

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 28, 2022

Reporting Period:

October 1, 2021 through December 31, 2021

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: June 2022
Percent Complete: 95%

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: Complete. Refer to Attachment A
Completion Date: November 2021
Percent Complete: 100%

4. Final environmental documentation:

Status: In Progress. Refer to Attachment A
Estimated Completion Date: October 2022
Percent Complete: 65%

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

Status: In Progress. Refer to Attachment A
Estimated Completion Date: May 2023
Percent Complete: 30%

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: In August 2021, the Authority completed and approved an audit of Fiscal Year 2020 (which ended on December 31, 2020). The Authority anticipates completing an audit of Fiscal Year 2021 in mid-2022.
- 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 December 31, 2021



Summary:

The 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 – The Reclamation Compliant Feasibility Study was completed in December 2020. The Authority advanced the State Compliant Feasibility Study with submission of an administrative draft version in July 2021. The final version was submitted in November 2021. The California Water Commission made a determination of project feasibility on December 15, 2021.
- Revised Draft EIR/Supplemental Draft EIS – The Authority and Reclamation released the Revised Draft EIR/Supplemental Draft EIS for public review and comment in November 2021.
- 75% Local Cost Share Commitment – In November 2021, the Authority submitted the 75% Local Cost Share Commitment letter to the Director of the Department of Water Resources. Parallel to this effort, the Authority also advanced documents that will represent local cost share commitment including the 2021 Draft Sites Reservoir Benefits and Obligations Contract Guiding Principles and Preliminary Terms (Guiding Principles), a 2021 Draft Plan of Finance to repay borrowings for local costs, and a Third Amendment to the 2019 Reservoir Project Agreement (Amendment 3 Project Agreement) for work beyond 2021.

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 June 2022 and the estimated percent complete is approximately 95%.

Local Project Participants (Participants): The original participation agreements were signed in 2016 and were replaced with new agreements effective April 1, 2019. The agreements were subsequently amended in November 2020 to fund activities through the end of 2021. In September 2021, the Authority approved the Amendment 3 Project Agreement and associated work plan to fund work beyond 2021. The Authority is developing a 2021 Draft Plan of Finance to evaluate project financing alternatives. The Authority also is collaborating with shared project facility partners to develop Facilities Use Agreement Term Sheets that will be used to develop the Sites Reservoir Benefits and Obligations Contract Guiding Principles and Preliminary Terms (GPPT) with local project participants. The Authority held workshops with local project participants in October to discuss the considerations that will inform development of the 75% local cost share commitment deliverables.

75% Non-Public Cost Share Commitment Letter:

- Completion Date: November 2021
- Percent Complete: 100%

2021 Draft Facilities Use Agreement Term Sheets

- Completion Date: October 2021
- Percent Complete: 100%

2021 Draft Plan of Finance

- Completion Date: October 2021
- Percent Complete: 100%

2021 Draft Guiding Principles and Preliminary Terms

- Completion Date: October 2021
- Percent Complete: 100%

Amendment 3 Project Agreement:

- Completion Date: September 2021
- Percent Complete: 100%

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 (through 2024). In addition, the Authority executed a Financial Assistance Agreement with Reclamation in August 2020. This agreement provides \$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 November 2021, the Authority worked with Reclamation to amend the existing Financial Assistance Agreement to reflect additional scope to advance environmental planning and permitting activities. The Authority is working with Reclamation to develop a new Financial Assistance Agreement to include engineering, operations, and Project Controls activities to advance the Project.

Signed Cost Share Amendment:

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

Financial Assistance Agreement Amendment

- Completion Date: November 2021
- Percent Complete: 100%

Financial Assistance Agreement (New Agreement)

- Estimated Completion Date: June 2022
- Percent Complete: 5%

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 on a contract for administration of recreation and flood protection public benefits are ongoing.

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

3) Completed Feasibility Studies (complete)

Based on the following, the completion date was November 2021 and the estimated percent complete is approximately 100%.

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. The Authority submitted the administrative draft report in July 2021. After responding to CWC staff and reviewers' comments, the Authority submitted the final report in November 2021. The Feasibility Cost Estimate was approved by the Authority in June 2021.

Reclamation Compliant Feasibility Study:

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

WSIP Compliant Feasibility Study:

- o Estimated Completion Date: November 2021
- o Percent Complete: 100%

The Authority and Reclamation undertook a second round of geotechnical investigations which began in December 2020, for supplemental data to improve the Project's cost estimation accuracy and reduce construction cost-related risk. All permits and approvals for this second round of geotechnical investigations were obtained in 2020 prior to the start of work. The investigations concluded in May 2021.

Supplemental Geotechnical Investigations - Field Work:

- o Start Date: December 2020
- o Completion Date: May 2021
- o Percent Complete: 100%

4) Final Environmental Documentation (ongoing)

Based on the following, the estimated completion date is October 2022 and the estimated percent complete is approximately 65%.

The Authority, as the state lead agency, and Reclamation, as the federal lead agency, completed the development of the Revised Draft Environmental Impact Report / Supplemental Draft Environmental Impact Statement (RDEIR/SDEIS) during this reporting period. The RDEIR/SDEIS was released for public review and comment on November 12, 2021. The Authority and Reclamation hosted public meetings on the RDEIR/SDEIS on December 15 and 16.

The Authority is also planning to undertake additional geotechnical investigations from 2022 to 2024. The Authority issued a Notice of Exemption under CEQA for the Terminal Regulating Reservoir Early Evaluation Geotechnical Investigations. This activity includes additional geotechnical investigations in Colusa County between the existing Tehama Colusa Canal and the Glenn Colusa Main Canal to assist with determining the location of the Terminal Regulating Reservoir associated with the preferred alternative for the Project. Additional geotechnical investigations to inform 30 percent design efforts are also being planned and the Authority is currently evaluating these efforts and determining the appropriate CEQA analysis and necessary permits and approvals.

Draft EIR/EIS:

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

Revised Draft EIR/Supplemental Draft EIS:

- Estimated Completion Date: November 2021
- Percent Complete: 100%

Final EIR/EIS:

- Estimated Completion Date: October 2022
- Percent Complete: 0%

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

Based on the following, the estimated completion date is May 2023 and the estimated percent complete is approximately 30%.

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. In addition, the Authority is working with the U.S. Army Corps of Engineers (USACE) under Section 404 of the Clean Water Act.

- Estimated Completion Date: March 2022
- Percent Complete: 40%

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. During the time period, the Authority largely completed the analysis and preparation of the Project's Construction Incidental Take Permit application. The Project's Construction Incidental Take Permit application is anticipated to be submitted in January 2022. Ongoing work on the Operations Incidental Take Permit application focused on continuing discussions on operations modeling, diversion criteria, and the resulting effects to species. During this time period, the Authority also continued coordination for the water right process including regular meetings with the State Water Resources Control Board staff on the water right application. The Authority also continued preparation of a Clean Water Act, Section 401 Individual Permit application and associated discussions with the State Water Resources Control Board.

- Estimated Completion Date: May 2023
- Percent Complete: 20%