

Water Storage Investment Program Quarterly Report

The Quarterly Report is intended to document applicants' progress toward complying with regulation section 6013 and receiving final WSIP funding, including any changes in the magnitude of public benefits that could affect cost allocation. Applicants must provide a summary level update of the project status for the requirements and milestones listed below. The template may be modified as necessary to effectively communicate information. If minimal activities occurred during a reporting period, the report can be condensed.

- Note any issues or concerns that have, will, or could affect milestones or requirements.
- Identify key issues, including legal issues such as lawsuits or injunctions related to the project, that need to be resolved.
- Discuss how the actual schedule is progressing in comparison to the schedule provided in the Initial Report or the last reported schedule.
- Update the project schedule as needed.
- Note any milestones or accomplishments that occurred since submittal of the prior Quarterly Report.

Project Information

Project Name:

Sites Reservoir Project

Applicant Name:

Sites Project Authority (Authority)

Date:

January 29, 2021

Reporting Period:

October 1, 2020 through December 31, 2020

General Update and Key Issues

Please provide a general update and describe any key issues that occurred during this reporting period. You may attach additional documents or pages if more space is needed:

The Sites Project Authority continues to advance the permits, approvals and agreements necessary for construction and operations in a reasonable timeframe and with Prop 1 requirements.

Refer to Attachment A for additional information.

Items Required Prior to Scheduling a Final Award Hearing

The following items must be provided prior to scheduling a hearing. As applicable, please describe the status, estimated completion date, and percent complete of:

1. Contracts for non-public cost share:

Status: Multiple agreements are planned. Refer to Attachment A
Estimated Completion Date: December 2021
Percent Complete: 65%

2. Contracts for administration of public benefits:

Status: In Progress. Refer to Attachment A
Estimated Completion Date: May 2023
Percent Complete: 5%

3. Completed feasibility studies:

Status: In Progress. Refer to Attachment A
Estimated Completion Date: July 2021
Percent Complete: 72%

4. Final environmental documentation:

Status: In Progress. Refer to Attachment A
Estimated Completion Date: June 2022
Percent Complete: 44%

5. All required federal, state, and local approvals, certifications, and agreements:

Status: In Progress. Refer to Attachment A
Estimated Completion Date: December 2022
Percent Complete: 13%

Items Required to Execute a Funding Agreement

Please provide an update, as applicable, on the following documents, which are needed to execute a funding agreement for the project:

- Applicant's audited financial statements
- Final project costs, schedule, and scope of work
- Evidence of bilateral communications
- Limited waiver of sovereign immunity (see regulations section 6013(f)(8))

Updates to information provided in the Initial Report or prior Quarterly Reports are only needed when a significant change has occurred. The Commission may request submittal of updated information prior to executing a funding agreement.

- Applicant's Audited Financial Statements: An audit for Fiscal Year 2018, which ended on December 31, 2018, was completed in July 2019. An audit for Fiscal Year 2019, which ended on December 31, 2019 was completed in June 2020. An audit of Fiscal Year 2020 which ended on December 31, 2020 will be initiated in April 2021.
- Final Project Costs, Schedule, and Scope of Work: Consistent with the draft feasibility and draft environmental documentation that include a range of project sizes, operations, benefits, and effects, the Authority continues to advance the studies needed to define the "right size project" to build under current conditions. This includes an updated due diligence of the project that prioritizes the creation of:
 - (1) Eligible public benefits (as defined in Proposition 1, Section 79753(a)) and consistent with both the Water Commission's July 2018 determinations and the Authority's application (i.e., in accordance with the beneficiary pays principle; state's resource managers would manage the state's investment, which includes operational decisions that are on an equal footing as agencies managing their investment to create non-Prop 1 water supply reliability benefits; and having the ability to provide these benefits over the project's service life);
 - (2) Water supply reliability benefits that are not eligible for funding under Prop 1, but are funded by the agencies who have been funding the studies to date.
- Evidence of Bilateral Communications: The Authority, Bureau of Reclamation (Reclamation) and Department of Water Resources (DWR) continue to maintain effective communication and collaboration. DWR and Reclamation are active in the Authority's Reservoir Committee. Additionally, the Authority and Reclamation participate in regular Project Integration meetings, Federal Feasibility Study meetings, engineering/geotechnical coordination meetings, and environmental coordination meetings.
- Limited Waiver of Sovereign Immunity: Not applicable.

Status Update

Provide a status update for the following, as applicable:

- Labor Compliance
- Urban Water Management Plans
- Agricultural Water Management Plans
- Groundwater Management or Groundwater Sustainability Plans
- Potential effect of other conditionally eligible projects on the applicant's public benefits

Updates to information provided in the Initial Report or prior Quarterly Reports are only needed when a significant change has occurred. The Commission may request submittal of updated information prior to executing a funding agreement.

Labor Compliance - No change since last reporting period

Urban Water Management Plans - Not applicable

Agricultural Water Management Plans - Not applicable

Groundwater Management or Groundwater Sustainability Plans - No change since last reporting period

Potential effect of other conditionally eligible projects on the applicant's public benefits

At its December 2020 meeting, Commission staff presented potential options for available funding due to the Temperance Flat Reservoir Authority's withdrawal from the Water Storage Investment Program (WSIP). Three options were presented for adjustment of the Maximum Conditional Eligibility Determination (MCED) for existing WSIP projects, including the Sites Reservoir Project. Because the Commission is considering several options for these funds, an update on this item is anticipated to be included in the next quarterly report.

Attachment A: Supplement for Reporting Period Ending December 30, 2020



Summary:

Sites Project is a multi-benefit solution to improve water supplies for people and the environment as well as to provide recreation and local flood control benefits. Foundational to the Project is the beneficiary pays principle and cooperative operations with the Central Valley Project and State Water Project. The WSIP application, that was the basis for the Water Commission's conditional determination in July 2018, was based on the Project's full build-out (i.e., 1,800,000 acre-feet of storage) to maximize water supply benefits for a diverse group of local agencies; the state, in accordance with Prop 1 requirements; and federal agencies, in accordance with the Water Infrastructure Investment for the Nation Act requirements. These benefits were estimated using the conditions incorporated into the CalSim model that was provided to all applicants and included a future climate change scenario.

Today, the Project continues to advance in parallel with other water management efforts throughout the State. The conditional commitments by the 30 participants from across the state in the Project, 23 of whom are investing to receive a direct water supply benefit, combined with the conditional state investment and level of federal interest, has identified that a "right sized" Project (i.e., closer to 1,500,000 acre-feet of storage along with additional facility changes) is more cost-effective and permissible. This "right-sized" Project continues to provide long-term annualized water supply benefits for both the local agencies and the State, in accordance with Prop 1 requirements, while also preserving the ability for a federal role.

To advance this "right sized" Project, additional technical and environmental studies are being undertaken which will form the basis for compliance with the January 1, 2022 Prop 1 deadline in the following areas:

- Feasibility Determination – This effort was continued during the previous reporting period to including development of a project management plan and leading to a full analysis.
- Revised and Recirculated Draft EIR/EIS – This effort has been underway for several months and scheduled progress continued through this reporting period for a July 2021 release. Coordination is occurring with Bureau of Reclamation on joint release of a Supplemental Draft EIS.
- 75% Local Cost Share Commitment – The Authority undertook a Strategic Planning process during the period that resulted in self-defining the documents to be adopted by September 2021 that will represent local cost share commitment commensurate with the State's commitment as follows: storage and supply contract term sheet, a plan of finance to repay borrowings for local costs, and a successor project agreement for the next period of work.

1.0 Items Required Prior to Scheduling a Final Award Hearing

1) Contracts for non-public cost share (ongoing)

Based on the following, the estimated completion date is December 2021 and the estimated percent complete is approximately 65%.

Local Project Participants (Participants): The original participation agreements were signed in 2016 and were replaced with new agreements effective April 1, 2019. The Authority is working with the Participants to extend the current agreement through 2021 which will include additional funding. A successor agreement will be needed to fund work beyond 2021. The Authority will be developing a Plan of Finance to evaluate project financing alternatives. The Authority will also collaborate with shared facility project partners to develop Facilities Use Agreement Term Sheets that will be used to develop the Storage and Supply Services Contract Term Sheet for local project participants. The Authority is coordinating with Water Commission staff to use the Plan of Finance, Storage and Supply Services Contract Term Sheet, and Successor Agreement to satisfy the 75% local cost share commitment for Proposition 1. The Authority met with Water Commission staff in December 2020 to discuss

Signed Amendment:

- Estimated Completion Date: November 2020
- Percent Complete: 100%

Facilities Use Agreement Term Sheets

- Estimated Completion Date: December 2021
- Percent Complete: 0%

Plan of Finance

- Estimated Completion Date: December 2021
- Percent Complete: 5%

Storage and Supply Services Contract Term Sheet

- Estimated Completion Date: December 2021
- Percent Complete: 5%

Successor Agreement:

- Estimated Completion Date: December 2021
- Percent Complete: 5%

Reclamation: The Authority and Reclamation amended the existing cost share agreement (2015) for continued planning and pre-construction activities. This first amendment extends the term for 5 additional years from the date it was signed. In addition, the Authority executed a financial assistance agreement with Reclamation in August 2020. This will provide \$6 million to the Sites Project with approximately half of this amount issued to the Authority and half to Reclamation for studies to further advance the Project. In December 2020 a new federal appropriation of \$13.7 million was approved for pre-construction and construction activities.

Signed Cost Share Amendment:

- Completion Date: December 16, 2019
- Percent Complete: 100%

Financial Assistance Agreement:

- Estimated Award Date: August 2020
- Percent Complete: 100%

2) **Contracts for administration of public benefits (ongoing)**

Based on the following, the estimated completion date is May 2023 and the estimated percent complete is approximately 5%.

State of California (WSIP): The Authority and the California Department of Fish and Wildlife (CDFW) are conducting focused discussions on aspects of a benefits agreement for ecosystem benefits. Preliminary discussions with the California Department of Water Resources (DWR) on a contract for administration of recreation and flood protection public benefits are being initiated shortly.

- Estimated Completion Date: May 2023
- Percent Complete: 5%

3) Completed Feasibility Studies (ongoing)

Based on the following, the estimated completion date is July 2021 and the estimated percent complete is approximately 72%.

Ongoing coordination efforts between the Authority and Reclamation culminated in the release of the Reclamation Compliant Feasibility Study (Final Feasibility Report) in December 2020. Completion of this study will allow for continued federal participation in the Project.

The Authority previously envisioned that the Reclamation compliant feasibility study would serve as the basis for preparing a final feasibility report meeting the Water Commission's criteria. Based on clarification provided during coordination meetings with Water Commission staff, the State Feasibility requirements will instead inform the post processing of the federal analysis that will occur in conjunction with finalizing the Supplemental EIS and issuance of a Record of Decision.

Reclamation Compliant Feasibility Study:

- o Completion Date: December 2020
- o Percent Complete: 100%

WSIP Compliant Feasibility Study:

- o Estimated Completion Date: July 2021
- o Percent Complete: 50%

The Authority and Reclamation are undertaking a second round of geotechnical investigations, which field work began in December 2020, for supplemental data to improve the Project's cost estimation accuracy and reduce construction cost-related risk. During this reporting period, all permits and approvals for this second round of geotechnical investigations were obtained (refer to items #4 and #5).

Supplemental Geotechnical Investigations - Field Work:

- o Start Date: December 2020
- o Estimated Completion Date: May 2021
- o Percent Complete: 15%

4) Final Environmental Documentation (ongoing)

Based on the following, the estimated completion date is June 2022 and the estimated percent complete is approximately 44%.

The Authority, as the state lead agency, and Reclamation, as the federal lead agency, continue to perform additional environmental analysis to support the development of the Revised Draft Environmental Impact Report / Supplemental Draft Environmental Impact Statement (Revised Draft EIR/Supplemental Draft EIS). During the reporting period, the Authority refined and further described the project alternatives while continuing analysis of construction-related environmental effects. Additionally, the Authority continued consultation with Native American tribes through AB 52 outreach efforts and conducted two project update workshops with non-governmental organizations. As of December 2020, administrative drafts of 19 chapters and appendices of the Revised Draft EIR/Supplement Draft EIS have been completed by the consultation team and reviewed by the Authority and Reclamation.

During the reporting period, the Authority finalized a second iteration of the Sites Project CalSim model that included full integration of modeling exchanges between Shasta Lake and Lake Oroville. Refinement of diversion criteria based on preliminary analysis is ongoing.

The Authority and Reclamation are undertaking a second round of geotechnical investigations to support the feasibility design effort. During this time period, the Authority completed and filed with Colusa and Yolo counties a California Environmental Quality Act Notice of Exemption and Reclamation completed a National Environmental Policy Act Categorical Exclusion for these geotechnical investigations.

Draft EIR/EIS:

- Completion Date: August 2017
- Percent Complete: 100%

Revised Draft EIR/EIS:

- Estimated Completion Date: July 2021
- Percent Complete: 35%

Final EIR/EIS:

- Estimated Completion Date: June 2022
- Final EIR/EIS, Percent Complete: 0%

5) **All required federal, state, and local approvals, certifications, and agreements (ongoing)**

Based on the following, the estimated completion date is December 2022 and the estimated percent complete is approximately 13%.

Federal: The Authority and Reclamation continue to prepare the draft Biological Assessment in compliance with the Federal Endangered Species Act and the draft Programmatic Agreement in compliance with Section 106 of the National Historic Preservation Act. During the reporting period, the Authority also initiated a working group for coordination efforts with the United States Army Corps of Engineers under Section 404 of the Clean Water Act.

- Estimated Completion Date: December 2021
- Percent Complete: 18%

State of California: The Authority continues to have productive meetings with CDFW to discuss the project, the permit application process, and supporting information to include in the permit applications. Ongoing work consists of coordination on species models and an approach to the species impact analysis along with continuing discussions on operations modeling, diversion criteria, and the resulting effects to species. During this time period, the Authority also brought on legal counsel to assist the Authority in the water right process and began developing initial parameters for the water right application. The estimated completion date of this effort has been extended to May 2023 to reflect an approximately 18-month process for obtaining a water right once the water right application has been submitted (target is December 2021 for application submittal).

- Estimated Completion Date: May 2023
- Percent Complete: 10%

Local: Beyond the second round of geotechnical investigations, the Authority facilitated coordination activities with landowners and local government agencies. The Authority intends to host a Project Townhall in January 2021.