



Meeting: **Reservoir Committee & Authority Board's  
Benefits & Obligations Contract Workshop**

**May 08, 2026**

Subject: **Issue Paper #1 – Remaining Governance Items**

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**Staff Recommendation:**

1. Confirm that revisions to contract provisions reviewed under agenda item 2.4 of the March 20, 2026 Sites Board meeting (shown in redline/strikeout in Attachment A) are acceptable for inclusion in the final Benefits & Obligations (B&O) Contract.
2. Refer the new Participant comments related to proposed further governance changes to the B&O Contract (shown in orange in Attachment B) to the Governance Ad Hoc and request recommended Board action from this group on these new items to occur at the June 2026 Sites Board meeting.

**Background:**

In March 2026, the Board directed Staff to proceed with a two-pronged approach aimed at resolving all remaining concerns involving project governance for Phases 3/4/5, including 1) revisions to contract provisions and 2) potential legislative action. In making this decision, the Board asked that Staff bring the revisions to contract provisions to the B&O workshop for consideration. Also, there were various Participant comments on the December 2025 Draft B&O, JPA and Bylaws that require Board consideration.

The Board is reminded that directing staff to incorporate specific changes into the B&O, JPA and/or Bylaws does not in and of itself represent a final approval of the documents. It is envisioned that such final approval will occur at the time that the entirety of the documents is presented for final approval, which is expected to occur when the Board adopts the Resolution to Offer Capacity and initiates the investor commitment period.

**Summary of Related Participant Comments:**

See comments shown on Attachment B in orange.

**Rationale for Staff Recommendation:**

Addressing the governance approach associated with Phases 3/4/5 has been progressing for several years and has reached a point where just a few remaining issues exist. Through the course of this work, the governance ad hoc has been chartered by the Board to evaluate governance proposals and this approach has proven to be very effective. Staff feels it is best to rely on the continuity and consistency of this workgroup for resolving the remaining new Participant governance comments.

The revisions to the contract provisions (Attachment A) have already been vetted by the governance Ad Hoc and were recommended for Board approval under the condition that the legislative actions be pursued concurrently, which is happening right now.

The new Participant governance related comments on the December 2025 draft B&O Contract have not yet been reviewed by the Governance Ad Hoc and it would be appropriate to ask this workgroup to do so before the Board takes any action to incorporate them into the documents. Also, if Board members have any feedback on these items before referring to Governance Ad Hoc, it would be appropriate to provide that input at the workshop.

**Contract and Section Affected:**

See Attachments.

**Attachments:**

Attachment A – Proposed Governance Changes to December 2025 draft B&O Contract March 2026 Board Meeting Agenda Item 2.4 Attachment A

Attachment B – New Proposed Changes by Participants (shown in orange)

**Governance Related Proposed Changes (shown in redline/strikeout)  
to the December 2025 Draft B&O Contract**

Sec. 2.4 Reservoir Management Board

By executing this Contract, each Participant ~~shall~~ (i) ~~become~~ **shall designate** a member of the Reservoir Management Board, ~~who shall~~ and (ii) actively participate in the Reservoir Management Board, ~~or shall appoint a representative to participate in the Reservoir Management Board~~ on behalf of such Participant, each in accordance with the JPA Agreement and the Sites Authority Bylaws, **and (ii) agrees not to challenge the existence of the Reservoir Management Board or the governance structure of the Sites Authority generally** The Sites Authority Board agrees not to challenge the existence of the Reservoir Management Board or the governance structure of the Sites Authority generally.

Sec. 4.12 Governance

4.12.1 The Parties agree that:

- (a) the Sites Authority Board has reserved certain powers, as described in the JPA Agreement;
- (b) the Reservoir Management Board has been delegated exclusive decision-making authority for specified activities, as described in the Sites Authority Bylaws, which shall not be amended without approval of the Reservoir Management Board;
- (c) the Sites Authority and the Reservoir Management Board have shared decision-making authority for specified activities, as described in the Sites Authority Bylaws;
- (d) the Sites Authority Bylaws and the JPA Agreement set out voting procedures for amendment thereof that shall be complied with by all Parties;
- (e) any Participant shall have the option to serve as an Associate Member of the Sites Authority Board, subject to the rights and limitations set forth in the Sites Authority Bylaws; **and**
- (f) **no change can occur and no modification can be made to the governance structure described in this Section 4.12 except in the manner provided for in the Sites Authority Bylaws.**

10.4 Enforcement of Remedies

10.4.1 In addition to the other remedies set forth in this **Error! Reference source not found.**, upon the occurrence of an event of default in accordance with this Contract, any Party shall be entitled to proceed to protect and enforce the rights vested in such Party by this Contract by such appropriate judicial proceeding as such Party shall deem most effectual, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained herein or to enforce any other legal or equitable right vested in such Party by this Contract or by law. The provisions of this Contract and the duties of each Party, their respective boards, officers or employees shall be enforceable by the other Parties by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction, with the losing Party paying all costs and attorney fees of the prevailing Party.

10.4.2. Without limiting the generality of the foregoing, the Sites Authority or the Participants, as applicable, shall have the right to bring the following actions:

- (a) Accounting. By action or suit in equity to require the Sites Authority Board or the Participants, its officers and employees and its assignee to account as the trustee of an express trust.
- (b) Injunction. By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Sites Authority or a Participant, as applicable.
- (c) Mandamus. By mandamus or other suit, action or proceeding at law or in equity to enforce its rights against the other Party hereto (and its board, officers and employees) and to compel the other Party hereto to perform and carry out its duties and obligations under the law and its covenants and agreements as provided herein.
- (d) Specific Performance. By action or suit in equity to compel a party to specifically perform under this Contract, **including, without limitation, to uphold Section 4.12.1 of this contract.**

## 15.2 Severability

If any provision or part of this Contract is ruled invalid (including, **without limitation, invalidity of this Contract relative to the Sites Authority and Reservoir Management Board governance structure provided for in the JPA Agreement and Sites Authority Bylaws** due to **court order or** any change in law) by a court having proper jurisdiction, then the Parties shall:

~~(b)~~ (a) promptly meet and make efforts to negotiate a substitute for such provision or part, which shall, to the greatest extent legally permissible, effect the original intent of the Parties, including (as applicable) an appropriate assignment of duties to the members of the Reservoir Management Board, and other adjustments to obligations to be performed or payments to be made in accordance with this Contract to account for any change in the services rendered in accordance with this Contract resulting from such invalidated portion; and

e) (b) if necessary or desirable, apply to the court or other decision maker (as applicable) that declared such invalidity for an interpretation of the invalidated portion to guide the Parties' negotiation.

## 15.10 Enforcement

The Parties are hereby authorized to take any and all legal or equitable actions, including an injunction and specific performance, necessary or permitted by law to enforce this Contract. **Without limiting the generality of the foregoing, the Parties agree that specific performance shall be an available remedy in the event of a breach for failure to uphold Section 4.12.1 of this Contract regarding the Sites Authority's governance structure, including the delegation of the exclusive decision-making authority to the Reservoir Management Board for activities specifically identified in the Sites Authority Bylaws.**

[No changes proposed to Section 15.12.3, but included here for clarity]

15.12.3 The Sites Authority shall enforce the provisions of this Contract and duly perform its covenants and agreements contained in this Contract. The Sites Authority will not consent or agree to or permit any rescission of or amendment to or otherwise take any action under or in connection with this Contract which will in any manner materially impair or materially adversely affect the rights of the Sites Authority under this Contract or the rights of the members of the Reservoir Management Board.

J. The governance powers delegated to the Reservoir Management Board described in Section 4.12 of this Contract are a material benefit to the Participants and important to the Participants' decision to enter into this Contract and to commit to the investments described herein.

## Sec. 2.4 Reservoir Management Board

2.4.1 By executing this Contract, each Participant shall (i) ~~become~~ shall designate a representative to become a member of the Reservoir Management Board, who shall actively participate in the Reservoir Management Board, ~~or shall appoint a representative to participate in the Reservoir Management Board~~ on behalf of such Participant in accordance with the JPA Agreement and the Sites Authority Bylaws, and (ii) agrees not to challenge the governance structure of the Sites Authority, specifically, its delegation of powers and authority to ~~existence of the Reservoir Management Board or the governance structure of the Sites Authority generally~~

2.4.2 The Sites Authority Board agrees not to challenge ~~the existence of the Reservoir Management Board or the governance structure of the Sites Authority, generally.~~ specifically, its delegation of powers and authority to the Reservoir Management Board

2.4.3 The Sites Authority recognizes that the governance powers delegated by it to the Reservoir Management Board, which powers give Participants meaningful governance protections over their respective investments in the Project, is a primary and material benefit to each Participant and a primary and material inducement to each Participant's decision to enter into this Contract and to commit to fund the Project.

### [Alternative]

2.4.1 The Sites Authority recognizes that the governance powers delegated by it to the Reservoir Management Board, which powers give Participants meaningful governance protections over their investment in the Project, is a fundamental and material benefit to Participants and a significant part of their decision to invest in the Project and enter into this Agreement.

2.4.2 Accordingly, in the event that there is a legal challenge to the delegation of powers or authorities by the Sites Authority Board to the Reservoir Management Board, and as a result thereof, a decision finding or holding such delegation to be unlawful or invalid, then, in such event, the Participant shall have the right to directly enforce against the Sites Authority the requirement that, for any action(s) specified herein requiring the approval of the Reservoir Management Board, instead such action will require the approval of a 75% weighted share of the Project Participants (excluding Storage Partners Reclamation and the State of California) where the weighted share of each Project Participant shall be calculated as (a) one divided by the total number of Project Participants, multiplied by 50, plus (b) the capacity interest of each Project Participant identified in Appendix 2, multiplied by 50, such that the weighted total of all Project Participant shares shall total 100.

## 4.2 Sites Operations Plan

4.2.4 Subject to the Sites Authority Bylaws and the JPA Agreement, changes to the Sites Operations Plan are subject to approval by the Reservoir Management Board ~~and the Sites Authority (as applicable)~~ as described in the Sites Authority Bylaws. Prior to any such approval, the prior version of the Sites Operations Plan shall remain in full force and effect.

#### 4.5 Other Water

4.5.1 Subject to Applicable Law and Governmental Approvals, all Storage Partners may store Other Water in, or convey Other Water by use of the Storage Partner's respective ~~Capacity Interest and Share~~ Capacity Interests in the Project Facilities ~~as described in the Sites Authority Bylaws~~. The use of Project Facilities for Other Water must not negatively impact other Storage Partners' rights as set forth in this Contract or the State and Federal Contracts (as applicable), ~~and shall be subject to the approval of the Sites Authority as described in the Sites Authority Bylaws, whose approval shall not be unreasonably withheld~~. Any costs to the Sites Authority associated with Other Water shall follow Beneficiary Pays Principles, including if the Sites Authority is required to take actions to comply with Applicable Law or obtain or modify any new or existing Governmental Approvals.

#### Sec. 4.12 Governance

4.12.1 The Parties agree that:

- (a) the Sites Authority Board has reserved certain powers, as described in the JPA Agreement;
- (b) the Reservoir Management Board has been delegated exclusive decision-making authority for specified activities, as described as "Delegated Authorities" in Section 10.2 of the Sites Authority Bylaws, which shall not be amended without approval of the Reservoir Management Board ~~and a conforming amendment to this Benefits & Obligations Contract approved pursuant to Section 15.12.1~~;
- (c) the Sites Authority and the Reservoir Management Board have shared decision-making authority for specified activities, as described in the Sites Authority Bylaws;
- (d) the Sites Authority Bylaws and the JPA Agreement set out voting procedures for amendment thereof that shall be complied with by all Parties;
- (e) any Participant shall have the option to serve as an Associate Member of the Sites Authority Board, subject to the rights and limitations set forth in the Sites Authority Bylaws; and
- (f) no change can occur and no modification can be made to the governance structure described in this Section 4.12 except in the manner provided for in the Sites Authority Bylaws.

#### 4.13 Compliance with Partner Agreements

In performing its obligations under this Contract, the Sites Authority shall comply with the terms of the Partner Agreements. **Any amendment to a Partner Facilities Usage Agreement shall be approved by the Authority and Reservoir Management Board.**

#### 10.4 Enforcement of Remedies

10.4.1 In addition to the other remedies set forth in this **Error! Reference source not found.**, upon the occurrence of an event of default in accordance with this Contract, any Party shall be entitled to proceed to protect and enforce the rights vested in such Party by this Contract by such appropriate judicial proceeding as such Party shall deem most effectual, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained herein or to enforce any other legal or equitable right vested in such Party by this Contract or by law. The provisions of this Contract and the duties of each Party, their respective boards, officers or employees shall be enforceable by the other Parties by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction, with the losing Party paying all costs and attorney fees of the prevailing Party.

10.4.2. Without limiting the generality of the foregoing, the Sites Authority or the Participants, as applicable, shall have the right to bring the following actions:

- (a) Accounting. By action or suit in equity to require the Sites Authority Board or the Participants, its officers and employees and its assignee to account as the trustee of an express trust.
- (b) Injunction. By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Sites Authority or a Participant, as applicable.
- (c) Mandamus. By mandamus or other suit, action or proceeding at law or in equity to enforce its rights against the other Party hereto (and its board, officers and employees) and to compel the other Party hereto to perform and carry out its duties and obligations under the law and its covenants and agreements as provided herein.
- (d) Specific Performance. By action or suit in equity to compel a party to specifically perform under this Contract, **including, without limitation, to uphold Section 4.12.1 [4.13] of this Contract.**

## 15.2 Severability

- (a) **15.2.1** If any provision or part of this Contract is ruled invalid (including, **without limitation, invalidity of this Contract relative to the Sites Authority and Reservoir Management Board governance structure provided for in the JPA Agreement and Sites Authority Bylaws due to court order or any change in law**) by a court having proper jurisdiction, then the Parties shall: promptly meet and make efforts to negotiate a substitute for such provision or part, which shall, to the greatest extent legally permissible, effect the original intent of the Parties, including (as applicable) an appropriate **assignment of duties to the members of the Reservoir Management Board, and other** adjustments to obligations to be performed or payments to be made in accordance with this Contract to account for any change in the services rendered in accordance with this Contract resulting from such invalidated portion; and
- (b) if necessary or desirable, apply to the court or other decision maker (as applicable) that declared such invalidity for an interpretation of the invalidated portion to guide the Parties' negotiation.

**15.2.2.** During the pendency of negotiations referenced in subsection (a) above, for any action(s) specified in this Contract or the Sites Authority Bylaws requiring the approval of the Reservoir Management Board, such action will require the approval of such weighted share of the Project Participants ~~(excluding Storage Partners Reclamation and the State of California)~~ as is specified in this Contract or the Sites Authority Bylaws, as applicable, where the weighted share of each Project Participant shall be calculated as (a) one divided by the total number of Project Participants, multiplied by 50, plus (b) the capacity interest of each Project Participant identified in Appendix 2, multiplied by 50, such that the weighted total of all Project Participant shares shall total 100.

**15.2.3** The invalidity or unenforceability of any such provision or part shall not affect the validity or enforceability of the balance of this Contract, which shall be construed and enforced as if this Contract did not contain such invalid or unenforceable provision or part.

## 15.10 Enforcement

The Parties are hereby authorized to take any and all legal or equitable actions, including an injunction and specific performance, necessary or permitted by law to enforce this Contract. **Without limiting the generality of the foregoing, the Parties agree that specific performance shall be an available remedy in the event of a breach for failure to uphold Section 4.12.1 [4.13] of this Contract regarding the Sites Authority's governance structure, including the delegation of the exclusive decision-making authority to the Reservoir Management Board for activities specifically identified in the Sites Authority Bylaws.**

## 15.12 Amendment

15.12.1 Except as otherwise may be provided in this Contract, including Section **Error! Reference source not found.**, neither this Contract nor any provision under this Contract may be modified or amended except with the written consent of (1) the Sites Authority, (2) at least 75% of the weighted vote of the Participants **as specified in the Sites Authority Bylaws**; provided, however, that:

- (a) if any Financing Agreement is outstanding, any amendment to this Contract will be subject to the terms and conditions set forth in any such Financing Agreement;
- (b) this Contract may not be amended without a Participant's written consent if the Contract is to be amended in a manner that results in a material adverse impact on the rights of such Participant under this Contract to control its **Capacity Interest and Share Capacity Interest** or have Water diverted into, stored in, or released from the Project Facilities under its **Capacity Interest and Share Capacity Interest** on a pro-rata and substantially similar basis with other Participants; and
- (c) this Contract may not be amended in a manner that would cause the Sites Authority to violate Applicable Law or provisions of any Governmental Approvals.

15.12.3 The Sites Authority shall enforce the provisions of this Contract and duly perform its covenants and agreements contained in this Contract. The Sites Authority will not consent or agree to or permit any rescission of or amendment to or otherwise take any action under or in connection with this Contract which will in any manner materially impair or materially adversely affect the rights of the Sites Authority under this Contract or the rights of the members of the Reservoir Management Board (**i.e., Participants**).