

Meeting: **Reservoir Committee & Authority Board**
Agenda Item 3.2

July 18, 2025

Subject: **Participation Ad Hoc Subcommittee Progress**

Requested Action:

Review and Comment on progress being made by Participation Ad Hoc Subcommittee on assignment/delegation of Capacity Interest Among Existing Participants.

Detailed Description/Background:

In March 2025, the Board concurred with the priorities and a timeline for activating the waitlist in the context of the Project Agreement, the Funding and Credit Reimbursement Policy, and the upcoming investor commitment period. As a direct outcome of that action, the following month, the Board formed the Participation Ad Hoc to provide a forum among existing Storage Partners considering capacity assignments and delegations among the signatories of the Project Agreement and for coordinating with State/Federal Storage Partners in attempting to meet their ultimate capacity interests. These are precursor steps to initiating engagement with water agencies on the waitlist. This report is intended to communicate the Ad Hoc's progress to date.

The Ad Hoc has met 3 times since the original formation and has focused on the following:

- The Ad Hoc has reviewed Benefits & Obligations (B&O) terms related to capacity sales, leases, and water transfers in terms of how these provisions limit or assure Participants' flexibility in the ability to manage their assets. The review identified areas within the existing B&O terms that some Ad Hoc members feel are overly limiting. Comments have not yet been submitted to date, but Ad Hoc members have communicated that their comments in this regard are forthcoming. It is envisioned that the Ad Hoc will be the group that vets these specific comments and the Ad Hoc would formulate any proposed changes to the B&O and these changes would be referred to the Budget & Finance Committee for action which, if significant, would include bringing them to the Board before appearing in the next update of the B&O.

- The Ad Hoc has discussed a three-step sequential process we need to get through before the initiation of investor commitment escrow:
 1. Assignments/delegations among existing Participants,
 2. Redesignating capacity from existing Participants to achieving Reclamation's interest in achieving a 16% capacity right, and,
 3. Activate the waitlist, assuming available capacity exists. The first steps are underway as Ad Hoc members with potential interest in changing their participation are engaged in one-on-one discussions related to assigning or delegating capacity. The Ad Hoc is monitoring progress and stands ready to facilitate discussions, if needed. Additionally, actions to initiate step 2 will be underway shortly.
- Certain Ad Hoc members interested in exploring the Project's capabilities for alternate operations that could allow their capacity to be cycled at a higher frequency and increase their water supply output are engaged with the Staff modeling team to evaluate these considerations. This is a precursor step to determining their need for considering assignments/delegations.
- There has been very general consideration of terms under which assignment of capacity to Reclamation would be considered for the purpose of ensuring continued local support.

Fiscal Impact/Funding Source:

None.

Prior Action: April 2025:

Approved the newly formed Participation Ad Hoc Subcommittee Charter.

Staff Contact:

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