



Notice of Meeting

STATE WATER SUBCONTRACTORS ADVISORY COMMITTEE

SAN LUIS OBISPO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

Wednesday, May 27, 2020 – 2:00 to 3:00 PM

In accordance with the directives provided by Governor Newsom (Executive Order N-29-20), this meeting will be conducted as a phone-in and web-based meeting. Members of the public may participate via conference call and webinar.

Phone line: 646-749-3112

Access Code: 289-152-109

Webinar: <https://global.gotomeeting.com/join/289152109>

Public comments can be submitted to: wthomson@co.slo.ca.us

For more information: <https://www.slocounty.ca.gov/Departments/Public-Works/Committees-Programs/State-Water-Project-and-Subcontractors-Advisory-Co.aspx>

Chair: Brad Hagemann (Avila Beach CSD)

Vice-Chair: Ben Fine (Pismo Beach)

AGENDA

- I. **Call to Order:** Roll Call & Quorum Count
- II. **Public Comment** (*For matters within the Committee's jurisdiction. May be limited to three minutes each.*)
- III. **Review of Last Meeting's Minutes**
 - A. Approve Minutes from Mar. 25, 2020
- IV. **Water Delivery Operations Report**
 - A. 2020 Delivery Update & End of Year Stored Water Projection
- V. **Ongoing Updates** (Informational Only)
 - A. Oroville: Financial impact of emergency response & recovery effort
 - B. Water supply contract extension amendment
 - C. DCP negotiations
 - D. Water management contract amendment
- VI. **Committee Action Items**
 - A. Consider recommending the District enter into a Funding Agreement with the Central Coast Water Authority to participate in a State Water Project-Water Management Tools Study.
- VII. **Future Agenda Items**

Next Regular Meeting is July 22, 2020

Attachments

1. Draft Minutes – March 25, 2020
2. Agenda Item IV – Staff Report
3. Agenda Item V – Staff Report
4. Agenda Item VI.A – Staff Report (**UPDATED**)

CONTACT: *All Americans with Disabilities Act (ADA) accommodations shall be promptly reviewed and resolved.* Persons who require accommodations for any audio, visual or other disability in order to review an agenda, or to participate in the meeting of the State Water Subcontractors Advisory Committee per the ADA, are encouraged to request such accommodation 48 hours in advance of the meeting from SWSAC Secretary, Wes Thomson at (805) 781-5252.

The purpose of the Committee is, "to monitor all aspects of this agreement and related agreements and to advise the governing bodies of District and Contractor on the functioning of this agreement and related agreements, and to recommend to the governing bodies of District and Contractor any modifications to said agreements that may, from time to time, be appropriate."
(Art. 31, Water Supply Agreement, 1992)



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STATE WATER SUBCONTRACTORS ADVISORY COMMITTEE

SAN LUIS OBISPO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

*****CONFERENCE CALL / WEBINAR ONLY*****

Wednesday, May 27, 2020 – 2:00 to 3:00 PM

Important Notice Regarding COVID-19 Based on guidance from the California Department of Public Health and the California Governor's Officer, in order to minimize the spread of the COVID-19 virus, please note the following:

1. The meeting will only be held telephonically and via internet via the number and website link information provided on the agenda. After each item is presented, Committee Members will have the opportunity to ask questions. Participants on the phone will then be provided an opportunity to speak for 3 minutes as public comment prior to Committee deliberations and/or actions or moving on to the next item. The chat function on the webinar may also be used to submit comments and ask questions and will be verbalized by staff during the public comment period for each item. How to use the chat function will be demonstrated at the beginning of the meeting.
2. The Committee's agenda and staff reports are available at the following website:
<https://www.slocounty.ca.gov/Departments/Public-Works/Committees-Programs/State-Water-Project-and-Subcontractors-Advisory-Co.aspx>.
3. If you choose not to participate in the meeting and wish to make a written comment on any matter within the Committee's subject matter jurisdiction, regardless of whether it is on the agenda for the Committee's consideration or action, please submit your comment via email or U.S. Mail by 5:00 p.m. on the Tuesday prior to the Committee meeting. Please submit your comment to Wes Thomson at wthomson@co.slo.ca.us. Your comment will be placed into the administrative record of the meeting.
4. If you choose not to participate in the meeting and wish to submit verbal comment, please call (805) 781-5252 and ask for Wes Thomson. If leaving a message, state and spell your name, mention the agenda item number you are calling about and leave your comment. The verbal comments must be received by no later than 9:00 a.m. on the morning of the noticed meeting and will be limited to 3 minutes. Every effort will be made to include your comment into the record, but some comments may not be included due to time limitations.

Mailing Address:

Attn: Wes Thomson
County Government Center, Room 206
San Luis Obispo, CA 93408

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MINUTES (Draft)

Chairperson: Brad Hagemann
Vice Chairperson: Ben Fine
Secretary: Wes Thomson

The following action minutes are listed as they were acted upon by the State Water Subcontractors Advisory Committee (SWSAC) and as listed on the Regular Meeting agenda for **March 25^h, 2020**, together with staff reports and related documents attached thereto and incorporated therein by reference.

I. Call to Order & Roll Call (Quorum Count)

- a. Call to order at approx. 2:00 PM; a quorum of 5+ was established.
- b. Election of Officers: Brad Hagemann volunteered to be chair (motion), seconded by Ben Fine, unanimously passed. Ben Fine volunteered to be vice chair (if Michael Fitzpatrick is declines), Rob Livick seconded, unanimously passed.

II. Public Comment

Ben Fine announced upcoming joint council meeting between Pismo, Grover Beach & Arroyo Grande, concerning presentation of a new MOA.

III. Review of Last Meeting's Minutes

Minutes from the November 20, 2019 were reviewed and approved. Motion by Ben Fine, seconded by Shirley Gibson. Unanimously approved.

IV. Water Delivery Operations Report

- a. 2020 Water Delivery Report (thru Feb 2020). DWR has allocation currently at 15%. DWR has indicated they may increase the allocation depending on the results of the April report.
- b. Projected 2020 "End of Year" Stored Water. 2020 began with 12,500 AF in San Luis Reservoir. Projects for end of 2020 year storage is 11,462 AF.

V. Ongoing Updates:

- a. Water management contract amendment and proposed joint study with CCWA
 - i. Re: Joint study – the RFP is being prepared in coordination with CCWA, to ideally have study started by July 1. The ongoing pandemic may affect the schedule.
 - ii. Hagemann asks about cost. Thomson says the target budget for the total cost expected to be 100-150k, split 50-50 between District and CCWA.
 - iii. Livick asks about a financial arrangement for the District and Subs. Courtney says it may be a 3-way split between District, District allocation and Subcontractors. Sherri says it would likely be included in the fixed costs.
- b. DCP negotiations with DWR: see staff report.
- c. Water supply contract extension amendment: see staff report.
- d. Advisory committee appointments and bylaws: see staff report.

VI. Discuss Future Agenda Items

District will provide updates on the following:

- Board direction/action on WMT Study and amendment; tentatively planned for May; District may send an email for special meeting or comments on staff report prior to BOS meeting.

Meeting Adjourned at 3:08 PM.

DRAFT

TO: State Water Subcontractors Advisory Committee
FROM: Wes Thomson, P.E.
DATE: May 27, 2020
SUBJECT: Agenda Item IV: Water Delivery Operations Report

Recommendation

Receive updates on the 2020 SWP water delivery operations report.

Discussion

- A. 2020 Delivery Update & End of Year Stored Water:** See attached report.
Estimated 2020 "End of Year" Stored Water to be provided at SWSAC meeting.

2020 STATE WATER DELIVERIES (DRAFT)

		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
<i>SHANDON TO</i>	CSA 16	0.0	0.0	0.0	0.0	-	-	-	-	-	-	-	-	0
<i>CHORRO V. TO</i>	CMC	29.6	29.1	32	31	-	-	-	-	-	-	-	-	122
	County Ops	31.4	30.9	34	33	-	-	-	-	-	-	-	-	130
	Cuesta	14.4	14.1	17	16	-	-	-	-	-	-	-	-	61
	City of Morro Bay	75.5	81.9	73	77	-	-	-	-	-	-	-	-	308
<i>LOPEZ TO</i>	City of Pismo Beach	9.0	64.4	24	39	-	-	-	-	-	-	-	-	136
	Oceano CSD	0.0	0.0	0	0	-	-	-	-	-	-	-	-	0
	San Miguelito MWC	7.9	11.9	9	10	-	-	-	-	-	-	-	-	39
	Avila Beach CSD	1.0	1.0	1	1	-	-	-	-	-	-	-	-	4
	Avila Valley MWC	0.8	1.0	1	2	-	-	-	-	-	-	-	-	4.8
	San Luis Coastal USD	0.1	0.1	0	0	-	-	-	-	-	-	-	-	0.2
	TOTAL	170	234	191	210	0	805							

- Note:** 1. Deliveries based on CCWA monthly delivery reporting and subcontractor request.
2. All delivery values reported are in volumetric units of acre-feet (AF).

2020 DELIVERY REQUESTS

		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
<i>SHANDON TO</i>	CSA 16	0	0	0	0	0	0	0	0	0	0	0	0	0
<i>CHORRO V. TO</i>	CMC	33	33	33	33	33	33	33	33	33	33	33	33	396
	County Ops	35	35	35	35	35	35	35	35	35	35	35	35	420
	Cuesta	16	16	17	17	17	17	17	17	17	17	16	16	200
	City of Morro Bay	100	100	100	100	100	100	100	100	100	100	100	100	1200
<i>LOPEZ TO</i>	City of Pismo Beach	9	0	19	39	68	70	100	90	70	85	39	19	608
	Oceano CSD	0	0	0	0	0	0	0	30	30	30	30	30	150
	San Miguelito MWC	7	7	10	12	13	13	13	12	9	9	7	8	120
	Avila Beach CSD	1	1	1	1	1	2	3	2	1	1	0	0	14
	Avila Valley MWC	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.0	2.0	20
	San Luis Coastal USD	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	6
	TOTAL	203	194	217	240	270	273	304	322	298	313	262	244	3134

Note: DWR delivery allocation assumed* = 100%

*Assumes District can supply requested delivery under 100% allocation scenario.

STATE WATER PROJECT

San Luis Obispo County Flood Control and Water Conservation District

P:\State Water\Water Ops\DELIVERY\Actuals\2020\District Accounting and Analysis\200527-Subcon-Deliveries thru April 2020_DRAFT

Prepared by WT, 5/22/2020

TO: State Water Subcontractors Advisory Committee

FROM: Wes Thomson, P.E.

DATE: May 27, 2020

SUBJECT: Agenda Item V: Ongoing Updates

Recommendation

Receive updates on various ongoing efforts.

Discussion

A. Oroville Financial Impact of emergency response & recovery effort.

DWR just initiated a second appeal to address costs presented for FEMA coverage reimbursement; that effort is now in process and could take another year or so until it is resolved, but it is estimated to be about a 5% chance of success (based on past second appeals). So it could change the total cost for Oroville repairs by about \$160M (that's the latest number tied to the second appeal) in addition to other costs that they will get passed on to all the Contractors (statewide). We will work on getting more details on potential impact to the District as soon as we can.

B. Water Supply Contract Extension Amendment.

Staff just learned this week that DWR is estimating that they may be in a position as soon as 2024 to begin implementation of the water supply contract extension amendment, and will report back once we've had an opportunity to better understand the timeline and implications for the District as it considers the decision to extend the contract.

C. DCP Negotiations.

The AIP negotiations between DWR and the Contractors reached a conclusion on April 30, 2020, with the Contractors and DWR agreeing to return at a later date to fill in the table indicating PWA participation and finalizing the AIP (see attached).

D. Water Management Contract Amendment.

Water Management "Tools" (WMT) Contract Amendment – DWR is finalizing the draft agreement and in the process of completing the required CEQA documentation. DWR has indicated that it is committed to wrapping this effort up in a timely manner and is prioritizing it to be ready for consideration in the near future.

Proposed Joint Study with CCWA – See Committee action item in this agenda packet.

AGREEMENT IN PRINCIPLE

April 30, 2020

This Agreement in Principle has been developed from the State Water Contractor Public Water Agencies' offers presented from July 24, 2019 to present, Department of Water Resources' offers presented from July 31, 2019 to present, and information discussed and presented by the technical and legal work groups.

Agreement in Principle for the State Water Project Water Supply Contract Amendment on a Delta Conveyance Project

This Agreement in Principle (**AIP**) is by and between certain State Water Project Public Water Agencies (**PWAs**) and the State of California through the Department of Water Resources (**DWR**) for the purpose of amending the State Water Project Water Supply Contracts.

AIP Objective:

1. Develop an agreement between the State Water Project Contractor Public Water Agencies and Department of Water Resources to equitably allocate costs and benefits of a potential Delta Conveyance Facility that preserves operational flexibility such that the Department of Water Resources can manage the State Water Project to meet regulatory requirements, contractual responsibilities, and State Water Project purposes.

AIP Outline:

- I. Definitions
- II. Objective 1 - Availability of an option to opt out of costs and benefits of Delta Conveyance Facilities of the State Water Project
- III. Objective 2 - Availability of an option to assume, or partially assume, costs and benefits of Delta Conveyance Facilities of the State Water Project
- IV. Objective 3 - Pursuit of State Water Project Delta Conveyance Facilities under the State Water Project Water Supply Contracts
- V. Objective 4 - Delta Conveyance Facility billing
- VI. Objective 5 - Delta Conveyance Facility benefits allocation
- VII. Objective 6 - Affect upon other Water Supply Contract provisions
- VIII. Other Provisions
- IX. Environmental Review Process
- X. Authorized Representative Signatures

I. Definitions

- a. **Clifton Court Forebay** shall mean the existing State Water Project diversion at Clifton Court Forebay facility through its intake located on Old River in the southern Delta and the associated Skinner Fish Facility.
- b. **Delta** shall mean the Sacramento-San Joaquin Delta as defined in Section 12220 of the California Water Code on the date of approval of the Bond Act by the votes of the State of California.
- c. **Delta Conveyance Facility (DCF)** shall mean those facilities of the State Water Project consisting of a water diversion intake structure, or structures, located on the Sacramento River and connected by facilities to Banks Pumping Plant in the southern Delta with a single tunnel that will serve the water supply purposes of the State Water Project.
- d. **DCF Benefits** shall mean those water supply and capacity benefits attributable to the DCF including but not limited to: (1) Table A water supplies; (2) Article 21 water supplies; (3) carriage water savings; (4) reliable water supply and use of DCF available capacity in the event of a temporary or permanent physical, regulatory, or contractual disruption of southern Delta diversions; and (5) use of DCF available capacity to move non-project water through the proposed DCF.
- e. **Fair Compensation** shall include but is not limited to capital recovery, operations and maintenance, replacement, and variable charges associated with the use of the DCF capacity.
- f. **State Water Project (SWP)** shall mean the State Water Resources Development System as described in California Water Code section 12931.
- g. **State Water Project Contractor Public Water Agencies (PWAs)** shall include the 29 entities holding State Water Project Water Supply Contracts with the Department of Water Resources.

II. Objective 1 - Availability of an option to opt out of costs and DCF Benefits

- a. This AIP makes available to each PWA an option to opt out of the costs and benefits of the DCF through a contract amendment that establishes a Statement of Charges (SOC) percentage of DCF Benefits based on the percentages in the Delta Conveyance Allocation Factors table to water attributable to the DCF, as described in Section VI of this AIP.
- b. PWAs indicating an intent to opt out of costs and benefits of the DCF shall be described in Section VI(a) of this AIP.
- c. An option to opt out of DCF costs and benefits are limited such that a PWA must opt out of at least a minimum 100% of its Municipal and Industrial Table A or 100% of its Agricultural Table A. This provision doesn't prohibit a PWA from taking more than their Table A share, if available, in the Delta Facilities Allocation Factor table.

- III. Objective 2 - Availability of an option to assume additional costs and benefits of the DCF
- a. This AIP makes available to each PWA an option to assume additional costs and benefits of the DCF through a contract amendment that establishes additional costs on the SOC in exchange for DCF Benefits based on the percentages in the Delta Conveyance Allocation Factors table to water attributable to the DCF, as described in Section VI of this AIP.
 - b. PWAs indicating an intent to assume DCF costs and benefits shall be described in Section VI(b) of this AIP.
- IV. Objective 3 - Pursuit of State Water Project Delta Conveyance Facilities under the State Water Project Water Supply Contracts
- a. The DCF shall be constructed and operated as an integrated component of the State Water Project, and DWR will continue to operate the State Water Project at its sole discretion.
 - b. The DCF is an authorized component of the State Water Project pursuant to California Water Code sections 11100 et seq. and 12930 et seq.
 - c. Effective Date: A contract amendment pursuant to this AIP shall have an effective date no sooner than the billing transition date set forth in State Water Project Water Supply Contract Amendment known as The Contract Extension Amendment.
 - d. Administration of DCF: DWR will forecast and account for Project Water attributable to the DCF and DWR will determine whether or not that Project Water would not have been available at Clifton Court Forebay. A whitepaper describing the DWR's and the PWAs' current understanding of the approach on forecasting, administration, and accounting is contained in Attachment 1. Attachment 1 will not be incorporated into contract language.
- V. Objective 4 - Delta Conveyance Facility billing
- a. These costs would be billed to and collected from SWP PWAs consistent with the Delta Facilities Allocation Factor table below through their annual SOC.
 - b. Delta Conveyance Facilities Charge Components:** All capital and minimum operations, maintenance, power and replacement (OMP&R) costs associated with the DCF are 100% reimbursable and shall be recovered by DWR from PWAs through their annual SOC's consistent with the Delta Facilities Allocation Factor table. These costs shall be allocated to and billed under two new charges as follows:
 - (1) Delta Conveyance Facilities Capital Charge Component.
 - (2) Delta Conveyance Facilities Minimum OMP&R Component.
 - c. Delta Conveyance Facilities Capital Charge Component Method of Computation**
 1. This computation will recover actual annual debt service created by financing activities (Financing Method) for DCF.

2. Each Financing Method shall provide an annual repayment schedule, which includes all Financing Costs.
 3. Financing Costs shall mean the following: Principal of and interest on Revenue Bonds, debt service coverage required by the applicable bond resolution or indenture in relation to such principal and interest, deposits to reserves required by the bond resolution or indenture in relation to such Revenue Bonds, and premiums for insurance or other security obtained in relation to such Revenue Bonds.
- d. Financing Method shall be divided into four categories: DCF Capital Costs paid with the proceeds of Revenue Bonds; DCF Capital Costs paid with amounts in the State Water Resources Development System Reinvestment Account; DCF Capital Costs paid annually for assets that will have a short Economic Useful Life or the costs of which are not substantial, and DCF Capital Costs prepaid by the PWAs consistent with the Delta Facilities Allocation table.
 - e. DCF Capital Charge Component should be allocated to the PWAs in proportion to the Delta Conveyance Facilities Allocation Factors for each calendar year and consistent with the Delta Facilities Allocation Factor table.
 - f. **Delta Conveyance Facilities Minimum OMP&R Charge Component Method of Computation**
 1. Recovery will be estimated and/or actual annual OMP&R costs determined for the DCF each year.
 2. DCF Minimum OMP&R Charge Component shall be allocated to the PWAs in proportion to the Delta Conveyance Facilities Allocation Factors for each calendar year.
 - g. **Delta Conveyance Facilities Energy Charges:** The DCF energy costs are 100% reimbursable by the PWAs and the methodology will be determined by DWR, reviewed in the SWRDS Finance Committee, and approved by the Director.
 - h. **Redetermination:** These charges shall be subject to redetermination.
 - i. **Step-up:** PWAs that execute a contract amendment to opt out will not be allocated any portion of a step-up required in the event of a default on a DCF Capital Charge.
 - j. **Delta Conveyance Facilities Allocation Factors:** The following table is a preliminary allocation of DCF participation percentages. Only PWAs with a greater than 0 percentage would be billed for DCF Charge Components through their annual SOC, using the Delta Conveyance Facility Allocation Factors described in the table. PWAs with a zero allocation factor would not be billed for repayment of costs for construction, operation and maintenance of facilities associated with DCF, except to the extent there is a permanent transfer of Table A which would increase a PWA from a greater than zero allocation factor through a subsequent contract amendment.

Public Water Agency	Delta Conveyance Facilities Allocation Factors
City of Yuba City	0
County of Butte	0
Plumas County FC&WCD	0
Napa County FC&WCD	0
Solano County Water Agency	0
Alameda County FC&WCD, Zone 7	
Alameda County Water District	
Santa Clara Valley Water District	
Dudley Ridge Water District	
Empire-West Side Irrigation District	0
Kern County Water Agency-Total	
County of Kings	0
Oak Flat Water District	0
Tulare Lake Basin Water Storage District	0
San Luis Obispo County FC&WCD	
Santa Barbara County FC&WCD	0
Antelope Valley-East Kern Water Agency	
Santa Clarita Valley Water Agency	
Coachella Valley Water District	
Crestline-Lake Arrowhead Water Agency	
Desert Water Agency	
Littlerock Creek Irrigation District	0
Mojave Water Agency	
Palmdale Water District	
San Bernardino Valley Municipal Water District	
San Gabriel Valley Municipal Water District	
San Geronimo Pass Water Agency	
The Metropolitan Water District of Southern California	
Ventura County Watershed Protection District	
Total	100.000%

VI. Objective 5 - Delta Conveyance Facility Benefits Allocation

- a. PWAs that execute a contract amendment to opt out of DCF costs and benefits will agree, within that amendment, to the following:
 - i. Charges as set forth in Section V of this AIP will not appear on its SOC.
 - ii. Forego and waive any contractual rights to the following:
 - a. Right to or delivery of Project Water attributable to the DCF, provided that DWR determines that such water would not have been available for diversion at Clifton Court Forebay. This AIP will not modify the amounts within Table A but will memorialize this limited reduction for DCF Benefits by adding a footnote to the PWA's Table A to reflect their zero allocation for DCF Benefits.
 - b. Any contractual rights to or delivery of Article 21 Interruptible Water prior to the point(s) in time each year DWR determines that a volume of water equal to the volume of current year Project Water for Table A in San Luis Reservoir attributable to DCF in the SWP share of San Luis Reservoir storage will be displaced or evacuated by a quantity of exports equal to the quantity of exports from Clifton Court Forebay that would have been stored in San Luis Reservoir absent the DCF. Provided that, when Article 21 Interruptible Water supply is greater than demand from PWAs with a greater than zero Delta Conveyance Facility Allocation factor, Article 21 Interruptible Water will be made available to all PWAs based on Table A percentage.
 - c. Any contractual rights to or delivery of Article 21 Interruptible Water attributable to the DCF after a volume of water equal to the volume of current year Project Water for Table A in San Luis Reservoir attributable to DCF has been evacuated or displaced by the exports from Clifton Court Forebay that would have been stored in San Luis Reservoir absent DCF. Provided that, when Article 21 Interruptible Water supply is greater than demand from PWAs with a greater than zero Delta Conveyance Facility Allocation Factor, Article 21 Interruptible Water will be made available to all PWAs based on Table A percentage.
 - d. Right to use DCF conveyance capacity unused by DWR for SWP purposes to convey non-project water, except as provided in subsection h.
 - e. Right to use available DCF conveyance capacity to convey Project Water in the event that pumping directly from the south Delta is prevented or impaired by a physical, regulatory or contractual disruption, including but not limited to sea level rise, seismic events, flooding, or other uncontrollable event.
 - f. Right to carriage water savings that DWR determines are realized during its operation of any DCF for purposes of conveying Project Water.
 - g. Right to any credit from Fair Compensation collected by DWR for use of available DCF conveyance capacity.

VIII. Other Provisions

- a. Clifton Court Forebay Diversion Priority: In the event that DWR uses its discretion to move Project Water through the DCF that could have been moved through Clifton Court Forebay Intake, PWAs with a greater than zero Delta Conveyance Facilities Allocation Factor will be given a first priority of available capacity, as determined by DWR, based on their percentage in section V to move up to that same amount of non-project water at Clifton Court Forebay Intake.

IX. Environmental Review Process

DWR and the PWAs agree that this AIP is intended to be used during the environmental review process for the California Environmental Quality Act (CEQA), to define the proposed project description for the purposes of CEQA, and to permit the next steps of the SWP water supply contract amendment process, including scoping and the preparation of the EIR. The AIP principles are not final contract language and do not represent a contractual commitment by either DWR or the PWAs to approve any proposed project or to sign contract amendments. By concurring with the AIP, DWR and the PWAs express their intent to move forward with the CEQA process with DWR as lead agency and the PWAs as responsible agencies, and ultimately develop a proposed project consisting of contractual amendments consistent with the AIP principles and prepare the EIR for consideration by DWR and the PWAs.

At the end of the CEQA process and in compliance with CEQA, DWR and the PWAs will each individually evaluate the EIR and Contract Amendment, exercise their independent judgment, and determine whether or not to certify the EIR, approve the proposed project and sign the contract amendment or to approve an alternative project. Consequently, even though DWR and the PWAs have agreed to the AIP for the purposes described in the preceding paragraphs, DWR and each PWA retain their full discretion under CEQA to consider and adopt mitigation measures and alternatives, including the alternative of not going forward with the proposed project.

Attachment 1: Final White Paper

I. Background

This white paper describes current understanding of how the Department of Water Resources (DWR) would account for and administer the Delta Conveyance Facility (DCF) Benefits. DWR will include information regarding the accounting and administration of water attributable to DCF in relevant Notice(s) to State Water Project Contractors consistent with prior practice. No legally binding obligations are created by this white paper. This white paper may be updated from time to time by DWR, in consultation with the Public Water Agencies (PWAs), in response to factors including, but not limited to, changes in laws, regulations or permits applicable to DWR and/or the State Water Project (SWP). Capitalized terms not defined herein shall have the meanings ascribed to them in the DCF Agreement in Principle (AIP).

II. Draft Delta Conveyance Accounting and Administration Concepts

The DCF will be integrated into the State Water Project and operated to provide maximum flexibility to meet water supply, regulatory requirements and contractual obligations. There are some PWAs that may opt out of the DCF Benefits and charges. For this reason, it will be necessary to account for DCF Benefits. DCF Benefits are described in the AIP and are “those water supply and capacity benefits attributable to the DCF including but not limited to: (1) Table A water supplies; (2) Article 21 water supplies; (3) carriage water savings; (4) reliable water supply and use of DCF available capacity in the event of a temporary or permanent physical, regulatory, or contractual disruption of southern Delta diversions; and (5) use of DCF available capacity to move non-Project Water through the proposed DCF.” To account for DCF Benefits, DWR will need to determine the amount of water attributable to the DCF. DWR will primarily use two tools: 1) **forecasting** Project Water attributable to the DCF for the coming year; and, 2) **accounting** for Project Water attributable to the DCF in a timely manner. Both are described below.

A. Forecasting- DWR will forecast, as shown below, to quantify the amount of Project Water attributable to DCF.

1. DWR anticipates that it will provide three water supply allocation forecasts:
 - a. North of Delta allocation that includes water attributable to the south Delta diversions (similar to current practice).
 - b. South of Delta allocation that includes water attributable to the south Delta diversions (similar to current practice).
 - c. Allocation of water attributable to the DCF.
2. The allocation forecasts will continue to be updated monthly and each forecast will include updated information on hydrology including runoff projections, SWP storage conditions, PWA demands, regulatory requirements, and actual exports attributable to the south Delta diversions and the DCF.

3. DWR will continue to include in the allocation forecasts any potential DCF capacity available for conveyance of non-Project Water.
4. Seasonal Forecast: Should conditions warrant additional forecasts, (i.e. wet hydrological conditions and/or DWR determines that San Luis Reservoir is likely to fill) DWR will provide more frequent forecasts on one or more of the following:
 - a. San Luis Reservoir fill projection.
 - b. Potential Article 21 availability.

B. Accounting

1. DWR will continue to create operational schedules for the south Delta and the DCF which will include any operational constraints and in accordance with applicable regulatory requirements and contractual obligations in order to account for water attributable to the DCF.
2. DWR will reconcile water exports attributable to DCF and the south Delta facilities in a timely manner.
3. If there is a difference in the amount of water conveyed through the south Delta facilities between the planned operations and actual operations there will be a determination about the cause of any identified differences. If the difference is due to a physical, regulatory, or contractual disruption of south Delta diversions or other south Delta restrictions, then water conveyed through the DCF will be considered water attributable to DCF. If the difference is the result of DWR's discretionary decision to convey Table A water through the DCF instead of south Delta, no charge/credit will occur. However, DWR will estimate the carriage water savings associated with the discretionary use of DCF and carriage water savings will be considered water attributable to DCF.
4. Carriage water savings that DWR determines are realized by conveying Project Water through the DCF that would have otherwise been moved through the south Delta facilities, will be credited to Participants. PWAs with a zero Delta Conveyance Allocation Factor that make arrangements with DWR to pay for use of available capacity in the DCF for non-Project Water may be credited carriage water savings associated with this use.
5. Available DCF capacity, as determined by DWR, to convey transfers and exchanges of Project Water between PWAs with a Delta Conveyance Facility Allocation Factor of zero and PWAs with a greater than zero Delta Conveyance Facility Allocation Factor is interpreted as capacity in the DCF attributed to the PWAs with a greater than zero Delta Conveyance Facility Allocation Factor and no additional capital or minimum operations, maintenance, power and replacement (OMP&R) charges for use of DCF capacity will apply notwithstanding any PWA's interpretation of existing contract language to the contrary. Nothing in this provision shall be construed as altering any party's position regarding the application for use of facility charges in other contexts.

6. **Article 21 attributable to DCF for South of Delta PWAs:** As set forth in the AIP, PWAs opting out of the DCF will influence the administration of water made available pursuant to Article 21. To determine the quantity of Article 21 water that PWAs with a zero Delta Conveyance Facilities Allocation Factor will initially forego and the quantity of Article 21 water those PWAs with a Delta Conveyance Facilities Allocation Factor greater than zero will receive, it is necessary to determine the amount of water attributable to the DCF in the San Luis Reservoir at Point A. Determining this water quantity will provide the basis upon which DWR can administer the DCF Benefits contained in the contract amendment that results from the AIP.

a. Process (See Table 1):

- i. **Point A:** The point at which DWR determines Article 21 water attributable to DCF will be available. DWR will determine volume of Project Water for Table A attributable to the DCF in San Luis Reservoir.
- ii. DWR will work with PWAs to develop an accounting methodology that considers exports attributed to DCF, exports from south Delta facilities, deliveries to PWAs, San Luis Reservoir fill point and the PWAs DCF allocation factors to determine the volume of Project Water for Table A in San Luis Reservoir attributable to DCF at Point A.
- iii. **Point B:** The point at which DWR determines Article 21 water would have been made available absent Project Water for Table A attributable to DCF in San Luis Reservoir, and/or DWR determines through the accounting process that San Luis Reservoir would have filled absent current year Project Water attributable to DCF. This point is reached when a volume of water equal to the volume of current year Project Water for Table A in San Luis Reservoir attributable to DCF at Point A has been displaced or evacuated by the quantity that would have been exported from Clifton Court Forebay and stored in San Luis Reservoir absent the DCF.

b. Deliveries of Article 21 water attributable to DCF Between Point A and Point B:

- i. PWAs may submit Article 21 requests to DWR prior to point A. DWR will satisfy those requests according to the following priority:
 1. PWAs up to their Delta Conveyance Facility Allocation Factor;
 2. All PWAs based on Table A percentage. Only Variable and DCF Energy charges will apply for those PWAs with a greater than zero Delta Conveyance Facility Allocation Factor. For those PWAs with a zero Delta Conveyance Facility Allocation Factor, Article 21 water will be made available at the following charges:
 - a. the Variable and DCF Energy charges for the amount up to Article 56(c)(1) and Article 56(c)(2) water spilled within the

PWAs proportionate share of San Luis Reservoir storage at Point A;

b. Fair Compensation for any additional amounts.

c. Deliveries of Article 21 water attributable to DCF After Point B:

i. PWAs may submit requests to DWR. DWR will satisfy those requests according to the following priority:

1. PWAs' proportion based upon the Delta Conveyance Facility Allocation Factors;
2. All PWAs based on Table A percentage. Only Variable and DCF Energy charges will apply for those PWAs with a greater than zero Delta Conveyance Allocation Factor. For those PWAs with a zero Delta Conveyance Facility Allocation Factor, this water will be provided at Fair Compensation.

TABLE 1: Article 21 Interruptible Water Attributable to the Delta Conveyance Facilities		
PWA	Point A - Point B	At/After Point B
<u>FIRST PRIORITY:</u> PWAs participating in DCF (PWAs with a greater than zero DCF Allocation Factor %)	<ul style="list-style-type: none"> • Quantity (AF): Up to DCF Allocation Factor % • Charge (\$): Variable and DCF Energy Charges 	<ul style="list-style-type: none"> • Quantity (AF): Up to DCF Allocation Factor % • Charge (\$): Variable and DCF Energy Charges
<u>SECOND PRIORITY:</u> All PWAs	<ul style="list-style-type: none"> • Quantity (AF): Based on Table A % • Charge to DCF Participant (\$): Variable and DCF Energy Charges • Charge to DCF Non-Participant for AF <= to spilled carryover water (\$): Variable and DCF Energy Charges • Charge to DCF Non-Participant for AF > spilled carryover water (\$): Fair Compensation 	<ul style="list-style-type: none"> • Quantity (AF): Based on Table A % • Charge to DCF Participant (\$): Variable and DCF Energy Charges • Charge to DCF Non-Participant (\$): Fair Compensation

C. Collaborative Development of Administrative Procedures

As a subset to the Water Operations Committee, a DCF workgroup will be created similar to the current San Luis Reservoir Workgroup. This group will meet and confer as needed, and may discuss items such as forecasting, operations, accounting, and administration of the DCF. Members may include representatives from DWR (SWPAO and OCO) and PWAs and will report back to the PWA Water Operations Committee.

TO: State Water Subcontractors Advisory Committee

**FROM: Wes Thomson, Civil Engineer
Courtney Howard, Water Resources Division Manager**

DATE: May 27, 2020 (Updated 5/29/20)

SUBJECT: Agenda Item VI: Consider Recommending the District Enter into a Funding Agreement with the Central Coast Water Authority to Participate in a State Water Project-Water Management Tools Study.

Recommendation

Consider recommending the District enter into a Funding Agreement with the Central Coast Water Authority (CCWA) to participate in a State Water Project (SWP)-Water Management Tools Study.

Discussion

The current State Water Contract between the District and the State includes water management provisions for actions such as the transfer or exchange of State water between SWP participants that have limited the District's ability to transfer unused SWP water. For example, a District-CCWA exchange at San Luis Reservoir that was aimed at addressing critical drought contingency supply needs for both Zone 3 of south San Luis Obispo County and various parts of Santa Barbara County was not allowable under the current Contract provisions.

Over the last several years, SWP participants have negotiated with the State to develop amendments to the contract regarding transfers and exchanges of SWP water within the SWP service area that would provide for more effective water management ("Water Management Tools [WMT] Amendment"). The Agreement in Principle for the proposed WMT Amendment is attached. Currently, DWR is in the final stages of making the WMT Amendment available for execution and completing the CEQA documentation¹, and staff anticipates returning to the Board when the WMT Amendment is ready for execution.

To evaluate and plan for the opportunities provided by the WMT Amendment, staff recommends partnering with the Central Coast Water Authority (CCWA) to hire a consultant with expertise in SWP issues. The scope of work for the consultant includes evaluating:

1. Ways to maximize the storage of CCWA and District Project water at San Luis Reservoir or in other areas to improve the supply reliability in extended drought conditions,
2. Strategies for utilizing known excess capacity in the Coastal Branch pipeline,
3. Opportunities for cost recovery in years when supplies exceed demand (this includes the District's excess allocation), and
4. Water management actions and policy that would enable the agencies to provide mutual support in emergencies and enhance regional water resiliency.

¹ <https://water.ca.gov/News/Public-Notices/2020/Feb-2020/NOA-DEIR-for-SWP-Water-Supply-Amendments>

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Draft 4 – May 20, 2019

Doc # 00124

Draft Agreement in Principle for the SWP Water Supply Contract Amendment for Water Management

This straw proposal for a draft Agreement in Principle (AIP) is from the Consolidated Talking Points as of May 30, 2018 from the contract amendment negotiations. Many provisions are under discussion and the workgroup will update the Draft AIP after future public negotiations. [Format used in this document is preliminary and is subject to revision.]

DRAFT Proposed Project Objective

The California Department of Water Resources and the PWAs have agreed to the following proposed project objective for amending the SWP water supply contract:

- 1) Supplement and clarify terms of the SWP water supply contract that will provide greater water management regarding transfers and exchanges of SWP water within the SWP service area;

I. PRINCIPLES TO ACHIEVE DRAFT PROPOSED OBJECTIVE FOR WATER MANAGEMENT TOOLS AND ACTIONS

1. Water Transfers.

- 1.1. **Terms of a Transfer Agreement:** The PWAs shall determine duration and compensation for all transfers; this includes allowing single, Transfer Packages and multi-year transfers to be as long as the remainder of the term of the contract.
- 1.2. **Transfer Package Definition:** A Transfer Package is comprised of two or more transfer agreements between the same PWAs. If a transfer package is presented to DWR for approval, DWR shall consider each proposed transfer within the package at the same time and shall apply the transfer criteria listed below in the review of each transfer. DWR shall not reclassify a Transfer Package or Transfer as an exchange.
- 1.3. All contract language in Article 56(d) and language related to the Turnback Pool shall be removed.

2. Water Exchanges.

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- 2.1 Article 56(f) will be revised to include language permitting consideration of hydrology under a bona fide exchange and will include the following criteria for return ratios:

For SWP allocations $\geq 50\%$, return ratio is up to 2: 1

For SWP allocations > 25 and $< 50\%$, return ratio is up to 3: 1

For SWP allocations $>15\%$ and $\leq 25\%$, return ratio is up to 4: 1

For SWP allocations $\leq 15\%$, return ratio is up to 5:1

- 2.2. The PWAs shall use the applicable return ratio using the SWP allocation at the time the exchange transaction is executed between the PWAs.
- 2.3. Notice to Contractors 17-11 Attachment A, Section A, Bona Fide Exchanges, Item 4 Cost compensation reads as follows: Maximum cost compensation for a bona fide exchange may not exceed the exchanging PWAs combined conservation facilities, transportation facilities, and fixed charges (capital and minimum charges including capital surcharges). The allocation percentage in the denominator of the compensation calculation will be set by the SWP allocation which has incorporated the May 1 monthly Bulletin 120 runoff forecasts. If exchanges are requested prior to the allocation identified above, DWR will provide timely approval with the obligation of the PWAs to meet the requirement of the maximum compensation – if the compensation exceeds the maximum, the PWAs will re-visit the agreement and adjust the compensation. If a cost adjustment is made, the PWA must notify DWR.

3. Transfers and Exchanges, including Transfers and Exchanges using Carryover Water in San Luis Reservoir (SLR).

- 3.1. **Buyers and Sellers in Same Year.** PWAs may be both buyers and sellers in the same year and enter into multiple transfers and/or exchanges in the same year.
- 3.2. Basic Criteria Required for Proposed Transfers and Exchanges.
- 3.2.1 Transfers and exchanges must be transparent.
- 3.2.2 Transfers and exchanges must not harm non-participating PWAs.
- 3.2.3 Transfers and exchanges must not create significant adverse impacts in a PWA service area.
- 3.2.4 Transfers and exchanges shall comply with all applicable laws and regulations.

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- 3.2.5 Transfers and exchanges shall be scheduled only if they do not impact normal SWP operations.
- 3.2.6 Transfers and exchanges shall not impact the financial integrity of the SWP.
- 3.2.7 A PWA may petition the DWR Director for an exception in the following cases. In each case, the PWA must provide explanatory information to the DWR Director.
- A transfer or exchange does not meet the basic criteria, but the PWA feels that there is compelling need to proceed with the transfer or exchange.
 - A PWA that has received water in a transfer or exchange cannot deliver all of the water from the transaction in the same calendar year and wishes to carry over the water in its name.

The DWR Director shall have discretion to approve exceptions.

3.3. Dispute Resolution Process, Prior to Executing an Agreement. PWAs and DWR shall comply with the following process to resolve disputes if a PWA that is not participating in the transfer or exchange claims that the proposed transfer and/or exchange has a significant adverse impact.

- 3.3.1 Any claim to a significant adverse impact may only be made after the submittal of a term sheet to DWR and before DWR approves a transfer/exchange agreement.
- 3.3.2 In the event that any dispute can't be resolved among the PWAs, DWR will convene a group including DWR (the Chiefs of SWPAO, Legal, and Operations or their designees) and the PWA parties involved (PWA representatives to be chosen by each PWA party). Any PWA claiming an adverse impact must submit written documentation to support this claim and identify a proposed solution. This documentation must be provided 2 weeks in advance of a meeting of the group that includes SWPAO, Legal, Operations and the involved PWA representatives.
- 3.3.3 If this group can't resolve the dispute, the issue will be taken to the Director of DWR.

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- 3.3.4 The DWR Director's decision will be the final.
- 3.4. **Water Delivery Priorities:** Exchange and transfer water shall be scheduled in accordance with Article 12 (f) priorities retaining the associated priority level. The transfer water will not have the protection of Article 14(b) and the delivery cannot impact any other PWAs.
- 3.5 Although DWR will not be a party to any transfer or exchange agreement between the PWA's, DWR and the PWAs shall enter into an agreement to address DWR's role in effectuating the transfer or exchange. Such agreement shall include certain standardized provisions designed to protect SWP operations, finances and liability, along with other provisions tailored to the particular transaction or as otherwise agreed among DWR and the PWAs.
- 3.6 **Timely Processing.** DWR will timely process requests to be incorporated into the schedule to deliver water that given year.
- 3.7 **Shortages:** In regards to shortages, DWR retains authority as set forth in Article 18(a).
- 3.8 **Article 21.**
- 3.8.1 Tulare Lake Basin Water Storage District, Empire Westside Irrigation District, Oak Flat Water District, and Kings County may transfer a portion of their Article 21 water to another PWA.
- 3.8.2 The DWR Director, in his or her discretion, may approve the transfer of a portion of other PWA's allocation of Article 21 water to another PWA where there is a special need for the transfer. The Department will prepare criteria to be applied for the review of a PWA request to transfer Article 21 water. This will not impact the Department's process for allocating Article 21 water.
4. **PWA Due Diligence.**
- 4.1 Each PWA participating in an exchange or transfer shall confirm the following in a resolution or other appropriate document approving the transfer or exchange, including the use of stored water/carryover water, if applicable, provided to DWR as follows:
- 4.1.1 That the PWA has complied with all applicable laws for this transfer/exchange and shall specify the notices that were provided to the public agencies and the public regarding the proposed transfer or exchange.

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- 4.1.2. That the relevant terms of the transfer/exchange have been provided to all State Water Project PWAs and the SWC Water Transfer Committee;
 - 4.1.3. That the PWA is informed and believes that this transfer/exchange will not harm other SWP PWAs, or impact SWP operations.
 - 4.1.4. That the PWA is informed and believes that the transfer/exchange will not affect its ability to make all payments, including payments for its share of the financing costs of DWR's Central Valley Project Revenue Bonds, when due, under its water supply contract.
 - 4.1.5. That the PWA has considered the potential impacts of the transfer/exchange within the PWA's service area.
- 4.2. Add language to the contract that requires PWAs parties to an exchange or transfer to publicly post and provide information to non-party PWAs. The PWAs and DWR agree that DWR will send a Notice to Contractors to outline the following process related to transparency for transfers and exchanges:

At the time the PWA parties submit the Contract Information Form to DWR, they will provide the Contract Information Form to the non-party PWAs. During the time period beginning with the PWA parties submitting the Contract Information Form to DWR and the time before there is a final agreement with DWR for storage or conveyance, the PWA parties will publicly post information regarding the transfer or exchange. If applicable, the PWA parties will request the State Water Contractor Board to support the water transfer. If the State Water Contractor board votes to support the transfer or exchange, the General Manager will send a letter of support to DWR and to the non-party PWAs. Once a storage or conveyance agreement is completed it will be provided to the non-party PWAs.

- 4.3. If requested by the DWR Director with respect to any confirmation of Basic Criteria for Transfers, Exchanges and Carryover Water, the PWA shall cooperate with DWR in providing DWR with information supporting the basis for the confirmation or basic criteria.

5. **Stored Water/Carryover Water.**

- 5.1. **Store and Transfer SWP Water in the Same Year.** Modify Article 56(c)(4) and any other applicable sections to allow PWAs to store and transfer Table A water in the same year and modify Article 56(c) and any other applicable

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sections to allow a PWA to transfer Table A water to another PWA's service area. DWR will continue to coordinate through the PWAs under the existing SWP contracts.

5.2 Carryover Water Program: Carryover Water Program shall require transfers and/or exchanges of carryover water in years of need, as confirmed by the receiving PWA, to meet the following criteria:

- 5.2.1 Carryover water available for transfer or exchange in this amendment is defined only as stored water described in Article 56(c)(1) and 56(c)(2) and not 12(e).
- 5.2.2 Carryover water may only be exchanged or used in single-year transfers.
- 5.2.3 The PWA purchasing the carryover water must take delivery, in its service areas, unless an exemption is granted under 5.2.8.
- 5.2.4 A PWA may transfer or exchange up to 50% of its carryover water.
- 5.2.5 A PWA may transfer/exchange greater than 50% of its carryover water, if the PWA demonstrate that the transfer or exchange of carryover water will not prevent it from meeting critical water needs in the current year or the following year and obtain approval by DWR Director.
- 5.2.6 All transfer and exchange of carryover water are subject to section 4.2.
- 5.2.7 The PWA receiving the water must confirm that the PWA has a need for that water for use within its service area during the current year unless an exception is granted under 5.2.8.
- 5.2.8 A PWA may request an exception for the following, but not limited to, from the DWR Director:
 - 5.2.8.1 For any exceptions to the criteria listed above;
 - 5.2.8.2 Requests for the transfer and exchange of stored (or carryover) water prior to this water being displaced; and
 - 5.2.8.3 Using San Luis Reservoir as the transfer/exchange point.

II. ENVIRONMENTAL REVIEW PROCESS

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1. DWR and the PWAs agree that this AIP is intended to be used during the environmental review process for the California Environmental Quality Act (CEQA), to define the proposed project description for the purposes of CEQA, and to permit the next steps of the SWP water supply contract amendment process, including scoping and the preparation of the EIR. The AIP principles are not final contract language and do not represent a contractual commitment by either DWR or the PWAs to approve any proposed project or to sign contract amendments. By concurring with the AIP, DWR and the PWAs express their intent to move forward with the CEQA process with DWR as lead agency and the PWAs as responsible agencies, and ultimately develop a proposed project consisting of contractual amendments consistent with the AIP principles and prepare the EIR for consideration by DWR and the PWAs.
2. At the end of the CEQA process and in compliance with CEQA, DWR and the PWAs will each individually evaluate the EIR and contract amendments, exercise their independent judgment, and determine whether or not to certify the EIR, approve the proposed project and sign the contract amendments or to approve an alternative project. Consequently, even though DWR and the PWAs have agreed to the AIP for the purposes described in the preceding paragraphs, DWR and each PWA retain their full discretion under CEQA to consider and adopt mitigation measures and alternatives, including the alternative of not going forward with the proposed project.