



**Requested Action:**

Review and discuss steps of converting to Storage Allocation based participation.

**Detailed Description/Background:**

The transition to Storage-based participation is a key step in the contracting for benefits and obligations in the Sites Reservoir. The Project is in a position where this transition can now be finalized and implemented starting with Phase 3/Phase 4.

In April 2021, the Reservoir Committee and Authority Board approved the methodology for allocating storage space in Sites Reservoir to each local Storage Partner, which continues to be a sound approach. This methodology considered equitable treatment between local participants, confirming that neither the State nor Reclamation receive disproportionate benefits compared to local participants, and considerations for the Credit Reimbursement Policy. As a reminder, the preliminary outcome using the approved methodology was the following conversion based on a 1.5 million-acre-foot reservoir:

$$\text{Existing participation} \times 6.234 = \text{Storage Allocation}$$

Example: 1,000 acre-feet per year participation = 6,234 acre-feet Storage Allocation

This preliminary result was applied to the Amendment 3 Participation table shown in Attachment 1. When the methodology was approved, State and Federal participation was still uncertain. Now that their participation is more certain, it is appropriate to make the final transition from supply-based participation to storage-based participation in the Project which will occur over the next few months.

The approved methodology still provides a good rule-of-thumb for local Storage Partners to use when considering the potential annualized supply associated with their Storage Allocation. Each Storage Partner has the ability under the Storage Policy and Adopted Guiding Principles to manage its Storage Allocation differently, and it is important for Storage Partners to begin considering their entire Storage Allocation and management options, including optimizing for a final decision on investment. Further, the Authority's contractual obligation primarily will be to provide each Storage Partner's Storage Allocation as dedicated space in Sites Reservoir, along with a corresponding proportion of

diversions to go into the Partner's storage account. The Authority does not envision any contract commitment to provide a specific average/annualized supply to Storage Partners. Although Storage Allocation based participation is proposed to be implemented starting with Phase 3/Phase 4, the discussion is timely as it may play into Storage Partner decisions during the soft call in July 2023.

The next steps in this process will be to finalize and incorporate calculations considering change in dead pool, recent land survey refinements to reservoir capacity, and State and Federal participation levels. We will then seek approval of the final conversion factor using the approved methodology and assignment of Storage Allocation for each Participant, so that future contracting of benefits of obligations are based around storage instead of annualized supply. Even with the conversion each participant can continue to consider its Sites investment from a supply perspective if they wish, however, the contracting needs to be based on Storage Allocation to align with the Storage Policy and Adopted Guiding Principles. The final conversion factor will likely be brought for approval in April or May 2023.

**Prior Action:**

April 16, 2021: Approved methodology for allocating storage space in Sites Reservoir to local Storage Partners using the approach of 1 acre-foot participation to 6.234 acre-feet of storage space.

March Meetings & February 19, 2021: Reviewed and commented on the approach for allocating storage space in the reservoir.

**Fiscal Impact/Funding Source:** None.

**Staff Contact:** Angela Bezzone

**Attachments:**

Attachment A – Amendment 3 Participation and Storage Allocation

## EXHIBIT A

## PROJECT AGREEMENT MEMBERS

Participant	Third Amendment Participation		
	Annualized Acre-Foot	Storage Allocation	Percent
American Canyon, City of	4,000	24,936	2.4%
Antelope Valley-East Kern Water Agency	500	3,117	0.3%
Coachella Valley Water District	10,000	62,340	6.0%
Colusa County	10,000	62,340	6.0%
Colusa County Water District	9,256	57,702	5.6%
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	30.0%
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	12.9%
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%
<b>Total:</b>	<b>166,503</b>	<b>1,037,980</b>	<b>100.0</b>

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