



November 5, 2021

Karla Nemeth
Director of the California Department of Water Resources
California Department of Water Resources
PO Box 942836, Room 1115-1
Sacramento, CA 94236-0001

Subject: Sites Project Authority Commitment for Not Less Than 75% of the Non-public Benefits Cost Share of the Sites Reservoir Project

Dear Ms. Nemeth,

~~Karla~~
The Sites Project Authority (Authority) is writing to express and demonstrate its continued commitment to developing the Sites Reservoir Project (Project). This letter, along with the body of work completed to date in developing the Project, represents the Authority's compliance with Section 6013(f) of Title 23, Division 7, Chapter 1 of the California Code of Regulations.

Water Code §79757 states that a project is not eligible for Water Storage Investment Program (WSIP) funding unless, by January 1, 2022:

- The applicant has the project's draft environmental document out for public review
- The Director of the Department of Water Resources (DWR) has received commitment of at least 75 percent of the non-public benefit cost share
- The feasibility documents are complete
- The California Water Commission (CWC) makes a finding that the project is feasible.

The Sites Reservoir Project is on track to complete all of these requirements within the deadline, with the final completed item being the CWC finding of feasibility, which is being considered at its December 15, 2021, meeting.

The project and agency background information, along with the review of non-public benefit and public benefit funding sources provided within the remainder of this letter, demonstrates the Authority's commitment to fund at least 75 percent of the non-public benefit cost share. The Authority also wishes to clarify this commitment within the context of its CEQA obligations as the responsible agency for the Project.

Project and Agency Background

The Congress of the United States of America and the California State Legislature have declared that the Sacramento-San Joaquin Delta watershed and California's water infrastructure are in crisis, and they have encouraged regional and local public agencies to form joint powers authorities to improve the operation of the State of California's water system. The Project has been identified by the State and the federal government as an important component of integrated water management in the Sacramento River watershed that could support the state's co-equal policy to improve water management and restore the ecological health for beneficial uses of the Sacramento-San Joaquin Delta and the Sacramento River Watershed in a manner consistent with the CALFED Bay-Delta Programmatic Record of Decision and Environmental Impact Report/Environmental Impact Statement.

The Authority was formed in 2010 as a joint exercise of powers agency duly organized and existing under and pursuant to the Constitution and laws of the State and a fourth amended and restated Sites Project Authority Joint Exercise of Powers Agreement, dated November 21, 2016 (JPA Agreement) and governed by an Authority Board for the purpose of developing the Project. The JPA Agreement provides the mechanism for project agreements to undertake specific work activities to develop the Project and commits the signatories to certain Project cost obligations. The current 23 Project Members (see attached), which include water agencies, cities, counties, and districts, participate in the development of the Project through a Reservoir Committee. The Reservoir Committee currently acts in an advisory and funding capacity to the Authority Board.

The Authority released a Draft Environmental Impact Report/Draft Environmental Impact Statement in 2017, received comments, and proceeded to define a more affordable, permissible, and buildable Project through the value-planning process that culminated in the April 2020 approval of the value-planning report and the decision to recirculate the draft environmental documents. While the value-planning report made adjustments to project facilities, there was a commitment to continued delivery of public benefits under Prop 1 to the levels determined by the CWC in the Maximum Conditional Eligibility Determination arrived at in 2018.

As a showing of organizational and governance commitment to the project, the Reservoir Committee and Authority unanimously adopted a strategic plan in December 2020 to update the Authority's mission to build and operate a climate-resilient, 21st century water storage system to responsibly manage and deliver water, improve the environment, and provide flood control and recreation benefits. Since then, the Authority has advanced the design of the Project through engineering and field explorations that have culminated in the current 10% design-level project engineering and have completed a Feasibility Project Cost Estimate for the Project, which was recommended for approval by the Reservoir Committee and unanimously adopted by the Authority on June 23, 2021.

A Revised Draft Environmental Impact Report/Supplemental Draft Environmental Impact Statement (RDEIR/SDEIS) is being processed for public release (anticipated on November 12, 2021) with respect to the Project. After five public meetings reviewing the document's proposed content, the Reservoir Committee unanimously recommended release of the RDEIR/SDEIS, and the Authority Board unanimously authorized release of the document at its July 21, 2021, meeting.

The Authority has prepared, under separate cover to the CWC, a feasibility report based on all of the work to date since value planning that demonstrates the continued feasibility of the Project and the continued feasibility for the public benefits reflected in the 2018 Maximum Conditional Eligibility Determination (MCED).

Non-public Benefit Funding Sources

1. Project Members

Building on the approximately \$43.8 million in cash contributions already received from the Project Members and Authority Board to date under the JPA Agreement and various project agreements, the Reservoir Committee unanimously recommended, and the Authority Board unanimously approved, a third amendment to the 2019 Reservoir Project Agreement (Project Agreement). With the Authority's approval of the Project Agreement and Work Plan complete, each Project Member commits to bringing the Project Agreement to its home board for consideration, determination of participation level, and execution between October 2021 and March 2022 with their agency ready to pay an April 1, 2022, invoice. Collectively, the approving Project Members represent a source of committed cost share for the non-public benefits. The Authority can provide a status update on Project Agreement execution at the time of the hearing or when requested by CWC staff.

As part of the agreement, Project Members will contribute cash up to \$67 million to fund the costs of the Amendment 3 Work Plan over a 36-month period. In addition, each Project Member is required in its consideration of Amendment 3 to designate its future revenue sources sufficient to secure funding for its share of the Project in anticipation of bank financing to occur in 2023, which will also coincide with the final project participation decision by Project Members.

Project Members' approval of the Project Agreement and Work Plan represents a significant milestone in progressing the Project by securing the funding and establishing the scope of work needed to finalize the Environmental Impact Report, obtain all key permits, including a water right, advance engineering on all facilities to a minimum of 30% design, and draft critical agreements. With these key deliverables complete, it is anticipated the Authority will secure bank financing for the remainder of project design and construction costs. Through the executed Project Agreement, the approving Project Members will fund all Project costs not covered by

federal or State funding in exchange for entitlement to a share of the Project's non-public benefits.

In this way, the commitment of the approving Project Members is commensurate to the commitment that the State is making at this time in determining the continued feasibility of the project for the public benefits. This level of coordinated, stepwise partnering among local, state, and federal investment is exactly the approach that Congress and the State Legislature framed in establishing their related actions and directions for this new way of developing these multi-benefit and multi-agency statewide storage projects.

Looking beyond this near-term Project Agreement, the Authority is laying the groundwork for defining important financing and contractual arrangements for the entire Project costs, which further demonstrates a non-public benefit cost-share commitment. Advancing beyond the immediate Work Plan funding needs, a 2021 Draft Plan of Finance for the Project was endorsed by the Reservoir Committee and then by the Authority Board on October 27, 2021. At the same meetings, the Reservoir Committee and the Authority Board endorsed the 2021 draft of the Sites Reservoir Benefits and Obligations Contract Guiding Principles and Preliminary Terms (Guiding Principles). The Plan of Finance provides the vetted options for financing the Project Members' share of the Project costs, and the Guiding Principles provide the basis for allocating Project benefits and obligations among Project Members. Each agency will present these documents to its home board and provide feedback to the Authority in 2022. These critical agreements are on track to be in place prior to the initiation of bank financing in 2023.

2. Federal Funding

The United States, acting through the Bureau of Reclamation (Reclamation), has committed approximately \$100 million to the Project to date, \$80 million of which was recently appropriated by Congress. The Final Federal Feasibility Report was submitted to Congress on December 22, 2020, and the Secretary of Interior made the determination of federal feasibility and federal investment of up to a 25 percent cost share under the Water Infrastructure Improvements for the Nation (WIIN) Act. These funds represent another source of committed cost share for the non-public benefits. Please see the attached commitment letter from Reclamation.

In addition to federal investment through the WIIN Act, the Authority is pursuing federal low-interest loans to cover Project costs. The Authority received a letter of conditions dated September 26, 2018, from the U.S. Department of Agriculture (USDA) relating to a USDA loan of \$449,559,000. The Authority is working with the USDA to fulfill the loan conditions to secure the funding by 2023. On July 23, 2021, the Authority submitted a letter of interest under the Water Infrastructure Finance and Innovation Act (WIFIA) to the U.S. Environmental Protection Agency (EPA) declaring the Authority's interest in participating in the WIFIA loan program for a loan up

to \$600 million. The Authority is awaiting EPA's response and envisions executing loan agreements sometime in 2023.

Public Benefit Funding Source - State Funding

The Authority views the State's participation in the Project as a critical element for statewide success. The State, acting through the CWC, determined on July 27, 2018 that the Project was conditionally eligible for up to \$816,377,686 under WSIP. State benefits for the Project include incremental Level 4 Refuge water supply, Yolo Bypass water supply, flood control, and recreation.

The Authority entered into a Funding Agreement between the State of California (CWC) and the Authority for Sites Reservoir Project Water Storage Investment Program (WSIP) - Early Funding Agreement Number 4600012890, dated June 17, 2019. On February 3, 2021, the CWC adjusted the Project's maximum conditional eligibility determination to \$836,787,128. Under the current financial model and assumptions, the public benefit share of costs amounts to approximately 21 percent of the total Project costs.

Authority's Commitment within CEQA Obligations

Collectively, the body of work completed to date by the Authority in developing the Project clearly demonstrates the Authority's commitment, subject to and contingent upon first fulfilling its obligations under CEQA, to fund not less than 75 percent of the non-public benefit cost share and deliver the public benefits authorized by CWC. More specifically, the recent completion of the Project Agreement, the Feasibility Analysis, substantial State and federal involvement, and the public release of the RDEIR/SDEIS demonstrate commitment of the Project Members to continued development of a successful Project with funds identified in this letter.

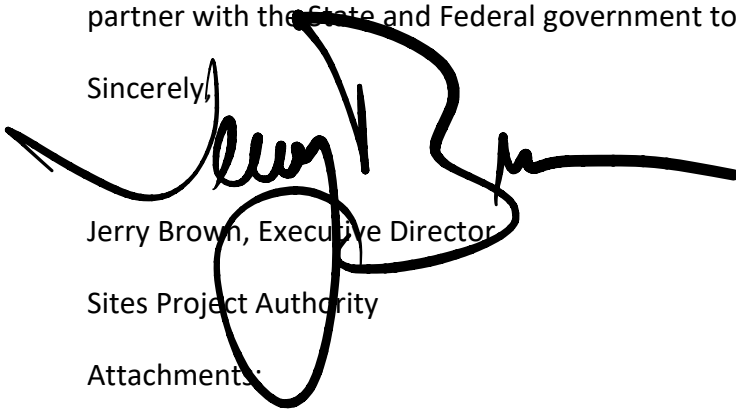
Consistent with the Authority's CEQA obligations to exercise its independent judgment based on the analysis in the RDEIR/SDEIS in deciding whether, and if so how, to approve and proceed with the Project, the Authority commits to continue to be a proponent and facilitator to design, fund, permit, construct, manage, govern, operate, and maintain the Project through the ongoing development of partnerships among Project Members, the federal government, DWR, and the State to complete the Project in the next decade. Consistent with these same CEQA obligations, the Reservoir Committee and Authority Board have authorized the Executive Director or the designee thereof, acting singly, to do any and all things and to execute and deliver any and all documents that such officers may deem necessary or advisable in order to comply with WSIP requirements with respect to the funding of the non-public benefit costs of the Project.

Pursuant to the requirements of California law, the provision of funding by the Authority and the other actions by the Authority pursuant to this letter are contingent on the Authority completing its CEQA review and exercising its discretion on whether to approve the Project based on that review. The Authority, therefore, reserves all of its rights, powers, responsibilities, obligations, and discretion with respect to the Project under CEQA, including the authority to adopt mitigation measures and/or a Project alternative to reduce any significant environmental impacts identified in the RDEIR/SDEIS; to disapprove the Project based on any significant impacts that cannot be mitigated (in which case the Project funding referenced herein will not be provided); and to approve the Project notwithstanding any significant environmental impacts that cannot be mitigated, if the Authority determines that these impacts are outweighed by the Project's social, economic, environmental, or other benefits.

The previous and ongoing agreements, expenditures, and Project development since the 2018 WSIP determination, together with the ongoing statewide and diverse partnerships among local, state and federal agencies developed over the past 11 years, demonstrate an established commitment of cost sharing that is expected to endure through the Project securing full funding from the CWC.

Thank you in advance for your continued support. The Authority is committed to continuing to partner with the State and Federal government to develop this generational Project.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to be 'Jerry Brown', is written over the typed name and title.

Jerry Brown, Executive Director

Sites Project Authority

Attachments:

1. Sites Project Members
2. Bureau of Reclamation Letter of Support

*****PARTICIPATION LEVELS ARE PRELIMINARY AND MAY BE ADJUSTED FOLLOWING REBALANCING*****

EXHIBIT A

PROJECT AGREEMENT MEMBERS

Participant	Third Amendment Participation		Percent
	Annualized Acre-Foot (Box "a")	Storage Allocation (Box "b")	
American Canyon, City of	4,000	24,936	2.4%
Antelope Valley-East Kern Water Agency	500	3,117	0.3
Carter Mutual Water Company #	300	1,870	0.2
Coachella Valley Water District	10,000	62,340	6.0
Colusa County	10,000	62,340	6.0
Colusa County Water District	10,073	62,795	6.0
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	29.8
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	12.8
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
Total:	167,620	1,044,943	100.0

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

Denotes a non-public agency. Refer to California Corporations Code Section 14300 et. seq. with additional requirements provided in both the Public Utilities Code and Water Code.



United States Department of the Interior

BUREAU OF RECLAMATION
2800 Cottage Way
Sacramento, CA 95825-1898



IN REPLY REFER TO:

CGB-100
2.2.4.21

VIA ELECTRONIC MAIL ONLY

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Sacramento, CA 94236-001
karla.nemeth@water.ca.gov

Subject: Letter of Support for the Sites Reservoir Project

Dear Ms. Nemeth:

On behalf of the Bureau of Reclamation, California Great Basin Region, I am writing to express our support for the Sites Reservoir Project, which will be owned and operated by the Sites Project Authority, with more than 30 participating agencies across California.

Reclamation has been actively involved in the development of the State-led water storage facility represented today as the Sites Reservoir Project for over two decades. Previously, the project was known as the North-of-the-Delta Offstream Storage (NODOS). NODOS was one of five potential surface water storage projects identified by the CALFED Bay-Delta Program (CALFED). In 2001, the U.S. Department of the Interior, Reclamation, and the California Department of Water Resources (DWR) began appraisal-level studies for the potential of new storage north of the Delta with the focus on water supply reliability needs. The appraisal-level studies evaluated reservoirs up to 2-million acre-feet (MAF) capacity.

Later, Reclamation was directed by Public Law 108-7 (Omnibus Appropriations Act of 2003) to conduct a feasibility-level investigation for NODOS. Under Reclamation leadership along with your Department's support, the Sites Reservoir Project was further developed through public outreach and preparation of draft environmental document in 2017 in accordance with the National Environmental Policy Act (NEPA) and the California Environmental Quality Act (CEQA). During this same period the Site Project Authority (Sites JPA) was formed in 2010, and the project governance, oversight and ownership transitioned solely to the Sites JPA where it will reside throughout the life of the Project.

Reclamation's Final Feasibility Report for the NODOS project, completed in 2020, evaluated a new off-stream storage facility northwest of the Sacramento-San Joaquin Delta and identified Sites Reservoir as the preferred project location. The final feasibility report is consistent with the requirements of Section 4007 of the Water Infrastructure Improvements for the Nation (WIIN Act), P.L. 114-322. Enacted in December 2016, the WIIN Act includes funding for additional water storage in California and in other Reclamation states. Section 4007 of the WIIN Act

Letter of Support for the Sites Reservoir Project

authorizes the Secretary of the Interior to participate in both Federally owned (4007(b)) and State-led (4007(c)) storage projects. Under the WIIN Act, the Secretary's cost-share investment can be up to 25% of the total cost of a State-led, project, such as the Sites Reservoir Project.

The Secretary of Interior's concurrence with the State and Sites JPA determination of financial and technical feasibility as required by the WIIN Act and transmittal to Congress was made on December 22, 2020, related to the Final Feasibility Report for NODOS. The Office of Management and Budget completed its review of the report and did not object to the Department of Interior submitting the report to Congress.

Since the transmittal to Congress, Reclamation has continued to work with the Sites JPA on various aspects of the project. Much of 2021, Reclamation worked collaboratively with the Sites JPA and DWR for the development of an operations framework for the Sites Project operations in conjunction with state and federal operational responsibilities. This effort has proved highly beneficial, and Reclamation believes with the construction of the Sites Project enhanced operations for the CVP can be achieved for environmental purposes as well as water supply.

Lastly, Reclamation is committed to the Sites Reservoir Project from a financial aspect to the extent allowed by the WIIN Act or any future legislation. In the most recent Congressional legislation related to water storage, the Sites Reservoir Project was appropriated \$80 million dollars. That brings the total Federal appropriations for the project to \$104 million. Reclamation anticipates future appropriations from Congress for up to the authorized cost-share related to the project.

In conclusion, the Sites Reservoir Project would provide vital water storage in a geographic location that can be used for a variety of purposes to support a large majority of Californians. We believe this project will further enhance the Central Valley Project operations ability to meet our environmental and water delivery requirements. Please do not hesitate to contact me if you require any further information at econant@usbr.gov.

Sincerely,

Ernest A. Conant
Regional Director

cc: Jerry Brown,
Sites Authority Executive Director
jbrown@sitesproject.org

Joseph Yun,
Executive Officer, California Water Commission
joseph.yun@water.ca.gov