



Meeting: **Reservoir Committee & Authority Board**
Agenda Item 3.4

February 20, 2026

Subject: **Review of Draft Exchange Agreement with the Department of Water Resources (DWR)**

Requested Action:

Review and comment on the draft Exchange Agreement between the Sites Project Authority (SPA) and the California Department of Water Resources governing voluntary exchanges of water between the Sites Project and the State Water Project (SWP).

Detailed Description/Background:

The Exchange Agreement establishes the framework under which the SPA and DWR may voluntarily exchange Sites water for State Water Project water in a manner intended to increase operational flexibility for the Sites Project while maintaining a neutral or net beneficial effect on SWP operations and deliveries to SWP contractors. The Agreement is intentionally structured as an enabling framework, rather than a mandatory operating requirement, and preserves DWR's sole discretion to approve, deny, modify, suspend or terminate individual exchange actions based on forecasted or real-time conditions. This report is intended to provide an overview of the Agreement, which is not yet finalized but is under final legal review, so that all board members can provide any concluding input before Staff seek authorization to sign the Agreement, which is expected to occur within the next couple of months.

The Exchange Agreement is a companion to the three-party Operations Agreement among the SPA, DWR, and Reclamation. While the Operations Agreement establishes the foundational "no adverse effect" framework for Sites diversions and releases, the Exchange Agreement addresses a narrower set of voluntary operational actions that may occur after Sites water has already been stored and released. Exchanges are addressed separately to avoid comingling baseline operational protections with discretionary flexibility tools.

In the Exchange Agreement, the Sites releases designated for exchange may allow DWR to reduce SWP releases from Lake Oroville that would otherwise be required to meet regulatory or contractual obligations. In exchange for this temporary increase in SWP storage, DWR may subsequently make a like quantity of SWP water available to the Authority for delivery to certain SWP Sites

Participants and for Prop 1 ecosystem public benefit purposes, subject to all legal, regulatory, and operational constraints.

The Agreement has been developed to ensure that any exchange:

- Is fully consistent with existing SWP water rights, regulatory requirements, biological opinions, incidental take permits, court orders, and contractual obligations;
- Does not adversely affect SWP allocations, deliveries, or facilities;
- Is completed within the same calendar year, unless otherwise authorized by DWR, and
- Is implemented only when capacity and conditions allow.

As with the Operations Agreement, the Exchange Agreement anticipated that regulatory and operational conditions will continue to evolve prior to commencement of Sites operations. Accordingly, the Agreement emphasizes coordination, annual planning, and clear accounting principles rather than fixed operational prescriptions.

Fiscal Impact/Funding Source:

The Exchange Agreement does not create new capital obligations. The Authority will be responsible for:

- Annual SWP facility use charges consistent with rates applied to other non-SWP water use;
- Reimbursement of allowable DWR costs incurred in support of the Sites Project, subject to documentation, invoicing, and auditing requirements. These conditions are consistent with the allowable cost provisions proposed in the Partnership Agreement with Reclamation.

Any exchanges that occur are expected to be operationally neutral or beneficial to SWP operations. As with all Sites operations, there remains potential exposure associated with operational adjustments and accounting outcomes, which are addressed through the Agreement's coordination and approval provisions.

Staff Contact: Ali Forsythe/Jerry Brown

Primary Service Provider: None.

Attachments:

Attachment A Key Considerations for DWR-SPA Exchange Agreement

Attachment A – Key Considerations for Sites Project Authority (SPA)- California Department of Water Resources (DWR) Exchange Agreement¹

Purpose

Establishes a voluntary framework for exchanges of water between the Sites Reservoir Project and the State Water Project (SWP) to increase operational flexibility while maintaining a neutral or net beneficial impact on SWP operations and deliveries.

Parties

Sites Project Authority; California Department of Water Resources.

Relationship to Operations Agreement

- Companion agreement to the Sites–DWR–Reclamation Operations Agreement.
- Exchanges are addressed separately from baseline operations to preserve clarity and flexibility.

Voluntary Nature of Exchanges

- Exchanges occur only upon DWR approval and in DWR’s sole discretion.
- Approval may be denied, modified, suspended, or withdrawn based on conditions.

Exchange Concept

- Sites Releases designated for exchange may reduce SWP releases from Lake Oroville.
- DWR may later provide a like quantity of SWP water (“Sites Exchange Water”) to the Authority.

Eligible Uses of Sites Exchange Water

- Delivery to SWP Sites Participants through Delta export facilities.
- Delivery to North of Delta refuges for Proposition 1 ecosystem public benefits.

Timing and Planning

- Exchange planning initiated annually in January.
- Final schedules established no later than March (ecosystem benefits) and no later than June (Delta exports).

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.

- All exchanges completed within the same calendar year, unless otherwise authorized by DWR.

Operational Constraints

- Subject to SWP facility capacity and regulatory authorization.
- Carriage Water applies consistent with existing transfer practices.
- No power credits associated with exchange water.

Accounting and Risk Allocation

- DWR accounts for Sites Exchange Water in Lake Oroville.
- Exchange water subject to evaporation and spill risk.
- Unreleased balances expire at year-end unless otherwise approved by DWR.

Reclamation Concurrence

- Accounting principles subject to Reclamation concurrence.
- No obligation to deliver exchange water absent concurrence.

Costs

- Authority pays SWP facility use charges.
- Authority reimburses allowable DWR costs consistent with Exhibit requirements.

No Impact / No Precedent

- Agreement does not affect SWP allocations, operations, or water rights priorities.
- Approval of exchanges is unique and non-precedential.

Term and Amendments

- Effective upon execution and contingent on the Benefits and Obligations Contract.
- May be amended by mutual written agreement to reflect future conditions.