



Santa Clara Valley Water District

File No.: 22-0778

Agenda Date: 6/28/2022

Item No.: *4.3.

BOARD AGENDA MEMORANDUM

SUBJECT:

Consider the June 17, 2022, Recommendation from the Water Storage Exploratory Committee to Authorize the Chief Executive Officer to Send a Letter Expressing Valley Water's Potential Interest in Increasing Participation Level in the Planning Phase of the Sites Reservoir Project if Space in the Project Becomes Available and is Supported by Future Analysis.

RECOMMENDATION:

- A. Receive and Discuss Update on the Sites Reservoir Project; and
- B. Consider the June 17, 2022, recommendation from the Water Storage Exploratory Committee to authorize the Chief Executive Officer to send a letter expressing Valley Water's potential interest in increasing participation level in the planning phase of the Sites Reservoir Project if space in the project becomes available and is supported by future analysis.

SUMMARY:

During the March 7, 2022, Water Storage Exploratory Committee (Committee) meeting, staff informed the Committee that the Sites Reservoir Project (Project) is fully subscribed, even as the U.S. Bureau of Reclamation is requesting greater participation, and several non-participating agencies expressed interest in joining the Project. Since that time, several participants have indicated willingness to reduce their participation level, making space for Reclamation and other agencies to increase participation. The Sites Joint Project Authority (Sites JPA) will begin rebalancing participation levels and potentially invite new participants into the Project during the Fall of 2022. The Project is also evaluating the feasibility of reducing the reservoir dead pool to create additional usable reservoir storage space which could be allocated during the rebalancing efforts.

Sites JPA has requested that Participants interested in increasing their Participation level, as well as non-participants that are interested in joining the project, provide a letter requesting to be placed on the waiting list and committing to recommend an increase to their Boards if space becomes available in the future. The Water Storage Exploratory Committee approved staff recommendation at its June 17, 2022 meeting to recommend that the Board authorize the CEO to provide such a letter (see Attachment 2) to the Sites JPA targeting an average annual yield of 6,000 acre-feet (AF) and storage space of 37,400 AF. The letter includes a caveat that a recommended increase would only be brought to the Board if future analyses still supported the increase. The Sites JPA has indicated that such a letter may secure our position on the waiting list ahead of new participants.

If space does become available and Valley Water chooses to increase participation, the recommended level of participation would require a total \$2.4 million funding commitment for Santa Clara Valley Water District's (Valley Water) share of project planning costs over calendar years 2022, 2023, and 2024. This amount would not require a water rate increase in FY23-FY25.

If Valley Water does not provide a letter requesting to be placed on the waiting list, there may still be opportunities to increase our participation in the future if other agencies drop out or reduce participation prior to the final Project funding decision in 2024. However, future requests would likely be placed at a lower priority than participants that have submitted a letter request.

Overview of Recent Project Activity

The Sites Reservoir Project is a proposed 1.5 million acre-foot, off-stream reservoir that would be located north-of-Delta, approximately 10 miles west of the town of Maxwell in Colusa County. The Project has been identified in Valley Water's Water Supply Master Plan (WSMP) as a potential alternative to help ensure reliability of its Delta-conveyed supplies. The project is currently fully subscribed and there is strong support from the Department of Water Resources (DWR), Reclamation, Zone 7 Water Agency, Glenn-Colusa Irrigation District, and Metropolitan Water District of Southern California, among others. The project has secured funding from state and federal sources (Table 2), and in March 2022, the Sites Project was invited to apply for a \$2.2 billion Water Infrastructure Finance and Innovation Act (WIFIA) loan, which would provide a flexible, low interest financing option, potentially reducing the financial burden of the project. The Sites JPA has also recently submitted the water rights application for the Project to the State Water Resources Control Board (SWRCB) in May 2022.

Reclamation has stated an interest in increasing its participation from its current 7% participation level up to potentially a 25% participation level. The Project has also received new participant requests from seven agencies totaling approximately 32,000 AF of annual yield. The agencies requesting to join the project are:

Westlands Water Districts
Madera County GSA
Woodland-David CWA
Pacific Resources MWC

City of Napa
Glenn County
LA Cumbria MWC

Several participants have indicated they may reduce their participation level, making space available for new participants and for existing participants to increase their participation level. A list of participants and current participation level is shown in Attachment 1. In addition, the Sites Project is currently studying the feasibility of reducing the dead pool to potentially create up to 60,000 AF of usable reservoir storage. Final results are expected in the Fall.

Participation Options

A summary of anticipated project costs, modeled delivered yield, and project storage provided by current participation level and two options to increase participation is shown in Table 1. Staff

recommends Option 1, which would provide approximately 6,000 AF of requested annual yield and 37,400 AF of storage, while Option 2 would provide approximately 8,000 AF of requested annual yield and 49,900 AF of storage space. The Option 1 project planning costs in calendar years 2022, 2023, and 2024 would not require a water rate increase in FY23-FY25; this option represents the largest participation level without increasing water rates in FY 2023 through FY 2025. The larger participation increase shown in Option 2 would require a small water rate increase for FY23-25.

Submitting the letter to secure Valley Water’s position on the waiting list to increase participation level from its existing participation level to Option 1 provides the following benefits:

- Better positions Valley Water for increasing its participation level in Sites if the Board decides this would be advantageous;
- Better preserves options should other investments in Valley Water’s Water Supply Master Plan not materialize;
- Staff’s analysis of the long-term impacts from climate change continue to evolve and could potentially show a need for benefits provided by a higher level of participation in the Project.

Sites Project Support and Funding

The Sites Project has secured a maximum conditional eligibility of \$836 million in funding through the state’s Prop 1 Water Storage Investment Program (WSIP) as well as \$104.1 million in Water Infrastructure Improvements for the Nation (WIIN) Act appropriations. In addition, the Project has been invited to apply for a \$2.2 billion WIFIA loan which would provide a low-interest, flexible financing option to participating agencies and could reduce the unit cost of water by as much as 10%. A summary of the Project funding sources that have been secured to date are showed in Table 2.

Table 1: Anticipated Project Yield, Storage, and Costs by Participation Level

	Existing Participation Level	Option 1: Moderate Increase in Participation (Recommended)	Option 2: Large Increase in Participation
VALLEY WATER PARTICIPATION LEVEL			
Share of Total Project Cost	0.2%	2.6%	3.5%
Requested Annual Yield (AF) ¹	500	6,000	8,000
Storage Allocation (AF)	3,117	37,400	49,900
ESTIMATED WATER SUPPLY BENEFITS FOR VALLEY WATER			
Average Delivered Yield (AF) ²	380	4,590	6,110
Average Dry/Critical Year Delivered Yield (AF) ²	770	9,250	12,330
CAPITAL COSTS			

Share of Total Capital Cost (2021 Dollars) ³	\$8 Million	\$105 Million	\$142 Million
FUNDING COMMITMENT			
AMENDMENT 3 Funding Commitment (Years 2022 through 2024)	\$0.2 Million	\$2.4 Million	\$3.2 Million
Anticipated FY32 Rate Impact (\$/AF) ⁴	\$33	\$71	\$110
Anticipated FY32 Average Increase per Household (\$/month) ⁵	\$1.12	\$2.45	\$3.80
<p>¹ A Participant's "Participation Request" is a metric used by Sites Project managers to calculate participation levels relative to other participants. Actual annual yield of the project will differ from this requested participation level. ² Delivered yield values are based on Sites Project modeling and may be updated as the project progresses. Delivered yields values assume a 25% carriage water loss. ³ Share of total project capital costs published by the Sites Project which was adjusted for inflation to 2021 dollars, not including financing. ⁴ North County Zone W-2 Rate Impact for FY32 assuming Valley Water participation progresses to project construction. ⁵ Average Monthly Increase per Household - North County Zone W-2 (FY32) assuming Valley Water participation progresses to project construction.</p>			

Table 2. Sources of Project Funding

Funding Source	Amount
Prop 1 WSIP award	Up to \$836M, including \$40.8M in early funding.
WIIN Act (Currently awarded to Reclamation)	\$104.1M
WIIN Act (potential future cost share)	Project qualifies for up to 25% cost share following Federal Feasibility Determination
U.S. Department of Agriculture	Approved \$449M loan for Sites Project's Maxwell water intertie conveyance facilities
WIFIA Loan	Invitation to apply for WIFIA loan up to \$2.2 billion

ENVIRONMENTAL JUSTICE IMPACT:

There are no Environmental Justice Impacts associated with this action. This action is intended to provide notification of interest in increasing project participation in the planning phase of the project work which consists of design, environmental permitting, and water rights for the project. This planning work does not impact historically burdened, underrepresented, low income, or otherwise vulnerable communities.

FINANCIAL IMPACT:

There is no financial impact associated with the recommended action.

CEQA:

The recommended action does not constitute a project under CEQA because it does not have the potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

ATTACHMENTS:

Attachment 1: Sites Project Participation Summary

Attachment 2: Draft Letter to Request Opportunity to Increase Participation

Attachment 3: PowerPoint

*Handout 4.3-A: Slettleland

*Handout 4.3-B: Sierra Club

UNCLASSIFIED MANAGER:

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