

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:

October 30, 2020

Reporting Period:

July 1, 2020 through September 30, 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: 60%

2. Contracts for administration of public benefits:

Status: In Progress. Refer to Attachment A
Estimated Completion Date: May 2023
Percent Complete: 1%

3. Completed feasibility studies:

Status: In Progress. Refer to Attachment A
Estimated Completion Date: July 2021
Percent Complete: 65%

4. Final environmental documentation:

Status: In Progress. Refer to Attachment A
Estimated Completion Date: June 2022
Percent Complete: 40%

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.
- 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 | |
| | No change since last reporting period |

Attachment A: Supplement for Reporting Period Ending September 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 that included a future with climate change.

Today, the Project continues to advance in parallel with other water management efforts throughout the State including, but not limited to, the State Water Resources Control Board's update to the Bay-Delta Plan. The conditional commitments by the 28 local agencies from across the state in the Project, 21 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 1/1/22 Prop 1 deadline in the following areas:

- Feasibility determination – This effort was initiated during this 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 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 60%.

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 will coordinate 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.

Signed Amendment:

- Estimated Completion Date: November 2020
- Percent Complete: 80%

Facilities Use Agreement Term Sheets

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

Plan of Finance

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

Storage and Supply Services Contract Term Sheet

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

Successor Agreement:

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

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.

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 1%.

State of California (WSIP): The Authority and the California Department of Fish and Wildlife (CDFW) are conducting focused discussions on the state permit application processes (refer to item #5). Preliminary discussions with CDFW and DWR on a contract for administration of public benefits began in August 2020.

- o Estimated Completion Date: May 2023
- o Percent Complete: 1%

3) **Completed Feasibility Studies (ongoing)**

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

The Authority continues to work with Reclamation through the development of a Reclamation compliant feasibility report that will serve as the basis for preparing a final feasibility report meeting the Water Commission’s criteria. The Authority also met with Water Commission staff in July 2020 to discuss the Feasibility Requirements.

The Authority and Reclamation continue to update and refine the Feasibility Report from the version that was included as an attachment to the Authority’s WSIP application. Updated analysis includes the project’s feasibility as a locally sponsored storage project in compliance with WSIP requirements and the level of federal participation, which requires compliance with Reclamation’s requirements

Reclamation Compliant Feasibility Study:

- o Estimated Completion Date: July 2021
- o Percent Complete: 87%

WSIP Compliant Feasibility Study:

- o Estimated Completion Date: July 2021
- o Percent Complete: 42%

The Authority and Reclamation will be undertaking a second round of geotechnical investigations, anticipated to begin in December 2020, for supplemental data to improve the Project's cost estimation accuracy and reduce construction cost-related risk. Reclamation and the Authority have begun initial planning efforts, including development of a project description for CEQA and permitting efforts (refer to item #5).

Supplemental Geotechnical Investigations - Field Work:

- o Start Date: December 2020
- o Completion Date: March 2021
- o Percent Complete: 0%

4) **Final Environmental Documentation (ongoing)**

Based on the following, the estimated completion date is June 2022 and the estimated percent complete is approximately 40%.

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 completed development of a preliminary revised project description for the Revised Draft EIR/Supplemental Draft EIS. This revised project description will continue to be modified through December 2020 as additional operations and design information becomes available. In addition, the Authority completed an annotated outline for the Revised Draft EIR/Supplemental Draft EIS and began drafting the introductory sections of the document. The Authority also continued discussions with Reclamation on the EIS approach and confirmed that Reclamation will continue to serve in the NEPA lead agency role and that a Supplemental Draft EIS was the appropriate document.

During the reporting period, the Authority also began a number of revisions to the Sites Project Calsim model to incorporate in new baseline information based on the revised operations of the Central Valley Project and State Water Project. Revisions were also initiated to the model to: incorporate new and modified facilities as a result of the Value Planning effort; refine and add model parameters to allow for testing different possible diversion and environmental criteria; and operational changes related to the Bureau of Reclamation's Federal Feasibility Report for the Project.

The Authority and Reclamation will be undertaking a second round of geotechnical investigations and began the initial planning efforts, including development of a project description for CEQA and permitting efforts. This second round of geotechnical investigations are anticipated to begin in December 2020 (refer to item #3).

Draft EIR/EIS:

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

Revised Draft EIR/EIS:

- Estimated Completion Date: July 2021
- Percent Complete: 25%

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 continued development of a revised project description for the Biological Assessment and the Programmatic Agreement and began coordination 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 with CDFW was minimized throughout most of this quarter pending progress on the development of a revised project description. However, in September, the Authority began preparing to re-engage CDFW in discussions on the project's construction and operations. During the reporting period, the Authority began coordination with the State Water Resources Control Board on the project's water right application.

- Estimated Completion Date: December 2022
- Percent Complete: 10%

Local: The Authority and Reclamation will be undertaking a second round of geotechnical investigations and began the initial planning efforts, including development of a project description for CEQA and permitting efforts. Engagement with local agencies will occur in the coming months.