

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, CA 92223



SAN GORGONIO PASS
WATER AGENCY
A California State Water Project Contractor

Regular Meeting of the Board of Directors
May 18, 2026 at 6:00 p.m.

AGENDA

This meeting is being held virtually and in person.
Link and telephone option provided is available for the
convenience of the public.

TO JOIN VIA ZOOM: [Zoom Link Board Meeting](#)

TO JOIN THE MEETING BY TELEPHONE

CALL: 669-900-6833 | MEETING ID: 926 3191 5535

Members of the public who wish to comment on any item within the jurisdiction of the Agency or any item on the agenda may submit comments by emailing mcabral@sgpwa.com or may do so during the meeting. Comments will become part of the Board meeting record.

***In order to reduce feedback, please mute your audio when you are not speaking.**

Assistance for those with disabilities: If you have a disability and need accommodation to participate in the meeting, please contact the Clerk of the Board at (951) 845-2577, at least 24 hours in advance of the meeting to ensure availability of the requested service of accommodation. You may also contact the Clerk of the Board in writing at San Gorgonio Pass Water Agency, 1210 Beaumont Avenue, Beaumont, CA 92223.

Esta reunión se llevará a cabo virtualmente y en persona.

El enlace y la opción telefónica proporcionada
es para la comodidad del público.

PARA UNIRSE VÍA ZOOM: [Zoom Link Board Meeting](#)
PARA UNIRSE A LA JUNTA CON LA OPCIÓN TELEFONICA
LLAMAR: 669-900-6833 | ID DE REUNIÓN: 926 3191 5535

Los miembros del público que deseen comentar sobre cualquier tema dentro de la jurisdicción de la Agencia o cualquier tema en la agenda pueden enviar comentarios por correo electrónico a mcabral@sgpwa.com o pueden hacerlo durante la reunión. Los comentarios pasarán a formar parte del registro de la reunión de la Junta.

***Para reducir los comentarios, silencia el audio cuando no estés hablando.**

Asistencia para personas con discapacidad: Si usted tiene una discapacidad y necesita asistencia para ser partícipe de la junta, por favor de contactar a la Secretaria de la Junta Directiva al (951) 845-2577, por lo mínimo con 24 horas de anticipo de la junta para asegurar la disponibilidad del servicio o asistencia que requiere. También puede contactar a la secretaria de la junta directiva por escrito al San Gorgonio Pass Water Agency, 1210 Beaumont Avenue, Beaumont, CA 92223.

President
Robert Ybarra

Vice President
Larry Smith

Treasurer
James Tickemyer

Secretary
Sarah Wargo

Directors
Dr. Blair M Ball
Chander Letulle
Mickey Valdivia

General Manager
Lance Eckhart,
PG, CHG

Legal Counsel
Holland Stewart

1. Call to Order, Invocation and Pledge of Allegiance

2. Roll Call

3. Adjustment and Adoption of Agenda

4. Public Comment:

Members of the public may address the Board at this time concerning items relating to any matter within the Agency's jurisdiction. There will be an opportunity to comment on specific agenda items, as the items are addressed. Speakers are requested to keep their comments to no more than five (5) minutes. Under the Brown Act, no action or discussion shall take place on any item not appearing on the agenda, except that the Board or staff may briefly respond to statements made or questions posed for the purpose of directing statements or questions to staff for follow-up.

5. Consent Calendar:

If any board member requests that an item be removed from the Consent Calendar, it will be removed so that it may be acted upon separately.

- A. Approve minutes of the May 4, 2026, Regular Meeting of the San Geronio Pass Water Agency Board of Directors, [\(pg. 4\)](#)
- B. Approve and authorize the General Manager to execute the Eleventh Amendment to the Tolling and Waiver Agreement with the California Department of Water Resources, extending the tolling period for State Water Project claims, [\(pg. 8\)](#)

6. Reports – Staff

- A. General Manager's Report
- B. General Counsel's Report

7. Informational Presentations and Updates:

- A. Water Conditions Report, [\(pg. 40\)](#)
- B. County Line Road Construction Update, [\(pg. 45\)](#)
- C. State Water Project Fundamentals – Water Supply Contract Recap, [\(pg. 70\)](#)

8. New Business – Discussion and Possible Action

- A. Approve updated Capitalization Policy, [\(pg. 77\)](#)

9. Reports – Directors and Committees

10. Board Requests for Future Agenda Items

11. Closed Session Agenda

- A. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION
(Gov. Code § 54956.9)

Significant Exposure to Litigation: One Potential Case

12. Reconvene

- A. Report out of Closed Session

13. Announcements

- A. Office closed May 25, 2026, in observance of Memorial Day
- B. Finance & Budget Committee Meeting, May 28, 2026 at 4:00 p.m.
- C. Regular Board Meeting, June 1, 2026 at 1:30 p.m.

14. Adjournment

Pending Agenda Items:

<i>Request</i>	<i>Requester</i>	<i>Date of Request</i>	<i>Status</i>
Public Surveying/Polling Processes	Smith	3/16/26	
Update on Board Room AV Equipment	Ybarra	5/4/26	

(1) Pursuant to Government Code section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Board less than seventy-two (72) hours prior to the meeting will be available for public inspection at the Agency's office, during regular business hours. When practical, these public records will also be made available on the Agency's website, accessible at: www.sgpwa.com (2) Any person with a disability who requires accommodation in order to participate in this meeting should telephone the Agency at least 48 hours prior to the meeting in order to make a request for a disability-related modification or accommodation.

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, California 92223

Official Minutes
Board of Directors Regular Meeting
May 4, 2026

THIS MEETING WAS HELD IN PERSON,
WITH PUBLIC AVAILABILITY PROVIDED VIA ZOOM.

1. Call to Order, Invocation, and Pledge of Allegiance

The San Gorgonio Pass Water Agency Board of Directors meeting was called to order by President Robert Ybarra at 9:30 a.m., Monday, May 4, 2026, at the office of the Agency. Vice President Smith provided the invocation and Director Letulle led the Pledge of Allegiance.

2. Roll Call

President Ybarra requested a roll call.

Board Present:

Robert Ybarra, President
Larry Smith, Vice-President
James Tickemyer, Treasurer
Sarah Wargo, Secretary
Blair M Ball, Director – arrived at 9:46 a.m.
Chander Letulle, Director
Mickey Valdivia, Director

Staff Present:

Lance Eckhart, General Manager
Jennifer Ustation, Chief Financial Officer
Maricela Cabral, Exec. Asst./Clerk of the Board
Emmett Campbell, Director of Water Resources
Matt Howard, Operations Manager
Jose Romero, Water Systems Operator II

Consultant Present:

Holland Stewart, Legal Counsel

A quorum was present.

3. Adoption and Adjustment of Agenda

The agenda was adopted as published.

4. Public Comment

No public comment received.

5. Closed Session Agenda

A. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION
(Gov. Code § 54956.9)

Significant Exposure to Litigation: One Potential Case

6. **Reconvene**

A. Report out of Closed Session Action

President Ybarra reconvened the meeting into open session. Counsel Stewart reported the Board met in closed session and there was no reportable action.

7. **Public Comment**

No public comment received.

8. **Special Recognition**

A. Proclamation in Recognition of Thomas W. Todd, Jr., Chief Financial Officer
General Manager Eckhart presented a proclamation recognizing Thomas W. Todd, Jr. for his service as Chief Financial Officer from March 12, 2007, through April 30, 2026. Mr. Eckhart recognized Mr. Todd for his leadership, professionalism, fiscal discipline, and lasting contributions to the Agency's financial strength and long-term stability.

Members of the Board, staff, and public offered remarks thanking Mr. Todd for his service, financial stewardship, institutional knowledge, professionalism, mentorship, and contributions to the Agency and the community. Mr. Todd expressed appreciation to the Board, staff, and attendees, and stated that serving the Agency had been an enjoyable and meaningful part of his career.

9. **Consent Calendar**

- A. Approve Minutes of the April 20, 2026, Special Meeting of the San Gorgonio Pass Water Agency Board of Directors
- B. Approve Minutes of the April 20, 2026, Regular Meeting of the San Gorgonio Pass Water Agency Board of Directors
- C. Approve Finance and Budget Committee Meeting report for April 23, 2026

Director Valdivia reported that the Finance and Budget Committee met on April 23, 2026, and reviewed regular financial items, new vendors, the PFM Investment Report, water rate update, Cash Reconciliation Report, and Reserve Allocation Report.

On a motion by Director Valdivia, seconded by Director Letulle, the board approved the Consent Calendar as presented.

Approved by the following vote:

Ayes: Valdivia, Wargo, Smith, Tickemyer, Letulle, Ball, Ybarra

Noes: None

Absent: None

Motion passed 7-0.

10. **Reports**

A. **General Manager's Report**

General Manager, Lance Eckhart reported on the following:

- 1. Introduced Jose Romero, new Water Systems Operator II

2. Congratulated and recognized Maricela Cabral and Jennifer Ustation for earning their master's degrees from their respective universities
3. Working with Department of Water Resources, San Gabriel Valley and San Bernardino Valley Municipal Water District on a Golden Mussel pilot program
4. Delta Stewardship Council accepted staff's recommendation on DWR's certification of consistency for the Delta Conveyance Project
5. Procurement update on the following Weka Construction change orders for the County Line Road Project:
 - o Change Order No. 7 – Approximately \$1,900.19 for additional grading and street improvement plan work
 - o Change Order No. 8 - \$8,900 for furnishing and installing tracer wire along County Line Road pipeline
 - o Change Order No. 9 – Under \$2,000 for modification of concrete sump box

B. Legal Counsel's Report

Counsel Stewart had no report.

11. Informational Presentations and Updates:

A. Water Rate Update Discussion

Sanjay Gaur and Charles Diamond with Water Resources Economics presented an update on the Agency's water rate study, including the study process, retail agency input, and Finance and Budget Committee review. Mr. Gaur discussed historical wholesale water rates, DWR variable cost volatility, and potential rate structure components, noting retail agencies expressed a preference for rate stability and predictability.

B. Investment Report Presentation

Chief Financial Officer Jennifer Ustation introduced Robert Montoya of PFM Asset Management who provided the Investment Report for the quarter ending March 31, 2026.

C. State Water Project Fundamentals – Water Supply Contract Recap

Item was tabled to a future meeting.

D. California Public Employees' Retirement System (CalPERS) Status Update

Former Chief Financial Officer Thomas Todd, Jr. provided an update on the Agency's CalPERS status, noting the Agency's retirement plan was approximately 101 percent funded as of April 15, 2026, and commended the Board and prior Boards for proactively addressing pension obligations.

12. New Business – Discussion and Possible Action:

A. Approve Updated Procurement Policy

Item was tabled to a future meeting.

B. Approve Updated Capitalization Policy

Item was tabled to a future meeting.

13. Reports - Directors and Committee Report

Director and Committee reports were deferred to a future meeting.

14. Topics for Future Agendas

President Ybarra requested follow-up on the Board room television screens.

15. Announcements

President Ybarra reviewed the following announcements:

- A. ACWA Spring Conference, May 5-7, 2026
- B. Regular Board Meeting, May 18, 2026 at 6:00 p.m.
- C. Office closed May 25, 2026, in observance of Memorial Day
- D. Finance and Budget Committee Meeting, May 28, 2026 at 4:00 p.m.

16. Adjournment

There being no further business to discuss, President Ybarra adjourned the meeting at 12:00 p.m. The next regularly scheduled meeting is Monday, May 18, 2026, at 6:00 p.m.

Maricela V. Cabral, MPA, CMC
Exec. Asst./Clerk of the Board

San Gorgonio Pass Water Agency

DATE: May 18, 2026

TO: Board of Directors

FROM: Lance Eckhart, General Manager

BY: Jennifer Ustation, Chief Financial Officer

SUBJECT: Consider Approval of Eleventh Amendment Extending the Tolling Period for State Water Project Claims

RECOMMENDATION

Authorize the General Manager to execute the Eleventh Amendment to the Tolling and Waiver Agreement with the California Department of Water Resources, in substantially the form presented, subject to final review and approval by staff and legal counsel.

BACKGROUND AND ANALYSIS

In 2007, San Gorgonio Pass Water Agency (the “Agency” or “SGPWA”) and the California Department of Water Resources (“DWR”) entered into a Tolling and Waiver Agreement related to certain claims involving State Water Project charges and billing matters. The agreement has been amended several times to extend the tolling period and to update the scope of claims subject to the agreement. The current agreement, as amended through the Tenth Amendment, tolls applicable statutes of limitation for certain claims through June 1, 2026.

DWR has prepared an Eleventh Amendment to the Tolling and Waiver Agreement to further extend the tolling period through June 1, 2028. The amendment would continue to toll and waive applicable limitations periods for covered claims, including claims related to DWR bills to State Water Project contractors for calendar years 2007 through June 1, 2028, including revisions made on or before that date. The amendment also provides that the Agency would have 60 days after the Tolling Period Expiration Date to submit notices of contest for claims pertaining to covered bills.

The purpose of the proposed amendment is to preserve the parties’ rights while DWR and the State Water Project contractors continue good faith discussions regarding potential resolution of billing-related claims and other State Water Project matters. Without an extension of the tolling period, the Agency may be required to formally protest bills or take other legal action to preserve its rights once the current tolling period expires. The amendment allows these discussions to continue without requiring immediate formal dispute actions solely to preserve claims.

Staff recommends authorizing the General Manager to execute the Eleventh Amendment in substantially the form presented, subject to final review and approval by staff and legal counsel. Approval of the amendment would preserve the Agency’s rights with respect to applicable State Water Project billing claims, avoid the need for immediate protective

protests or legal action, and allow continued participation in the ongoing resolution process with DWR and other State Water Project contractors.

FISCAL IMPACT

Approval of the Eleventh Amendment to the Tolling and Waiver Agreement will not result in any immediate direct fiscal impact to the Agency. The amendment preserves the Agency's legal rights related to certain State Water Project billing claims by extending the tolling period through June 1, 2028, thereby avoiding the need for immediate formal protests or litigation solely to preserve those rights.

Minor administrative and legal review costs may be incurred in connection with execution and ongoing participation in the claims resolution process; however, these costs are expected to be minimal and can be absorbed within existing budget appropriations.

The amendment may provide long-term financial benefit by preserving the Agency's ability to pursue or participate in potential future recoveries, billing adjustments, or negotiated resolutions related to disputed State Water Project charges.

ACTION

Authorize the General Manager to execute the Eleventh Amendment to the Tolling and Waiver Agreement with the California Department of Water Resources, in substantially the form presented, subject to final review and approval by staff and legal counsel.

ATTACHMENTS

1. Eleventh Amendment to the Tolling and Waiver Agreement.

ELEVENTH AMENDMENT TO TOLLING AND WAIVER AGREEMENT

This ELEVENTH AMENDMENT TO TOLLING AND WAIVER AGREEMENT (“Eleventh Amendment”), which shall be effective as of June 1, 2026 (“Effective Date of Eleventh Amendment”), is entered into by and between the _____ (“AGENCY”) and the CALIFORNIA DEPARTMENT OF WATER RESOURCES (“DWR” or “The Department”). AGENCY and DWR are referred to individually as a “Party” and collectively as the “Parties.”

RECITALS

A. In 2007, the Parties entered into a Tolling and Waiver Agreement (“Agreement”), and thereafter entered into the First Amendment with an effective date of December 15, 2007 (“First Amendment”), Second Amendment with an effective date of December 15, 2008 (“Second Amendment”), Third Amendment with an effective date of September 15, 2009 (“Third Amendment”), Fourth Amendment with an effective date of December 15, 2010 (“Fourth Amendment”), Fifth Amendment with an effective date of December 15, 2012 (“Fifth Amendment”), Sixth Amendment with an effective date of December 15, 2015 (“Sixth Amendment”), Seventh Amendment with an effective date of December 15, 2017 (“Seventh Amendment”), Eighth Amendment with an effective date of December 15, 2019 (“Eighth Amendment”), Ninth Amendment with an effective date of December 15, 2021 (“Ninth Amendment”), and Tenth Amendment with an effective date of December 15, 2023 (“Tenth Amendment”). Except as otherwise set forth in this Eleventh Amendment, capitalized terms have the meanings given to such terms in the Agreement, as amended.

B. Among other things, the Agreement, as currently amended through the Tenth Amendment, tolls the statute of limitations with regard to certain Claims beginning with the Effective Date of the Agreement through and including June 1, 2026. The Claims specified in the Agreement, as amended through the Tenth Amendment, include, with certain exceptions, DWR’s bills to the Contractors for calendar year 2007 through and including May 2026, but do not include bills for subsequent years.

C. Thus, in the absence of an amendment to extend the tolling period beyond June 1, 2026, AGENCY will be required to formally protest and/or take other legal action to preserve its rights to pursue Claims under the Agreement, as amended, upon expiration of the tolling period on June 1, 2026. In addition, in the absence of an amendment to the Agreement regarding the SWP bills for 2027 and 2028, AGENCY will be required to formally protest its SWP bills for 2027 and 2028 and/or take other legal action to preserve any claims it may have with respect to such bills.

D. The Parties currently are engaged in good faith discussions concerning a possible resolution of the claims related to the SWP bills issued for calendar years 2007 through and including 2026 and certain other claims related to the State Water Project. In order to facilitate these discussions, the Parties agree that the applicable tolling period for pursuing Claims as set out in the Agreement, as amended, (with the exception of the issues set out in Exhibit 1, Exhibit 2A, Exhibit 2B, Exhibit 2C, Exhibit 2D, Exhibit 2E, and Exhibit 2F) should be extended through June 30, 2028, and that claims related to the SWP bills issued by DWR for 2027 and 2028, including any revisions made on or before June 30, 2028, should also be tolled.

E. The Parties also recognize that there may be issues that they are not able to resolve through good faith discussions and that a Party to this Agreement and/or a Contractor which has entered into a similar, but separate, tolling and waiver agreement with DWR may desire to seek formal dispute resolution or other legal action on such issues before the end of the tolling period on June 30, 2028. Accordingly, the Parties have included procedures in this Agreement, as amended, and DWR has included similar procedures in its tolling and waiver agreements with other Contractors to allow any party (including DWR) to exclude issues from the tolling provisions before the end of the tolling period and to have such exclusion apply to and bind DWR and all other Contractors with tolling and waiver agreements with DWR.

NOW, THEREFORE, AGENCY and DWR, for good and adequate consideration, the sufficiency of which is hereby acknowledged, agree to the following:

TERMS OF ELEVENTH AMENDMENT

1. The text in Paragraph 1(b) of the Agreement, as amended by the

Tenth Amendment, is deleted in its entirety and replaced with the following text, shown here in italics:

(b) (i) The term “Claims” is broadly defined to include any and all claims for relief, actions, suits, causes of action, damages, debts, costs, demands, losses, liabilities and obligations of whatever nature, whether legal or equitable, and notices of contest under Article 29(g) of the State Water Contracts that arise out of or are related to: (1) the Metropolitan Claim; (2) the use, prior to July 1, 2006, of revenue bond proceeds and commercial paper note proceeds to pay “costs incurred for the enhancement of fish and wildlife or for the development of public recreation”; (3) the related establishment, restatement or adjustment of charges and rate reductions under the State Water Contracts; (4) the accounting for the costs of the San Joaquin Drainage Program; (5) the allocation of the costs of certain facilities in the Delta to the purposes of the development of public recreation and the enhancement of fish and wildlife; (6) DWR’s bills to the Contractors for calendar year 2007 through and including June 30, 2028, including any revisions to such bills made on or before June 30, 2028; provided that the term “Claims” does not include the issue set out in Exhibit 1, attached hereto, effective January 1, 2009; the issues set out in Exhibit 2A, attached hereto, effective January 1, 2016; the issues set out in Exhibit 2B, attached hereto, effective January 1, 2018; the issues set out in Exhibit 2C, attached hereto, effective January 1, 2020; the issues set out in Exhibit 2D, attached hereto, effective January 1, 2022; the issues set out in Exhibit 2E, attached hereto, effective January 1, 2024; and the issues set out in Exhibit 2F, attached hereto, effective June 1, 2026. To the extent the issue set out in Exhibit 1 was heretofore included within the term “Claims”, the Tolling Period Expiration Date for such issue as used in Paragraph 4 shall be deemed to be December 31, 2008. To the extent the issues set out in Exhibit 2A were heretofore included within the term “Claims”, the Tolling Period Expiration Date for such issues as used in Paragraph 4 shall be deemed to be December 31, 2015. To the extent the issues set out in Exhibit 2B were heretofore included within the term “Claims”, the Tolling Period Expiration Date for such issues as used in Paragraph 4 shall be deemed to be December 31, 2017. To the extent the issues set out in Exhibit 2C were heretofore included within the term “Claims”, the Tolling Period Expiration Date for such issues as used in Paragraph 4 shall be deemed to be December 31, 2019. To the extent the issues set out in Exhibit 2D were heretofore included within

the term “Claims”, the Tolling Period Expiration Date for such issues as used in Paragraph 4 shall be deemed to be December 31, 2021. To the extent the issues set out in Exhibit 2E were heretofore included within the terms “Claims”, the Tolling Period Expiration Date for such issues as used in Paragraph 4 shall be deemed to be December 31, 2023. To the extent issues set out in Exhibit 2F were heretofore included within the term “Claims”, the Tolling Period Expiration Date for such issues as used in Paragraph 4 shall be deemed June 1, 2026. In addition, the term “Claims” shall not include any issue to the extent such issue is excluded from the term “Claims” pursuant to the provisions of Paragraph 1(b)(ii) or 1(b)(iii).

(ii) Any Party (including DWR) to this Agreement may elect to remove one or more of the issues set out in Exhibit 3 from the term “Claims” by giving 60 days advance written notice to DWR and the other Contractors which have tolling and waiver agreements with DWR with a tolling period expiration date that has been extended to June 30, 2028. Such notice shall specify the effective date of such exclusion and shall apply to and be binding upon DWR and the other Contractors listed in Exhibit 4 which have a tolling and waiver agreement with DWR with a tolling period expiration date that has been extended to June 30, 2028. Exhibit 4 contains a listing of all water contractors which entered into the previous tolling and waiver agreement amendment extending the tolling period to June 1, 2026, and which are expected to enter into amendments to extend their tolling periods to June 30, 2028. To be effective, such notice must be received by DWR and shall be effective as to all other Contractors with tolling and waiver agreements with DWR with a tolling period expiration date that has been extended to June 30, 2028, even if one or more of such Contractors do not receive such notice. The effect of such notice by one Party or by any Contractor with a tolling and waiver agreement with DWR shall be to exclude such issue or issues from the term “Claims” in this Agreement and in the tolling and waiver agreements of DWR and the other Contractors listed in Exhibit 4 with a tolling period expiration date that has been extended to June 30, 2028. To the extent the issue or issues set out in the notice were heretofore included within the term “Claims”, the Tolling Period Expiration Date for each such issue as used in Paragraph 4 shall be the issue exclusion date so specified in the notice.

(iii) Any Party (including DWR) to this Agreement may elect to remove one or more issues (other than those listed in Exhibit 3, which are addressed in Paragraph 1(b)(ii)) from the definition of the term “Claims” by giving 120 days advance written notice to DWR and the other Contractors which have tolling and waiver agreements with DWR with a tolling period expiration date that has been extended to June 30, 2028; provided, however, that such Party (if other than DWR) shall notify DWR at least 30 days in advance of the issuance of such 120 day notice and allow DWR the opportunity to discuss the matter with that Party. The Party shall use its best efforts to describe clearly in the notice the issue or issues to be excluded and shall specify the effective date of such exclusion. The notice shall apply to and be binding upon DWR and the other Contractors listed in Exhibit 4 which have a tolling and waiver agreement with DWR with a tolling period expiration date that has been extended to June 30, 2028. To be effective, such notice must be received by DWR and shall be effective as to all other Contractors with tolling and waiver agreements with DWR with a tolling period expiration date that has been extended to June 30, 2028, even if one or more of such Contractors do not receive such notice. The effect of such notice by one Party or by any Contractor with a tolling and waiver agreement with DWR shall be to exclude such issue or issues from the term “Claims” in this Agreement and in the tolling and waiver agreements of DWR and the other Contractors listed in Exhibit 4 with a tolling period expiration date that has been extended to June 30, 2028. To the extent the issue or issues set out in the notice were heretofore included within the term “Claims”, the Tolling Period Expiration Date for each such issue as used in Paragraph 4 shall be the issue exclusion date so specified in the notice.

2. The text in Paragraph 4 of the Agreement, as amended by the Tenth Amendment, is deleted in its entirety and replaced with the following text, shown here in italics:

The Tolling Period Expiration Date is June 30, 2028; provided that DWR may, upon giving 60 days advance written notice to Agency, change the Tolling Period Expiration Date to a date earlier than June 30, 2028, if the sum of the maximum Table A amounts for all Contractors who enter into an Eleventh Amendment to the Tolling and Waiver Agreement with DWR (plus the Table A amount for the County of Butte, if the County

enters into an Tenth Amendment to the Tolling and Waiver Agreement with DWR) is less than 95% of the sum of the maximum Table A amounts; and provided further that the Tolling Period Expiration Date as to any specific issue may be set at an earlier date pursuant to the provisions of Paragraph 1(b)(ii) or 1(b)(iii). For the time period between the Effective Date of the Agreement and the Tolling Period Expiration Date, inclusive (the "Tolling Period"), Agency and DWR agree that, except as provided for in this Agreement, all Periods of Limitation applicable to all Claims between the Parties, including without limitation those described in the Metropolitan Claim, shall be tolled and waived, shall not run or expire, and shall not operate in any manner so as to prejudice, bar, limit, create a defense to or in any way restrict Claims between the Parties. Except as provided in Paragraph 2 herein, after the Tolling Period Expiration Date, the Parties shall have the same rights, remedies, and damages each of them had on the Effective Date of the Agreement and the Tolling Period shall be excluded from any time calculation in determining whether any period of limitations has run; provided, however, that with regard to Claims pertaining to DWR's bills to the Contractors for calendar year 2007 through and including June 30, 2028, AGENCY shall have until 60 days from the Tolling Period Expiration Date to submit notices of contest to DWR for Claims pertaining to any such bills for calendar year 2007 through and including June 30, 2028. Except for the Parties' waiver of the Statute of Limitations as provided herein and except as provided in Paragraph 2 herein, this Agreement shall not operate as a waiver of any Claims or defenses that either Party may have against the other.

3. Exhibit 1, entitled "Issue Not Included in the Term "Claims" Effective January 1, 2009", which title was changed by the Fifth Amendment, remains unchanged as a part of this Agreement and is attached.

4. Exhibit 2, entitled "Issues Not Included in the Term "Claims" for Purposes of the Tolling and Waiver Agreement Extension Beginning January 1, 2013", which was added by the Fifth Amendment, did not have any issues listed and was therefore deleted in its entirety and replaced in the Sixth Amendment by Exhibit 2, entitled "Issues Not Included in the Term "Claims" Effective January 1, 2016". Exhibit 2 subsequently was renumbered as Exhibit 2A, but

remained entitled “Issues Not Included in the Term “Claims” Effective January 1, 2016. Exhibit 2A is attached to the Sixth Amendment and remains a part of this Agreement.

5. Exhibit 2B, entitled “Issues Not Included in the Term “Claims” Effective January 1, 2018”, is attached to the Seventh Amendment and remains a part of this Agreement.

6. Exhibit 2C, entitled “Issues Not Included in the Term “Claims” Effective January 1, 2020”, is attached to the Eighth Amendment and remains a part of this Agreement.

7. Exhibit 2D, entitled “Issues Not Included in the Term “Claims” Effective January 1, 2022,” is attached to the Ninth Amendment and remains a part of this Agreement,

8. Exhibit 2E, entitled “Issues Not Included in the Term “Claims” Effective January 1, 2024,” is attached to the Tenth Amendment and made a part of this Agreement,

9. Exhibit 2F, entitled “Issues Not Included in the Term “Claims” Effective, June 1, 2026,” is attached to this Eleventh Amendment and made a part of this Agreement.

10. Exhibit 3, entitled “Issues that May be Excluded from the Term “Claims” upon 60 Days Advance Notice”, which was added by the Fourth Amendment, is amended by listing additional issues, if any, to issues 1 and 2 previously listed therein, and such Exhibit 3 as amended is attached and remains a part of this Agreement.

11. Exhibit 4, entitled “Contractors which Signed Prior Tolling Agreement Amendment Extending Tolling Period to December 31, 2023 and which are Expected to Enter into Amendment to Extend Tolling Period to June 1, 2026,” which was added by the Tenth Amendment, is deleted in its entirety and replaced by Exhibit 4 entitled “Contractors which Signed Prior Tolling Agreement Amendment Extending Tolling Period to June 1, 2026, and which are Expected to Enter into Amendment to Extend Tolling Period to June 30, 2028,” which is attached and made a part of this Agreement.

12. All other terms and conditions of the Agreement, as amended, are unchanged by this Eleventh Amendment and shall remain in full force and effect.

13. In consideration of the extension of the tolling period provided by this Eleventh Amendment, the Parties intend to continue to use their best efforts to discuss and seek to resolve, in a timely manner, as many of the remaining issues as practicable that have been tolled by this Agreement or that have otherwise been raised in the resolution process established in response to this Agreement.

14. Each individual signing below represents and warrants that he or she is authorized to execute this Eleventh Amendment on behalf of the respective Party to this Eleventh Amendment and does so freely and voluntarily.

15. Each Party warrants and represents that, in executing this Eleventh Amendment, it has relied upon legal advice from counsel of its choice; that the terms of this Eleventh Amendment have been read and its consequences have been completely explained to it by counsel; that it fully understands the terms of this Eleventh Amendment; and that it knows of no reason why this Eleventh Amendment shall not be a valid and binding agreement of that Party.

16. The Parties agree that this Eleventh Amendment will be executed using DocuSign by electronic signature, which shall be considered an original signature for all purposes and shall have the same force and effect as an original signature.

17. All Parties will receive an executed copy of this Eleventh Amendment via DocuSign after all Parties have signed.

DATED: _____

Ann K.B. Carroll
General Counsel
Department of Water Resources

DATED: _____

Name:
Title:
For Agency

DRAFT

EXHIBIT 1

ISSUE NOT INCLUDED IN THE TERM "CLAIMS" EFFECTIVE JANUARY 1, 2009

1. The validity of charges for costs incurred by DWR at Perris Reservoir for beach sand, the ADA fishing pier, and marina repairs and relocation, which have been billed to and included in the annual Statements of Charges issued to Metropolitan Water District, Coachella Valley Water District and Desert Water Agency for calendar years 2008 and 2009.

EXHIBIT 2A

ISSUES NOT INCLUDED IN THE TERM “CLAIMS” EFFECTIVE JANUARY 1, 2016

FOR THE COMPLETE LIST OF “ISSUES NOT INCLUDED IN THE TERM “CLAIMS” EFFECTIVE JANUARY 1, 2016” PLEASE REFER TO EXHIBIT 2 IN THE SIXTH AMENDMENT. THOSE ISSUES ARE DEEMED INCORPORATED HEREIN AS THOUGH FULLY SET FORTH IN THIS EXHIBIT 2A.

EXHIBIT 2B

ISSUES NOT INCLUDED IN THE TERM “CLAIMS” EFFECTIVE JANUARY 1, 2018

FOR THE COMPLETE LIST OF “ISSUES NOT INCLUDED IN THE TERM “CLAIMS” EFFECTIVE JANUARY 1, 2018” PLEASE REFER TO EXHIBIT 2B IN THE SEVENTH AMENDMENT. THOSE ISSUES ARE DEEMED INCORPORATED HEREIN AS THOUGH FULLY SET FORTH IN THIS EXHIBIT 2B.

EXHIBIT 2C

ISSUES NOT INCLUDED IN THE TERM “CLAIMS” EFFECTIVE JANUARY 1, 2020

FOR THE COMPLETE LIST OF “ISSUES NOT INCLUDED IN THE TERM “CLAIMS” EFFECTIVE JANUARY 1, 2020” PLEASE REFER TO EXHIBIT 2C IN THE EIGHTH AMENDMENT. THOSE ISSUES ARE DEEMED INCORPORATED HEREIN AS THOUGH FULLY SET FORTH IN THIS EXHIBIT 2C.

EXHIBIT 2D

ISSUES NOT INCLUDED IN THE TERM “CLAIMS” EFFECTIVE JANUARY 1, 2022

FOR THE COMPLETE LIST OF “ISSUES NOT INCLUDED IN THE TERM “CLAIMS” EFFECTIVE JANUARY 1, 2022” PLEASE REFER TO EXHIBIT 2D IN THE NINTH AMENDMENT. THOSE ISSUES ARE DEEMED INCORPORATED HEREIN AS THOUGH FULLY SET FORTH IN THIS EXHIBIT 2D.

EXHIBIT 2E

ISSUES NOT INCLUDED IN THE TERM “CLAIMS” EFFECTIVE JANUARY 1, 2024

FOR THE COMPLETE LIST OF “ISSUES NOT INCLUDED IN THE TERM “CLAIMS” EFFECTIVE JANUARY 1, 2024” PLEASE REFER TO EXHIBIT 2E IN THE TENTH AMENDMENT. THOSE ISSUES ARE DEEMED INCORPORATED HEREIN AS THOUGH FULLY SET FORTH IN THIS EXHIBIT 2E.

EXHIBIT 2F

ISSUES NOT INCLUDED IN THE TERM “CLAIMS” EFFECTIVE JUNE 1, 2026

1. Whether costs for the funding and repayment methodologies associated with the SAP/CARA implementations were charged incorrectly, including the treatment of these costs as O&M in the Statements of Charges when these projects provide benefits for several future periods. Resolution: The Department determined that the costs were properly included in the Contractors’ charges. The contract does not permit these costs to be capitalized under Article 1(ap) (previously Article 1(hh)) of the Water Supply Contract. Article 1(ap) does not define SAP/CARA implementation as a project that can be financed through the WSRB. The updated Capitalization policy has been provided to the Contractors.
2. Whether the Department incorrectly treated costs as capital or minimum within the Statements of Charges, as determined by the field divisions. Resolution: The Department reviewed this claim and determined the claim is too broad in nature. Hence, no changes were necessary.
3. Whether the Department incorrectly treated project costs for the aqueduct and other significant asset refurbishment projects as O&M or replacements, instead of capitalizing them based on the betterment criteria. Resolution: The Department reviewed this claim and determined the claim is too broad in nature. Hence, no changes were necessary.
4. Whether the statewide alpha cost centers 2200AAC051, 2210AAC051 and 1101AAC099 are improperly allocating to all reaches for the AAC series alphas. Resolution: The Department determined that the AAC alpha series was incorrectly allocated, which resulted in the reallocation of approximately \$23,644,545 to the proper alpha cycle.
5. Whether the Department acted improperly in not allocating statewide MAD and MAF alpha cost centers to all plants. Resolution: The Department revised the allocation factors for the statewide MAD and MAF alpha cost centers since the year 2000. This was reflected in the 2024 Statements of Charges.
6. Whether 5 of the 50 invoices assessed were related to the construction of the Southern Field Division O&M Headquarters in Pearblossom, California, and the costs related to these invoices were improperly charged directly to Pearblossom Pumping Plant. Resolution: The Department moved approximately \$25 million to an alpha cost center to distribute costs to all reaches in the Southern Field Division of O&M.
7. Whether the coastal reallocation calculation incorrectly allocated minimum costs to Santa Barbara County Flood Control and Water Conservation District (Santa Barbara) and the San Luis Obispo County Flood Control and Water Conservation District (San Luis Obispo) in the 2000 to 2022 Statements of Charges by excluding costs for the County of Butte, Plumas County Flood Control and Water Conservation District (Plumas), the City of Yuba City, and a potential future Contractor - San Joaquin, resulting in an overstatement of costs of approximately \$5,354 and \$269 to Santa Barbara and San Luis Obispo, respectively.

Resolution: The Department determined that the costs were properly included in the Contractors' charges. The coastal reallocation calculation methodology correctly excluded O&M costs for the City of Yuba City, County of Butte, and potential future Contractor - San Joaquin because they don't have a Transportation Minimum - Attachment 4B. The City of Yuba City and County of Butte are not participants in O&M costs; they are located along the Feather River. For a potential future Contractor - San Joaquin, costs are suspended as there's no Contractor in place yet; therefore, there's no Contractor from which to recover the costs. Plumas has an Attachment 4B and costs were included for all years, except for years 1998 - 2002, which were excluded due to the PCL agreement. For years 2000 - 2002, costs excluded totaled approximately \$83. The Department used an alpha allocation cycle - FAD908 for the coastal reallocation calculation because it facilitated the removal of costs from coastal branch reaches 33b, 34, and 35. As a consequence, there were nominal costs that were allocated to conservation reaches, that would not be recovered from Feather River contractors, so costs were reallocated. The purpose of this reallocation is to meet the requirements of DWR Contract Number B-80976, dated October 1, 1996. The Department is meeting this requirement through the temporary allocation of costs through an alpha allocation cycle, while developing a formal process that takes into consideration the contractors' service areas, billing components affected, cost recovery methods and timing of repayment of costs.

8. Whether multiple invoice costs for 2016 – 2018, totaling approximately \$526,774, were related to extraordinary minimum costs but had costs incorrectly charged through annual facilities operations and maintenance minimum cost centers. Resolution: The Department determined that the costs were properly included in the Contractors' charges. Per the Department's policy, extraordinary project costs should be over \$250,000. The invoice cost amounts were all under \$250,000.
9. Whether administrative charges related to the Cap-and-Trade program of approximately \$135,000 in 2013 and \$81,000 in 2015 were transferred from the variable component to the Off-Aqueduct component and have not yet been billed. Resolution: The Department sent out revised 2013 and 2015 Off-Aqueduct Power invoices, in April and June of 2023, to include the unbilled amounts.
10. Whether the coastal reallocation was calculated using B132-18 Minimum Table B-2 Proportional Use of Facilities Factors (PUFF) vs. B132-19 Minimum Table B-2 PUFF, causing an incorrect reallocation of approximately \$20,532 in costs among the Contractors. Resolution: The Department updated the Coastal reallocation with the latest Table B-2 PUFF.
11. Whether costs for the 2019 F-series and S-series alpha allocation cycle percentages, totaling approximately \$140,145,855, were not subsequently updated from estimates to actuals for reach 33A, in the 2021 Statements of Charges. Resolution: The Department updated the 2019 F-series and S-series alpha allocation cycle costs for reach 33A, and costs were reallocated among the Contractors. This was reflected in the 2023 Statements of Charges.
12. Whether costs, totaling approximately \$33,678, were understated for reaches EBX-R3B and EBX-R3E and overstated in the remaining reaches, in the F-series estimated allocation percentages in the 2021 Statements of Charges, resulting in an increase in total direct labor

amounts used to calculate the estimated F-series alpha allocation for reaches EBX-R3B and EBX-R3E by \$31,756 and \$1,922, respectively. Resolution: The Department determined that the costs were properly included in the Contractors' charges. The allocation factors were updated from estimates to actuals as part of the 2022 Statements of Charges. Additionally, the estimated factors for the 2022 Statement of Charges were calculated appropriately for reaches EBX-R3B and EBX-R3E. The F-series estimated allocation percentages were part of projections and not actual costs; hence, no changes were necessary since the allocation factors are annually updated to reflect the actual costs in the Statements of Charges.

13. Whether costs, totaling approximately \$243,478, were understated for reaches EBX-R3B, EBX-R3D, and EBX-R3E and overstated for the remaining reaches, in the S-series estimated allocation percentages, in the 2021 Statements of Charges, resulting in an increase in total salaries and wages amounts used to calculate the estimated S-series alpha allocation for reaches EBX-R3B, EBX-R3D, and EBX-R3E by \$234,277, \$988, and \$8,213, respectively. Resolution: The Department determined that the costs were properly included in the Contractors' charges. The allocation factors were updated from estimates to actuals as part of the 2022 Statements of Charges. Additionally, the estimated factors for the 2022 Statement of Charges were calculated appropriately for reaches EBX-R3B, EBX-R3D, and EBX-R3E. The S-series estimated allocation percentages were part of projections and not actual costs; hence, no changes were necessary since the allocation factors are annually updated to reflect the actual costs in the Statements of Charges.
14. Whether the Department improperly allocated the costs through V-PAT017 for years prior to 2018, which has caused the low voltage wheeling transmission costs to be allocated to pumping plants that do not receive low voltage power. Resolution: The Department moved approximately \$5 million from 2006 to 2017 to properly allocate low voltage wheeling transmission costs.
15. Whether the Department improperly charged the Contractors interest in their Statements of Charges on \$2,359,000 assessed in 2019 and 2020 by the California Independent System Operator (CAISO) for FERC-mandated interest on revisions to 2005 to 2010 energy charges. Resolution: The Department determined that the costs were properly included in the Contractors' charges. Energy-related invoices are recorded in SAP at the time services are rendered, known as the service period, or value date. Hence, these FERC-mandated interest costs are correctly charged to the Contractors in the Statements of Charges.
16. Whether costs for the improvement of the Craig Access Road, totaling approximately \$3,232,000, were improperly charged to the Contractors instead of the recreation costs centers. Resolution: The Department reallocated the total project costs of approximately \$812,952 for the improvement and emergency repairs of the Craig Access Road, and costs have been moved to recreation cost centers. The original claim total of approximately \$3,232,000 was based upon actual and projected costs for the project. The projected costs of approximately \$2.9 million were excluded from the actual costs.
17. Whether community outreach events costs, totaling approximately \$496,000, that appear to benefit the Department as a whole and not specifically the SWP, were improperly charged entirely to the SWP. Resolution: The Department reallocated costs of approximately \$486,283, for years 2014 – 2019, from SWP cost center (FA WR2345SAA9030000) to

NON-SWRDS cost centers (FA WR10250400260000 and WR10250250010000). The remaining costs of \$9,027 in 2020 and \$738 in 2019 were used for a 3D Map of SWP and Vehicle Wrap of SWP, hence these costs were correctly charged to the SWP in the 2022 Statements of Charges.

18. Whether costs for a turnout, totaling approximately \$104,000, were improperly included in the calculation of the transportation capital component in the 2022 Statements of Charges. Resolution: The Department corrected the calculation of the transportation capital component for the turnout costs. This was reflected in the 2023 Statements of Charges.
19. Whether costs totaling \$680,000 for the Buena Vista Pumping Plant were improperly allocated to the Gianelli Pumping-Generating Plant. Resolution: The Department created a new plant maintenance order and moved the cost to the proper functional area.
20. Whether the 2020 to 2035 costs for San Luis facilities used in the calculation of the 2022 Delta Water Charge were not updated from the prior calculated amounts resulting in minimum costs being understated by approximately \$14 million. Resolution: The Department corrected the San Luis facilities (MCOSANLUIS) minimum costs in the 2022 calculations for 2020 - 2035. The related costs were reflected in the 2023 Statements of Charges.
21. Whether the Commercial Door Company invoices related to claim schedule numbers 1341055, 1346694, 1356131, and 1357872 include costs related to work performed at the Buena Vista Pumping Plant, Chrisman Pumping Plant, Edmonston Pumping Plant, and Badger Hill Pumping Plant, but had costs totaling approximately \$40,989 improperly allocated to the San Joaquin Field Division through alpha cost center 2300FFN90. Resolution: The Department reallocated costs for the Commercial Door invoices, totaling approximately \$40,989, to the plants where the work was performed.
22. Whether the Barc Industries and Development invoices related to 66 claim schedule numbers include costs related to work performed at Lost Hills and the Edmonston Pumping Plant, but had costs improperly allocated in the amount of \$805,300 to the San Joaquin Field Division through alpha cost center 2300FFN907. Resolution: The Department reallocated costs for the Barc Industries and Development invoices related to janitorial services, totaling approximately \$628,863, to the plants where the work was performed. The remaining costs of \$176,437 were allocated correctly to the alpha cost center 2300FFN907, as those costs were for work performed at the Field Division Administration building (SJFD O&M center) and the Area Control Center (ACC) which supports the whole San Joaquin Field Division.
23. Whether Johnson Controls Fire Protection LP invoice related to claim schedule numbers 1400458 and 1402516 includes costs related to the Edmonston Pumping Plant (CA-R17E), but had those costs improperly charged to the Chrisman Pumping Plant (CA-R15A). Resolution: The Department moved approximately \$29,446 to the Edmonston Pumping Plant and the correction was done in 2021.
24. Whether outdated debt service amounts were used to determine the FERC P2426 relicensing charges for 2021 in the variable component. Resolution: The Department reduced the FERC P2426 relicensing charges for debt service in the variable component, by approximately

\$80,000 for 2021, as a result of the use of an updated debt service schedule. This was reflected in the 2024 Statements of Charges.

25. Whether outdated debt service amounts were used to determine the Tehachapi Second Afterbay charges for 2020 and 2021 in the variable component. Resolution: The Department reduced the Tehachapi Second Afterbay charges for debt service in the variable component, by approximately \$41,000 for 2020 to 2021, as a result of the use of an updated debt service schedule. This was reflected in the 2024 Statements of Charges.
26. Whether \$117,000 of USBR costs were improperly revised to partially allocate to the SWP instead of to USBR. Resolution: The Department determined that the initial allocation was incorrect due to the improper charge of cost objects to multiple functional areas, and a reallocation was performed to rectify the issue.
27. Whether outdated debt service amounts were used to determine the Devil Canyon Second Afterbay charges for 2020 in the variable component. Resolution: The Department increased the Devil Canyon Second Afterbay charges for debt service in the variable component, by approximately \$7,000 for 2020, as a result of the use of an updated debt service schedule. This was reflected in the 2024 Statements of Charges.
28. Whether fish salvage operations costs, totaling approximately \$126,000, were improperly allocated division wide instead of being allocated directly to the fish facility. Resolution: The Department moved costs, of approximately \$126,394, for the fish salvage operations to the Skinner Fish Facility, in May 2024.
29. Whether the costs for the 2021 downstream distribution totaling \$8.4 million were improperly allocated for the 2023 Statements of Charges. Resolution: The Department's billing system showed the 2021 downstream distribution properly reflected in the project purpose allocation. Hence, no changes were necessary.
30. Whether costs for 2021, totaling approximately \$8,710,410, were incorrectly calculated due to the incorrect unit variable OMP&R component of the transportation charge per Table B-17, and applied to the water deliveries for each Contractor. Resolution: The Department corrected Table B-17 and Table B-18 for 2021, and this was reflected in the 2024 Rebill of the Statements of Charges.
31. Whether the costs for the Hyatt-Thermalito credit to the Delta Water Charge were incorrectly charged to system power costs for 2020 and 2021, resulting in an understatement of costs to the Contractors of approximately \$1,453 in 2020 and an overstatement of costs to the Contractors of approximately \$986,989 in 2021. Resolution: The Department determined that the costs were properly included in the Contractors' charges. This was updated within CAB. The Department no longer uses UCABS as of October 2022. As a result, no further action is needed.
32. Whether contractor revenues in the Delta Water Charge calculation in 2020 - 2022, totaling approximately \$3,951,127, were incorrectly adjusted based on an interface error between the Financial Accounting System (an SAP module) (PR5) and the Utility Cost Allocation and Billing System (an SAP module) (UCABS). Resolution: The Department made adjustments in the Cost Allocation Billing (CAB) system to reflect the correct values for the Contractor

revenues, and it was reflected in the 2023 Statements of Charges. The UCABS system would not be reflective of this update, as that system is no longer being used by the Department, as of Oct 31, 2022.

33. Whether costs were overstated for Desert Water Agency by approximately \$96,623 due to a formula error in the payments received portion of Attachment 4E when calculating the capital cost component, in the 2022 Statements of Charges. Resolution: The Department corrected the payments received formula in Attachment 4E, for Desert Water Agency, for the capital cost component of the EBE transportation charges, in the 2022 Statements of Charges.
34. Whether the California Department of Tax and Fee Administration invoices for annual water rights fees of \$100 from 2015 to 2022, totaling approximately \$800, included billing errors charged to MFAC001 alpha allocation cycle. Resolution: The Department requested a reversal of the erroneously charged fees from the State Water Resources Control Board (SWRCB), totaling approximately \$800, but the SWRCB denied the Department's request. Hence, no changes were made.
35. Whether the Stantec Consulting Services invoices related to claim schedule numbers 1417740 and 1423474 were double billed to statewide alpha allocation cycle MGAC001, totaling approximately \$80,119 in the 2024 Statements of Charges. Resolution: The Department reversed the double billed amounts of approximately \$30,565 and \$49,554, totaling approximately \$80,119 for invoices related to claim schedule numbers 1417740 and 1423474, in February 2024.
36. Whether Capstone Fire and Safety invoices, totaling approximately \$52,000, related to claim schedule numbers 1431358, 1432577, 1442334 and 1427314 were double billed in the 2024 Statements of Charges. Resolution: The Department reversed the double billed amounts, totaling approximately \$52,000, for Capstone Fire and Safety invoices in November 2023.
37. Whether Johnson Controls Fire Protection LP invoice, totaling approximately \$32,420, related to claim schedule number 1400458 was double billed to the San Luis Field Division through the M-FFJ907 (CA-R3 to CA-R7) alpha allocation cycle. Resolution: The Department reversed approximately \$32,420 for the Johnson Controls Fire Protection LP invoice in 2023.
38. Whether cost corrections related to JVSWP2109049, totaling approximately \$636,249, were double posted when performing the reallocation between alpha cost center 2103FAD890 to cost center 2133300000, resulting in an overstatement of costs to the Contractors of \$636,249 in the 2024 Statements of Charges. Resolution: The Department corrected the double postings related to JVSWP2109049, totaling approximately \$636,249, for the reallocation of costs from cost center 2103FAD890 to cost center 2133300000, in the Cost Allocation Billing system.
39. Whether costs, totaling approximately \$2,708,556, should be reallocated among the Contractors since the M-PAT401 Plant Allocation Factors calculated in the 2022 Preliminary Allocation of Power Costs were not updated within the Cost Allocation Billing system. Resolution: The Department updated the M-PAT401 Plant Allocation Factors, and costs totaling approximately \$2,708,556 were reallocated among the Contractors, in November 2023.

40. Whether costs, totaling approximately \$10,698,567, were overstated to the Contractors due to the commercial paper interest being improperly included in the Delta Water Charge calculation, while the commercial paper interest should not impact the Delta Water Rate. Resolution: The Department excluded commercial paper interest in the Delta Water Charge calculation, in the 2025 Statements of Charges.
41. Whether the Stantec Consulting Services invoice of approximately \$72,956 related to claim schedule number 1415007 was double billed to CA-R30. Resolution: The Department reversed the double billed amount of \$72,956, for invoice number 1813914 related to claim schedule number 1415007, in December 2023.
42. Whether Voith Hydro, Inc. invoices were inappropriately billed to the Oroville Dam and Powerplant as credit memos issued to the Contractors which caused an overstatement of costs to the Contractors of approximately \$115,965 in 2015 and approximately \$131,685 in 2016. Resolution: The Department reversed the improper billing amount in 2023.
43. Whether Voith Hydro, Inc. invoices related to claim schedule numbers 1317204, 1316640, and 1394240 were double billed to the Oroville Dam and Powerplant which caused an overstatement of costs to the Contractors of approximately \$57,982 in 2015 and approximately \$15,023 in 2020. Resolution: The Department has reversed the double billing of \$15,023 in 2023 and, although the Financial Accounting System (PR5) currently shows a duplicate amount of \$57,982, this amount has been appropriately credited to invoice No. 7004005919.
44. Whether the salary allocation factors were not based on actual costs, causing costs totaling approximately \$250 million in 2022 to 2024 to be incorrectly allocated. Resolution: The Department corrected the salary allocation factors to allocate based on actual costs. This was corrected in the Rebill of the 2024 Statements of Charges.
45. Whether the allocation of a \$649,000 Angeles Tunnel reimbursement was incorrectly applied to the recreation cost centers instead of water supply cost centers. Resolution: The Department reallocated two LADWP Angeles Tunnel payments to water supply; one for a 2021 payment, Invoice 22-184-U in the amount of \$649,463 and another for a 2022 payment, Invoice 23-188-U in the amount of \$708,834. These payments were reversed from the recreation component and applied to the water supply, Transportation Minimum component in August 2023.
46. Whether MWD's 2023 payment in the transportation replacement component was improperly decreased by \$950,000 to reflect the actual amount billed. Resolution: The Department corrected this in the rebill of the 2024 Statements of Charges. Hence, no changes were necessary.
47. Whether Delta Fish Agreement costs totaling approximately \$561,000 for 2022 were improperly excluded from the variable component. Resolution: The Department has reclassified approximately \$561,000 from the minimum component to the variable component as the projects are associated with mitigating fishery impacts at the Harvey O. Banks Delta Pumping Plant.

48. Whether a credit to reflect the forfeiture of a \$2.4 million deposit for the development of a solar energy facility was double posted. Resolution: The Department reversed the double posting of a \$2.4 million credit, which reflected the forfeiture of a security deposit for the development of a solar energy facility, in August 2023.
49. Whether projected 2023 water deliveries were improperly included in the calculation of the 2025 Statements of Charges. Resolution: The Department found an error in the CAB logic that included both actual and projected water deliveries when actual water deliveries were interfaced into CAB. The Department has resolved this defect.
50. Whether the Department incorrectly calculated the transportation variable plant unit rate per Table B-17 by including projected and actual water deliveries in the analysis, resulting in an overstatement of variable costs in the amount of \$4,179,887 and an understatement of minimum costs of \$4,179,887 to the Contractors, and also impacting the downstream calculation. Resolution: The Department corrected this issue in January 2025, and it was reflected in the 2026 Statements of Charges. The issue occurred and was corrected in the CAB backend table design by removing the projected data from the Annual Water Delivery Table.
51. Whether the Department incorrectly calculated the 2023 Value of Recovery Generation (VORG) mill rate for Mojave by using an incorrect mill rate amount of \$245.27 for projected annual generation instead of \$257.20. Resolution: The Department made adjustments in the 2024 rate redetermination for Mojave. Energy users remain the same, and the Department's calculation model has incorporated the adjusted amount for the remaining years in 2024-2035. Additionally, the mill rate trues-up annually, resulting in the mill rate adjusting every year.
52. Whether Safety Management Systems LLC invoice related to claim 1393028 was double billed to the Oroville Field Division through the M-MFA010 alpha allocation cycle. The original and revised invoice total were both billed. This resulted in an overstatement to the Contractors of \$10,947. Resolution: The Department reversed the double bill, and it was reflected in the 2026 Statement of Charges.
53. Where Safety Management Systems LLC invoice related to claim 1396317 was double billed to the Oroville Field Division through the M-MFA010 alpha allocation cycle. The original and revised invoice total were both billed. This resulted in an overstatement of costs to the Contractors of \$25,720. Resolution: The Department reversed the double bill, and it was reflected in the 2026 Statement of Charges.
54. Whether Safety Management Systems LLC invoices related to claim 1396316 were double billed to the Delta Field Division through the M-FFE907 alpha allocation cycle and Oroville Field Division through the M-MFA010 alpha allocation cycle. This resulted in an overstatement to the following alpha allocation cycles: M-FFE907 of \$67,872 and M-MFA010 of \$8,854. The overall overstatement to the Contractors is \$76,726. Resolution: The Department reversed the double bill, and it was reflected in the 2026 Statement of Charges.
55. Whether Johnson Controls Fire Protection, LP invoice related to claim 1437508 was double billed to the Delta Field Division through the M-FFE907 alpha allocation cycle. This resulted

in an overstatement of costs to the Contractors of \$2,895. Resolution: The Department reversed the double bill, and it was reflected in the 2026 Statement of Charges.

56. Whether Johnson Controls Fire Protection, LP invoice related to claim 1445204 was double billed to the Upper Feather River Division through the M-FDA907 alpha allocation cycle. The Department reversed the double bill, and it was reflected in the 2026 Statement of Charges.
57. Whether HDR Engineering, Inc. invoice related to claim 1403944 was double billed to statewide alpha allocation cycle M-GAC001. This resulted in an overstatement of costs to the Contractors of \$7,979. Resolution: The Department reversed the double bill, and it was reflected in the 2026 Statement of Charges.
58. Whether Patriot Environmental Services invoice was inappropriately billed to the Oroville Dam and Powerplant as the invoice was never paid. This resulted in an overstatement of costs to the Contractors of \$32,248. Resolution: The Department corrected the incorrect bill, which was reflected in the 2026 Statement of Charges.
59. Whether HDR Engineering, Inc. invoices related to claim 1394950 were double billed to CA-R29H. This resulted in an overstatement of costs to the Contractors of \$4,555. Resolution: The Department reversed the double bill, and it was reflected in the 2026 Statement of Charges.
60. Whether HDR Engineering, Inc. invoice related to claim 1403938 was double billed to the Oroville Dam and Powerplant. The original and revised invoice total were both billed. This resulted in an overstatement of costs to the Contractors of \$133,354. Resolution: The Department reversed the double bill, and it was reflected in the 2026 Statement of Charges.
61. Whether All Terrain Water Corporation invoice related to claim 1362077 was double billed to CA-R1. This resulted in an overstatement of costs to the Contractors of \$8,145. Resolution: The Department reversed the double bill, and it was reflected in the 2026 Statement of Charges.
62. Whether Safety Management Systems LLC invoice related to claim 1397054 was double billed to the Oroville Dam and Powerplant. The original and revised invoice total were both billed. This resulted in an overstatement of costs to the Contractors of \$46,390. Resolution: The Department reversed the double bill, and it was reflected in the 2026 Statement of Charges.
63. Whether Voith Hydro, Inc. invoice related to claim 1391438 was double billed to the Oroville Dam and Powerplant. This resulted in an overstatement of costs to the Contractors of \$39,895. Resolution: The Department reversed the double bill, and it was reflected in the 2026 Statement of Charges.
64. Whether All Terrain Water Corporation invoice related to claim 1343315 was double billed to CA-R3A. This resulted in an overstatement of costs to the Contractors of \$3,885. Resolution: The Department corrected the double bill, and it was reflected in the 2026 Statement of Charges.

65. Whether HDR Engineering, Inc. invoice related to claim 1395128 was double billed to CA-R29H. This resulted in an overstatement of costs to the Contractors of \$256. Resolution: The Department corrected the double bill, and it was reflected in the 2026 Statement of Charges.
66. Whether HDR Engineering, Inc. invoice related to claim 1395719 was double billed to the Oroville Dam and Powerplant. This resulted in an overstatement of costs to the Contractors of \$8,970. Resolution: The Department corrected the double bill, and it was reflected in the 2026 Statement of Charges.
67. Whether HDR Engineering, Inc. invoice related to claim 1403941 was double billed to the Upper Feather Division including the Frenchman Dam and Lake, Antelope Dam and Lake, and Grizzly Valley Dam and Lake Davis. This resulted in an overstatement of costs to the Contractors of \$41,711. Resolution: The Department corrected the double bill, and it was reflected in the 2026 Statement of Charges.
68. Whether All Terrain Water Corporation invoice related to claim 1363649 was double billed to SBA-R1. This resulted in an overstatement of costs to the Contractors of \$1,817. Resolution: The Department corrected the double bill, and it was reflected in the 2026 Statement of Charges.
69. Whether All Terrain Water Corporation invoice related to claim 1361683 was double billed to CA-R1. This resulted in an overstatement of costs to the Contractors of \$5,280. Resolution: The Department corrected the double bill, and it was reflected in the 2026 Statement of Charges.
70. Whether Safety Management Systems LLC invoice related to claim 1396317 was double billed to the Oroville Dam and Powerplant. The original and revised invoice total were both billed. This resulted in an overstatement of costs to the Contractors of \$63,395. Resolution: The Department corrected the double bill, and it was reflected in the 2026 Statement of Charges.
71. Whether Voith Hydro, Inc. invoice was double billed to the Oroville Dam and Powerplant. The original and revised invoice total were both billed. This resulted in an overstatement of costs to the Contractors of \$514,904. Resolution: The Department corrected the double bill, and it was reflected in the 2026 Statement of Charges.
72. Whether Voith Hydro, Inc. invoices were inappropriately billed to the Oroville Dam and Powerplant as credit memos issued related to the invoices were not pushed down to the Contractors. This resulted in an overstatement of costs to the Contractors of \$652,234. Resolution: The Department corrected the issue, and it was reflected in the 2026 Statement of Charges.
73. Whether Voith Hydro, Inc. invoice was double billed to CA-R3A. The original and revised invoice total were both billed. This resulted in an overstatement of costs to the Contractors of \$303,236. Resolution: The Department corrected the double bill, and it was reflected in the 2026 Statement of Charges.

74. Whether HDR Engineering, Inc. invoice related to claim 1394951 was double billed to CA-R29H. This resulted in an overstatement of costs to the Contractors of \$965. Resolution: The Department corrected the double bill, and it was reflected in the 2026 Statement of Charges.
75. Whether HDR Engineering, Inc. invoice related to claim 1390832 was double billed to CA-R28J, CA-R29H, EBX-R3B, and SBA-R5. This resulted in an overstatement of costs to the Contractors of \$132,094. Resolution: The Department corrected the double bill, and it was reflected in the 2026 Statement of Charges.
76. Whether All Terrain Water Corporation invoice related to claim 1354467 was double billed to CA-R1. This resulted in an overstatement of costs to the Contractors of \$1,038. Resolution: The Department corrected the double bill, and it was reflected in the 2026 Statement of Charges.
77. Whether Safety Management Systems LLC invoice related to claim 1396311 was double billed to the Oroville Dam and Powerplant. This resulted in an overstatement of costs to the Contractors of \$24,903. Resolution: The Department corrected the double bill, and it was reflected in the 2026 Statement of Charges.
78. Whether Voith Hydro, Inc. invoice related to claim 1394240 was double billed to the Oroville Dam and Powerplant. This resulted in an overstatement of costs to the Contractors of \$10,392. Resolution: The Department corrected the double bill, and it was reflected in the 2026 Statement of Charges.
79. Whether Andritz Hydro Corporation invoice related to claim 1401858 was double billed to CA-R24, CA-R26A, CA-R29F, and CA-R29H. This resulted in an overstatement of costs to the Contractors of \$120,432. Resolution: The Department corrected the double bill, and it was reflected in the 2026 Statement of Charges.
80. Whether Quinn Rental Services invoice related to claim 1393243 was double billed to CA-R17E. This resulted in an overstatement of costs to the Contractors of \$1,448. Resolution: The Department corrected the double bill, and it was reflected in the 2026 Statement of Charges.
81. Whether Johnson Controls Fire Protection, LP invoice related to claim 1437508 was double billed to CA-R1 and SBA-R1. This resulted in an overstatement of costs to the Contractors of \$20,925. Resolution: The Department corrected the double bill, and it was reflected in the 2026 Statement of Charges.
82. Whether Johnson Controls Fire Protection, LP invoice related to claim 1445204 was double billed to the Oroville Dam and Powerplant. This resulted in an overstatement of costs to the Contractors of \$620. Resolution: The Department corrected the double bill, and it was reflected in the 2026 Statement of Charges.
83. Whether North Tree Enterprises, Inc. invoice related to claim 1369079 was double billed to CA-R16A. This resulted in an overstatement of costs to the Contractors of \$7,410. Resolution: The Department corrected the double bill, and it was reflected in the 2026 Statement of Charges.

84. Whether North Tree Enterprises, Inc. invoices related to claim 1371703 were double billed to CA-R14A, CA-R15A, and CA-R16A. This resulted in an overstatement of costs to the Contractors of \$5,558. Resolution: The Department corrected the double bill, and it was reflected in the 2026 Statement of Charges.
85. Whether North Tree Enterprises, Inc. invoices related to claim 1377166 were double billed to CA-R14A and CA-R15A. This resulted in an overstatement of costs to the Contractors of \$4,180. Resolution: The Department corrected the double bill, and it was reflected in the 2026 Statement of Charges.
86. Whether HDR Engineering, Inc. invoices related to claim 1357560 were double billed to the Oroville Dam and Powerplant. The original and revised invoice totals were both billed. This resulted in an overstatement of costs to the Contractors of \$456,055. Resolution: The Department corrected the double bill, and it was reflected in the 2026 Statement of Charges.
87. Whether HDR Engineering, Inc. invoice related to claim 1356349 was double billed to the Oroville Dam and Powerplant. The original and revised invoice total were both billed. This resulted in an overstatement of costs to the Contractors of \$222,219. Resolution: The Department corrected the double bill, and it was reflected in the 2026 Statement of Charges.

EXHIBIT 3

ISSUES THAT MAY BE EXCLUDED FROM THE TERM “CLAIMS” UPON 60 DAYS ADVANCE NOTICE

1. The Department of Water Resources’ change in funding the costs of the San Joaquin Valley Drainage program from the Capital Facilities Account (as established pursuant to Article 51 (b) (1) of the State Water Contract) prior to 2006 to operations and maintenance costs beginning in 2006, but not including the Department’s retention of unused Capital Facility Account balances in 2006 and 2007 for anticipated future year capital expenditures (which retention issue shall not be subject to exclusion upon 60 days notice).
2. All Claims arising out of or related to the determination, allocation and/or payment of fish and wildlife enhancement and recreation costs incurred in constructing, operating and maintaining the State Water Project Perris Reservoir and any of its appurtenant, ancillary or related facilities, including, but not limited to, such costs associated with any actions taken at Perris Reservoir to address seismic safety issues. (“Claims” as used in this item 2, does not include the issue described in Exhibit 1, item 1.)

EXHIBIT 4

**CONTRACTORS WHICH SIGNED PRIOR TOLLING AGREEMENT AMENDMENT
EXTENDING TOLLING PERIOD TO JUNE 1, 2026, AND WHICH ARE EXPECTED TO
ENTER INTO AMENDMENT TO EXTEND TOLLING PERIOD TO
JUNE 30, 2028**

Valerie Pryor, General Manager
Alameda County FC&WCD, Zone 7
100 North Canyons Parkway
Livermore, CA 94551

Mark Gilkey, Executive Director
Dudley Ridge Water District
286 W. Cromwell Ave
Fresno, CA 93711-6162

Ed Stevenson, General Manager
Alameda County Water District
43885 So. Grimmer Blvd.
Fremont, CA 94537

Scott Sills, General Manager
Empire West Side Irrigation District
P.O. Box 66
Stratford, CA 93266

Matt Knudson, General Manager
Antelope Valley/East Kern Water Agency
6500 West Avenue N
Palmdale, CA 93551-2855

Jim Ciampa, General Counsel
Kern County Water Agency
P.O. Box 58
Bakersfield, CA 93302

Brad Stephens, County Counsel
Butte County
25 County Center Drive, Suite 210
Oroville, CA 95965

Kyria Martinez, County Administrative
Officer
County Of Kings
1400 West Lacey Blvd
Hanford, CA 93230

Matthew Stone, General Manager
Santa Clarita Valley Water Agency
27234 Bouquet Canyon Road
Santa Clarita, CA 91350

James Chaisson, General Manager
Littlerock Creek Irrigation District
35141 N.87th Street East
Littlerock, CA 93543

Phillip Marler, Utilities Director
City of Yuba City
1201 Civic Center Blvd
Yuba City, CA 95993

Marcia Scully, General Counsel
Metropolitan Water District
P.O. Box 54153
Los Angeles, CA 90054

Jim Barrett, General Manager
Coachella Valley Water District
P.O. Box 1058
Coachella, CA 92236

Adnan Anabtawi, General Manager
Mojave Water Agency
13846 Conference Center Drive
Apple Valley, CA 92307

Jennifer Spindler, General Manager
Crestline/Lake Arrowhead Water Agency
P.O. Box 3880
Crestline, CA 92325

Christopher Silke, District Engineer
Napa County FC & WCD
1195 Third Street, Room 201
Napa, CA 94559

Esther Saenz, General Manager
Desert Water Agency
P.O. Box 1710
Palm Springs, CA 92263-1710

Anthea Hansen, General Manager
Oak Flat Water District
P.O. Box 1596 / 17840 Ward Avenue
Patterson, CA 95363

Dennis LaMoreaux, General Manager
Palmdale Water District
2029 East Avenue Q
Palmdale, CA 93550

Melanie Richardson, Interim Chief Executive
Officer
Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, CA 95118

Heather Dyer, Chief Executive General
Manager
San Bernardino Valley MWD
380 East Vanderbilt Way
San Bernardino, CA 92408

Chris Lee, General Manager
Solano County Water Agency
810 Vaca Valley Parkway
Vacaville, CA 95688

Jose Reynoso, General Manager
San Gabriel Valley MWD
P.O. Box 1299
Azusa, CA 91702

Jacob Westra, General Manager
Tulare Lake Basin WSD
1001 Chase Avenue
Corcoran, CA 93212

Lance Eckhardt, General Manager
San Geronio Pass Water Agency
1210 Beaumont Avenue
Beaumont, CA 92223

Gregg Stakaluse, Director
Ventura County Watershed Protection District
800 S. Victoria Avenue
Ventura, CA 93009-1600
and

Kate Ballantyne, Deputy Director
San Luis Obispo County FC&WCD
976 Osos Street, Room 206
San Luis Obispo, CA 93408

Michael Flood, General Manager
Casitas Municipal Water District
1055 Ventura Avenue
Oakview, CA 93022-9622

Peter K. Thompson, Executive Director
Central Coast Water Agency
255 Industrial Way
Buellton, CA 93427-9565

Water Conditions Report

Board of Directors Meeting

May 18, 2026



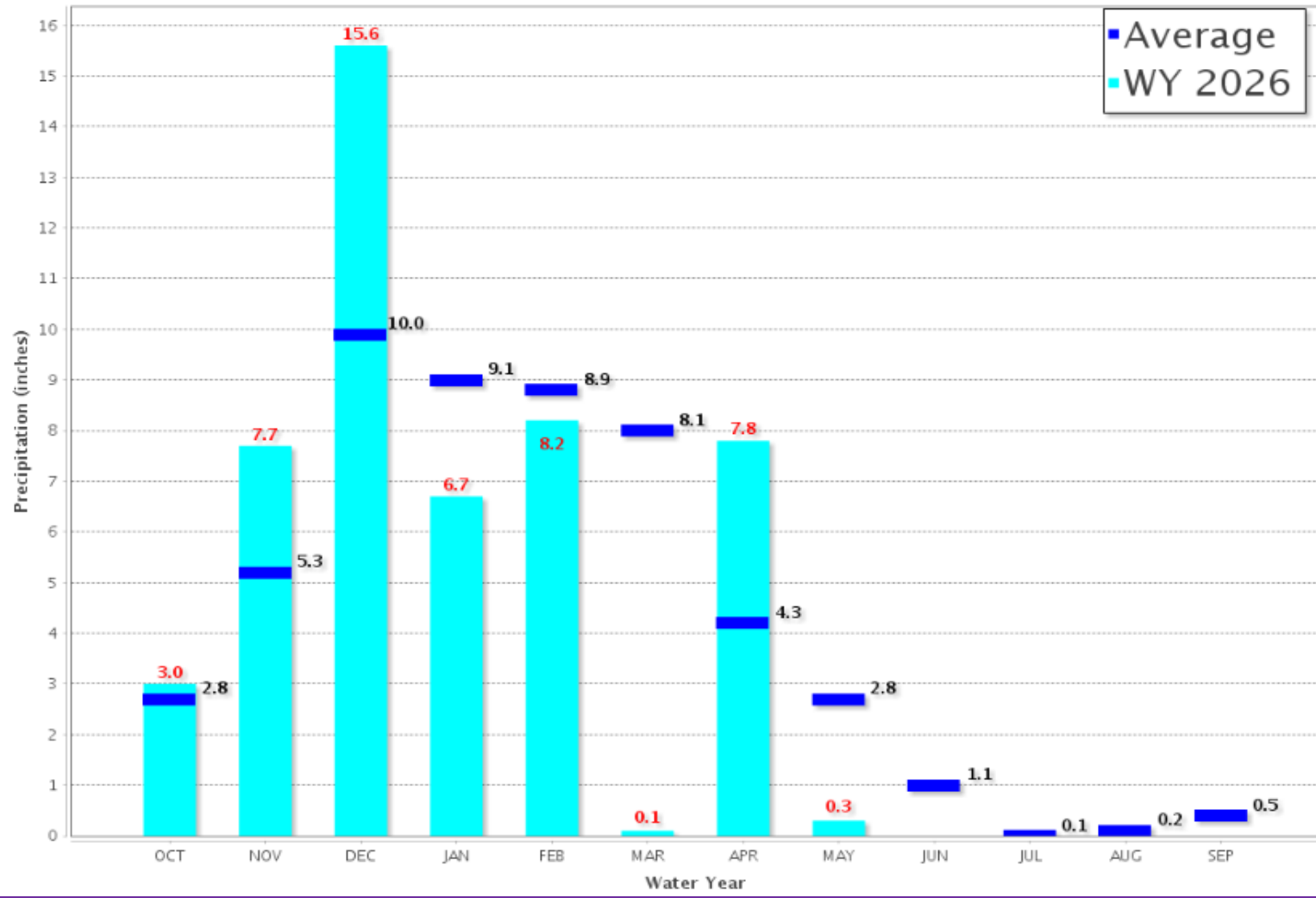


Northern Sierra 8-Station

Precipitation Index for Water Year 2026 - Updated on May 14, 2026 02:48 PM

Note: Monthly totals may not add up to seasonal total because of rounding

Water Year Monthly totals are calculated based on Daily precipitation data from 12am to 12am PST

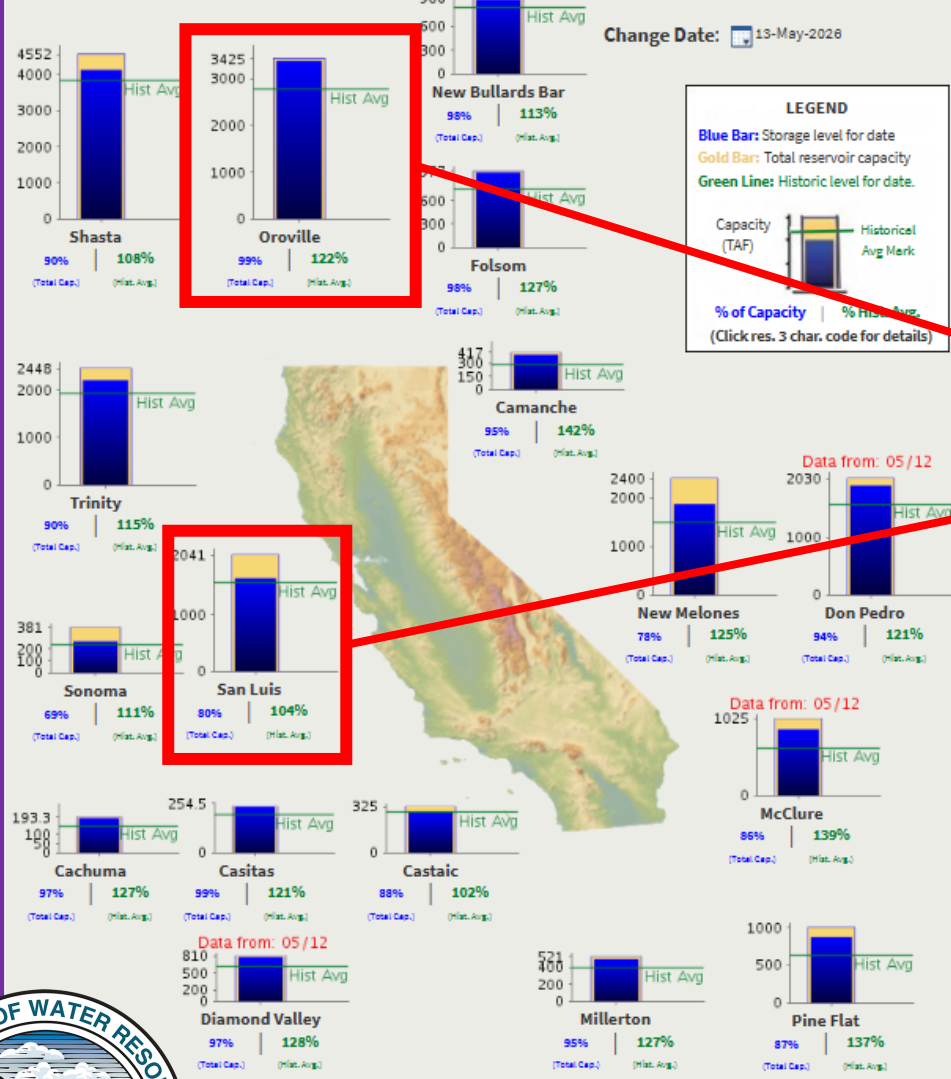


State Precipitation Stations – North Sierra

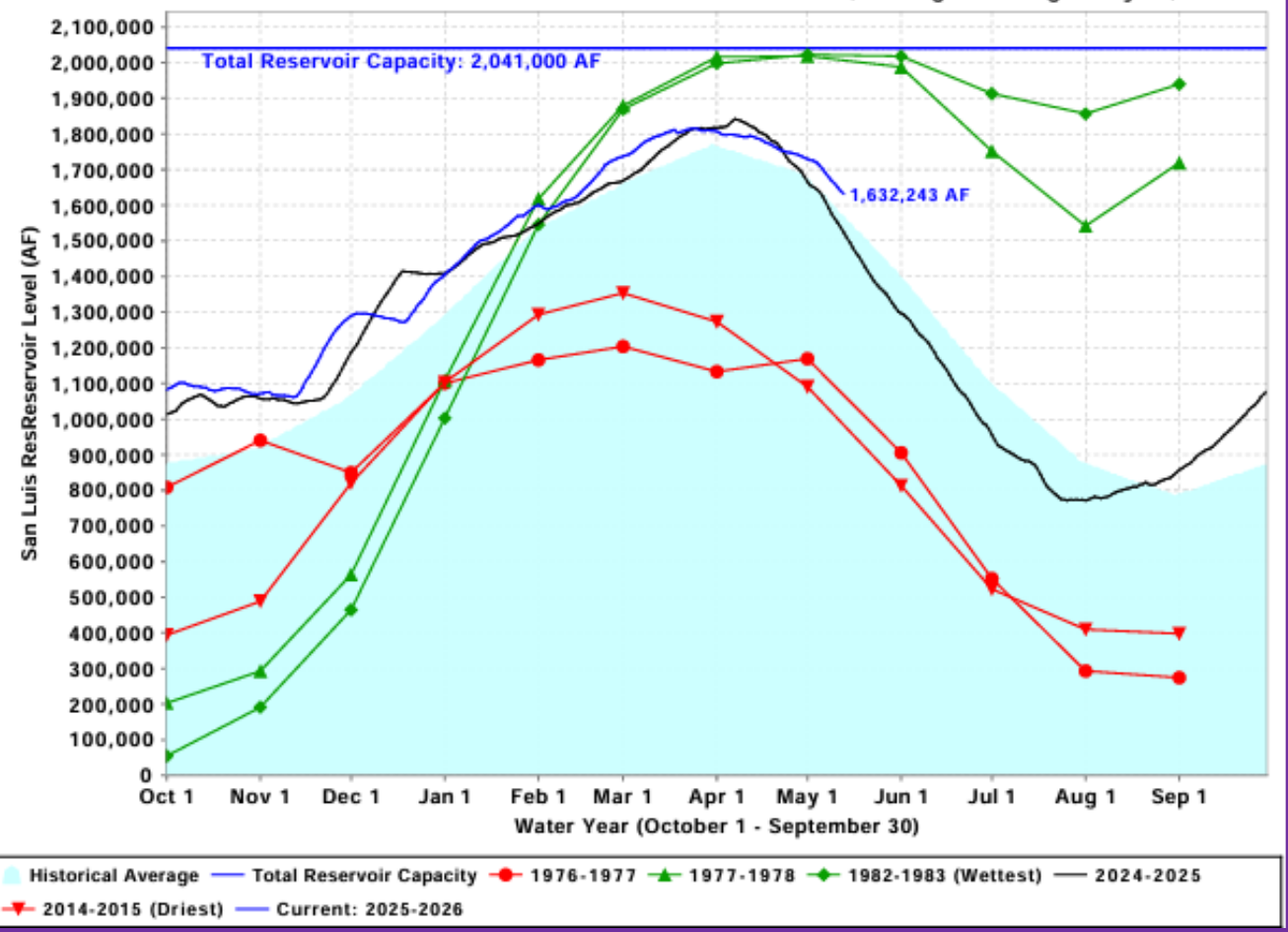


CURRENT CONDITIONS: MAJOR WATER SUPPLY RESERVOIRS: 13-MAY-2026

Data as of Midnight: 13-May-2026



San Luis Res Levels: Various Past Water Years and Current Water Year, Ending At Midnight May 13, 2026



Current Reservoir Conditions

SWP Allocation Timeline

2026 Table A Allocation Timeline

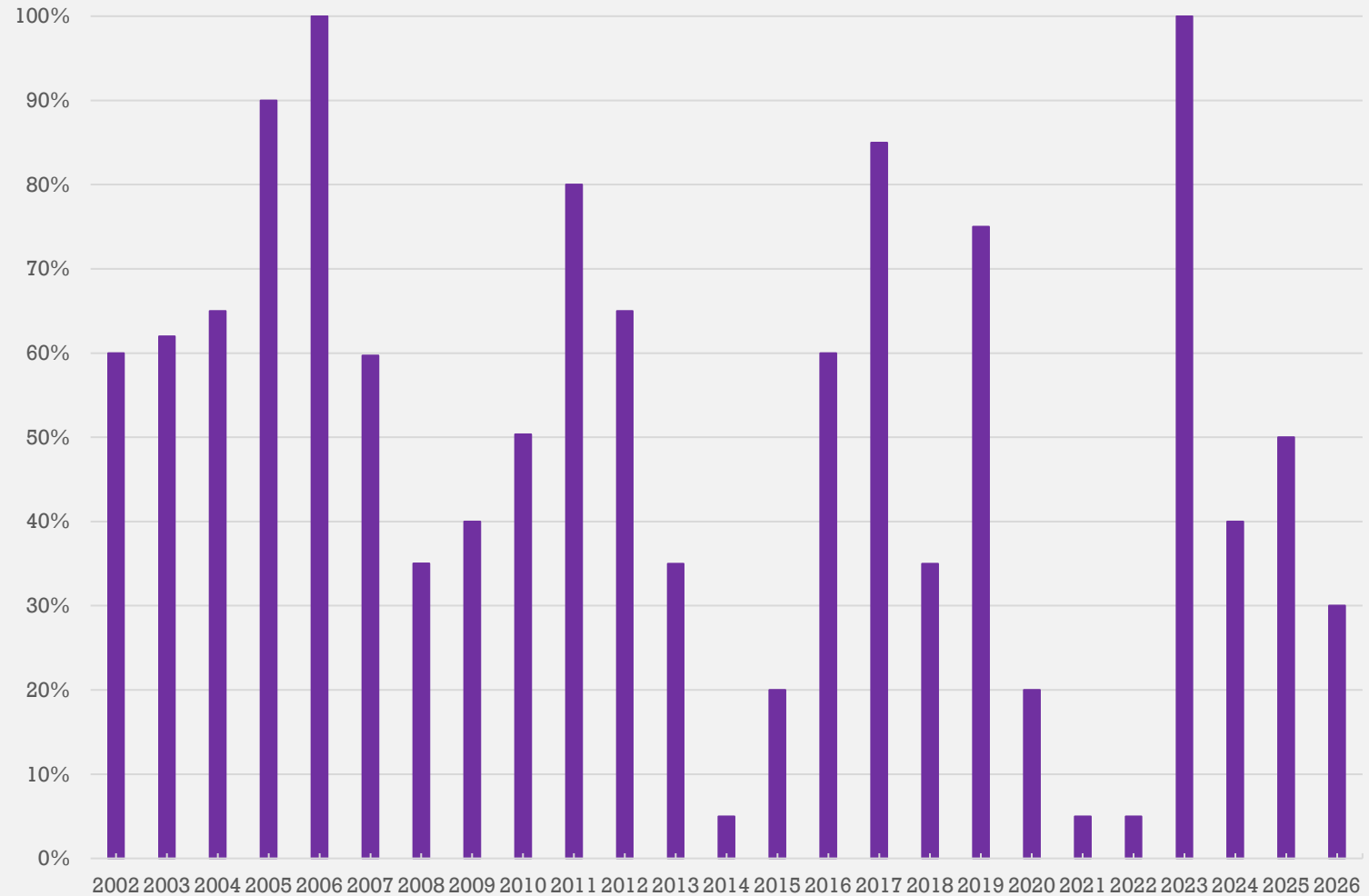
December 1, 2025: 10% allocation

January 29, 2026: 30% allocation

SGPWA Portfolio @ 30%

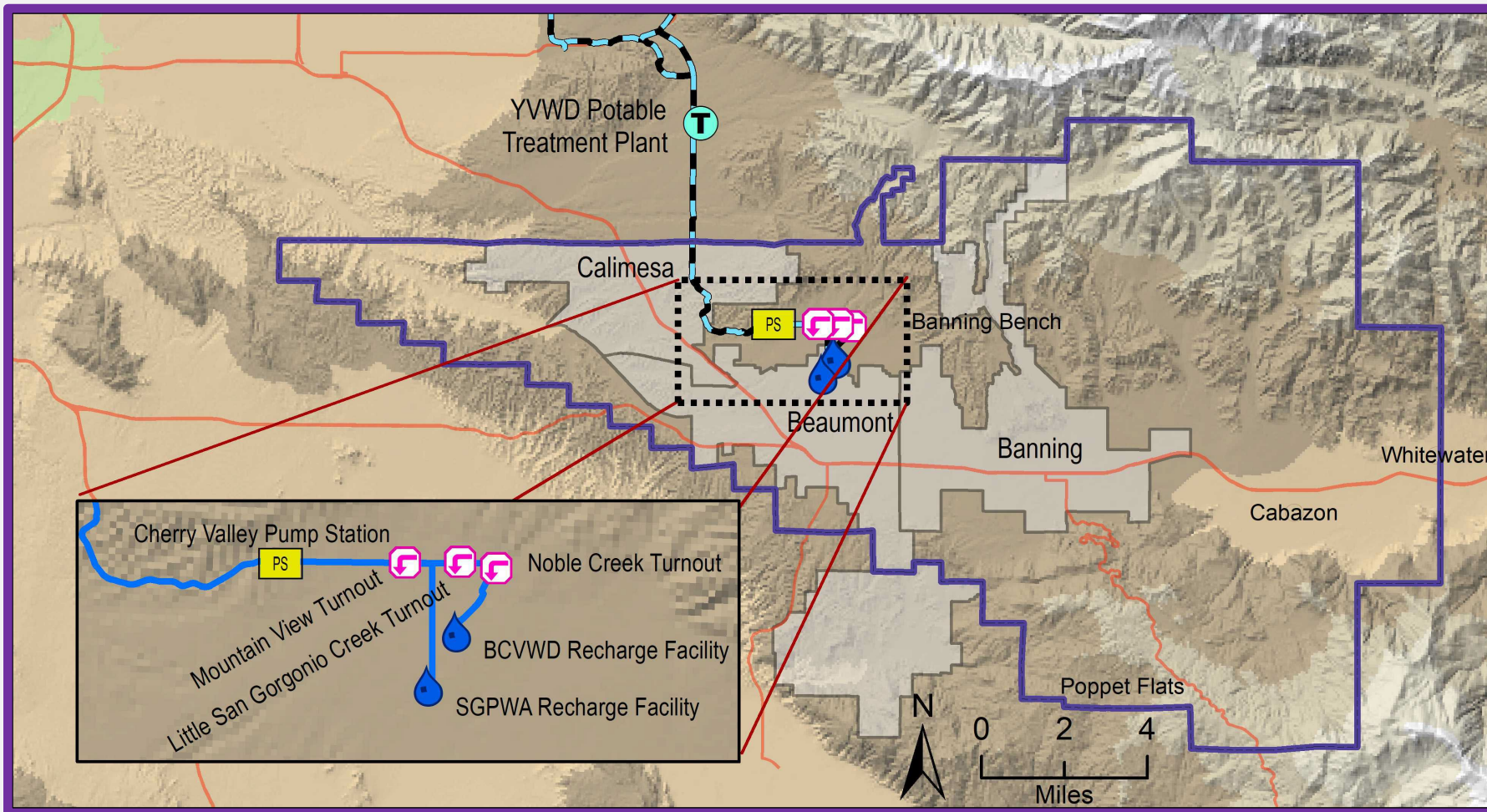
Source	Total (AF)	Delivered
SWP – Carryover	50	✓
SWP – Table A	5,190	✓
SWP – Ventura	3,000	✓
Non-SWP - Nickel Water	1,700	
County of Napa Transfer	3,000	✓
Total Available Supply	12,940	

Historic SWP Allocations



2026 SWP Allocation & Portfolio Update





	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Total
Recharge	1,327	1,881	2,155	1,143	1,000	-	-	-	-	-	-	-	7,506
Direct	0	8	51	23	0	-	-	-	-	-	-	-	82

**Estimated*
**From Local Storage*



Local Deliveries 2026 (acre-feet)

Subject to Final Verification

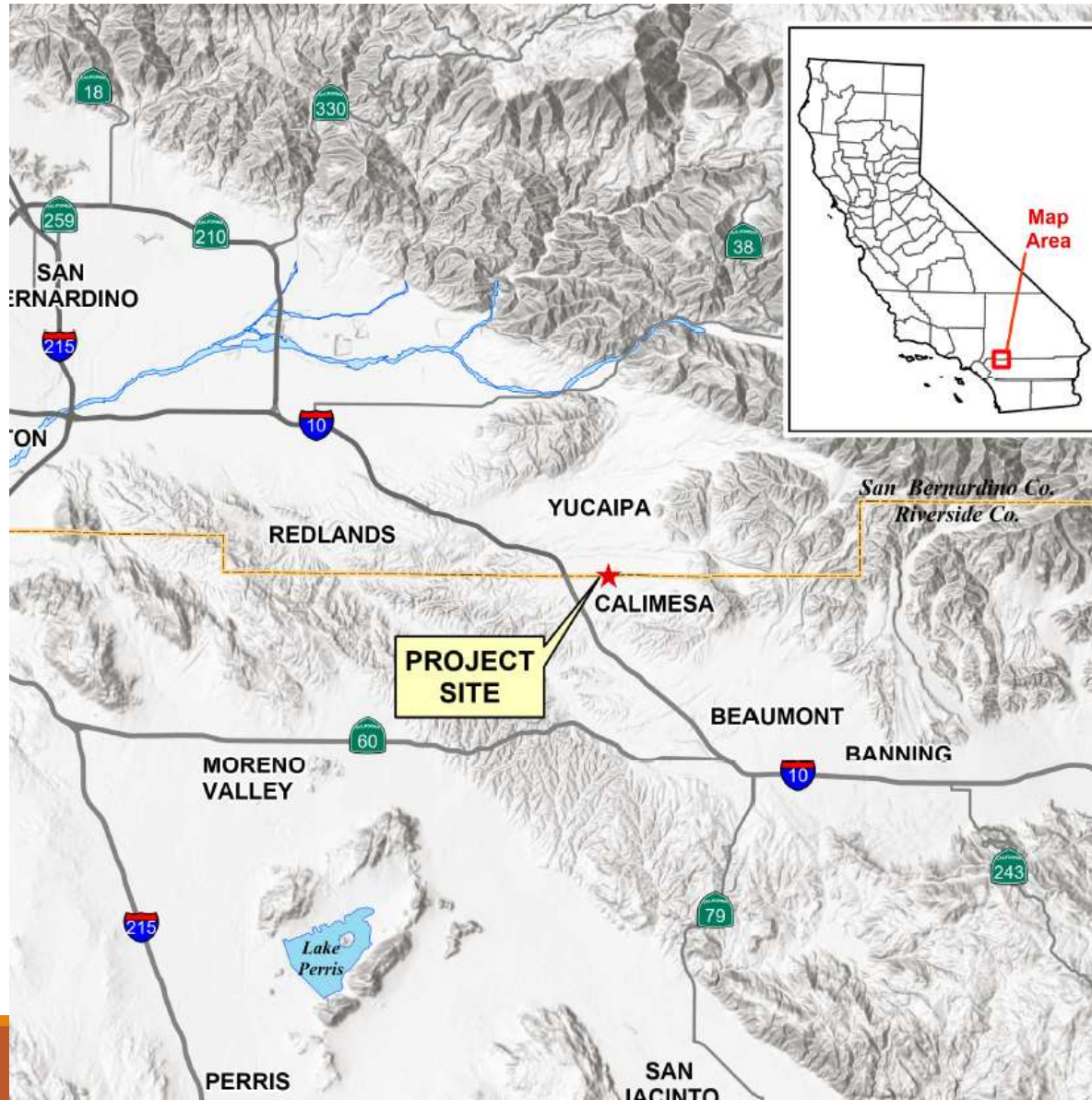


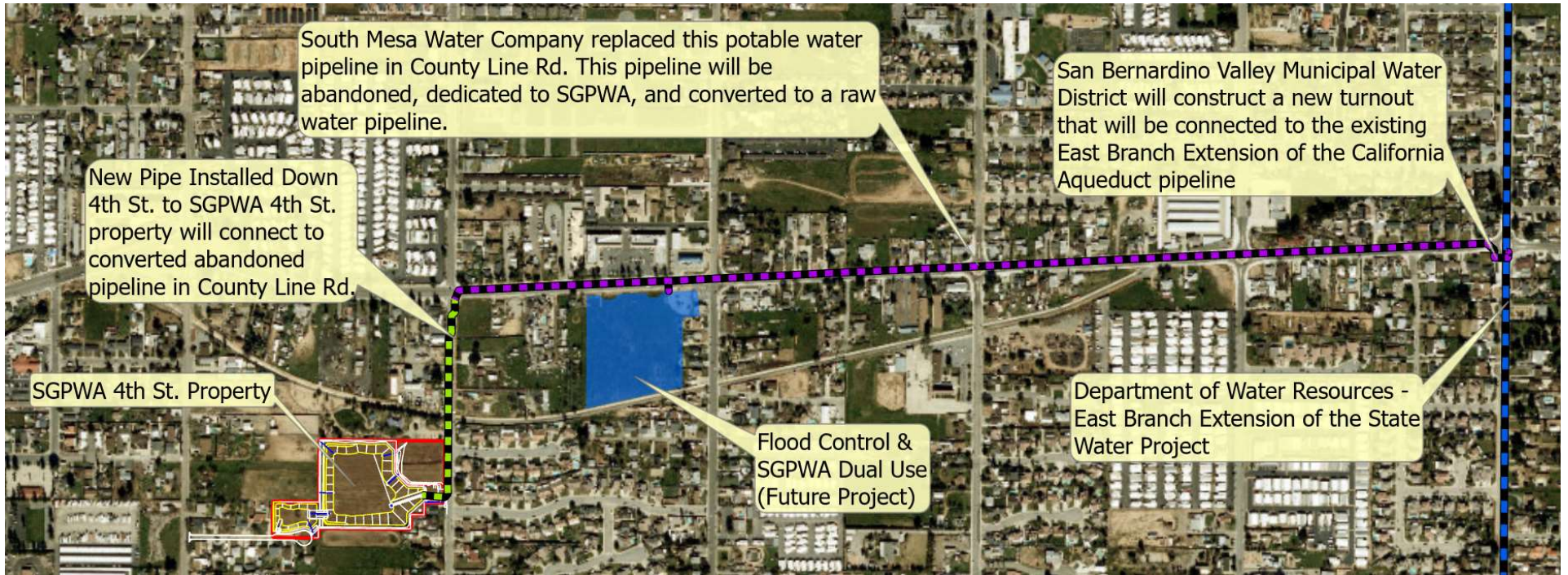
A construction site at sunset. In the background, there are residential houses and a large excavator. The sky is dark with a bright orange and yellow glow from the setting sun. The foreground shows a dirt road with tire tracks.

County Line Rd Construction Update

BOARD OF DIRECTORS

MAY 18, 2026





County Line Rd Recharge Basin and Turnout Project

Ongoing Activities

Pipeline rehabilitation with lining - Ongoing

Basin excavation - Completed

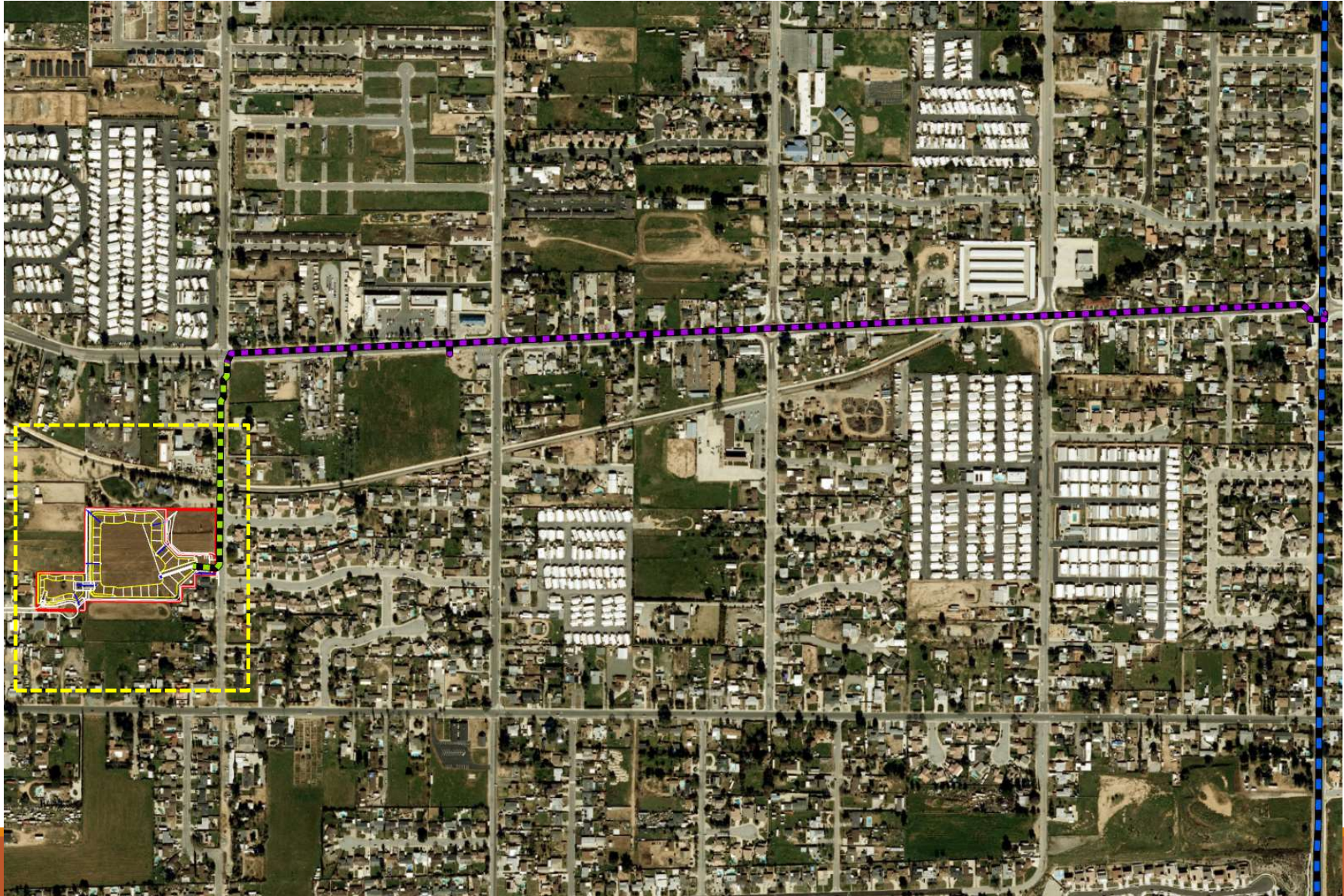
Basin fine grading - Ongoing

Concrete rock channel – Completed

Irrigation and landscaping – Ongoing

Curb, gutter, and street improvements - Ongoing

Archaeo/Paleo/Tribal monitoring - Ongoing

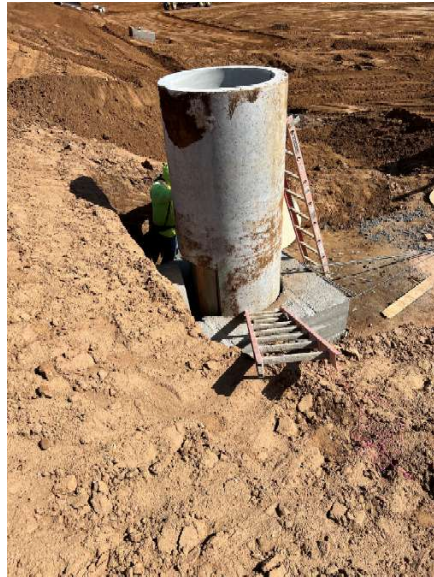




Basin Excavation and Fine Grading



Flow Structure Forming



Flow Structure Forming



Flow Structure Forming



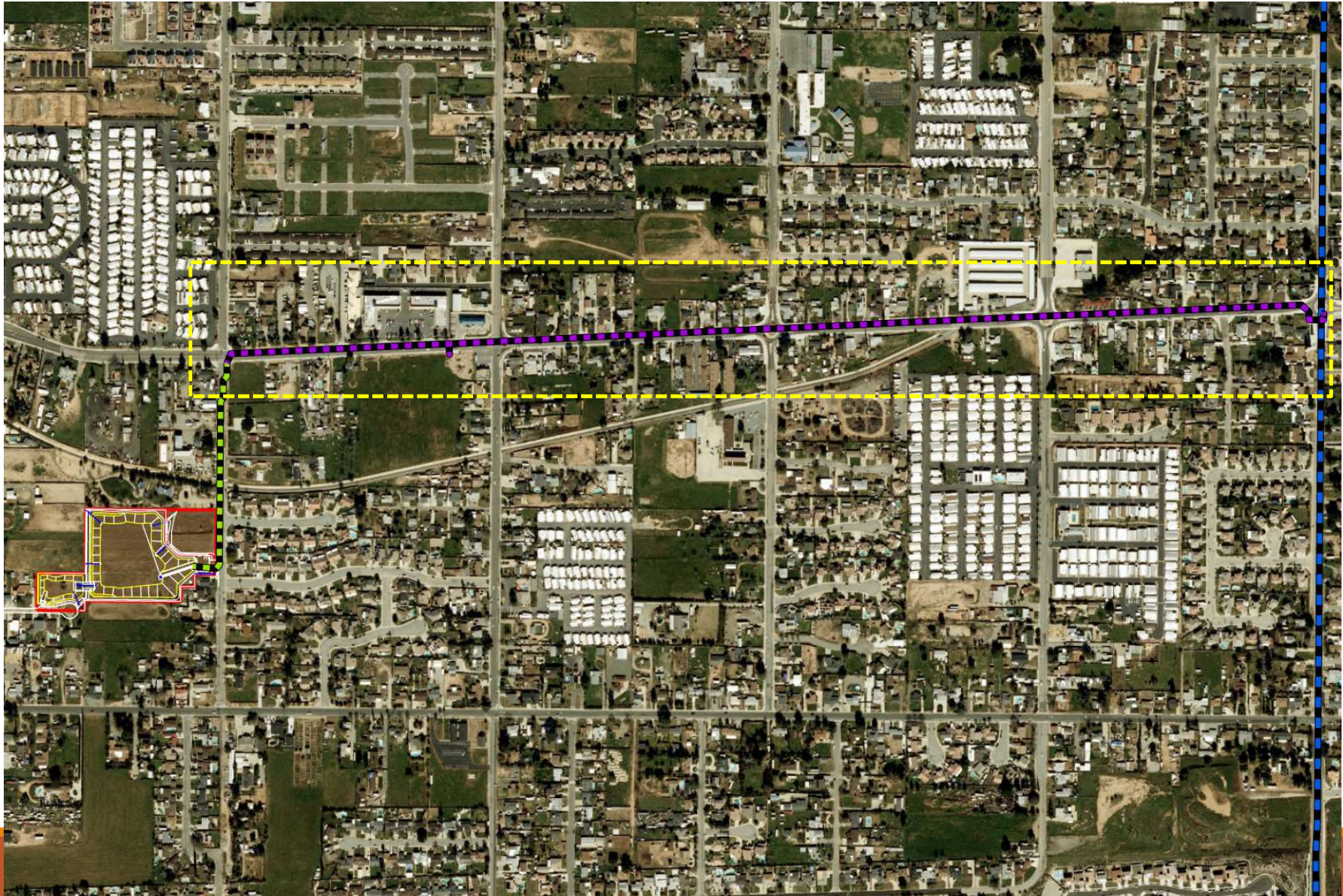
Flow Structure Forming



Curb and Gutter

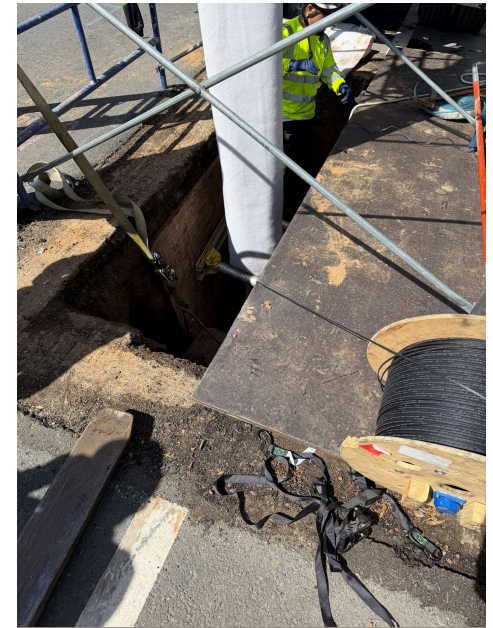


Irrigation and Landscaping





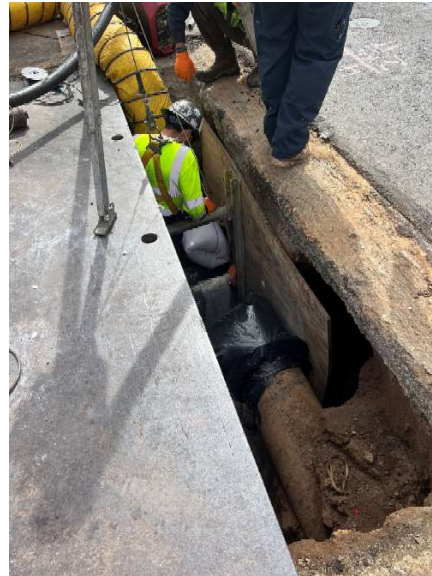
Pipeline Lining



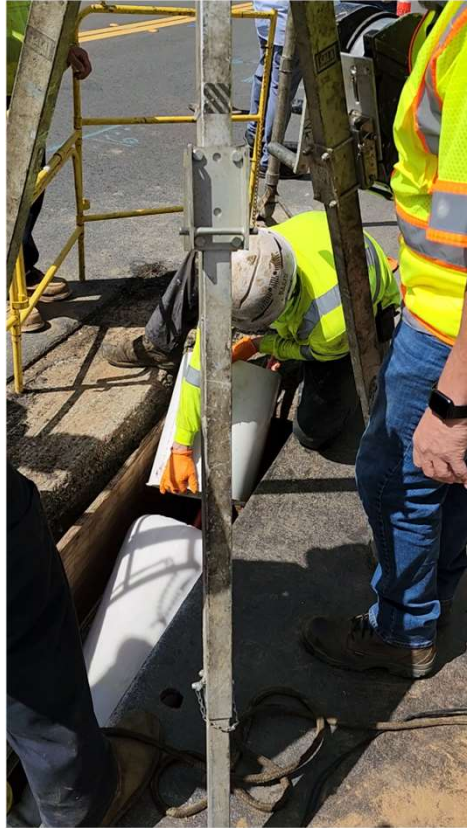
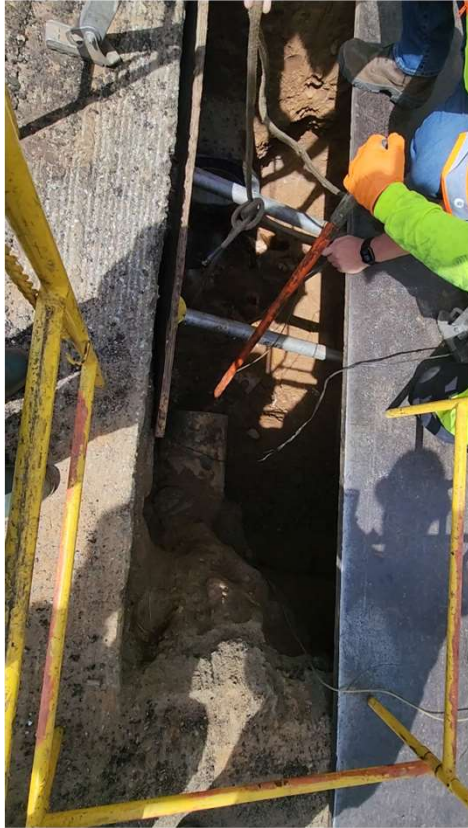
Pipeline Lining



Pipeline Lining



Pipeline Lining



Pipeline Lining



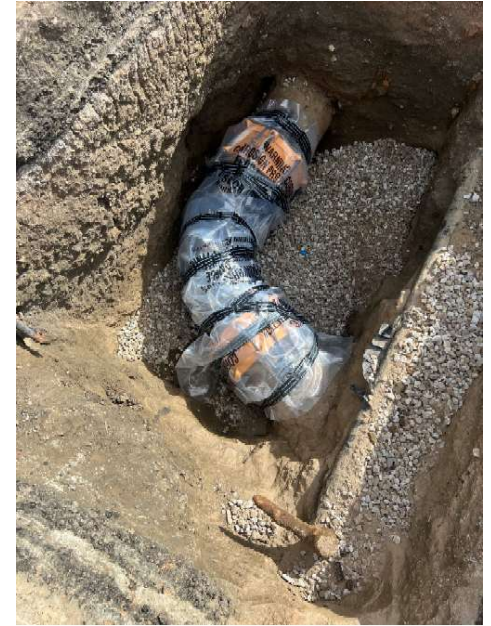
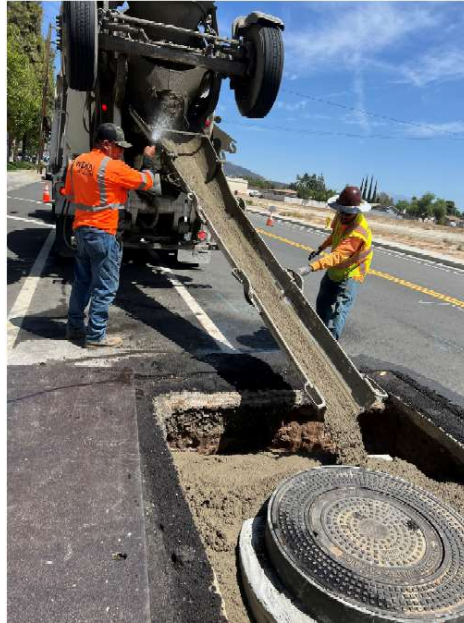
Pipeline Lining



Pipeline Lining



Pipeline Lining



Manhole Installation



February Aerial Photos



April Aerial Photos



To be continued...



State Water Project Fundamentals

Water Supply Contract Recap

BOARD OF DIRECTORS

MAY 18, 2026

An acre-foot is...

- A unit of volume
- Equal to 325,000 gallons
- Enough water for approximately 3 households each year

Previous State Water Project Fundamentals

- SWP Overview
- Water Supply Contract
- Table A and Allocation
- Carryover Water
- Article 21 Water
- Article 55 Water

STATE OF CALIFORNIA
THE RESOURCES AGENCY OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

WATER SUPPLY CONTRACT
BETWEEN
THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES
AND
SAN GORGONIO PASS WATER AGENCY

NOVEMBER 16, 1962

Water Supply Contract

- SGPWA/DWR executed in 1962
- Allowed for SGPWA to participate in the State Water Project
- Outlined terms and conditions of participation
- Apportioned the project costs among contractors
- Allowed DWR to build the California Aqueduct
- Outlines multiple types of water
- Outlines the process to transfer or exchange water
- Has been amended 21 times since 1962

SGPWA's Water Supply Contract Profile:



About 0.4% of the total State Water Project



This translates into 17,300 acre-feet of the total 4,100,000 acre-feet in the State Water Project



Participates in 500 miles of infrastructure

The Water Supply Contract outlines multiple types of water including...

Table A Water	Entitlement water that DWR provides to the Agency annually
Carryover Water	Last years unused Table A that can be stored in San Luis Reservoir
Article 21 Water	Surplus water that is made available to State Water Project contractors on a short-term basis when excess flows exist in the system
Article 55 Water	Contractors can utilize State Water Project facilities to move non-State Water Project to their respective service areas

To be continued...

San Geronio Pass Water Agency

DATE: May 18, 2026
TO: Board of Directors
FROM: Lance Eckhart, General Manager
BY: Jennifer Ustation, Chief Financial Officer
SUBJECT: APPROVAL OF UPDATED CAPITALIZATION POLICY

RECOMMENDATION

That the Board of Directors approve the updated Capitalization Policy.

PREVIOUS CONSIDERATION

- Board Meeting – October 1, 2018: The Board approved the Capitalization Policy.
- Board Meeting – November 20, 2023: Board reviewed the policy as a part of the Agency's ongoing policy review process and no changes were recommended at that time.

BACKGROUND

The Capitalization Policy establishes the criteria used to determine whether expenditures are recorded as expenses or capital assets. Capital assets are recorded on the Agency's financial statements and depreciated over their useful lives, while expenditures below the capitalization threshold are expensed in the year incurred.

Historically, the Agency established a capitalization threshold of \$5,000 based on prior operational scale, asset inventory, and auditor guidance.

As part of ongoing policy review and alignment with current accounting standards and operational practices, staff conducted an evaluation of the Agency's capitalization practices, administrative burden, and industry trends.

ANALYSIS

The updated Capitalization Policy includes several key revisions intended to improve clarity, align with current accounting standards, and enhance administrative efficiency.

1. Increase to Capitalization Threshold

The most significant update is an increase in the capitalization threshold:

- From: \$5,000
- To: \$20,000

This change reflects:

- Inflationary impacts on asset costs since the policy was last substantively updated
- Industry practices among similar agencies
- The desire to reduce administrative burden associated with tracking lower-value assets

Raising the threshold allows staff to focus on material assets while maintaining accurate and meaningful financial reporting.

In evaluating the updated capitalization threshold, staff considered current industry standards among comparable public agencies and incorporated feedback from the Agency's auditors. These factors, combined with internal operational experience, support the proposed increase as both appropriate and consistent with best practices.

2. Inclusion of GASB Guidance (Leases and Subscription-Based IT Arrangements (SBITA))

The updated policy incorporates guidance from:

- GASB Statement No. 87 (Leases)
- GASB Statement No. 96 (SBITA)

The policy now clarifies that:

- Lease and SBITA assets will be capitalized based on the Agency's established threshold for materiality

This ensures compliance with current governmental accounting standards and provides clear direction for implementation.

3. Clarification of Capitalization Criteria

Additional language improves clarity and consistency in application, including:

- Assets must have a useful life greater than 12 months
- Routine repairs and maintenance are expensed regardless of cost
- Projects are evaluated in aggregate when determining capitalization
- Construction in Progress (CIP) is used until assets are placed into service

These updates reduce ambiguity and support consistent decision-making.

4. Formalization of Depreciation Methodology

The policy now explicitly states that:

- Capital assets will be depreciated using a systematic and rational method, such as straight-line depreciation

This addition strengthens the policy by documenting existing practice and ensuring continuity for future staff.

5. Administrative and Operational Improvements

The revised policy:

- Reduces the number of assets requiring tracking and annual inventory
- Improves efficiency in financial reporting and audit preparation
- Aligns policy language with current practices and expectations

This policy was reviewed by the Finance and Budget Committee on April 23, 2026, and was recommended to move forward to the Board of Directors for approval.

FISCAL IMPACT

The capitalization threshold has no impact on the Agency budget or expenditure plans. However, it may result in:

- Slight increases in annual operating expenses due to more items being expensed rather than capitalized
- Reduced administrative costs and staff time associated with asset tracking and depreciation.

Overall, the fiscal impact is expected to be minimal and operationally beneficial.

ACTION

That the Board of Directors approve the updated Capitalization Policy

ATTACHMENTS

Updated Capitalization Policy (Redlined)

**SAN GORGONIO PASS WATER AGENCY
CAPITALIZATION POLICY
Adopted October 1, 2018**

Purpose

This accounting policy establishes the capitalization amount that shall be used to determine the capital assets that are to be recorded in the annual financial statements and asset records of the San Gorgonio Pass Water Agency.

Capital Asset Definition

A “Capital Asset” is defined as a unit of property that: (1) has an economic useful life that extends beyond 12 months; and (2) was acquired or produced for a cost of ~~\$5,000~~ \$20,000 or more. Capital Assets must be capitalized and depreciated for financial statement purposes. Capital Assets, or Fixed Assets, generally include items of property and equipment such as buildings, leasehold improvements, water supply facilities, office furniture, fixtures, computers and other technology-related equipment.

Leases and subscription-based information technology arrangements (SBITAs), in accordance with GASB Statement No. 87 and No. 96, shall be recognized and capitalized based on the Agency’s established capitalization threshold for materiality to lease and SBITA assets.

Capitalization Thresholds

The San Gorgonio Pass Water Agency establishes ~~\$5,000~~ \$20,000 as the threshold amount for minimum capitalization. Any items costing below this amount shall be expensed in the accounting records and financial statements of the San Gorgonio Pass Water Agency.

Capitalization Method and Procedure

The basis of accounting for capital assets is the historical acquisition cost, and all normal expenditures, including installation costs, architect-engineer fees, etc., of readying an asset for use will be capitalized. However, unnecessary expenditures that do not add to the utility of the asset will be charged to the period incurred.

Tangible assets costing below the aforementioned threshold amount are recorded as an expense. ~~Alternatively, Additionally,~~ **Alternatively, Additionally,** assets with an economic useful life of 12 months or less are **also** required to be expensed for financial statement purposes, regardless of the acquisition or production cost. **Individual items that are part of a larger project or system shall be evaluated in aggregate for capitalization purposes. Repairs or improvements to a capital asset will be reviewed by management in accordance with the above principles to determine their inclusion or exclusion in the capital asset listing.** Expenditures that extend the useful life, increase capacity, or improve the efficiency of an asset shall be capitalized. Routine repairs and maintenance shall be expensed regardless of the cost.

Capital projects shall be recorded as Construction in Progress (CIP) until the asset is substantially complete and placed into service, at which point it will be capitalized and depreciated.

Depreciation Method

Capital assets shall be depreciated over their estimated useful lives using a systematic and rational method such as straight-line depreciation.

Recordkeeping

Invoices substantiating an acquisition cost of each unit of property shall be retained according to guidelines set by the document retention policy of the San Geronio Pass Water Agency.

Asset Review

The assets and the asset listing shall be reviewed annually. New assets need to be listed, and assets that are no longer in service shall be removed from the list and disposed of. Procedures and policies for the proper disposal of surplus property are described in other policy statements of the San Geronio Pass Water Agency.

Policy Review

This policy shall be reviewed at least every 5 years, to make sure the asset threshold and the procedures meet current accounting standards and the needs of the San Geronio Pass Water Agency.