

August 11, 2020

Chairman Gary Kremen
Valley Water Storage Exploratory Committee
Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, CA 95118-3686

Subject: Sites Reservoir Participation

Dear Chairman Kremen,

This is a follow-up to the July 24, 2020 meeting which was a productive discussion about the next stage of project development and areas of interest to the Valley Water Board of Directors. We understand the Valley Water Board looks to you for guidance with regard to evaluating Valley Water's continued participation in the Sites Reservoir Project as the Chair of your Board's Water Storage Exploratory Committee.

As was explained in the meeting, the recent rightsizing puts the project on a renewed path forward to deliver an affordable, permittable and buildable project within the next decade. We are seeing strong interest from other existing and new participants in the project and would like to see Valley Water, as an early participant, continue to be a key partner in building this critical statewide infrastructure.

We want you and the Board to know that we acknowledge your concerns about project governance and your interest in a greater level of policy oversight by participants outside of the Sacramento Valley. Governance and policy oversight will be a subject area considered by the Authority Board during this next stage of project development (within 16 months). In our positions as Chair and Vice Chair of the Authority Board, we have been and will continue to be committed to governance and policy oversight that provides every participant the control, oversight and independence to achieve its expected benefits from the investment. If there is something that is needed to strengthen that commitment, we would welcome your suggestion and ensure a discussion by the Authority Board.

Clearly, one of the key foundations of any large infrastructure project that expects to be successful is "partnership". But we also understand that partnership needs to be supported by legal assurances provided through contractual mechanisms. These

elements will be the subject of discussion as well in conjunction with policy and governance discussions over the next 16 months.

We value Valley Water's contributions to this project to date and we look forward to a continued, strong working relationships going forward.

Sincerely,



Fritz Durst, Chairman
Sites Authority Board



Jeff Sutton, Vice-Chairman
Sites Authority Board

cc: Valley Water Board of Directors
Rick Callender, Chief Executive Officer, Valley Water
Garth Hall, Interim Chief Operating Officer, Valley Water
Jerry De La Piedra, Interim Deputy Operating Officer of Water Supply, Valley Water
Cindy Kao, Imported Water Manager, Valley Water
Sites Authority Board of Directors
Sites Project Reservoir Committee
Jerry Brown, Executive Director, Sites Project Authority