

San Geronio Pass Water Agency

DATE: November 16, 2020

TO: Board of Directors

FROM: Lance Eckhart, General Manager

BY: Lance Eckhart, General Manager

SUBJECT: DISCUSSION ON CONTINUED PARTICIPATION IN THE DELTA CONVEYANCE PROJECT

RECOMMENDATION

Staff recommends the Board of Directors consider:

1. Approval of Resolution 2020-08
2. Establish San Geronio Pass Water Agency (Agency) participation level of 1.22% and up to 2.0% of the Delta Conveyance Project (DCP).
3. Approve the funding agreement for Agency portion of the planning and engineering costs.

PREVIOUS CONSIDERATION

- Board of Directors – May 21, 2018: Board supported and approved funding towards planning activities associated with the California WaterFix.
- Board of Directors – July 15, 2019: Board approved the transfer of funding for California WaterFix to the Delta Conveyance Project.
- Engineering Workshop – November 9, 2020: Workshop was presented with staff recommendations and moved recommendations to the Board for consideration.

BACKGROUND & ANALYSIS

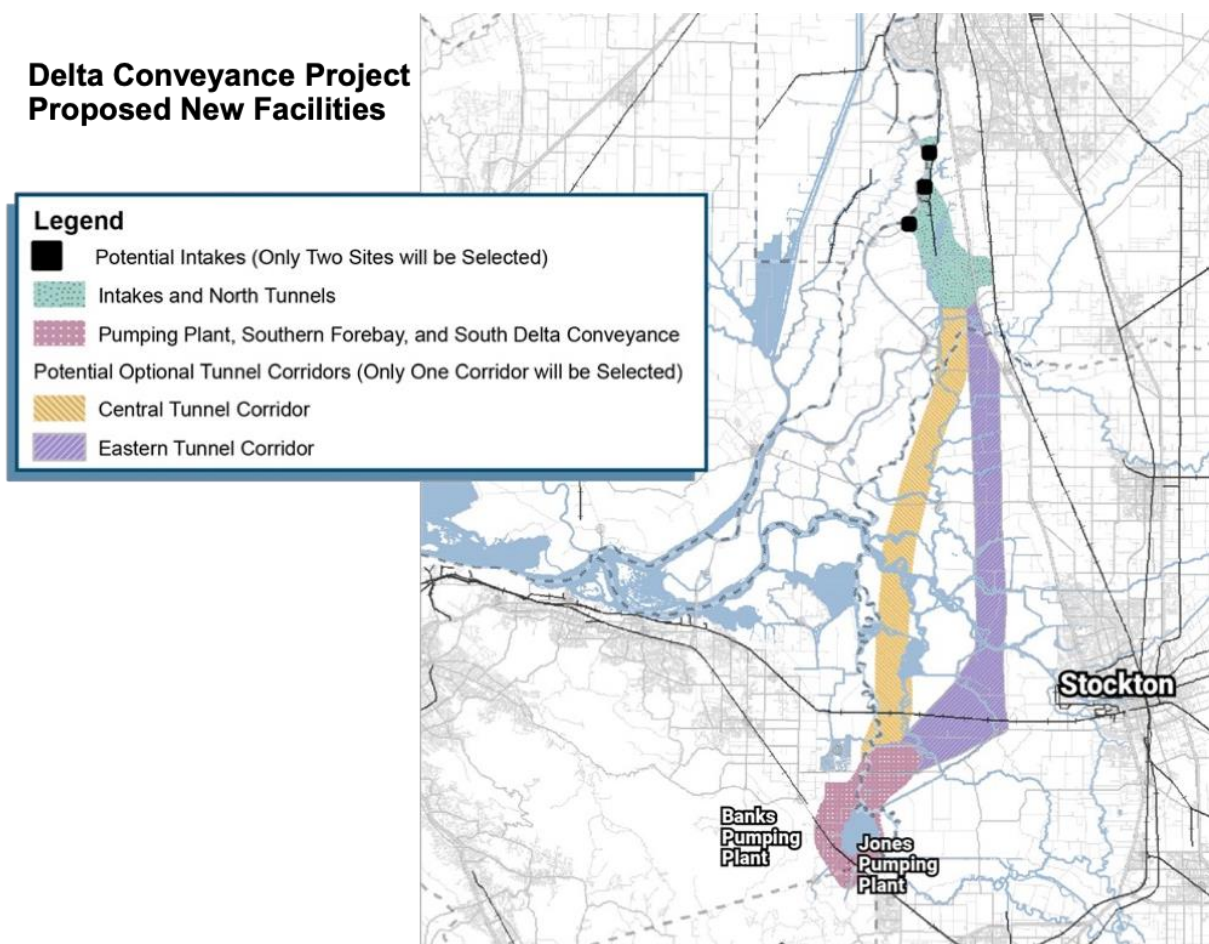
Starting in the mid-1990s and accelerating in the late 2000s, the actual SWP supply has been steadily decreasing due primarily to endangered and threatened species issues associated with transporting SWP water through the Delta. In response to this continuing water supply reduction, the California Department of Water Resources (DWR), in cooperation with participating Public Water Agencies (PWAs), has been developing a conveyance project to restore some of the lost supply due to environmental regulations.

The Agency has participated in previous efforts to mitigate this lost supply. The Bay Delta Conservation Program was started in 2015, and transitioned to the Cal WaterFix in 2018. The Agency has actively participated, investing time and money, in each of these efforts.

In January 2019, Governor Newsom announced that he did not support Cal WaterFix as configured, but that he did support a single tunnel conveyance project. In May 2019,

DWR rescinded its approvals for Cal WaterFix and began planning for the single tunnel option. Shortly thereafter, DWR began public negotiations with the participating PWAs for an agreement, which generally allocates costs and benefits for a potential single tunnel facility.

Staff is recommending continued participation in the Delta Conveyance Project (DCP), which would restore some of the State Water Project (SWP) supplies that have been lost over the years due to environmental regulations associated with conveying SWP water through the Sacramento-San Joaquin Delta (Delta). The DCP essentially provides an intake north of the Delta near Sacramento, and then conveys SWP water under the Delta in a 36-foot diameter tunnel, and delivers it to the Banks Pumping plant south of the Delta.



The existing SWP Delta water facilities, which include the Banks Pumping Plant, enable DWR to divert water and lift it into the California Aqueduct for delivery to south-of-Delta PWAs. The new facilities would be operated in coordination with the existing SWP facilities resulting in two ways to divert and convey water, or “dual conveyance” (i.e. through the Delta or via the DCP). Dual conveyance does not increase the water rights for the SWP, but restores previous losses due to environmental regulations. The DCP

also helps overcome various uncertainties associated with conveying water through the Delta, including the potential impacts of climate change and extreme water events and the potential disruption of deliveries due to an earthquake in the Delta. The overarching objective of Delta Conveyance is to make the SWP more resilient.

The PWAs conducted a preliminary analysis with and without the DCP under a range of existing and future scenarios to help assess the benefits of the DCP. The range of future scenarios is intended to evaluate the DCP's benefits under plausible future regulatory, climate change, sea level rise, and seismic risks. As the DCP is further refined and permitted, the estimated benefits may change.

Figures 1 and 2 provide the average annual SWP deliveries under existing and future scenarios with and without the DCP. The various scenarios (labeled 'Future Scenarios') indicate the restoration of between about 500,000 AF to 600,000 AF in annual average SWP deliveries. The preliminary modeling results in Figure 1 indicate that the DCP would potentially eliminate any losses associated with the future plausible risks. On average, the DCP is estimated to result in about 100,000 AF to 1,000,000 AF per year of restored SWP deliveries as compared with no DCP. DCP also mitigates the risk of a delivery disruption associated with an earthquake and extreme sea level rise.

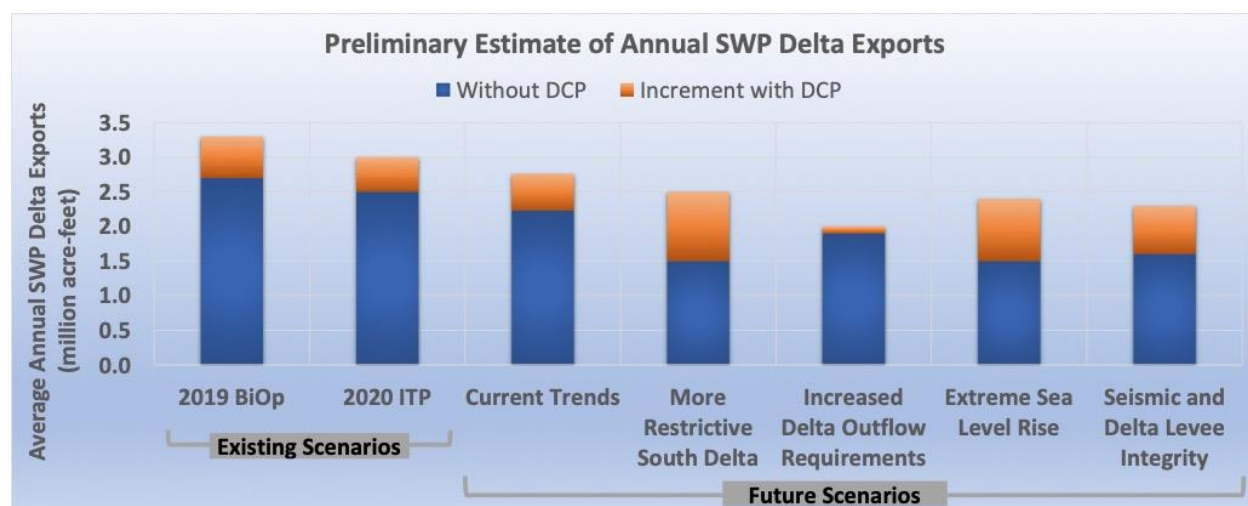


Figure 1: Preliminary modeled average annual SWP exports under existing and plausible future scenarios and corresponding increment resulting with the DCP

Without the DCP, SWP deliveries are estimated to be further reduced by an average of about 300,000 AF to 1,000,000 AF under various future scenarios for regulatory changes, sea level rise and seismic risk. With the DCP, these uncertainties have little impact, demonstrating the resilience of the SWP with the DCP.

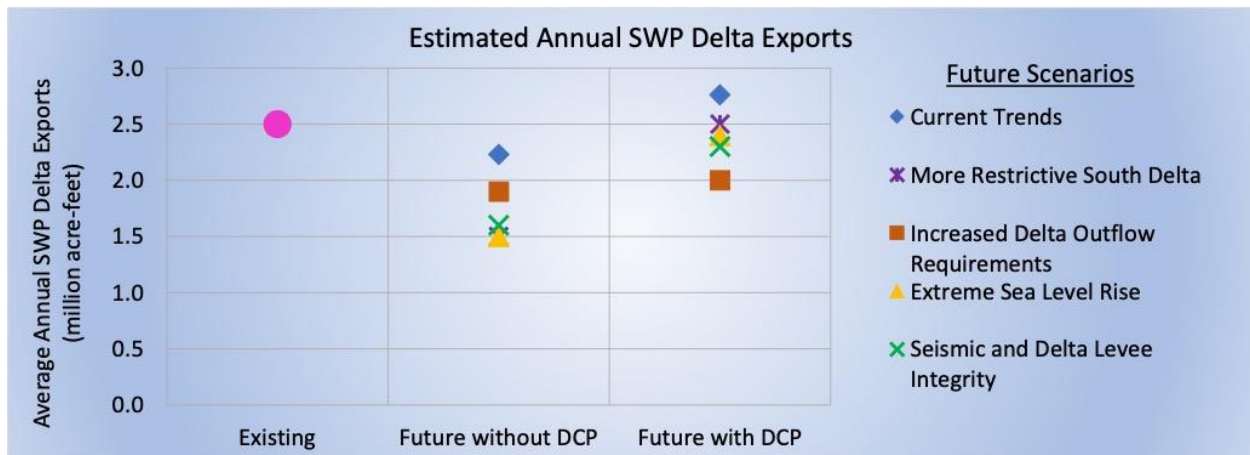
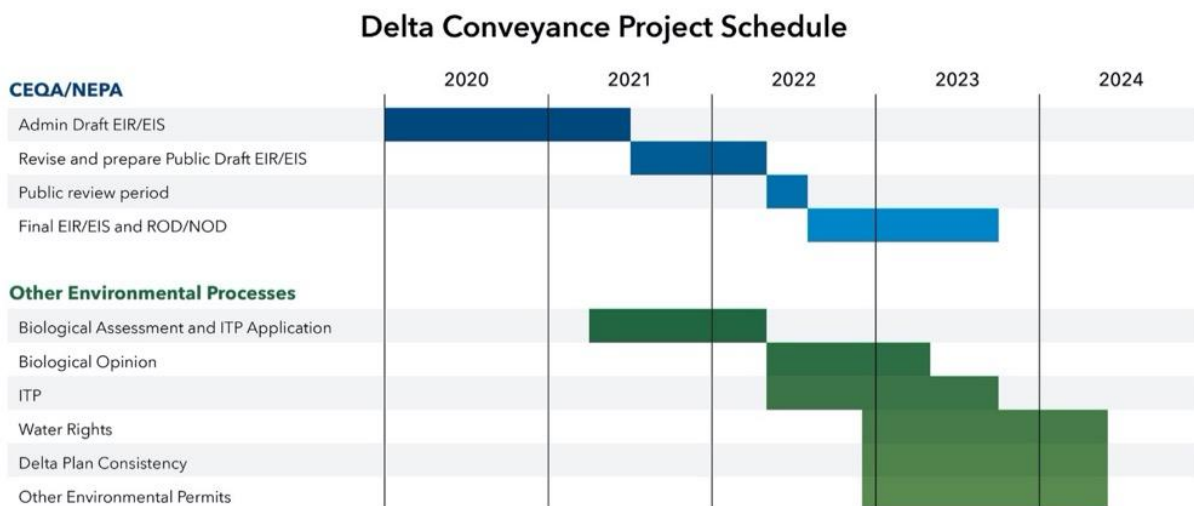


Figure 2: Preliminary modeled average annual SWP exports under the future scenarios with and without the DCP compared to the existing scenario

In addition to the water supply benefits, the DCP is expected to provide operational flexibility to capture some of the peak storm flows that have historically flowed to the ocean, improved water quality, conveyance capacity for water transfers and potential carriage water savings.

Based on the preliminary schedule, the final Environmental Impact Report (EIR) will be completed in about 2023 and other environmental review, permitting and regulatory processes will be completed by about 2024. Once the DCP receives all necessary approvals and permits and has complied with all legal requirements, including, but not limited to, obtaining a change in point of diversion to DWR's existing water rights permit, construction would begin. At present, DWR is engaged in a California Environmental Quality Act (CEQA) scoping process and has solicited comments on potential impacts and alternatives. DWR is currently working toward a reasonable range of project alternatives that avoid or substantially reduce potentially significant impacts



The public water agencies (PWAs) that have contracts with the Department of Water Resources (DWR) to receive water through the SWP and that wish to participate in the DCP are being asked to pay their proportionate share of the \$340.7 million planning and design costs to keep the DCP advancing through 2024. The Agency's minimum proportionate share of the DCP is currently about 1.22% although there is opportunity to participate at a higher level due to some PWA's not considering participation in the DCP. *This provides a unique opportunity to secure access to long-term supply, mitigate against decreasing SWP reliability and address the documented imported shortfalls in the Agency's 2015 Urban Water Management Plan.*

The Delta Conveyance Authority developed a preliminary cost estimate for the DCP. The DCP is still very early in the planning process which results in a higher level of uncertainty for the estimate. As the planning and design of the DCP progresses, the level of uncertainty will decrease resulting in more confidence in the cost estimate. To overcome the current level of uncertainty, the DCA added a contingency of about 38%. An independent review of the DCA cost estimate by AECOM concluded that the contingency may be as high as 44% taking into consideration the conservative design. This estimate does not include the final mitigation costs or cost items such as community benefits, DWR planning costs, inflation or financing costs. The estimate does include construction costs, soft costs, and environmental mitigation costs in 2020 dollars (no finance costs). It is the DCA's opinion that there is a 50% probability that the DCP will cost \$15.9 billion in 2020 dollars.

Participation levels, projected additional water, 4-year planning costs, total project costs and project annual costs are summarized below. The Agency's proportionate share of the estimated \$15.9 billion cost would range from about \$194 million up to \$318 million depending on participation level. The Agency provided \$189,085 toward the Cal WaterFix in 2018 and some of these funds were not utilized. This money has been applied toward the Agency's proportionate share of the requested DCP planning and design costs for the period ending 2024. Until bonds are issued for the project, there will continue to be a need to provide funding to keep the project moving forward.

The PWAs are considering the following options for participation in the DCP planning phase: 1) participate or not in DCP; and 2) participate in DCP at minimal levels based on proportionate Table A amounts (1.22% of DCP for the Agency) or 3) participate in DCP at higher than minimal levels because some smaller PWAs will potentially opt out of participation in the DCP. Further, there is also an option to pay for 2 of the 4-year planning costs and participate in DCP at above Table A proportional share. This would result in the Board considering DCP participation for years 3 and 4 under a separate agreement and resolution in the 2022-23 timeframe. A reduced DCP participation level to Table A minimums (1.22%) could be considered at that time, if higher DCP participation (option #3 above) was no longer desired. Planning and future DCP participation costs would be adjusted based on participation levels at that time. Based on a number of project unknowns and potential financing strategies being developed by the Agency, the two-year option to fund the initial phase of DCP planning work is being

recommended, along with maintaining the option to participate at a higher maximum project level that will likely not be available past the first week of December 2020.

Participation Level	Additional Water*	New Allocation (53% reliability)	2-Year Planning Cost	Agency Share of 15.9B	Annual Cost @5% Bond Rate
1.22%	7,346 AF	16,515 AF	\$1.5M	\$194M	\$10.6M
2.0%**	12,000 AF	21,169 AF	\$2.4M	\$318 M	\$17.4M

Note: East Branch Extension Average Cost 2020-2035: ~\$15M/yr.

* 2020 DRAFT Infrastructure Plan additional imported demands 2035: ~16,000 AF

** Participation level maximum and subject to availability

The cost to preserve the Agency's opportunity to benefit from a higher share of the DCP project (4,654 AFY @2%) works out to about \$450k per year for 2 years.

The draft agreement includes the proposed terms for an amendment to Agency's SWP water supply contract to allocate Agency a share of the DCP's costs and benefits. The draft agreement generally includes the following:

- An option for PWAs to opt out of the costs and benefits of the DCP.
- A requirement that PWAs may not commit to less than a 100% of their Table A percentage but they are allowed to increase their participation above their Table A percentage.
- States that the DCP will be constructed and operated as an integral part of the SWP so any contract amendment is constrained by the transition date in the Contract Extension Amendment.
- DWR will determine the amount of water attributable to the DCP each year which will be additive to the water supply for participants.
- Each PWA is responsible for the costs associated with their participation percentage
- Describes how costs will be billed to participating PWAs
- Describes the benefits that participants will receive, including a proportionate share of the water supply and conveyance capacity.

A copy of the agreement in principal (AIP) is attached. Participating PWAs are asked to provide their participation percentage in order to confirm that the DCP is 100% subscribed and to allocate planning costs. Staff is recommending that Agency participate at minimum for its Table A amount, or 1.22% of the DCP, and consider up to 2.0% of the project to meet documented long-term demands. The Board approved percentage will be included in the AIP and proposed contract amendment. Once the contract amendment has been developed and undergone environmental review, it will be brought back to a Board for review.

FISCAL IMPACT

Participating PWAs must enter into a funding agreement with DWR to provide their proportionate share of the funds for environmental, planning and design costs through 2024. The current estimate of these environmental, planning and design costs is \$340.7 million with Agency's share being \$1.5 million up to approximately \$2.4 million. PWAs are given the option to authorize the first two years and reconsider further participation under a future separate agreement and resolution. If the project were not to move forward, Agency would receive any unspent funds. Since there is no incentive for Agency to pay the entire amount up front, staff will make payments, as invoiced by DWR.

ACTION

Staff recommends that the following actions be forwarded to the Board of Directors for consideration:

1. Approve Resolution 2020-08
2. Establish Agency's participation level at 1.22% and consider up to 2.0% maximum of the DCP
3. Approve the funding agreement for Agency's portion of the planning and engineering costs for years 1 & 2

ATTACHMENTS

1. Resolution 2020-08
2. Delta Conveyance Funding Agreement
3. Delta Conveyance Agreement in Principle

RESOLUTION NO. 2020-08

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN GORGONIO PASS WATER AGENCY (1) AUTHORIZING A LEVEL OF PARTICIPATION IN THE DELTA CONVEYANCE PROJECT; (2) AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A FUNDING AGREEMENT FOR ENVIRONMENTAL PLANNING COSTS FOR THE PROJECT; (3) AUTHORIZE ENTERING INTO THE DELTA CONVEYANCE DESIGN AND CONSTRUCTION AUTHORITY JOINT POWERS AGREEMENT; AND (4) DETERMINING THAT THE ACTIONS ARE EXEMPT FROM CEQA.

WHEREAS, the San Gorgonio Pass Water Agency (“Agency”) has a long term water supply contract with the State of California Department of Water Resources (DWR) for the delivery of State Water Project (SWP) water; and

WHEREAS, on July 21, 2017, DWR approved the project known as the California WaterFix, which was a dual conveyance project that involved two new diversion points and two tunnels moving water from the Sacramento River north of the Delta under the Delta to State Water Project and Central Project water pumping facilities in the South Delta; and

WHEREAS, the purpose of the WaterFix project was to improve the reliability of SWP water for the Agency and other contractors; and

WHEREAS, the Agency previously approved participating in WaterFix and participating in a funding agreement to pay a share of preconstruction planning activities associated with the WaterFix project; and

WHEREAS, in 2019, Governor Newsom announced that he did not support the WaterFix project but he instead supported a one tunnel conveyance project. DWR subsequently rescinded its approvals of the WaterFix project and began planning for a single tunnel option; and

WHEREAS, DWR began public negotiations with the SWP contractors to agree upon a framework, referred to as an Agreement in Principle (AIP), for the amendment of SWP water supply contracts to allocate costs and benefits in the event that a potential single tunnel facility is ultimately approved; and

WHEREAS, In January 2020, DWR released a Notice of Preparation of an Environmental Impact Report (EIR) pursuant to CEQA for a proposed single tunnel project with 6,000 cfs of capacity referred to as the Delta Conveyance Project (DCP), and DWR is currently conducting environmental review; and

WHEREAS, after fifteen public negotiations, DWR and SWP contractors have developed a draft AIP that contains provisions for the allocation of costs and benefits for a potential Delta Conveyance Project; and

WHEREAS, DWR has requested that the Agency identify the level of its desired participation in the DCP assuming a 6,000 cfs facility, which will be used to inform the percentage of planning funding allocated to the Agency; and

WHEREAS, DWR has also requested that the Agency enter into a new funding agreement with DWR for an amount equal to the Agency's participation percentage of the preliminary design, environmental planning, and other preconstruction activities for DCP, which is up to \$340.7 million dollars

WHEREAS, the Delta Conveyance Design and Construction Authority (DCA) was created by certain SWP contractors to actively participate with DWR in the design and construction of California WaterFix. The DCA subsequently entered into a Joint Powers Agreement with DWR; and

WHEREAS, given the shift from a two tunnel WaterFix project to a potential single-tunnel DCP project and a significant change in the anticipated participation for DCP, the existing and prospective members of the DCA desire to amend the DCA Joint Powers Agreement to better align representation with Public Water Agency ("PWA") participation; and

WHEREAS, the recommended actions do not qualify as a "project" subject to CEQA because the actions constitute (1) continuing administrative or maintenance activities, such as general policy and procedure making; (2) government fiscal activities that do not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment; and (3) organizational or administrative activities of a public agency that will not result in direct or indirect physical changes in the environment. (State CEQA Guidelines, § 15060(c)(3).) The recommended actions do not constitute an approval by the Agency of the DCP nor do the actions authorize or approve construction of the DCP. The recommended actions do not authorize any amendment to the long-term water supply contract with DWR. Further, the recommended actions do not authorize or approve any actions by the DCA that may cause direct or reasonably foreseeable indirect environmental impacts. As such, the actions recommended herein are not a "project" requiring environmental review under the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guideline § 15378, subdivisions (a) and (b)(2), (b)(4) and (b)(5).

WHEREAS, even if the actions were considered a CEQA "project," these actions would be statutorily exempt from environmental review pursuant to CEQA Guideline § 15262 because the actions merely call for the funding and completion of feasibility and planning studies, including the completion of CEQA review itself. In addition, the actions are exempt under the "common sense" exemption in CEQA Guidelines § 15061, subd. (b)(3) because it can be seen with certainty that there is no possibility that the actions may have a significant effect on the environment. Finally, none of the exceptions to the use of the "common sense" exemption as identified in CEQA Guidelines § 15300.2 exist here.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE
SAN GORGONIO PASS WATER AGENCY:**

1. The above recitals are true and correct and are incorporated herein by reference as an operative portion of this Resolution.
2. The General Manager is authorized to inform DWR that the Agency desires to participate in the Delta Conveyance Project at a 1.22 to 2.0 % participation level.
3. The General Manager is authorized to execute a funding agreement with DWR for environmental planning costs associated with the Delta Conveyance Project in the amount of up to \$1,472,331 to \$2,441,045. The funding agreement is attached as Exhibit A.
4. The General Manager is authorized to execute a Joint Powers Agreement to become a member of the Delta Conveyance Design and Construction Authority. The joint powers agreement is attached as Exhibit B.
5. For the reasons set forth above, the Agency's actions are not a "project" requiring environmental review pursuant to State CEQA Guidelines § 15060, subdivision (c)(3) and §15378, subdivisions (a) and (b)(2), (b)(4) and (b)(5). Alternatively, the actions are statutorily exempt from CEQA review pursuant to State CEQA Guidelines § 15262 and exempt under the "common sense" exemption identified in State CEQA Guidelines § 15061, subdivision (b)(3). None of the exceptions to the use of the "common sense" exemption as identified in Government Code § 15300.2 exist.
6. Agency staff is directed to prepare and file a Notice of Exemption within five working days of the approval of this Resolution.
7. The custodian of the records upon which this Resolution is based is the Finance Manager who may be contacted at the Agency's office, located at 1210 Beaumont Ave. Beaumont, CA 92223.

Exhibit A

Attached Separately

Exhibit B

Attached Separately

**State of California
California Natural Resources Agency
DEPARTMENT OF WATER RESOURCES**

**AGREEMENT FOR
THE ADVANCE OR CONTRIBUTION OF MONEY TO
THE DEPARTMENT OF WATER RESOURCES
BY
THE SAN GORONIO PASS WATER AGENCY**

**FOR PRELIMINARY PLANNING AND DESIGN COSTS RELATED TO A
POTENTIAL DELTA CONVEYANCE PROJECT**

THIS AGREEMENT is made, pursuant to the provisions of all applicable laws of the State of California, between the State of California, acting by and through its Department of Water Resources (“Department” or “DWR”), and San Geronio Pass Water Agency (“Contractor”), each herein referred to individually as a “Party” and collectively as the “Parties”.

Recitals

WHEREAS, DWR and the Contractor listed on the signature page hereto have entered into and subsequently amended a long-term water supply contract, herein referred to as a “Water Supply Contract,” providing that DWR will supply certain quantities of water to the Contractor, providing that Contractor shall make certain payments to DWR, and setting forth the terms and conditions of such supply and such payments; and

WHEREAS, the Bay Delta Conservation Plan (“BDCP”) process was initiated in 2005-2006 and the Delta Habitat Conservation and Conveyance Program (“DHCCP”) was initiated in 2008; and

WHEREAS, the Bay Delta Conservation Plan (“BDCP”) and (“DHCCP”) resulted in development of a project known as the California WaterFix (“WaterFix”); and

WHEREAS, on July 21, 2017, DWR approved the California WaterFix project; and

WHEREAS, certain Contractors have entered into that certain Joint Powers Agreement dated May 14, 2018 forming the Delta Conveyance Design and Construction Authority (“DCA”); and

WHEREAS, DWR and DCA have entered into that certain Joint Powers Agreement (“JEPA”), dated May 22, 2018, as amended and restated, and as the same has or may be further amended, wherein the DCA will provide preliminary design, planning and other preconstruction activities to assist the environmental planning process for a potential Delta conveyance project under the supervision of DWR (the “Work” as defined in the JEPA); and

WHEREAS, Contractor previously entered into a funding agreement with DWR dated August 24, 2018 to provide a share of preconstruction planning activity costs for California WaterFix (“2018 Gap Funding Agreement”); and

WHEREAS, on May 2, 2019, DWR rescinded its approval of the California WaterFix project and subsequently notified Contractor by letter on May 24, 2019 that DWR would not expend funds contributed under the 2018 Gap Funding Agreement to pay invoices for DCA costs incurred after May 2, 2019, absent further Contractor authorization (see Exhibit A); and

WHEREAS, Contractor in 2019 provided further authorization to DWR to expend the funds contributed pursuant to the 2018 Gap Funding Agreement for the Work in accordance with the JEPA, as the same may be amended from time to time; and

WHEREAS, Contract desires to provide additional funding consistent with this Agreement; and

WHEREAS, a copy of the resolution or other Board authorization of the Board of Directors of Contractor authorizing its General Manager to execute this Agreement is attached hereto as Exhibit B; and

WHEREAS, a State Agency may advance or contribute funds to DWR for SWP purposes pursuant to Water Code section 11135 and (ii) DWR may accept such advanced or contributed funds and thereafter use such funds in accordance with the terms of this Agreement pursuant to Water Code section 11141; and

WHEREAS, Contractor agreed to advance or contribute to DWR \$154,943 pursuant to the 2018 Gap Funding Agreement; and

WHEREAS, in 2019 Contractor entered into a funding agreement with DWR wherein Contractor reauthorized DWR to use remaining 2018 Contributed Funds for purposes consistent with that agreement; and

WHEREAS, DWR and Contractor desire to enter into this funding Agreement to provide additional funding to be spent consistent with this Agreement.

AGREEMENT

NOW, THEREFORE, it is mutually agreed by the Parties as follows:

1. When used in this Agreement, terms defined in the Water Supply Contract (as defined herein) shall be defined by reference to the Water Supply Contractor. In addition, the following definitions shall apply:
 - a. **“Calendar Year”** means the period January 1 through December 31.
 - b. **“Contributed Funds”** means money contributed or advanced to DWR by Contractor pursuant to this Agreement. The total initial amount Contractor agrees to provide is between \$1,472,331 to \$2,441,045 for a project participation level ranging between 1.22% and 2.0% and is comprised of the following annual

amounts to be paid to DWR in the manner described in Section 5 of this Agreement are between \$745,254 and \$1,235,591 for 2020 at a participation level between 1.22% and 2.0%, respectively; and \$727,077 and \$1,205,454 for 2021 at a participation level between 1.22% and 2.0%, respectively.

- c. **“2018 Contributed Funds”** means money contributed by Contractor pursuant to the 2018 Gap Funding Agreement.
 - d. **“2019 Funding Agreement”** means the agreement that authorized DWR to use remaining 2018 Contributed Funds for planning of a Delta conveyance project.
 - e. **“Contribution Payment(s)”** means the payments of Contributed Funds that Contractor agrees to provide to DWR pursuant this Agreement
 - f. **“Contractor”** means a State Agency that is a party to a Water Supply Contract with DWR.
 - g. **“Department”** or **“DWR”** means the California Department of Water Resources.
 - h. **“Effective Date”** has the meaning ascribed to it in section 11 hereof.
 - i. **“JEPA”** means the Joint Exercise of Powers Agreement between DWR and the DCA dated May 22, 2018, as amended and restated and as may be further amended from time to time.
 - j. **“Pay-Go Charge”** means the charge included on Contractor’s Statements of Charges for the purpose of collecting Contributed Funds that Contractor agrees to advance or contribute to DWR pursuant to this Agreement.
 - k. **“Party”** or **“Parties”** means DWR, the undersigned Contractor, or all signatories to this Agreement.
 - l. **“State Agency”** has the meaning ascribed to it by Water Code section 11102.
 - m. **“SWP”** or **“State Water Project”** means the State Water Project operated by DWR. The SWP generally includes the State Water Facilities, as defined in California Water Code section 12934(d), and certain facilities authorized by the Central Valley Project Act at section 11100 *et. seq.*
 - n. **“Water Supply Contract”** means the long-term water supply contract, as amended and as may be amended in the future, between Contractor and DWR.
 - o. **“Work”** has the meaning ascribed to it in the Recitals to this Agreement.
2. Effect of Agreement. Effect of Agreement. DWR and Contractor agree that nothing in this Agreement supersedes previous funding agreements or the obligations under those funding agreements unless specifically addressed in this Agreement.

3. Purposes of Agreement. This Agreement documents Contractors agreement to provide Contributed Funds to DWR for the purposes set forth in Section 4, the manner of providing those funds as set forth in Section 5, and the means by which future contributions may be made.
4. Use of Funds. DWR shall use any remaining 2018 Contributed Funds, Contributed Funds and any future Contributed Funds collected from Contractor pursuant to section 5 hereof, for the payment of DCA invoices submitted to DWR on or after October 1, 2020, for the Work done or costs incurred by DCA, or for Delta conveyance project planning work done by DWR through the Delta Conveyance Office (“DCO”) and any other purpose consistent with the JEPA, as the same has been, and may be, amended from time to time. DWR will not use funds provided under this Agreement for the activities described in the Mitigated Negative Declaration for Soil Investigations for Data Collection in the Delta adopted by DWR on July 9, 2020.
5. Charge Procedure. Contractor shall pay its Pay-Go Charge on the date(s) and in the amount(s) set forth on the revised Statement of Charges for 2021, and subsequent Statements of Charges issued to Contractor by DWR.
6. Limitation. With respect to the Work and the DCA, nothing in this Agreement imposes any duty or obligation either expressly or by implication on DWR other than the duty to use Contributed Funds to pay the undisputed portion of DCA invoices submitted to DWR during the term of this Agreement in accordance with the terms of this Agreement and the JEPA if, as and when Contributed Funds have been received by DWR under this Agreement and other similar agreements or arrangements with other Contractors for purposes substantially the same as those described herein and is available for the payment thereof.
7. Reporting. DWR, through its DCO and in coordination with its State Water Project Analysis Office (SWPAO), shall annually prepare a report summarizing the advances or contributions received, and expenditures made pursuant to, this Agreement. The first such report shall be completed not later than March 31, 2021 and thereafter not later than March 31 of each subsequent year. Contractor may request in writing a summary of the advances, contributions, and expenditures at any time during the term of this Agreement and DWR shall provide such within thirty (30) days of such written request.
8. Status of Project. Contractor recognizes that the funds contributed pursuant to this Agreement are for the planning activities in support of DWR’s environmental review and permitting process, including but not limited to the Work, for a potential Delta conveyance project. The advance or contribution of Contributed Funds is not contingent on, or in exchange for, DWR’s agreement to exercise its discretion in future to approve a Delta conveyance project.
9. Unspent Funds. Upon termination of this Agreement, it is the intent of the Parties that any unspent Contributed Funds remaining after payment of all costs for which the funds were contributed will be returned to Contractor as a credit on Contractor’s Statement of Charges in proportion to its percentage share of advances or contributions made by all Contractors that entered into Agreements similar to this Agreement.

10. Reimbursement of Contributed Funds. If a Delta conveyance project is approved by DWR and is implemented it is the intent of the Parties hereto that the Contributed Funds spent in accordance with this Agreement, the 2018 Gap Funding Agreement, and the 2019 Funding Agreement be reimbursed or credited to Contractor according to the relative amount each such Contractor paid pursuant to this Agreement, the 2019 Funding Agreement and the 2018 Gap Funding Agreement, upon the issuance and sale of revenue bonds by either the Department or a Joint Powers Authority established, whichever occurs earlier, for the purpose of, among other things, funding a future Delta conveyance facility. The Department shall be under no obligation to issue and sell bonds for the purpose(s) described in the foregoing sentence or to undertake any reimbursement or credit as so described, unless a determination is first made by DWR in its sole discretion that such issuance and sale of revenue bonds, such reimbursement, or such credit as applicable is consistent with applicable law, applicable judicial rulings, and applicable contractual obligations of DWR, and the Parties have negotiated and executed such further agreements as may be necessary to accomplish such credit or reimbursement on terms acceptable to DWR.
11. Effective Date and Term. This Agreement shall become effective on the date the last Party hereto signs the Agreement as set forth on the signature page(s) hereto ("Effective Date") and shall continue in effect until terminated in writing by the Parties. The Parties obligations under Section 10 shall survive termination of this Agreement.
12. Invoices, Notices or Other Communications. All invoices, notices, or other communications required under this Agreement will be in writing, and will be deemed to have been duly given upon the date of service, if: (i) served personally on the Party to whom notice is to be given; (ii) sent by electronic mail, and the Party to whom notice is to be given confirms receipt; or (iii) on the third day after mailing, if mailed to the Party to whom invoice, notice or other communication is directed, by first-class mail, postage prepaid, and properly addressed to the designated representative(s) of the Party set forth below.

DWR: Pedro Villalobos
Chief, State Water Project Analysis Office
Department of Water Resources
1416 Ninth Street, Room 1620
Post Office Box 94236
Sacramento, California 94236-0001

Copy to
Anthony Meyers
Executive Director, Delta Conveyance Office
Department of Water Resources
901 P Street, Room 413
Sacramento, California 94236-0001

Copy to
Christopher Martin

Office of the Chief Counsel
Department of Water Resources
1416 Ninth Street, Room 1620
Post Office Box 94236
Sacramento, California 94236-0001

Contractor: *Copy to:*
Lance Eckhart
General Manager
San Geronio Pass Water Agency
1210 Beaumont Avenue
Beaumont, CA 92223

13. No Delegation of Authority. Nothing in this Agreement constitutes a delegation by any Party of its existing authority to make any decision it is mandated to make. Nothing in this Agreement shall limit DWR's final decision-making authority at the time of consideration of future Delta conveyance facility related approvals. All provisions of this Agreement are intended to be, and shall to the extent reasonable be interpreted to be, consistent with all applicable provisions of State and federal law. The undersigned recognize that the Parties are public agencies and have specific statutory responsibilities, and that actions of these public agencies must be consistent with applicable procedural and substantive requirements of State and federal law. Nothing in this Agreement is intended to, nor will have the effect of, constraining or limiting any public agency in carrying out its statutory responsibilities or requiring an agency to take any action inconsistent with applicable law. Nothing in this Agreement constitutes an admission by any Party as to the proper interpretation of any provision of law, nor will it have the effect of, waiving or limiting any public entity's rights and remedies under applicable law except as expressly provided elsewhere in this Agreement. Execution of this Agreement does not constitute pre-approval of any project or preferred project alternative, or waive or otherwise abridge responsible trustee duties required, or discretion authorized or granted by, State and federal law.
14. Amendment. Except as otherwise set forth above, this Agreement may only be amended or modified by a subsequent written agreement approved and executed by both Parties.
15. Applicable Law. This Agreement will be construed under and will be deemed to be governed by the laws of the United States and the State of California.
16. Integration. This Agreement constitutes the sole, final, complete, exclusive and integrated expression and statement of the terms of this Agreement among the Parties concerning the subject matter, and supersedes all prior negotiations, representations or agreement, either oral or written, that may be related to the subject matter of this Agreement.
17. Counterparts. This Agreement may be executed in counterparts, each of which shall constitute an original, but all of which shall constitute one and the same agreement. Each signing Party shall have received a copy of the signature page signed by every other Party.

Exhibits attached and incorporated herein:

Exhibit A Letter from DWR dated May 21, 2019

Exhibit B Board Resolution or other Board Authorization

Exhibit C Form of Letter Regarding Future Contributions

IN WITNESS WHEREOF, the Parties hereto, by their authorized representatives, have executed this Agreement on the date(s) set forth below.

Approved as to Legal Form
and Sufficiency

State of California
Department of Water Resources

Spencer Kenner, Chief Counsel

Karla A. Nemeth,
Director

Date

Date

Approved as to Legal Form
and Sufficiency

San Geronio Pass Water Agency

Signature

Signature

Printed Name

Printed Name

Date

Title

Date

Exhibit A

Letter from DWR to Contractor

Exhibit B

Resolution of the Board of Directors of Contractor

Exhibit C

Form of Contribution Letter

November 16, 2020

Mr. Pedro Villalobos
State Water Project Analysis Office
Department of Water Resources
1416 Ninth Street, Room 1620
Post Office Box 94236
Sacramento, CA 94236-0001

Re: Contribution or Advance of Money for Delta Conveyance Planning Activities

Dear Mr. Villalobos:

This letter is sent pursuant to section 5 of the Agreement for the Advance of Contribution of Money to the Department of Water Resources for Preliminary Planning and Design Costs Related to a Potential Delta Conveyance Project dated July 15, 2019 between Department of Water Resources and the San Geronio Pass Water Agency ("Funding Agreement").

On [date] the Board of Directors of San Geronio Pass Water Agency approved the contribution or advance of \$[amount] to the Department for use in accordance with the terms of the Funding Agreement. A copy of the Board's resolution is enclosed with this letter. The contribution or advance will be collected from San Geronio Pass Water Agency equal monthly installments by inclusion of a charge on its Statement of Charges for years 2021-2024 on a revised Statement of Charges for years 2021-2024 that Department will issue to San Geronio Pass Water Agency. The charge shall be referred to as the years 2021-2024 Pay-go Charge. As provided by section 5 of the Agreement the contribution or advance described herein will be subject to the terms and conditions of the Agreement.

Please confirm your agreement to the foregoing by countersigning in the space provided below and returning an original copy of this letter agreement to San Geronio Pass Water Agency at 1210 Beaumont Avenue, Beaumont, CA 92223.

Sincerely,

Lance Eckhart
General Manager

Enclosure(s)

cc: Gary Lippner, Deputy Director of Delta Conveyance

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 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.

- h. Rights to use of the DCF, unless a subsequent contract with DWR is entered that provides for payment of Fair Compensation associated with such use.
 - iii. For the North of Delta PWAs, DWR will not change the current administrative process for determining the availability of Article 21 due to the DCF. This process will be documented in the Article 21 administration that is distributed via a Notice to Contractors.
- b. PWAs that execute a contract amendment to assume costs and benefits of the DCF will agree, within that amendment, to the following:
 - i. Charges will appear on the SOC as set forth in the table in the percentages shown in Section V of this AIP.
 - ii. DCF Benefits in proportion to the percentage table in Section V of this AIP, including but not limited to:
 - a) Delivery of Table A amounts diverted at and conveyed through the DCF. This AIP will not modify the amounts within Table A but will memorialize this DCF Benefits by amending the PWA's Table A with a footnote. The footnote will recognize each PWA's DCF Benefits consistent with the Delta Conveyance Facilities Allocation Factors.
 - b) Article 21 Interruptible Water attributable to DCF.
 - c) Available DCF conveyance capacity unused by DWR for SWP purposes, to convey non-project water for ultimate use within that PWA's service area.
 - d) Carriage water savings that DWR determines are realized during its operation of any DCF for purposes of conveying Project Water.
 - e) Available DCF conveyance capacity to convey Project Water in the event that pumping in 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) A credit from Fair Compensation collected by DWR for use of available DCF conveyance capacity.
- c. Nothing in this AIP changes Article 18(a) in the existing State Water Project Water Supply Contracts.

VII. Objective 6 - Affect Upon Other Water Supply Contract Provisions

- a. Unless specifically stated in this AIP and incorporated into a subsequent contract amendment, there are no changes to the PWAs' rights and obligations under the existing State Water Project Water Supply Contracts.
- b. Transfers and exchanges are not intended to be modified under this AIP and shall be subject to the provisions of the then existing State Water Project Water Supply Contracts.

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.

Delta Conveyance Project – Continued Participation

SAN GORGONIO PASS WATER AGENCY
NOVEMBER 16, 2020

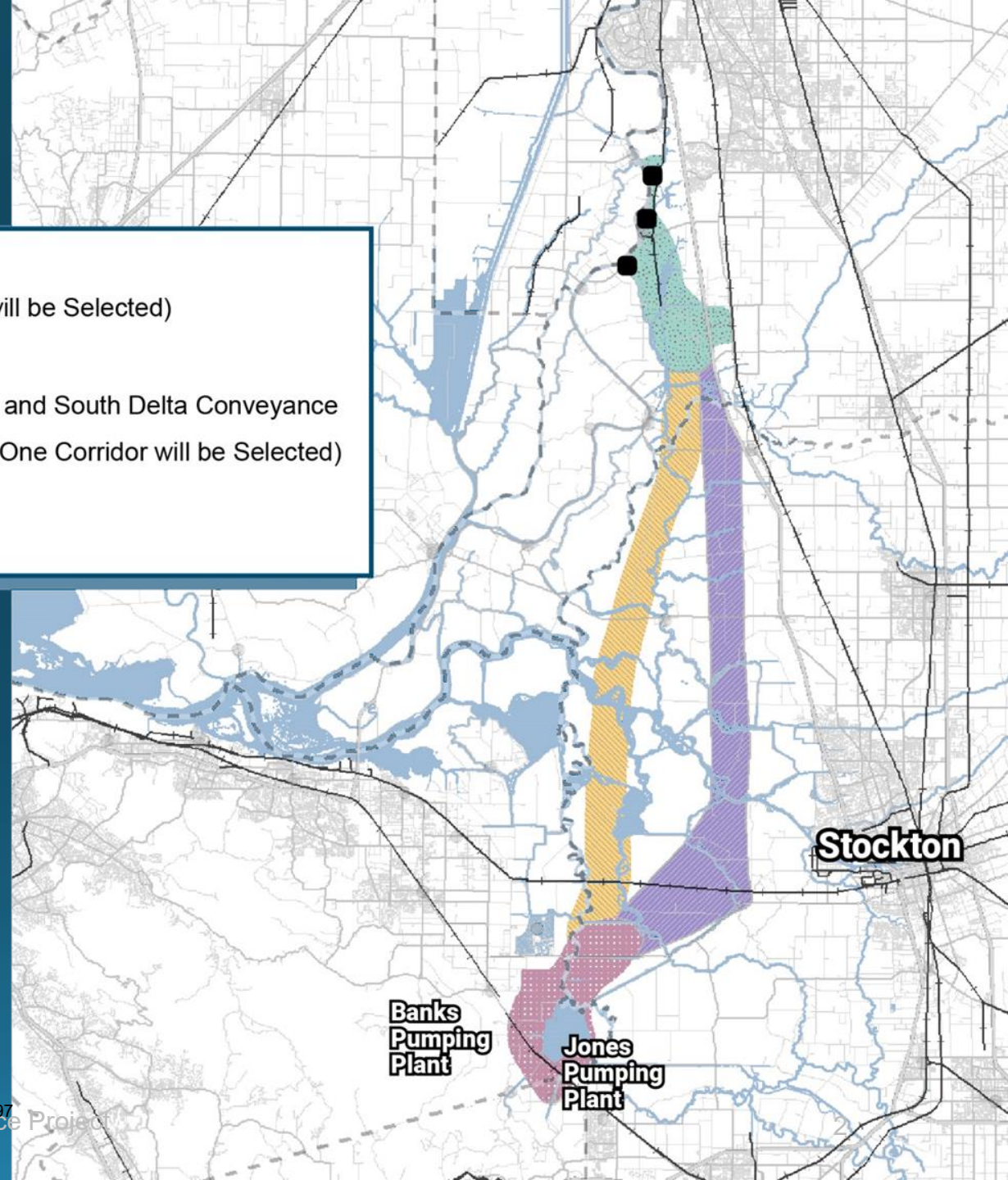


Delta Conveyance –

New Facilities

Legend

- Potential Intakes (Only Two Sites will be Selected)
- Intakes and North Tunnels
- Pumping Plant, Southern Forebay, and South Delta Conveyance
- Potential Optional Tunnel Corridors (Only One Corridor will be Selected)
- Central Tunnel Corridor
- Eastern Tunnel Corridor



Delta Conveyance – Notice of Preparation

New Facilities:

- Intakes
 - Two intakes (3,000 cfs each)
- Tunnel
 - One underground tunnel
 - Two potential corridors being considered
- Forebays
 - Intermediate and Southern
- Pumping plant
- South Delta conveyance facilities
- Other ancillary facilities

Delta Conveyance Objective

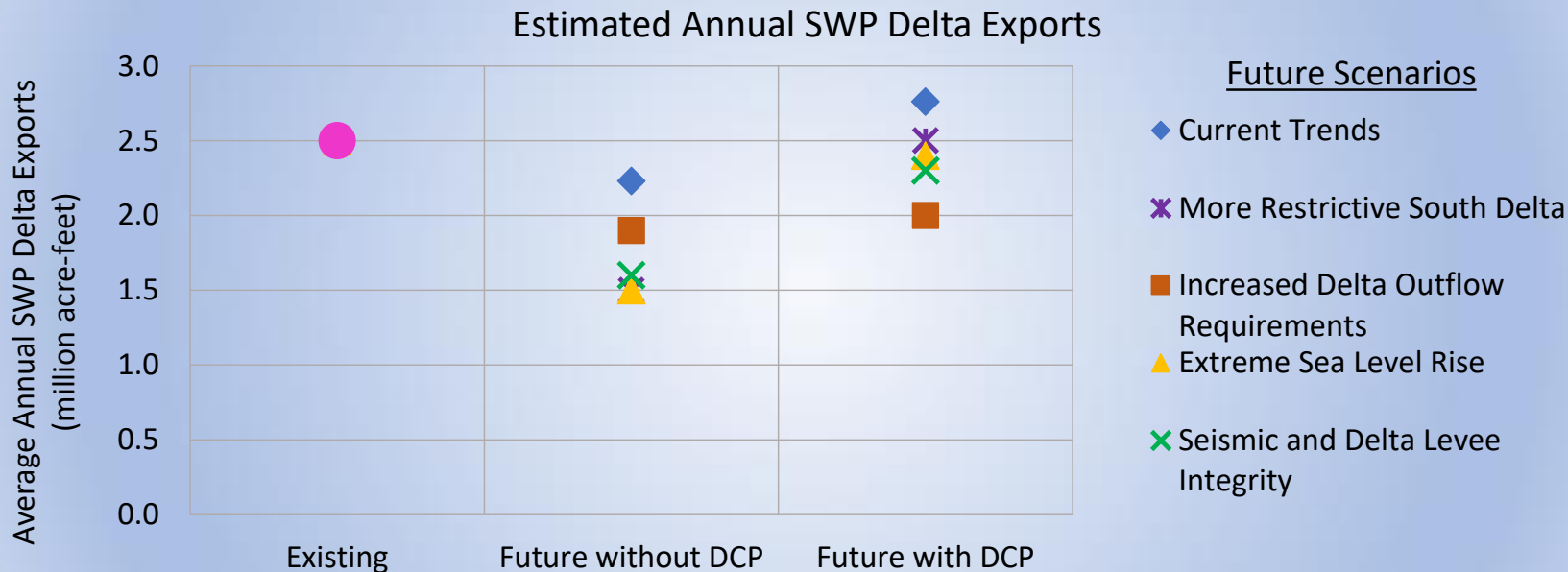
To restore and protect ability to deliver SWP Water Supply

- **CLIMATE RESILIENCY:** Addresses climate change, extreme weather, and rising sea-levels in the Delta for the SWP
- **SEISMIC RESILIENCY:** Minimizes health/safety risk to public from earthquake-caused reductions in water delivery quality and quantity from the SWP
- **WATER SUPPLY RELIABILITY:** Restores and protects ability to deliver SWP water in compliance with regulatory and contractual constraints
- **OPERATIONAL RESILIENCY:** Provides SWP operational flexibility to improve aquatic conditions and manage risks of additional future constraints

Water Reliability and Resiliency Benefits

- Water supply reliability and SWP resilience
 - Climate change adaptation/stormwater capture
 - Sea-level rise adaptation
 - Seismic resilience
- South Delta flow pattern improvements for fisheries
- Water transfer capacity and carriage water savings
- Water quality improvements for SWP deliveries

DCP Improves SWP Resilience Under Future Conditions



- SWP exports decrease by ~300 to 1,000 TAFY* under future scenarios without DCP, compared to the existing conditions
- DCP allows similar SWP exports as the existing conditions in the future – *demonstrates improved resilience*

*TAFY: thousand acre-feet per year on average

System resilience is defined as the capacity to respond, absorb, adapt to, and recover from disruptive events

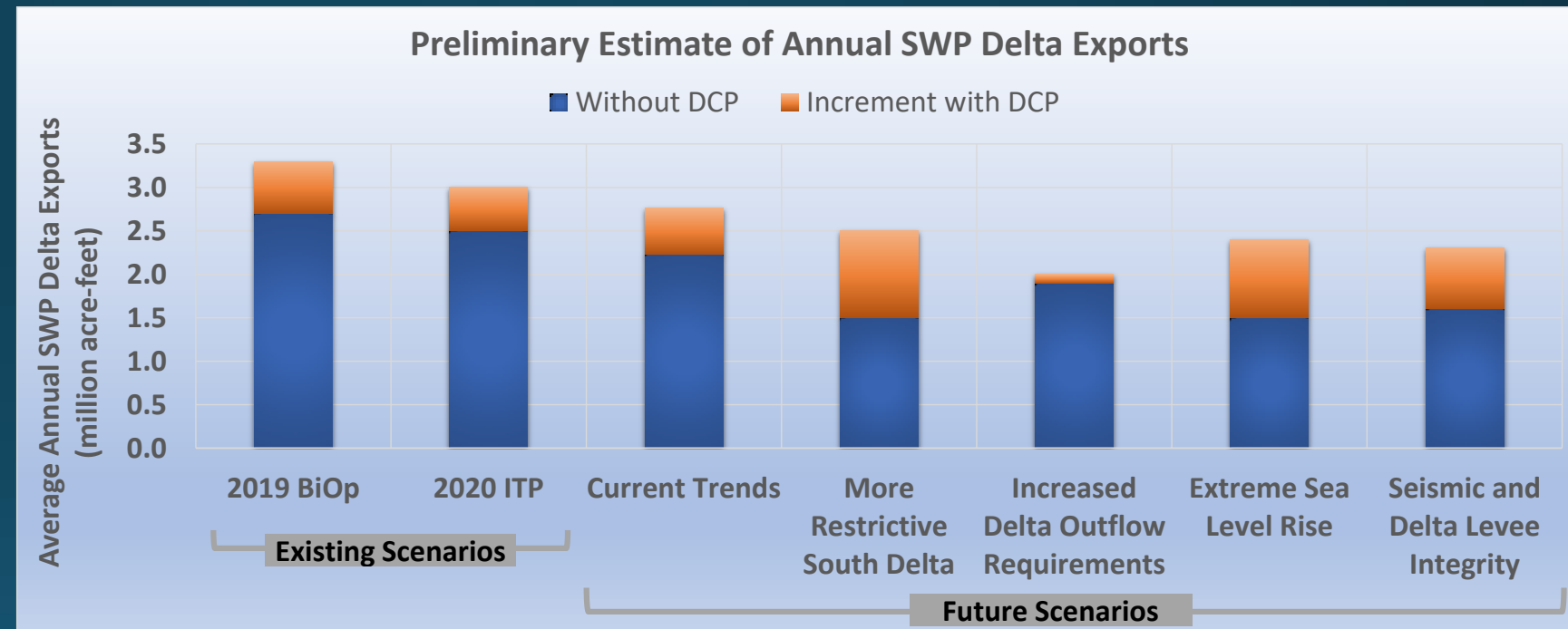
- Haimes 2009, Risk Analysis

“... intended to strengthen the resilience of water systems, thereby helping communities prepare for disruptions, to withstand and recover from shocks, and to adapt and grow from these experiences.”

- California Water Resilience Portfolio 2020

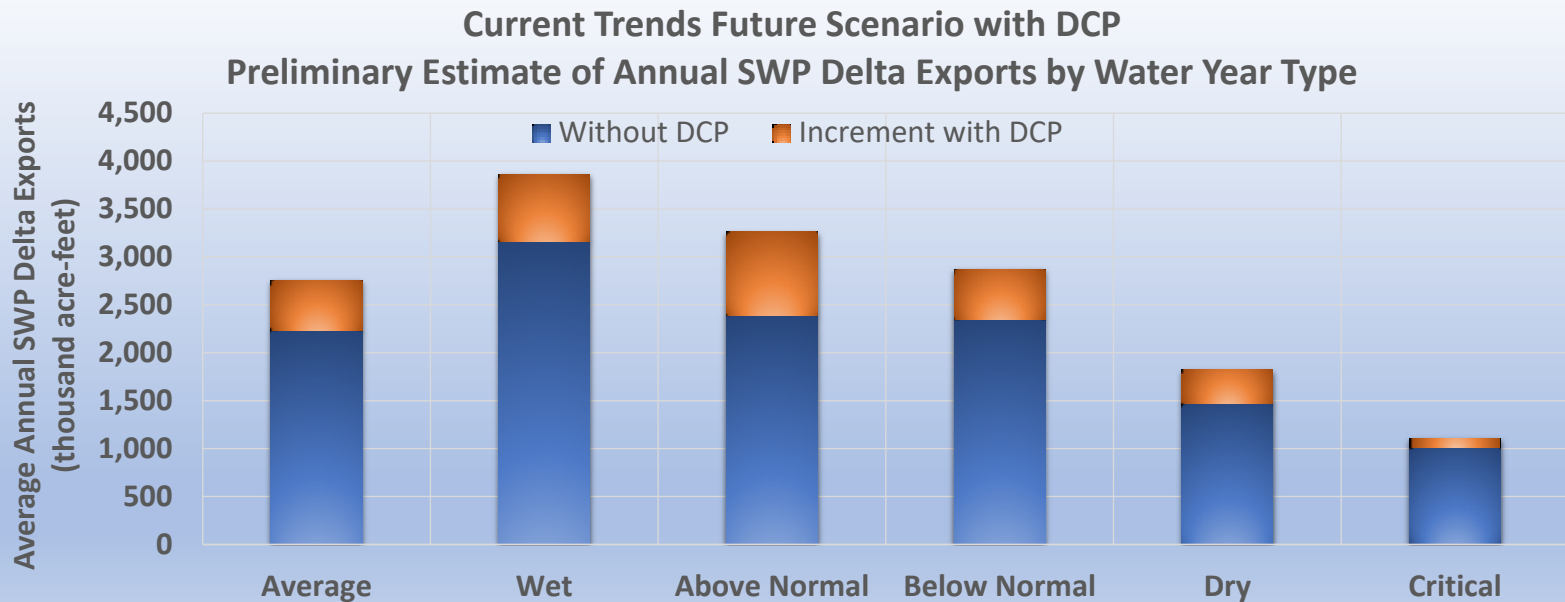
SWP Reliability Compared to Future Conditions Without DCP

- DCP shows potential to alleviate reductions to SWP reliability under many plausible future risk scenarios
 - ~100 TAFY to 1,000 TAFY under greater regulatory restrictions
 - ~700 TAFY under seismic risks and delta island flooding
 - ~900 TAFY under extreme sea level rise
- Exact future likely a combination of climate/hydrology, sea level, regulatory, seismic, and other risks



*TAFY: thousand acre-feet per year on average

Preliminary Estimate of Potential SWP Water Supply Change with DCP Under Current Trends

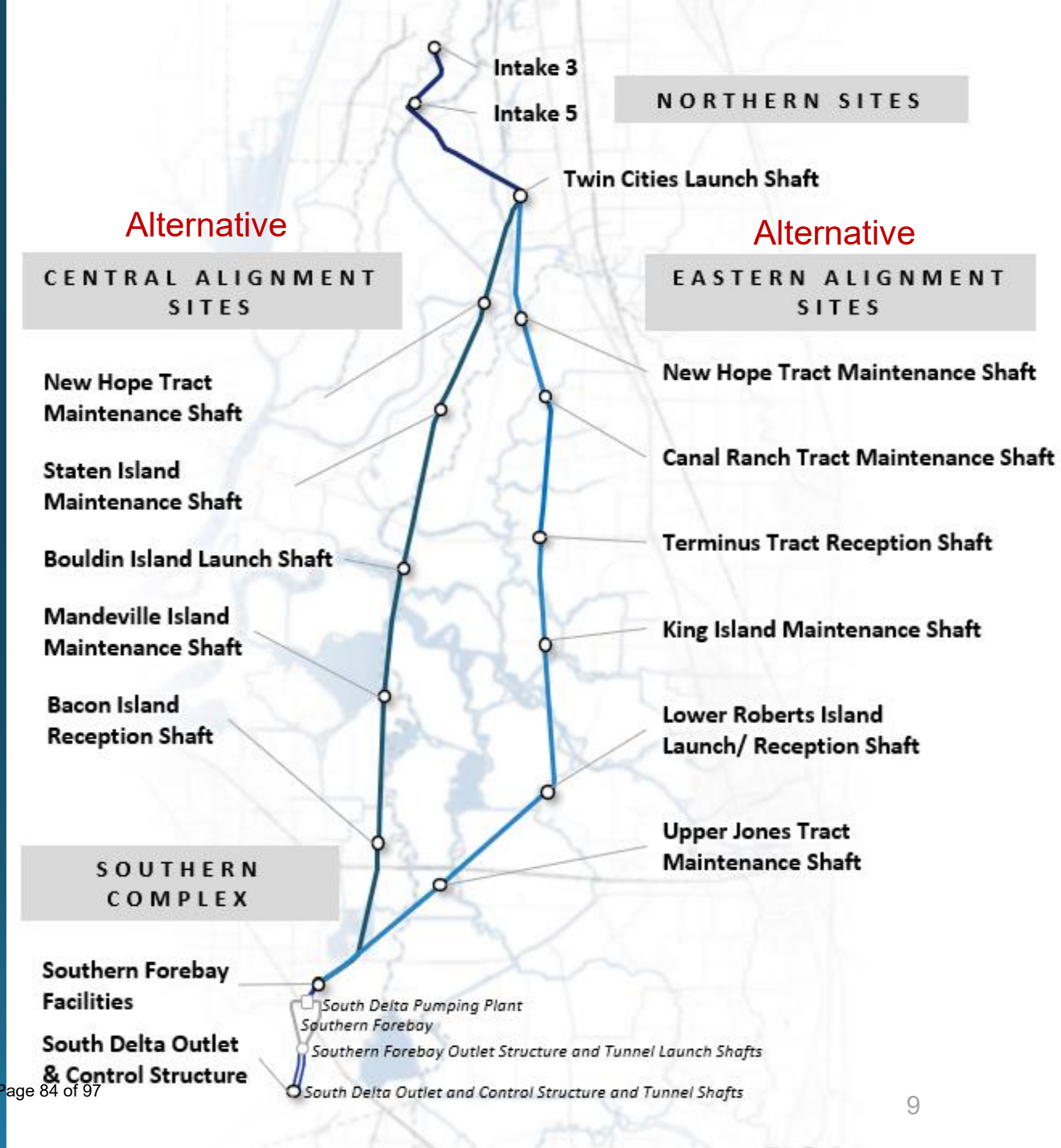


**TAFY: thousand acre-feet per year on average*

- Current Trends scenario assumes:
 - current Delta regulations
 - projected climate change and sea level rise around year 2040
 - WaterFix operations for DCP
- Estimated SWP export improvement with DCP of ~500 TAFY under the Current Trends scenario
- Most of the export improvement in wetter years
- On average, ~60% increase is Table A and ~40% increase is Article 21
- As DCP Proposed Project is further defined and modeling is refined, water supply estimates may change

Cost Information Assumptions

- **Proposed Facilities Included in Estimate:**
 - One Tunnel - Total capacity 6,000 cfs
 - Two intakes at 3,000 cfs each
 - 42 miles of tunnel and associated shafts
 - Southern Complex Facilities
 - Pump Station
 - Forebay
 - Connections to existing CA Aqueduct
 - \$15.9B (44% Contingency)



Staff Recommended Strategy for DCP Participation

- Exercise a 2-year option for planning minimizing financial risk
- Exercise higher DCP participation level (for now)
 - Addresses documented supply shortfalls
 - Helps 2020 UWMP projections
 - Allows time for long-term financial strategy
 - Fine-tune DCP w/ Sites w/UWMP
 - Secures generational opportunity position
 - *Hold Fast & Stay Course*

Opportunity to Close Supply Gap

Participation Level	Additional Water*	New Allocation (53% reliability)	2-Year Planning Cost	Agency Share of 15.9B	Annual Cost @5% Bond Rate
1.22%	7,346 AF	16,515 AF	\$1.5M	\$194M	\$10.6M
2.0%**	12,000 AF	21,169 AF	\$2.4M	\$318 M	\$17.4M

Note: East Branch Extension Average Cost 2020-2035: ~\$15M/yr.

* 2020 DRAFT Infrastructure Plan additional imported demands 2035: ~16,000 AF

** Participation level maximum and subject to availability

Board Action

- Review Agreement in Principle for SWP Contract Amendment
- Establish participation level
- Approve funding agreement