



Meeting: **Reservoir Committee & Authority Board**
Agenda Item 3.3

February 20, 2026

Subject: **Status Update on Operations Agreement with California Department of Water Resources (DWR), US. Bureau of Reclamation (Reclamation) and the Sites Project Authority (SPA)**

Requested Action:

Review and comment on the development of the California Department of Water Resources, the US Bureau of Reclamation and the Sites Project Authority Operations Agreement.

Detailed Description/Background:

The Operations Agreement establishes the framework by which the Authority, DWR, and Reclamation will coordinate the diversion, storage, release, and conveyance of Sites water once the Project becomes operational. The Agreement implements a core commitment in the Sites water right and related settlements; that operation of the Sites Project will not cause adverse effects to the Central Valley Project (CVP) or State Water Project (SWP). This report is intended to provide an overview of the Draft Agreement structure and terms, which are not yet finalized but the Agreement is under final legal review. Staff is seeking any final input from board members before Staff comes back to the board for authorization to sign the Agreement, which is expected to occur within the next couple of months. The Operations and Engineering Committee was provided with a detailed presentation in February 2026. Their questions and responses have been incorporated in this report.

The Agreement has been under development since 2020 through extensive technical and policy-level discussions among the three parties. It reflects current regulatory and operational conditions while intentionally allowing for future updates as regulations, infrastructure, and operational regimes evolve. The Agreement is structured as a main agreement supported by two technical Attachments and a White Paper that documents the parties' shared understanding of how coordinated operations would function under today's conditions. Given that the Project will not commence operations immediately and that CVP/SWP regulatory requirements continue to evolve, the parties agreed early in the negotiations that a flexible, principles-based agreement, rather than rigid, prescriptive operating rules, was necessary. More detailed operating procedures will be developed closer to Sites going into operations.

A foundational principle of the Agreement is that Sites operations must not cause an “Adverse Effect” to CVP or SWP water rights or regulatory compliance. The Agreement operationalizes this principle through:

- Continuous close coordination
- Authority obligations to adjust or cease operations when informed of adverse effects.
- Clear procedures for identifying and remedying any actual adverse effects through “payback water.”

Diversions under the Sites water right are explicitly prohibited during “balanced” Delta conditions. During periods of “excess” Delta conditions, close coordination with DWR and Reclamation will occur continuously. In most times during excess conditions, Sites diversions are not expected to have any effect on CVP and SWP operations. However, there could be limited occurrences where Sites diversions could impact the CVP and SWP exports during excess when certain Sacramento River flow conditions are governing and it is in these times that DWR and Reclamation have the ability under the Agreement to direct that Sites stop or reduce its diversion operations to not incur an adverse effect. The agreement provides for an evidence exchange in these circumstances, while the adjustments are in place, or before if time allows. These “shoulder” conditions have been accounted for in the Sites operations modeling through a surrogate buffer of 3,000cfs on the starting and stopping of Sites diversions when balance and excess conditions transition. As a fail-safe mechanism, if Sites diverts and an adverse effect is incurred, the subject water is in storage and is to be returned to DWR and Reclamation. Payback would be a non-routine outcome undesired by all parties, but I stipulated just in case it is needed. The Agreement also stipulates annual assessments of operations coordination and communication as the parties mutually wish to optimize these operations over time.

Releases of Sites water back to the Sacramento River has a defined timing of during balanced conditions, and in some cases, only during the transfer window. The release pathway is through Funks Reservoir, Tehama Colusa Canal, Dunnigan Pipeline, Colusa Basin Drain, and Knights Landing Outfall Gates. Measurement and loss protocols are to be applied. For Sites water conveyed through the Delta export facilities, these amounts will be subject to carriage water consistent with existing CVP/SWP transfer practices and would require prior confirmation with DWR and Reclamation.

The Agreement does not alter existing water rights, priorities, or the Coordinated Operations Agreement (COA) between the CVP and DWP. Potential voluntary exchanges with DWR or Reclamation are acknowledged but intentionally

reserved for separate agreements. Facilities use agreements, wheeling arrangements, and exchange agreements will be addressed independently.

Execution of this Agreement is a critical milestone toward Project implementation and provides assurance to State and Federal partners, Participants, and regulators that Sites operations will be fully coordinated and protective of existing water management operations.

Fiscal Impact/Funding Source:

The Agreement does not create new capital obligations. The Sites operations modeling is consistent with the Agreement. There is potential exposure to diminished project performance to Storage Partners because of operational adjustments to diversions and releases for avoiding adverse effects. These risks have been reasonably accounted for within the assumptions of the operations model. The potential provision of payback water if adverse effects actually occur during diversions, would incur costs to all Participants as well.

Prior Action:

None

Staff Contact:

Ali Forsythe/Jerry Brown

Primary Service Provider:

HDR

Attachments:

Attachment A: Key Terms of Operations Agreement

Attachment A – Key Considerations for Three-Party Operations Agreement

Agreement Between the Department of Water Resources, U.S. Bureau of Reclamation, and Sites Project Authority¹

Purpose

Establishes a framework for coordinated operations among the Sites Project Authority, the California Department of Water Resources (DWR), and the U.S. Bureau of Reclamation (Reclamation) to ensure operation of the Sites Reservoir Project does not cause adverse effects to the Central Valley Project (CVP) or State Water Project (SWP).

Agreement Structure

- Main Operations Agreement
- Attachment 1 – Close Coordination: Standard Operating Procedure for Diversions
- Attachment 2 – Release and Delivery of Sites Water, Measurement Locations, and Loss Assumptions
- White Paper documenting the Parties' current shared operational understanding

Diversions to Sites Storage

- Diversions are prohibited during Balanced Water Conditions per the Sites Water Right.
- Diversions may occur during Excess Water Conditions subject to close coordination.
- The Sites Authority must reduce or cease diversions under certain operational conditions where certain Sacramento River flow conditions may affect CVP and SWP delta exports and upon notice of DWR and/or Reclamation.

Releases of Stored Sites Water

- Releases are scheduled and coordinated annually and in real time with DWR and Reclamation.
- Defined conveyance routes include Funks Reservoir, the Tehama-Colusa Canal, Colusa Basin Drain, and Knights Landing Outfall Gates.
- Measurement and loss accounting protocols are specified in Attachment 2.

Use of CVP and SWP Facilities

- Conveyance through Delta export facilities is subject to existing regulatory authorization and available capacity.

¹ These provisions are written from the perspective of the Sites Authority's current position and are subject to negotiation which may result in the final Agreement being different than shown.

- Carriage Water is applied consistent with existing CVP and SWP water transfer practices.

Payback Water

- If an adverse effect to CVP or SWP operations is determined to have occurred, the Sites Authority must provide Payback Water.
- The volume of Payback Water is determined by DWR or Reclamation, as applicable.
- Payback Water may be provided through releases, storage adjustments, or other agreed operational methods.

Water Rights and Coordinated Operations Agreement (COA)

- The Agreement does not modify existing water rights priorities.
- The Agreement does not amend or supersede the CVP/SWP Coordinated Operations Agreement and accounting for Sites diversions and releases can be accommodated within existing COA accounting.

Flexibility and Updates

- Attachments may be updated by mutual agreement to reflect regulatory or operational changes without modifying the Agreement.
- The White Paper will be revisited prior to commencement of Sites operations and updated as needed.

Dispute Resolution

- Executive-level informal dispute resolution.
- Mandatory non-binding mediation if informal resolution is unsuccessful.

Term

- Effective upon execution and remains in effect for the duration of the Parties' operational obligations, unless terminated under specified conditions.