environmental studies** that form the foundation for advancing the Project can be downloaded from the following websites:
DWR: <http://www.water.ca.gov/storage/northdelta/index.cfm>
USBR: <http://www.usbr.gov/mp/nodos/>
- 7 **Attachment 1: Phase 1 Proposal to Participate form:** This document is required to be filled out, signed, and returned with applicant's proposal.
- 8 **Attachment 2: On-Boarding Process:** Describes the process the Authority intends to use to on-board additional members.
- 9 **Attachment 3: Overview Documents:** Summarizes some of the key concepts in the governance documents.
- 10 **Attachment 6:** Frequently Asked Questions (*optional*)

Precedence of Documents:

1. Items listed #1 through #6: Should a conflict exist between these documents the requirements of the first document shall govern. Should a conflict exist

between either of these documents and this document, the documents listed in this section shall govern.

2. Items #7: Should an apparent conflict exist between Attachment #1 and this document, this document shall govern.
3. Item #7 through #10: Should an apparent conflict exist between either of these documents and this document, the requirements of this document or the applicable governance document shall govern.

Proposal Requirements & Selection Process:

The on-boarding process with schedule is described in Attachment 2. The following will be used to evaluate all proposals to participate that have been received by the call date.

- a. Signed Proposal to Participate Form: After the call date, this document will be used in combination with all other documents included in applicant's proposal to:
 1. Confirm each applicant's self-certification of eligibility appears to be consistent with the Project's governance documents.

Please note: Should the Water Commission take exception to a Member's eligibility status, that in turn affects the Water Commission's ability to enter into the funding agreement with the Authority, the Authority and Phase 1 Reservoir Project Agreement Committee will jointly evaluate the Member's compliance with being in good standing (refer to Bylaws). If deemed appropriate by the Authority and Phase 1 Reservoir Project Agreement Committee, best efforts will be used to work with the applicant to identify an alternative membership type or other remedy.

2. Willingness to execute the Phase 1 Reservoir Project Agreement and if applicable to become an Authority Member, the Sites Project Authority Joint Exercise of Powers Agreement, and
3. For each of the following classes of water, the maximum amount being offered for allocation of Phase 1 costs are (refer to Exhibit 1A to the Phase 1 Reservoir Project Agreement) is:
 - **Class 1: 120,000 acre-ft.** The current estimate of the amount of water produced on a long-term average is 500,000 acre-ft./year of which 50% is proposed to not be used for Proposition 1, Chapter 8-eligible public benefits. Of the 250,000 acre-ft., 130,000 acre-ft. is assigned to current Members to the Phase 1 Reservoir Project Agreement Committee.
 - **Class 2: 170,000 acre-ft.** This represents the difference between the 250,000 acre-ft. that could be used for Proposition 1, Chapter 8-eligible public benefits minus approximately 80,000 acre-ft., which is the reduced amount of long-term annualized water produced should a decision be made to advance the smaller, 1.3 MAF, reservoir.

NOTE: The order-of-magnitude estimate of long-term annualized water produced by the Project assuming the State's cost share is \$1.5 Bn would result in approximately 80,000 acre-ft. of currently Class 2 water to, in Phase 2, becoming Class 1 water.

- **Class 4: \$130,000.** per member electing to participate. A Member can elect to participate solely in Class 4.

Water Code §79757(a)(2) states "The commission makes a finding that the project is feasible, and will advance the long-term objectives of restoring ecological health and improving water management for beneficial uses of the Delta." The implication is that the public benefit water will improve conditions in the Delta which should improve the reliability of the CVP and SWP to export water south of the Delta.

NOTE: These above amounts are based on CALSIM modeling results completed prior to Dec 31, 2015 and reflect the expected long-term annualized average, which is based on year 2030 water demands, current regulatory compliance requirements (e.g. USFWS's and NMFS's respective biological opinions and the State Water Resources Control Board's D-1641). As the project advances these results will be updated. Additionally, these results do not include any potential changes in quantity resulting from either (a) decisions by the CA Water Commission, legislature, or other regulatory agencies, (b) the selection or application of any future climate change scenario, and/or (c) other factors beyond the control of the Authority and Phase 1 Reservoir Project Agreement Committee.

4. Evaluate how much water associated in each class to assign to each prospective member in accordance with the following ground rules:
 - a. Proposals received from within the northern Sacramento Valley, which represent the 'second round' attempt to solicit participation within this geographic area, will be evaluated first.
 - b. Proposals received from an extended Sacramento Valley (e.g. American River, Counties north & east of Glenn & Colusa, North Bay Aqueduct, north Delta) will be evaluated second.
 - c. Proposals received from the Central Valley region and/or other areas of the state that have contracts to obtain water from either the CVP or SWP will be evaluated third. This distinction is due to the increased benefits that can be achieved through integrating the operations of the Sites Reservoir with the CVP and SWP.

Furthermore, for those entities that will rely upon the existing CVP (Jones) and SWP (Banks) in-Delta pumping plants, the initial goal is to maximize the amount of water being allocated within each Class of water and then to balance these member's participation for Class 1 water and Class 2 water, respectively. The initial evaluation will attempt to balance the total requests from the CVP and SWP to be the same for all classes of water. However, should contractors of one project request more water and there is

water available in either Class 1 or Class 2, those Project contractors will be given the additional amount of water up to the total amount available for Class 1 and Class 2 water, respectively.

- d. Proposals received from entities that do not have contracts to obtain water from either the CVP or SWP will be evaluated forth.

Example: For Class 1 water, the sum of all requests received totals 170,000 acre-ft., yet only 120,000 acre-ft. is currently being made available for use in allocating the Phase 1 costs. The evaluation committee will then allocate the acre-ft. based on the above ground rules and prepare a counter-offer for each applicant's consideration.

For those south of Delta entities requesting to participate in Class 1 water, assuming the sum of CVP (or SWP) contractors requests equal 100,000 acre-ft., the sum of SWP (or CVP) contractors requests equal 60,000 acre-ft. and all sum of all other entities equals 10,000 acre-ft., the total available to south of Delta would be 110,000 acre-ft. The likely counter-offer would be to offer 55,000 acre-ft. available to each group of CVP and SWP contractors and then offer the remaining balance as Class 2 water, which in this example would be CVP (or SWP) contractors being offered 45,000 acre-ft. and SWP (or CVP) contractors being offered 5,000 acre-ft.

- b. Proposed Exceptions to the Phase 1 Governance Documents: Applicant shall include with their signed Proposal to Participate Form, any proposed changes to the applicable governance documents.
1. Eligible applicant's electing to participate solely in the Authority:
 - Modified Third Amendment and Restated Sites Project Authority Joint Exercise of Powers Agreement, (Attachment 4.1).
 - Bylaws of the Sites Project Authority for Phase 1 of the Sites Reservoir Project, (Attachment 4.2).
 2. Eligible applicant's electing to participate solely in the Phase 1 Reservoir Project Agreement Committee:
 - Sites Project Authority's Phase 1 Reservoir Project Agreement, (Attachment 5.1).
 - Exhibit B: Phase 1 Reservoir Project Agreement Requirements, (Attachment 5.2).
 3. Eligible applicant's electing to participate in both the Authority and Phase 1 Reservoir Project Agreement Committee shall provide any proposed changes to all of the above listed documents.
- c. Applicant's Timeline: The On-Boarding Process (Attachment 2) provides a timeline for the Authority and Phase 1 Reservoir Project Agreement Committee to provide a response (or if applicable a counter-proposal) to an applicant's proposal. Based

on the applicant's proposal, the applicant should identify an approximate duration that would be needed to review the Authority's and Phase 1 Reservoir Project Agreement Committee's joint response or, if applicable, to respond to the Authority's and Phase 1 Reservoir Project Agreement Committee's joint counter-proposal. This duration should reflect the applicant's internal approval processes commensurate for their proposed level of participation in the Sites Reservoir Project. This duration will be used by the Authority and Phase 1 Reservoir Project Agreement Committee to jointly develop an applicant-specific on-boarding plan.

- d. Representation: Applicant shall identify with their signed Proposal to Participate Form their proposed representatives to the project.
 1. Authority: If requesting membership in the Authority, the name of a Director and an alternate.
 2. Phase 1 Reservoir Project Agreement Committee: A Director and an alternate.
 3. Managers' Work Group: A representative who will participate in the monthly advisory meetings and can work within the applicant's organization to make other personnel available to participate in ad-hoc work teams that may be created from time to time to address specific issues.
- e. Alternatives for Authority's Consideration: Given the size and complexity of the Sites Reservoir Project, the Authority and Phase 1 Reservoir Project Agreement Committee recognize there are many options for participation that may extend beyond those identified in this on-boarding process. Applicants are encouraged to provide alternative concepts for the authority's and Phase 1 Reservoir Project Agreement Committee's joint consideration. However, the Authority and Phase 1 Reservoir Project Agreement Committee jointly reserves the right to accept or reject any such alternative concepts.

The Evaluation Committee will make a determination of eligibility, develop an initial allocation water within each of the classes of water available, finalize the participation percentages and weighted voting. These results will be brought to the Authority and Phase 1 Reservoir Project Agreement Committee for joint approval before notifying each applicant of their status. Those applicants whose proposal to participate have been accepted by Authority and Phase 1 Reservoir Project Agreement Committee will advance to the development of the applicant-specific on-boarding plan. Should an applicant's proposal not be accepted, the applicant may request to present their position before a joint meeting of the Authority and Phase 1 Reservoir Project Agreement Committee, who jointly have the final decision-making authority.

Each applicant-specific on-boarding plan will include:

1. The timeline to either (a) resolve any exceptions taken or (b) incorporate alternative concepts.
2. The date the Authority and Phase 1 Reservoir Agreement Committee expect to approve a revised Phase 1 Reservoir Project Agreement (i.e. version 2), which will then be provided to the successful applicant for their consideration and potential execution.

3. The development of a payment schedule for the applicant's initial payment (refer to Attachment 3, Section 5e).
4. An 'off-ramp' date provision that should both parties be unable to come to agreement, the proposal will no longer be considered to be responsive or valid.

Limitations:

1. Evaluation and Selection: The Authority and Phase 1 Reservoir Project Agreement Committee, together shall approve (or not) an applicant's proposal and request to become a Member as well as to determine the amount of water to be made available for each class of water to each applicant requesting to become a Member.
2. Allocation of Phase 1 Costs: While membership in Project is intended to be for the duration of the Project's development and eventual repayment of any financed works, participation to advance the Project will be revisited by all Members at the end of each Phase (refer to Bylaws, § 3.5 & Schedule) to 're-balance' the participation based on each member's independent assessment of the subsequent phase's requirements and expected funding commitments in exchange for potential benefits (refer to Bylaws, § 3.10). For this, Phase 1 of the Project, participation to advance the design and construction of proposed infrastructure works is limited to the funding of work needed to (a) prepare documents that comply with the requirements of Proposition 1, Chapter 8 known as the Water Supply Investment Program (WSIP) to potentially receive a cost-share from the State in exchange for providing eligible public benefits to the Department of Fish and Wildlife (DFW), State Water Resources Control Board (SWRCB), and the Department of Water Resources (DWR), respectively and (b) to develop the work plan and secure funding necessary to advance the Project through Phase 2, of which the primary activities are to complete the environmental review in accordance with NEPA/CEQA, ESA/CESA, and to obtain certifications in accordance with the Clean Water Act, among others.
3. Hydropower: As presently configured, the Project has the capability to provide renewable energy benefits, which are not Proposition 1-eligible. Phase 1 will include studies to determine the ability to include both conventional hydropower and pumped-storage in a manner that would not delay the earliest completion of Project facilities to the level needed to begin to start providing water benefits.
4. A Member's Cost to Connect: The project currently does not include new 'local' distribution infrastructure that would allow water to be conveyed to service areas or lands that are (1) not already hydraulically connected to the proposed project features or (2) where water service is not already provided by the CVP and/or SWP. Such improvements would be the sole responsibility of the applicant seeking to participate in the Project, unless otherwise approved by the Authority and Phase 1 Reservoir Project Agreement Committee.