



MEMORANDUM

FC 14 (01-02-07)

TO: Board of Directors
FROM: Water Storage Exploratory Committee
SUBJECT: Water Storage Exploratory Committee Meeting Summary for July 13, 2022
DATE: August 9, 2022

This memorandum summarizes agenda items from the special meeting of the Water Storage Exploratory Committee held on July 13, 2022.

Attendees:

Valley Water Board Members in attendance were: Committee Chair Director Gary Kremen (District 7) Director Richard P. Santos (District 3), and Director John L. Varela (District 1).

Valley Water Staff in attendance were: Antonio Alfaro, Emmanuel Aryee, Aaron Baker, Glenna Brambill, Rita Chan, Andrew Garcia, Vincent Gin, Samantha Greene, Andy Gschwind, Christopher Hakes, Brian Hopper, Dana Jacobson, Cindy Kao, Candice Kwok-Smith, Jessica Lovering, Katherine Maher, Michael Martin, Carmen Narayanan, Carlos Orellana, Metra Richert, Ranithri Slayton, Kirsten Struve, Charlene Sun, Darin Taylor, Warren Whitlock and Jing Wu.

Guests in attendance were: David Cramer (Walsh), Katja Irvin (Sierra Club-Loma Prieta Chapter). Hon. Steve Jordan (BAWSCA and Purissima Hills Water District), Maureen Martin, Ph.D., and Marguerite Patil (Contra Costa Water District {CCWD}), and Bill Tuttle (San Jose Water Company-SJWC).

Public in attendance were: Hon. Jim Beall, Arthur Keller, Ph.D., Manny JID, Director Barbara F. Keegan (Valley Water District 2), Shani Kleinhaus, Osha Meserve, and M. Randall.

ACTION ITEMS:

4.1 VALLEY WATER PARTICIPATION RECOMMENDATION FOR THE LOS VAQUEROS RESERVOIR EXPANSION PROJECT

Mr. Michael Martin reviewed the following:

Summary from Agenda Memo:

The Los Vaqueros Reservoir Expansion Project (LVE Project) Joint Powers Authority (JPA) partner agencies will begin negotiating Service Agreements in summer 2022 to define each agency's share in storage and conveyance and establish cost allocations. This memo provides the initial staff participation recommendation. The final participation recommendation will depend on how the negotiated service agreements define project operations, benefits, and costs.

The Committee requested more information from staff at the meeting of June 17, 2022, including a full range of participation options and associated costs.

Background

The Contra Costa Water District (CCWD) is planning on expanding the Los Vaqueros Reservoir by 115 thousand acre-feet (TAF). Attachment 1 lists the local agencies that are members of the JPA and their preliminary request for storage. LVE Project development and construction is estimated to cost \$1.02 billion. Federal and state environmental review is complete and neither received legal challenges nor significant public opposition. Over the next few months, JPA Board committees and staff workgroups will develop and negotiate funding and service agreements, and ensure proper and timely progress on project design and construction. An amendment to the existing Multiparty Agreement will be brought to the Water Storage Exploratory Committee (WSEC) and Valley Water Board this fall to extend the cost sharing agreement into the next

year. In 2023, the JPA Board will need to approve an Interim Funding Agreement, Facilities Usage Agreements, and Service Agreements to meet the requirements for final Water Storage Investment Program (WSIP) funding and to start construction on the pumping plants and Transfer-Bethany Pipeline (TBP).

Valley Water Participation

Staff has evaluated various options for participation, including conveyance only and conveyance and different levels storage. This evaluation included yield modeling and criteria such as cost and ability to meet Water Supply Master Plan goals and objectives. Valley Water's Water Supply Master Plan 2040 (WSMP) recommended participation in the TBP portion to improve Valley Water's operational flexibility. Staff is recommending to also participate in the storage portion of the LVE Project to diversify our out-of-county storage portfolio and maximize the operational flexibility that TBP offers. LVE Project storage could provide a beneficial diversification of Valley Water's storage because the location and potential operations allow for reliable delivery during droughts.

Attachment 2 presents the range of costs for participation at various storage options ranging from no storage to 60 TAF of storage. For each level of storage, a low and high range of associated conveyance is included based on modeling to provide a total costs. Costs are provided for Valley Water's share of the overall capital cost and annual costs starting when the LVE Project is anticipated to be fully operational in 2030. The annual cost includes all expenses including principal payback, financing, operations and maintenance, usage fees for CCWD facilities, and energy. Staff is preparing associated rate impacts for different participation options. This should be available at the Committee meeting.

Staff recommends that Valley Water enter negotiations with a request for 30 TAF of storage in the reservoir and the right to convey stored water in dry years. This is based on yield, operational flexibility provided, cost, available storage, and water supply needs based on WSMP analysis.

The LVE Project presents an opportunity to diversify Valley Water's storage portfolio in a regional project with a high likelihood of project success and potentially high reliability in receiving stored water when requested. Modeling conducted by CCWD and Valley Water has shown that Valley Water would be able to receive its stored water in drought years. The project may also facilitate other potential regional projects, such as the Refinery Recycled Water Exchange or the Regional Desalination Projects. Regional projects would benefit from having the TBP for water conveyance and Los Vaqueros Reservoir storage for the wet year supplies.

Off Ramps

Valley Water has two decisions over the next year regarding the LVE Project. An amendment to the Multiparty Agreement will be brought to the WSEC and Board in the fall to extend cost sharing of planning through the next calendar year, and the Service Agreement will be brought for consideration early next year. The Board can still decide against participation at either of these points and withdraw from the JPA without incurring future obligations. If Valley Water approves the Service Agreement, the JPA Agreement also allows a partner to withdraw in the following circumstances:

- if the Engineer's estimate is too high,
- if other partners withdraw,
- if state or federal funding is withdrawn or comes with unacceptable conditions,
- if unacceptable permit conditions are attached to the project, or
- if a Local Agency Partner (LAP) cannot obtain a long-term water supply.

Once bonds are issued for the construction of any specific component, withdrawing from the LVE Project must be approved by the JPA Board.

Next Steps

Once staff and the Board's LVE JPA Board representatives have direction on a beginning negotiation position, that position will be brought to the JPA partners for the start of negotiations of the Service Agreements. CCWD is currently preparing a draft Amendment to the Multiparty Agreement to extend cost sharing through 2023. The draft Amendment is anticipated to be ready for review this summer. CCWD continues with negotiations on water rights and environmental permits with state and federal agencies necessary to complete the project. Agencies have been supportive of the LVE Project. Staff will continue to provide regular updates to the WSEC on the Service Agreement negotiations, Multiparty Agreement, and project progress.

- Summer / Fall 2022 – Negotiation of JPA Service Agreements and Facility Usage Agreements

- Fall 2022 – Amendment to Multiparty Agreement to extend cost-sharing through the next year.
- Early 2023 – WSEC and Board consideration of Service Agreement
- Spring 2023 – Final Funding Agreement with CWC
- Summer 2023 – Interim Funding Agreement
- 2023 – Start of construction on the initial LVE Project elements
- 2023 - 2025: Construction of Transfer-Bethany Pipeline
- 2027 - 2029: Construction of dam raise, pumping facilities, and conveyance improvements
- 2030: LVE Project in full operation

The Water Storage Exploratory Committee discussed the following: scenarios and costs, principal variable fees, water supply, Bay Delta Plan, evaporation, LVE Map, allocations, Bethany conveyance, South Bay Aqueduct (SBA) primary pipeline, dry years, San Luis Reservoir, working with partners will be critical, other water supply resources, recycled water, Contra Costa Water District (CCWD) costs, risks, and central coast storage developments..

Public Comment:

Hon. Steve Jordan mentioned the MIT/ Stanford Proposal for building a desalination facility (½ million acre-feet yearly) at Diablo Canyon (central coast related).

Ms. Carmen Narayanan, Ms. Samantha Greene, Ms. Cindy Kao, and Mr. Aaron Baker were available to answer questions.

The Water Storage Exploratory Committee took the following action:

The Committee *unanimously approved staff's recommendation that the Board* consider Valley Water begin negotiations of Los Vaqueros Reservoir Expansion Project (LVE) participation level of 30 to 50 Thousand Acre Feet of Storage and conveyance to deliver dry year supplies via the Transfer Bethany Pipeline.

4.2 Standing Items

Ms. Cindy Kao reported on the following:

Summary from Agenda Memo:

Standing Items will allow regular reports from staff on subjects that may be of interest to the committee members.

Staff may provide a verbal update at the 7-13--2022, meeting if there is reportable/updated information.

1. Update on Los Vaqueros Reservoir Expansion Project (LVE) Transfer Bethany Pipeline (TBP) and Update on Management of South Bay Aqueduct (SBA) Facilities (**separate agenda item**)
2. Del Puerto (**Verbal Update**)
3. Water Banking Opportunities including but not limited to Pleasant Valley Water District (**Verbal Update**)
4. Pacheco/San Luis Reservoir Low Point (**No Update**)
5. Semitropic (**Verbal Update**)
6. Sites (**Verbal Update**)
7. B.F. Sisk Dam Raise Project (**Verbal Update**)
8. Shasta (**Verbal Update**)

Del Puerto Canyon Reservoir:

- Del Puerto and Exchange Contractors continue to work on the project
- No fatal flaws found in work to date. Geotechnical work is upcoming.
- Del Puerto WD looking to obtain Integrated Regional Water Management (IRWM) implementation grant funds to support continued work.
- They are not interested in working with partners at this time, but after geotechnical evaluation to ensure feasibility, they plan to look for partnering.
- CEQA lawsuit update will come to the Committee

Water Banking Opportunities

Pleasant Valley:

- Discussing long-term exchange opportunity with Pleasant Valley WD while they continue evaluating the viability of a water bank and necessary infrastructure improvements.

Aquaterra:

- Revised Feasibility Study has been completed and is under review by staff and other interested parties. We finished our review. There are some gaps on water quality and other data.
- They are revising their Groundwater Sustainability Plan (GSP) and will submit revisions on July 27th, 2022.
- Staff continues to participate in McMullin's Board Meetings and track proposed revisions to the GSP.

AVEK:

- AVEK is in the process of developing the first phase of their groundwater bank with MWD.
- Valley Water is interested in the second phase of the bank and are interested in doing a pilot program with them.
- AVEK Staff went to their Board and the Board would like to have a discussion with their staff in the fall.
- So AVEK is holding off on further discussions with us until after they've talked to the Board in a few months.

Semitropic:

- Continuing recovery on our behalf totaling 10.5 TAF thru May.
- ST submitted GSP updates submitted to Kern Groundwater Authority (KGA) on June 15th.
- KGA will compile the updates from all their member agencies and plans to adopt revisions on July 20th
- Submittal to DWR by deadline July 27th.

Sites:

- On June 28, the Board approved sending in a letter to the Sites Project asking to be put on the waiting list to increase our participation level. The letter is drafted and will be going out shortly.

B. F. Sisk Dam Raise and Reservoir Expansion:

- San Luis and Delta-Mendota Water Authority (SLDMWA) awarded a consulting contract to Hallmark Group to serve as the Project Manager for the Sisk Dam raise project.
- Valley Water is currently working with participating SLDMWA members to develop principles of agreement, which is intended to provide assurances to prospective participants prior to making a larger financial commitment.

Shasta Dam:

- Reclamation is not performing any further work related to the Raise of Shasta Dam at this time.
- The project has not received any additional WIIN Act funding as recent appropriations language prohibits the use of these funds for the project.

Mr. Andrew Garcia and Brian Hopper were available to answer questions.

The Water Storage Exploratory Committee discussed the following: receive a monthly water storage report update (imported water) from SLDMWA, it would be great to have Valley Water include it in the water tracker

The Water Storage Exploratory Committee took no action.

If you have any questions or concerns, you may contact me at, gbrambill@valleywater.org or 1.408.630.2408.

Thank you.

Glenna Brambill, Management Analyst II,
Board Committee Liaison
Office of the Clerk of the Board

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