



MEMORANDUM

FC 14 (01-02-07)

TO: Board of Directors
FROM: Water Storage Exploratory Committee
SUBJECT: Water Storage Exploratory Committee Meeting Summary for December 11, 2019
DATE: January 14, 2020

This memorandum summarizes agenda items from the regular meeting of the Water Storage Exploratory Committee held on December 11, 2019.

Attendees:

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

Valley Water Staff in attendance were: Bradly Arnold, Aaron Baker, Erin Baker, Glenna Brambill, Jerry De La Piedra, Tim Bramer, Mark DeMartini, Rachael Gibson, Christopher Hakes, Garth Hall, Nina Hawk, Brian Hopper, Cindy Kao, Ryan McCarter, Eli Serrano and Charlene Sun.

San Benito County Water District Staff in attendance were: Jeff Cattaneo and Sara Singleton.

BAWSCA Representatives were: Tom Francis and Steve Jordan.

Infracapital Representatives were: Rock Clapper and Paul Kelley.

Guests in attendance were: Katja Irvin, Doug Muirhead and Rob Steiner.

ACTION ITEMS:

Agenda Item 5.1 PACHECO RESERVOIR EXPANSION PROJECT

Mr. Chris Hakes reported on the following:

Summary:

Background and Funding

On August 14, 2017, Santa Clara Valley Water District (Valley Water) submitted an application to the California Water Commission (CWC) for the California Proposition 1 Water Storage Investment Program (WSIP) funding for the Pacheco Reservoir Expansion Project (Project).

The CWC conditionally approved Valley Water's full funding request of \$484.55 million on July 24, 2018, which included an Early Funding award of \$24.2 million. The Early Funding award was authorized by the CWC to reimburse Valley Water for funds expended starting August 14, 2017 for efforts related to the completion of the Environmental Documentation and Permitting for the Project.

Staff completed negotiations with the CWC regarding the requirements of the Early Funding Agreement (EFA) and it was fully executed on December 10, 2018. Staff has been providing quarterly reports to the CWC as required and submits quarterly invoices to the CWC against the EFA for cost reimbursement.

Financing and Partnering Opportunities

Valley Water continues to explore additional project funding and low cost financing through the Federal Water Infrastructure Improvements for the Nation (WIIN) Act, the Water Infrastructure Finance and Innovation Action (WIFIA), and other Federal and State funding and financing programs. The Project has been identified as the National Economic Development Plan within the San Luis Reservoir Low Point Improvement Project (SLLPIP) led by the United States Bureau of Reclamation (USBR). USBR released the public draft Environmental Impact Statement/Environmental Impact Report for the SLLPIP on July 26, 2019. Valley Water participation in the SLLPIP provides a nexus for potential partial federal funding of the Project. Staff and the consulting team are working to

provide documents for a design, engineering, and construction (DEC) review to accompany the Federal Feasibility Report.

Valley Water is partnering with both Pacheco Pass Water District (Pacheco Pass) and San Benito County Water District (San Benito). A Memorandum of Understanding was signed by all three agencies in June 2018. Currently staff is working with San Benito to develop both an Allocation Plan and an Operation Agreement that will identify San Benito's participation level on the project. These agreements will recognize and support the continuation of the operational benefits currently enjoyed by Pacheco Pass.

Preliminary modeling and operations analyses have been conducted to identify available water storage in the proposed reservoir. After public benefit annual volumes are accounted for, the remainder of available storage and CVP allocation fluctuates directly related to year type. Based on current assumptions, up to 40 TAF could be available annually in San Luis Reservoir for partners in the Delta system.

Project Implementation

On November 20, 2018, the Board approved the two Consultant Services Agreements for this project. The first contract was for program management (PM) services and the second for planning, design, and environmental consultant services and permitting support (PDEC).

Efforts are underway by both consultants on various project management tasks and planning deliverables including, but not limited to: project schedule updates, tribal consultation, Problem Definition Report development, data needs memoranda; and operational modeling assumptions. Initial geotechnical and environmental investigations are underway. The data gathered from these investigations will be used to develop preliminary design alternatives and environmental documentation.

Public Outreach

Site meetings and coordination with State and Federal agencies has been conducted.

A video production agency has been contracted to produce an informational video with high resolution photos and aerial footage captured at the site that will be used as part of the outreach tour efforts. A communication plan is being developed that will incorporate Valley Water communication efforts and San Benito's public outreach consultant.

Currently, interested community members are directed to the Pacheco Reservoir Expansion website and encouraged to sign up for proactive project communications updates. The website highlights project details and key benefits via expert testimony videos, related documentation, and customized animation elements. The project FAQ's are currently being refreshed. Communications material will continue to be updated as the project progresses.

The Water Storage Exploratory Committee discussed the following: enhancement of steelhead, flooding of Soap Lake, Henry Coe State Park, recreational benefits, impacted species (red-legged frogs, steelhead, tarantulas, eagles/bald eagles), financial/funding issues-Prop 1 and agricultural entities.

Ms. Nina Hawk and Ms. Charlene Sun were available to answer questions.

The Water Storage Exploratory Committee took no action.

Agenda Item 5.2 SEMITROPIC GROUNDWATER BANK UPDATE

Mr. Bradley Arnold reported on the following:

Summary:

Santa Clara Valley Water District (Valley Water) staff have continued ongoing analysis of the long-term risks and benefits associated with Valley Water's use of the Semitropic Groundwater Banking Program (Semitropic Bank). Updates from the prior Committee agenda item (October 25, 2019 Item 4.2, File 19-0994) related to Semitropic Bank contractual considerations and potential risks associated with the Sustainable Groundwater Management Act (SGMA) are provided below. As of November 2019, Valley Water is fully utilizing its 350,000 acre-foot storage capacity in the Semitropic Bank to store imported water supplies for recovery in future supply-limited conditions.

Semitropic Bank Contractual Considerations

The October 25, 2019 memo identified several questions requiring further consideration regarding Valley Water's existing *1997 Agreement Between Santa Clara Valley Water District and Semitropic Water Storage District and Its Improvement Districts for a Santa Clara-Semitropic Water Banking and Exchange Program* (Agreement). Valley Water staff is working with legal counsel to review that Agreement. Staff believes that Valley Water has approval and environmental coverage to store its State Water Project (SWP) and Central Valley Project (CVP) water supplies in the bank, and to recover these supplies. Staff further believes that the Agreement allows Valley Water to store and recover other imported water supplies such as procured transfers and exchanges; however, additional agreements and CEQA/NEPA coverage would likely be needed for Valley Water to use the bank for other imported water supplies.

One question is what happens when the Agreement terminates on December 31, 2035. If the Agreement is not renewed it will continue for as long as is necessary for Valley Water to receive all its SWP and CVP stored water, as requested.

On the question of how unused storage and recovery capacity is allocated, specifically the potential for annual storage and recovery above and beyond contractual capacities: the bank's "unused" storage and recovery capabilities are generally allocated among the banking partners per their participation percentage in the Semitropic Bank (35 percent for Valley Water). To staff's knowledge, arrangements among bank participants for uses of others' storage capabilities have not arisen; however, use of underutilized recovery capacity is made available on occasion to participants based on the timing of their requests. Consideration is given to local agricultural users within Semitropic's service area when allocating "unused" capacities, specifically their needs for use of Semitropic conveyance facilities; however, this has never constrained Valley Water's use of the Semitropic Bank. The contractual storage and recovery guarantees are provided for reference in Attachment 1.

Sustainable Groundwater Management Act Update

The Semitropic Groundwater Sustainability Agency (Semitropic GSA) released a public review draft of their Groundwater Sustainability Plan (GSP). GSP and SGMA guidance documents for the Semitropic GSA are due to the California Department of Water Resources (DWR) by January 2020. Valley Water staff reviewed the Draft GSP as it relates to third-party groundwater banking, specifically Valley Water's involvement in the existing Semitropic Bank, and noted that the GSP identifies no significant changes or constraints being proposed to bank operations going forward under SGMA. Valley Water sent a response letter acknowledging staff review of the draft GSP (Attachment 2). Staff plans to meet with Semitropic Bank operators to discuss long-term compliance with groundwater management objectives and protection of Valley Water's existing Semitropic Bank contract under SGMA. Valley Water staff will monitor the GSP as it is finalized, and DWR's pending review of SGMA documents.

Additional Considerations

Given the uncertainties surrounding future use and reliability of the Semitropic Bank, Valley Water staff plan to take the following actions:

1. Continue to consult with legal counsel to review specific risks and vulnerabilities related to Valley Water's storage and long-term reliance on Semitropic Bank.
2. Request 'Letter of Understanding' or similar official document be provided to Valley Water by Semitropic that identifies how Semitropic Bank operations will remain compliant with long-term groundwater management objectives, and how Valley Water's existing Semitropic Bank contract will be protected under SGMA.
3. Track DWR's and the State Water Resources Control Board's actions with respect to GSPs submitted by Semitropic and other GSAs responsible for high priority basins.
4. Investigate other opportunities for groundwater banking and storage programs. The Semitropic Bank has generally worked well for Valley Water, but other groundwater banking programs in combination with Semitropic may provide a less risky storage portfolio.

The Water Storage Exploratory Committee took no action.

Agenda Item 5.3 WATER STORAGE-P3 (PUBLIC PRIVATE PARTNERSHIP) PROJECT DELIVERY PRESENTATION

Special Guests, Mr. Paul Kelly and Mr. Rock Clapper reported on the following:

Summary:

Mr. Kelley is working with Infracapital; a firm with expertise in delivering large projects like water storage.

They have local knowledge, expertise in engineering and finance to implement all aspects of P3 (Public Private Partnership) project delivery.

He would like to introduce the company by making a presentation to the Water Storage and Exploratory Committee.

Infracapital would like to build a relationship with Valley Water to help implement water storage project needs.

The Water Storage Exploratory Committee discussed the following: storage banking structures, P3 private money/Cal PERS money-is a mix and environmental benefits.

The Water Storage Exploratory Committee took no action.

Agenda Item 5.4 LEGISLATIVE GUIDING PRINCIPLES - SOUTH BAY AQUEDUCT OPERATIONAL RELIABILITY AND MAINTENANCE

Ms. Rachael Gibson reported on the following:

Summary:

The Board annually reviews and adopts legislative policy proposals and legislative guiding principles that form the framework for advocacy efforts at the local, regional, state, and federal levels. Based on these Board-adopted policy proposals and guiding principles, the Office of Government Relations (OGR) develops strategies to achieve the outcomes outlined in the proposals. These strategies may include advancing Valley Water's interests through legislative, administrative, or regulatory means. OGR uses the guiding principles as the foundation that drives Valley Water efforts in influencing the outcome of numerous legislative, regulatory, and budgetary items impacting Valley Water.

OGR staff received a request to bring an item before the Water Storage Exploratory Committee to discuss a recommendation to the Board to amend the 2020 Legislative Policy Proposals and Guiding Principles with a policy to address the operational reliability and maintenance of the South Bay Aqueduct (SBA).

South Bay Aqueduct Discussions

On October 25, 2019, the Water Storage Exploratory Committee discussed information regarding the status of SBA facilities management. The information included a description of the importance of SBA facilities to the water supply of Santa Clara County and the region, supplying over 100,000 acre feet to the Bay Area annually. As the SBA infrastructure is almost 55 years old, it has experienced increasing periods of interruptions, causing loss of capacity and delivered water supplies. As such, the SBA has been experiencing leaks that cause unplanned interruptions to service.

As previously discussed, the SBA contractors (Valley Water, Zone 7, and Alameda County Water District) have been meeting with the California Department of Water Resources (DWR) staff to review facilities outages and maintenance, monitor SBA degradation, and develop a Draft Pipeline Management Plan (Draft Plan) by July 2021. The Draft Plan is intended to assess and analyze SBA information (e.g., hydraulic analysis, risks assessment, repairs needed, additional studies required) needed to maintain use of the SBA facilities.

Defined construction work and associated costs are anticipated following development of the Draft Plan, once SBA repair needs are better understood. The SBA contractors expect to continue coordination with DWR regarding funding measures for such work and develop plans for predictable and prioritized maintenance of SBA facilities. In the interim, Valley Water staff has been coordinating with DWR's Delta Field Division staff regarding scheduled outages and maintenance to assess and plan for potential impacts to the State Water Project (SWP) water supply deliveries.

2020 Legislative Policy Proposals and Guiding Principles

On October 22, 2019, the Board adopted the 2020 Legislative Policy Proposals and Guiding Principles that will serve as the basis of OGR's advocacy for the upcoming year. The proposals currently include two principles that would support efforts to advocate for the expedited improvement of the SBA. First is Key Guiding Principle #1: "Ensure the reliable supply of clean drinking water." The second is General Water Policy and Reliability Principle #4: "Support legislation that provides for the reliability of operations of the state and federal water projects."

While these current policy principles provide general direction, they do not address the specific issue regarding the reliability and maintenance of the SBA. Should the Water Storage Exploratory Committee wish to recommend amending the 2020 Legislative Policy Proposals and Guiding Principles to add more detailed direction that could assist in addressing the aging infrastructure of the SBA, staff will need to place an agenda item before the full Board for consideration and adoption.

Suggested SBA Specific Policy Principle

Staff recommends amending the current General Water Policy and Reliability Principle #4, on page 2 of the 2020 Legislative Guiding Principles, as follows:

4. Support *actions* that provide for the operational reliability *and maintenance* of state and federal water projects, *including the South Bay Aqueduct*.

By changing "legislation" to "actions," adding "maintenance," and specifically calling out the SBA, this amendment would make clear that SBA reliability is a key priority and that a host of actions by OGR, beyond just legislation, can be deployed to achieve the critical goal of keeping the SBA properly maintained and operational. These actions might include organizing meetings with senior DWR staff, coordinating with other SBA contractors, briefing elected officials on the current status of the SBA and the need for expedited efforts by DWR, and other steps that support expedited treatment of SBA improvements. What specific actions would be taken by OGR would be determined through coordination with the Water Utility and the other SBA contractors.

The Water Storage Exploratory Committee discussed the following; amending the wording for long-term O and M relationships and the principles are broadly written for flexibility to accomplish the Board's ends.

Ms. Nina Hawk was available to answer questions.

The Water Storage Exploratory Committee took the following action.

The Committee would like the Chair to review the amended wording and advise Committee.

The next Water Storage Exploratory Committee Meeting is Wednesday, January 15, 2020, at 2:30 p.m. in the HQ Boardroom.

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