



Topic: Authority Board Agenda Item 6-5

2019 August 26

Subject: Operations Workgroup - Draft Water Storage Policy

Requested Action:

Consider approval of the Water Storage policy and consider adoption of the Water Storage Policy in conjunction with the development of future participation agreements, if appropriate.

It is noted such approval of this policy does not result in the implementation of any Project operation or action resulting in a significant effect on the environment nor does it preclude future changes to the Water Storage Policy which are likely to be necessary as the Project proceeds.

Detailed Description/Background:

As previously reported, the Reservoir Operations Work Group has developed a draft Water Storage Policy that describes the intended future operational rules applicable to how the Reservoir Committee and each Sites Participant would manage its water diversions to, storage in and releases from Sites Reservoir.

The establishment of this Water Storage Policy is considered necessary to allow greater certainty for Members related to Reservoir Storage operations and thereby encourage continued or greater participation and funding by Members in the Project.

The proposed draft Water Storage Policy constitutes a preparatory, investigatory action that is necessary to obtain requisite data to inform preliminary project planning, feasibility, design, and initial permit applications for the proposed future Sites Reservoir Project. The proposed draft Water Storage Policy does not in any way commit the Authority or any other party to any definite course of action regarding the Sites Reservoir Project. One of the prerequisites that would need to be fulfilled before the Sites Reservoir Project could be approved and constructed is the completion of environmental review under CEQA. As part of this environmental review, the Authority, as the lead agency that is conducting the review, reserves all of its rights, responsibilities, obligations, powers, and discretion under the provisions of CEQA to:

1. Evaluate the environmental impacts of the Sites Reservoir Project;
2. Deny and disapprove the Sites Reservoir Project if the environmental review reveals significant environmental impacts that cannot feasibly be mitigated;
3. Adopt feasible mitigation measures and/or an alternative to the Sites Reservoir Project to avoid or lessen significant environmental impacts; or
4. Determine that any significant environmental impacts that cannot feasibly be mitigated are outweighed by the economic, social or other benefits of the Sites Reservoir Project.

Prior Authority Board Action:

Status:	Draft	Preparer:	Thomson	Phase:	2	Version:	A
Purpose:	Sites Authority Board Staff Report	QA/QC:	Kunde/Ruiz	Date:	2019 August 26		
Caveat:	Decision	Authority Agent:	Thomson	Ref/File #:	12.221-210.018		
Notes:				Page:	1	of	2

None. A draft was provided at the August 15, 2019 Joint Workshop and an earlier draft version of the Storage Policy was provided to the Reservoir Project Committee at its July 19, 2019 meeting to allow all Members to review and comment on it.

Fiscal Impact/Funding Source:

None, at this time.

Staff Contact:

Rob Thomson/Jerry Johns

Attachments:

Attachment A - Draft – revised “Storage Policy by the Sites Project Authority”.

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STORAGE POLICY

BY

THE SITES PROJECT AUTHORITY

(1) This Storage Policy was adopted by the Sites Authority on _____ day of _____ 2019, to assist in the development and operation of the Sites Reservoir Project (Project) by the Sites Project Authority and the Sites Storage Partners listed in Attachment 1.

INTRODUCTION

(2) The Sites Project Authority (Authority) will apply for and expects to hold the water rights and be responsible for the operation of the Sites Reservoir Project with the Reservoir Committee being responsible for the planning, permitting and real-time operations implementation. There are numerous financial participants in the Sites Reservoir Project. These participants will receive water supply benefits, water supply related environmental benefits and other benefits from Sites Reservoir operation. These participants include the (1) State of California, (2) United States Bureau of Reclamation, (3) Northern California agencies and organizations, and (4) water agencies both west and south of the Sacramento-San Joaquin Delta. The participants in the Sites Reservoir Project who receive (a) water supply related benefits or (b) water supply related environmental benefits are considered Sites Storage Partners. The Sites Storage Partners will enter into agreements with the Authority for the funding of the Project and the benefits derived from the Project and may specify each Sites Storage Partner's storage space in Sites Reservoir. To the extent allowed by natural conditions, permit requirements and physical capabilities of the Project, each of these Sites Storage Partners will have control over the use of their storage allocation space based on the conditions set forth in this policy. The water supply related benefits derived from these storage allocation spaces will depend in large part on how the each Sites Storage Partner manages the water stored and released from their allocated storage space. The Reservoir Committee is responsible for accounting for all the water placed into each Sites Storage Partner's allocated storage space, water released from that storage space and any losses on a daily basis.

DEFINITIONS

(3) **Sites Participants** – Government Agencies, Water Organizations and others who financially contribute to the planning and construction of the Sites Reservoir Project.

(4) **Sites Storage Partners** – The Sites Participants who have funded and receive water supply or water supply related environmental benefits from the Sites Reservoir Project (see Attachment 1 for the list of Sites Storage Partners).

(5) **Active Storage** – That portion of Sites Reservoir above dead pool that can be exercised to create water supply related benefits. The total maximum storage in Sites Reservoir is expected to be 1.81 MAF. Firm dead pool storage is expected to be about 60 TAF. However, operationally another 60 TAF will likely be needed to prevent water quality issues in the storage releases. Therefore, the operational dead pool is considered to be 120 TAF. For this Policy the Active Storage for Sites Reservoir is considered to be about 1.69 MAF. These values are approximate and subject to change in the future.

(6) **Water Year** - The California Water Year is from October 1 through September 30.

(7) **Operation and Maintenance and Replacement- (O&M) or (O&M&R)**. Those costs associated with the operations of the Sites Reservoir Project. These can be broken down into:

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(a) Fixed operations and maintenance and replacement costs that are more stable year-to-year and that are not significantly influenced by varying diversions or releases of water, and

(b) variable operations and maintenance costs that reflect annual operations and maintenance costs that vary based on actual operations each year.

ROLES

(8) Sites Project Authority (Authority) - The Authority will apply for and expects to hold the water rights for the Sites Reservoir Project and be responsible for its operation.

(9) Reservoir Committee - The Reservoir Committee is a standing committee of the Authority and oversees the planning, permitting, and day-to-day operations and accounting of Sites Reservoir storage, releases and losses and related activities including coordination with each of the Sites Storage Partners. This will be done in a way that is open and transparent to all the Sites Storage Partners.

(10) State and Federal Agencies:

(a) The State of California - As described in Proposition 1 (2014) and associated regulations, the Sites Authority expects that the State of California will work through the California Water Commission and the Resources Agency to manage, at their request, the water held in the Sites storage allocation space obtained by the Water Commission for environmental purposes. In addition, the State of California will cooperate with the Reservoir Committee's operation of Sites Reservoir and that of the State Water Project (and if appropriate the Central Valley Project) to maximize the water supply and water supply related benefits of Sites Reservoir.

(b) The United States - If the federal government acquires storage in the Sites Project either by direct investment or through coordinated operations, the Sites Authority expects the United States of America will work through the US Bureau of Reclamation to manage the water held in the Sites storage allocation space obtained via reimbursable and non-reimbursable purposes. In addition, Reclamation will cooperate with the Reservoir Committee's operation of Sites Reservoir and that of the Central Valley Project (and if appropriate the State Water Project) to maximize the water supply and water supply related benefits of Sites Reservoir.

STORAGE OF WATER

(11) Water Storage by the Appropriation of Water: The Authority will be responsible for compliance with water right provisions and other conditions that control the appropriation of water into storage in Sites Reservoir. The Authority through the Reservoir Committee will take all actions necessary to maximize the appropriation of water into storage consistent with regulatory requirements, physical constraints and hydrologic conditions. Water appropriated will be placed into Sites Reservoir and then allocated into each Sites Storage Partners contractual storage space proportional to their acquired storage space amount.¹

¹ For example, if only 340 TAF of water is able to be appropriated into Sites Reservoir in any one year, this represents 20% of the total allocated storage of Sites Reservoir (340/1.69 MAF) = 20%. In that year each Sites Storage Partner will receive an amount of water equal to 20% of their allocated storage space amount.

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Based on the water accounting system approved by the Reservoir Committee, if a Sites Storage Partner's storage volume is not available (whether due to being completely filled, filled up to the requested amount by a Storage Partner, or any other reason, the available water will be allocated to the remaining Sites Storage Partners who still have available storage allocation space and the water will be used to fill the other Sites Storage Partner's storage allocation spaces (based on their storage space allocation) until all Sites Storage Partners storage allocation spaces are filled up to each Partner's requested amount of fill within that Partner's space. Each Sites Storage Partner will be responsible for the Operation and Maintenance (O&M) costs associated with the use of their storage allocation space as set forth below. However, a Sites Storage Partner may opt out of having water appropriated into their storage space and avoid the variable O&M costs if they so inform the Reservoir Committee at the beginning of the Water Year or as otherwise established by the Reservoir Committee. The appropriation of water into storage will take priority over the release of stored water. If needed, a dispute resolution process will be developed.

(12) Water Storage from Other Sources: There are opportunities for the Sites Storage Partners to request that the Reservoir Committee place water from sources other than that by appropriation by the Project into their storage allocation space. These other sources could include among other things: the re-diversion of previously stored water, water transfers, exchanges between Sites Storage Partners, exchanges with other entities, etc. The Reservoir Committee will take all reasonable steps to help facilitate these requests. The Sites Storage Partners will be responsible for the costs of obtaining/storing these other sources of water including any costs associated with water right changes, environmental compliance, and Reservoir Committee costs associated with reviews. Also, the Sites Storage Partner is responsible for all O&M costs of placing this water into their storage allocation space as set forth below. Placing water into storage from other sources shall not impact the ability of the Reservoir Committee to appropriate water or release water from Sites Reservoir.

(13) Storage/Release Conflict Resolution: If there is a conflict between placing water into storage in Sites Reservoir from other sources of water and the release of water from Sites Reservoir at the same time, an "in lieu storage" option may be used by the parties involved provided the water rights issues are addressed on a case-by-case basis.

ACCOUNTING FOR LOSSES

(14) Allocation of Losses: Losses of water held in Sites Reservoir storage including evaporation and seepage will be accounted for on a daily basis. These losses will be allocated to each Sites Storage Partner based proportionally on the amount of their water in storage that day.

SHARING OR LEASING OF STORAGE SPACE

(15) Sharing or Leasing of Storage Allocation Space: The Sites Storage Partners are allowed to share or lease their storage allocation space with other Sites Storage Partners or other entities. This sharing or leasing could span multiple years and will be subject to several conditions set forth below.

- Any sharing or leasing of storage allocation space shall be coordinated with the Reservoir Committee so that proper water accounting can be maintained.
- If the Sites Storage Partner's allocated storage space fills, then any shared or leased water held in that storage space that day will stay in the shared or leased space unless the Reservoir Committee receives written instructions otherwise from the Sites Storage Partner.

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- The responsibility for collecting payment for the use of a Sites Storage Partners shared storage space will be the responsibility of the Sites Storage Partner and not that of the Reservoir Committee.
- The Sites Storage Partner maintains the responsibility to the Reservoir Committee for all the O&M costs of placing water of any source into its storage allocation space. However, the Sites Storage Partner will likely collect costs of placing water into any shared storage space from the party making use of that shared space.

RELEASES OF WATER FROM STORAGE

(16) Water Released From Storage: The Sites Storage Partners have total discretion on the amount of water held in their storage allocation space that they wish to be scheduled for release in any calendar year for their use. These requested stored water releases and their schedule for release shall be coordinated with the Reservoir Committee so the Reservoir Committee can coordinate this request with the other Sites Storage Partners, State Water Project, Central Valley Project and any regulations related to the release of water from Sites Reservoir.

The Reservoir Committee will work with the Department of Water Resources and the U. S. Bureau of Reclamation to manage these releases with those of the State Water Project and Central Valley Project to maximize the benefits to the above parties when possible.

It is anticipated water will be released from storage for environmental/public benefits (e.g. on behalf of the State of California per their WSIP funding investment; e.g. on behalf of the United States per WIIN Act funding investment). The Authority's intent is that the non-consumptive use of water for environmental/ public benefits will remain under the control of the Sites Authority and its Storage Partners for further allocation to another in-basin or out-of-basin uses.

(17) Scheduling Stored Water Releases: No later than February 20th of each water year, the Reservoir Committee will make a water storage forecast for each Sites Storage Partner for that water year based on each Sites Storage Partner physical storage to date and several examples of projected hydrologic conditions ranging from critically dry to far above normal. These forecasts will be updated each month by the 20th of every month until April 20th. Each Sites Storage Partner will provide the Reservoir Committee the monthly schedule and amounts of the water they wish to be released that calendar year based upon each of these forecasts 15 days after the receipt of these forecasts. These schedules will be updated monthly as needed until June and changes after that will be accommodated to the extent it does not conflict with those of other Sites Storage Partners. Any water held in a shared/leased allocation space will be the responsibility of the Sites Storage Partner to communicate the requested release of that water to the Reservoir Committee unless other arrangements are provided to the Reservoir Committee in writing.

The Reservoir Committee will work with each Sites Storage Partner, the State Water Project, Central Valley Project and regulatory agencies and make all reasonable efforts to satisfy the water release schedules requested by each Sites Storage Partner. If there is a Sites Reservoir release constraint affecting the ability of meeting the requested water release schedules from Sites Reservoir, the Reservoir Committee will first work with those conflicted Sites Storage Partners to see if accommodations can be made. If the conflict cannot be resolved, the priority for the releases will be in proportion to the Storage Allocation space as divided among the conflicted Sites Storage Partners.

OPERATION, MAINTENANCE AND REPLACEMENT

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(18) Operation and Maintenance Cost Allocations: Operation and Maintenance (O&M) costs will be divided into fixed O&M&R and variable O&M. Fixed O&M&R will cover those O&M&R costs that are generally stable from year to year like monitoring costs, routine maintenance, Reservoir Committee staff costs, repair funds, replacement of equipment funds etc. These costs will be calculated by the Reservoir Committee and paid by the Sites Storage Partners for the coming Water Year in advance. They will be allocated to all the Sites Storage Partners in the same manner as the capital costs.

Annual variable O&M costs include pumping costs to appropriate water into storage, pumping water from other sources into storage, other costs related to the placement of water into storage and the costs, if any, of releasing water from storage. These costs will be assessed to each Sites Storage Partner based on the amount of water placed into their storage allocation that year. An estimate of these costs will be made by the Reservoir Committee. These costs will be assessed to each Sites Storage Partner and paid for the coming Water Year in advance. However, a Sites Storage Partner may opt out of having water appropriated into their storage space and avoid the variable O&M costs if they so inform the Reservoir Committee at the beginning of the Water Year. At the end of each Water Year any revenue received in excess of costs will be returned to the Sites Storage Partners or applied as a credit to the next year's variable O&M costs. However, the Reservoir Committee will retain a reasonable reserve fund to cover any unforeseen variable O&M costs that may come up in any year. =

(19) Power Revenue. It is recognized that the Sites Reservoir Project could generate power revenues. The use of these revenues is not part of this Storage Policy at this time.

FUTURE STORAGE POLICY CHANGES

(20) Future Storage Policy Changes - This policy is intended, at this time, for use in the Sites Participation Agreements that will be developed in the near future. This policy will likely evolve and change as the Sites Reservoir Project develops. This policy may be modified in the future by the Authority with approval by the Reservoir Committee. Under the current Bylaws, such Reservoir Committee approval requires a 75% affirmative vote.

SIGNATURES

DATE

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ATTACHMENT 1

SITES STORAGE PARTNERS

ENVIRONMENTAL

WSIP - California Water Commission

WIIN- United States Bureau of Reclamation

WATER USERS

America Canyon, City of
Antelope Valley-East Kern WA
Carter Mutual Water Company
Coachella Valley Water District
Colusa County
Colusa County Water District
Desert Water Agency
Glenn-Colusa Irrigation District
MWD of So. California
Reclamation District 108
San Bernardino Valley MWD
San Geronio Pass WA
Santa Clara Valley WD
Santa Clarita Valley WA
TC-4 Cortina Water District
TC-4 Davis Water District
TC-4 Dunnigan Water District
TC-4 LaGrange Water District
Westside Water District
Wheeler Ridge-Maricopa WSD
Zone 7 Water Agency