AGENDA DATE: September 24, 2019

TO: Mayor and Councilmembers

FROM: Water Resources Division, Public Works Department

SUBJECT: Evaluation Of Options For State Water Project Suspended Table A And Delta Conveyance Project

RECOMMENDATION:

That Council receive a presentation regarding the potential reacquisition of Santa Barbara County Suspended Table A water and about the Delta Conveyance Project, and direct staff on whether to participate in pursuing the reacquisition and on whether to participate in the Delta Conveyance Project.

EXECUTIVE SUMMARY:

The City has existing contracted rights to receive up to 3,300 acre feet per year (AFY) of State Water Project (SWP) Table A water1. The City is a member agency of the Central Coast Water Authority (CCWA), which is a joint powers agency formed to construct, operate, and maintain regional facilities that convey SWP water to the Santa Barbara area. Councilmember Eric Friedman represents the City of Santa Barbara on the CCWA Board of Directors. The CCWA has requested a decision from its member agencies regarding participation in 1) Suspended Table A and 2) the Delta Conveyance Project, and has requested a response before the CCWA’s Board of Directors meeting scheduled for September 26, 2019. Staff is requesting direction from Council regarding these issues.

Suspended Table A

In 1963, the County of Santa Barbara executed a contract for the delivery of up to 57,700 AFY of SWP Table A water. However, construction of facilities for delivery of the water to Santa Barbara County did not commence until 1991, at which time the water purveyors in Santa Barbara County only contracted for 45,486 AFY of water rights, of which the City of Santa Barbara is contracted for 3,300 AFY. The remaining 12,214 AFY was suspended and reserved for future reacquisition within Santa Barbara County.

1 Table A is a term that refers to the maximum amount of water each State Water Project contractor can receive each year, excluding certain ‘interruptible’ deliveries. Table A amounts are used by the Department of Water Resources for allocating State Water Project supplies and costs among the contractors.
On July 14, 2015, Council considered reacquisition of Suspended Table A and decided not to pursue it further. However, five other CCWA member agencies have decided to participate in the reacquisition, and costs to date have been allocated to those five agencies proportional to their participation levels.

Recently, some CCWA Board members have requested that the reacquisition participation be brought back to the CCWA Board for consideration, in case additional CCWA member agencies are now interested in participating. CCWA has requested that member agencies notify CCWA prior to the September 26, 2019 CCWA Board meeting regarding their level of interest in participating.

Staff’s recommendation that the City not participate in Suspended Table A has not changed.

**Delta Conveyance Project**

The Sacramento-San Joaquin Delta is a critical conveyance link for all water moved to the south by the SWP. However, the system is made up of complex waterways and man-made levees, and its reliability is highly vulnerable to earthquakes, rising sea levels, droughts, floods, and environmental impacts. In essence, water that would otherwise flow out of the Delta to the San Francisco Bay, is conveyed through the Delta, sometimes reversing flows, and is pumped into the SWP Aqueduct.

Recognizing the SWP challenges, the Department of Water Resources (DWR), under Governor Brown, developed the project known as the “California WaterFix,” a solution that proposed two tunnels to convey water from the north to the south Delta, commonly referred to as the “twin tunnels” project. Subsequently, on April 29, 2019, Governor Newsom issued an executive order directing state agencies to develop a comprehensive statewide strategy to build a climate-resilient water system, and directing DWR to pursue a smaller, single tunnel conveyance project. DWR is currently working on defining a single tunnel project, which is being referred to as the “Delta Conveyance Project,” though details of the project scope and costs have not yet been publicly released.

On August 1, 2019, CCWA distributed a memorandum on the Delta Conveyance Project and stated that it would like each member agency to make a decision on participation in the project by the September 26, 2019 CCWA Board meeting. The CCWA memorandum presented a summary of the preliminary water supply yield, project costs, and potential cost allocation methodologies, based on estimates previously prepared for a single tunnel project during California WaterFix discussions.

Staff will provide an overview of currently available information and request Council direction based on current status. It is possible this item will be brought back to Council for further consideration at a later date as details are further refined.
SUSPENDED TABLE A DISCUSSION:

Background

The DWR has rights for water deliveries through the SWP. When an agency contracts with DWR to receive the water rights, Table A of the contract refers to the maximum annual delivery amount. These Table A contracts are given first priority in allocating deliveries to the various SWP contractors. When insufficient water is available to meet all the SWP obligations, water is allocated proportional to Table A amounts.

In 1963, the County executed a water supply contract with DWR for a Table A amount of up to 57,700 AFY from the SWP. After a 1979 bond election for construction of in-county water conveyance facilities failed, the County sought financing through agreements with local water purveyors to pay for the County’s cost to maintain future water supplies. Contracts with local water purveyors total 45,486 AFY of the 57,700 AFY Table A amount, leaving the remaining 12,214 AFY to be suspended or relinquished. Of the 45,486 AFY, the City’s contracted Table A amount is 3,300 AFY.

Payments to DWR for the remaining Table A amount of 12,214 AFY were suspended under Amendment 9 of the SWP contract. In a 1987 settlement agreement between the County and DWR, the DWR granted an option for the County to reacquire all or part of the 12,214 AFY suspended in Amendment 9.

The CCWA was formed to manage SWP operations on behalf of its members. An agreement transferring most authority from the County to CCWA was executed in return for CCWA (and its members) accepting responsibility for all SWP-related costs. However, the County is still named as the current SWP contractor with DWR and therefore must act in certain SWP contract relations, including Suspended Table A agreements.

Over the years, CCWA has pursued reacquisition of the suspended Table A water (refer to Attachment 1 for the most recent memorandum from CCWA, which includes a white paper with the full history). On July 14, 2015, the Council considered reacquisition of the suspended Table A and decided not to pursue it further. However, five other agencies executed contracts with CCWA to participate in the reacquisition, and costs to date have been allocated to those five agencies proportional to their participation levels, which are:

<table>
<thead>
<tr>
<th>Agency</th>
<th>Acre Feet</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Santa Maria</td>
<td>9,814</td>
</tr>
<tr>
<td>Carpinteria Valley Water District</td>
<td>1,000</td>
</tr>
<tr>
<td>City of Guadalupe</td>
<td>600</td>
</tr>
<tr>
<td>Santa Ynez ID#1</td>
<td>500</td>
</tr>
<tr>
<td>City of Solvang</td>
<td>300</td>
</tr>
</tbody>
</table>

In December 2016, the County and CCWA entered into a term sheet regarding reacquisition of the Suspended Table A (included in Attachment 1). After execution of the term sheet, there were some concerns that reacquiring the Suspended Table A plus the additional costs that were to be placed on the State Water contractors for the California
WaterFix Project (refer to Delta Conveyance Project section for more information), might be too much of a financial burden. Additionally, there were some political concerns raised by the County Board of Supervisors regarding where the water might be used and for what purposes within the County. Consequently, the reacquisition efforts were placed on hold pending resolution of these concerns.

At its September 26, 2019 meeting, the CCWA Board of Directors is expected to consider initiation of the California Environmental Quality Act (CEQA) process to complete required environmental compliance for the reacquisition. The lead agency agreements and proposal for an environmental impact report are included in Attachment 1. In recent months, some CCWA Board members have requested that reacquisition participation be brought back to the CCWA Board for consideration, in case additional CCWA member agencies are now interested in joining (refer to Attachment 1 for the participation agreement). CCWA has requested that member agencies notify CCWA prior to the September 26, 2019 CCWA Board meeting regarding their level of interest in participating.

Staff is requesting direction from Council regarding participation in the next phase of the reacquisition process, which would commit the City to the administrative and legal costs for developing contracts. It would not commit the City to the actual reacquisition, which would be determined at the time of signing a future agreement. The administrative and legal expenses are estimated at $621,000, to be shared proportionally by CCWA members. However, this report analyzes the estimated costs of a potential reacquisition to determine whether further participation is warranted.

Reliability of Table A Water Deliveries

SWP water originates in Northern California, primarily from Sierra Nevada snowpack, and is conveyed through DWR and CCWA facilities until it reaches Lake Cachuma. From there, it is conveyed to the City through the Federal Bureau of Reclamation’s Cachuma Project facilities.

Table A deliveries are hydrology-dependent (primarily dependent on the snowpack in the Sierra Nevada mountains), which causes significant variation in the amount of water allocated to the contractors from year to year. DWR prepares a bi-annual State Water Project Delivery Capability Report, which provides modeling estimates for the projected Table A deliveries. Based on DWR estimates, average Table A deliveries are currently 62 percent and are projected to be approximately 48 percent in the future. With an alternative conveyance infrastructure (known as the Delta Conveyance Project), the future average Table A deliveries are estimated to be 67 percent. It should be noted that the City’s 2011 Long Term Water Supply Plan assumed an average Table A reliability of 50 percent.

The existing Coastal Branch pipeline, constructed to deliver water to Santa Barbara County, is designed for a capacity of 45,486 AFY. Since there is no physical capacity for the additional 12,214 AFY in the Coastal Branch pipeline, the increased contracted Table
A amount would increase the amount of water proportionally allocated to CCWA when allocations are less than 100 percent of the contract. For example, if DWR issues a 50 percent allocation for a given year, the City would receive 1,650 acre feet (AF) based on the existing contracted amount of 3,300 AF (0.50 x 3,300 AFY = 1,650 AFY).

The City has historically used SWP water as a backup water supply during droughts and emergencies. In normal to wet periods, when other surface water supplies are available, the City does not request delivery of SWP water due to the cost of delivery and the potential loss of the water supply before it can be used to meet demands (e.g., losses at Lake Cachuma due to spill or evaporation). For the period between 2000-2013 (non-drought years), the City was allocated about 30,000 AF of SWP water but was only delivered about 10,000 AF since local surface water supplies from Gibraltar Reservoir and Lake Cachuma were sufficient to meet demands. The remaining 20,000 AF of allocated SWP water was available for potential storage or groundwater banking opportunities. The City did participate in some out-of-region groundwater banking programs, though options were limited at the time.

During the most recent drought, water deliveries from the SWP met approximately 30 percent of the water needs of the community. However, Table A deliveries were only about 6,800 AF out of the total 19,000 AF delivered over a five-year period (2014-2018), since hydrology-dependent Table A water allocations varied from 5 to 85 percent of the contracted amount. The remaining 12,200 AF delivered from the SWP was through spot market supplemental water purchase agreements.

Table 1 summarizes the City’s historical Table A allocations, delivered Table A water, undelivered Table A water, and supplemental water purchases.

<table>
<thead>
<tr>
<th>Time Period</th>
<th>Table A Allocated</th>
<th>Table A Delivered</th>
<th>Table A Undelivered</th>
<th>Supplemental Purchase</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-2013</td>
<td>30,000</td>
<td>10,200</td>
<td>19,800</td>
<td>0</td>
</tr>
<tr>
<td>2014-2018</td>
<td>6,800</td>
<td>6,800</td>
<td>0</td>
<td>12,200</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>36,800</strong></td>
<td><strong>17,000</strong></td>
<td><strong>19,800</strong></td>
<td><strong>12,200</strong></td>
</tr>
</tbody>
</table>

Note: All values are rounded.

For purposes of this analysis, staff evaluated how deliveries would have changed if the City had acquired an additional 500 AFY of the Suspended Table A contract amount (refer to Table 2). The additional supply yield for 2000-2013 would have been approximately 4,500 AF, assuming a delivery of 65% of 500 AFY, a typical delivery percentage during non-drought periods. The additional supply yield during the five-year drought period would have been about 1,000 AF, assuming a delivery of 40% of 500 AFY, a typical delivery percentage during 2014-2018. Because of the limited delivery during droughts, the City would still need to pursue alternative water sources, such as supplemental water purchases or operation of the desalination plant. Any additional Table A water rights would have the greatest reliability benefit if the undelivered water that is allocated in
normal to wet years could be stored (or banked) for use in drought years. However, banking opportunities to increase storage have yet to be evaluated for the Santa Barbara region in terms of feasibility and cost.

| Table 2. Summary of City’s Potential State Water Deliveries in Acre-Feet (AF) With an Additional 500 AFY of Suspended Table A Contract Amount (3,800 AFY Total Contracted Table A) |
|---|---|---|---|---|
| Time Period | Table A Allocated | Table A Delivered | Table A Undelivered | Supplemental Purchase |
| 2000-2013 | 34,500 | 10,200 | 24,300 | 0 |
| 2014-2018 | 7,800 | 7,800 | 0 | 11,200 |
| Total | 42,300 | 18,000 | 24,300 | 11,200 |

Note: All values are rounded.

Cost of Additional Table A Water

The cost of suspended Table A includes the following components:

1. One-time acquisition, legal, and admin fees;
2. Fixed costs for maintaining the DWR/CCWA systems; and
3. Variable costs for pumping and treatment of water.

The current one-time acquisition cost for the full 12,214 AF of Suspended Table A water is $37.8 million, which consists of $31 million owed to DWR and $6.8 million owed to the County. The estimated one-time legal and administrative fees are $621,000. The CCWA is proposing to finance these costs with a $42 million bond assuming an interest rate of 3.5 percent for 30 years, which results in an annual payment of about $2.3 million. If the City participates in 500 AF, the City’s proportional share of the annual payment would be about $93,500 per year.

Acquiring Table A water would increase the City’s proportional share of future SWP fixed costs, such as Oroville Dam repairs and other DWR expenses. This makes quantifying the long-term expense of acquiring additional Table A water somewhat uncertain. However, additional annual fixed costs for 12,214 AF of Suspended Table A are currently estimated at approximately $1.7 million (or about $140/AFY of contracted amount) and expected to increase to about $2.7 million in the next 10 years (or about $225/AFY of contracted amount). Please note that these costs have been updated compared with the costs shown in Attachment 1, although the differences are relatively minor.

In addition, there are variable costs to pump and treat water delivered through the SWP system. These costs are called variable costs since they are only incurred when water is actually delivered and used to meet demands. The total variable costs are estimated to be $440/AF, which is made up of $340/AF to pump water to Lake Cachuma and $100/AF for treatment costs. This would result in a long-term average annual cost of $106,000 (based on the projected yield of 240 AFY, which is discussed further below).
When considering a unit cost ($/AF), it is important that the AF denominator is based on the long-term average supply yield (as opposed to contracted amount). Since SWP Table A allocations are typically less than that contracted Table A amount, and vary from year to year, the $/AF unit cost for this analysis is based on DWR’s projections of long-term reliability (without the Delta Conveyance Project), which is 48 percent of the contracted amount. If the City contracts for an additional 500 AFY Table A amount, the long-term average yield allocated to the City would be 240 AFY.

Table 3 presents a summary of the costs. For an additional 500 AFY Table A contract amount, which would provide a long-term average yield of 240 AFY, the total annual costs are estimated to be $268,000, and the total unit cost is estimated to be $1,117/AF.

|= Table 3. Estimated Costs for 500 AFY of Suspended Table A |
|---|---|---|---|---|
| Annual Cost to Acquire (based on 30-year loan at 3.5% interest) | Annual DWR Fixed Costs (500 AFY at $140/AFY) | Average Variable Cost (240 AF at $440/AFY) | Total Annual Costs | Projected Average Yield (based on 48% average delivery) | Total Unit Cost, $/AF |
| $93,500 | $68,500 | $106,000 | $268,000 | 240 AF | $1,117 |

Note: All values are rounded.

Comparison of Additional Table A with Short-Term Water Purchases

As discussed above, preliminary estimates suggest that an additional Table A contract of 500 AF could be purchased for $1,117/AF, with an average yield of 240 AFY and a five-year drought yield of 1,000 AF (based on 2014-2018). In comparison, the City was able to secure short-term water purchases of 12,200 AF in 2014-2018 for a total of $14.7 million, resulting in an average unit purchase price of $758/AF (including $250/AF of estimated return costs, since some agreements required a portion of the water be returned over a 10-year period). Adding the variable costs for pumping and treatment, the total unit cost of supplemental purchases is $1,198/AF. All short-term water purchase costs are considered variable costs since they are incurred only when supplemental purchases become necessary. There are no additional fixed cost commitments with short-term water purchases. It should be noted that there is no guarantee the City will be able to secure future water purchases when needed, as they are subject to uncertain availability and price, although City was successful in securing supplemental water purchases during the recent drought.

While the total unit cost between additional Table A water and water purchases is similar, it is important to consider the annual costs over time, particularly since the City has historically only used SWP water during drought periods. The status quo option would be to maintain the existing contract amount of 3,300 AFY. As explained above, the City purchased an additional 12,200 AF of supplemental water during the recent drought period (2014-2018). Since there are no fixed costs associated with supplemental water
purchases, the total cost of the status quo option is $14.7 million, which encompasses a 19-year period from 2000-2018, including both non-drought and drought years.

Table 4 summarizes the costs that would be incurred if the City contracted for an additional 500 AFY of Table A, for a total Table A contract amount of 3,800 AFY, over the same period. The results show that the total cost over the 19-year period is $17 million, with a fixed cost commitment of about $3.1 million. Because only 1,000 AF of additional Table A water would have been available during drought (2014-2018), 11,200 AF supplemental water purchases would still have been needed.

<table>
<thead>
<tr>
<th>Table 4. Summary of Estimated Costs over 19-Year Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs of Suspended Table A (500 AFY Contract Amount)</td>
</tr>
<tr>
<td>Non-Drought Period (2000-2013)</td>
</tr>
<tr>
<td>Fixed Costs</td>
</tr>
<tr>
<td>Variable Costs</td>
</tr>
<tr>
<td>Subtotal Costs</td>
</tr>
<tr>
<td>Drought Period (2014-2018)</td>
</tr>
<tr>
<td>Fixed Costs</td>
</tr>
<tr>
<td>Variable Costs</td>
</tr>
<tr>
<td>Subtotal Costs</td>
</tr>
<tr>
<td>Total Period (2000-2018)</td>
</tr>
<tr>
<td>Fixed Costs</td>
</tr>
<tr>
<td>Variable Costs</td>
</tr>
<tr>
<td>Total Costs</td>
</tr>
</tbody>
</table>

The limited reliability of Table A water during droughts, compounded by the current limitations on the ability to store SWP water for times of drought, and unknown issues related to future SWP costs, all lead staff to recommend that the City instead pursue alternative water sources as needed, such as short-term water purchases. In addition, the need for future water purchases may be reduced by re-evaluating the role of desalination, which will be part of the City’s next Long Term Water Supply Plan Update.

Additional Table A contract rights would be of greatest benefit from a reliability standpoint if the water available in normal to wet years could be stored (or banked) for use in drought years. However, opportunities to increase storage have not been fully developed for Santa Barbara County water purveyors at this time. It should be noted that groundwater storage generally involves additional delivery costs and water losses.

Staff is supportive of other water agencies in Santa Barbara County that intend to pursue Suspended Table A, since it could increase regional supplies available for short-term
water transfers among CCWA member agencies, providing regional benefit to all agencies in the county.

DELTA CONVEYANCE PROJECT DISCUSSION:

Background

The Sacramento-San Joaquin Delta is a critical conveyance link for all water moved to the south by the SWP. However, the system is made up of complex waterways and man-made levees, and its reliability is highly vulnerable to earthquakes, rising sea levels, droughts, floods, and environmental impacts. According to the United States Geological Survey, there is a 72 percent chance of a 6.7 or greater magnitude earthquake occurring in the Bay Area by 2043 that could cause levees in the Delta to fail. If these levees fail, water could inundate the lower-than-sea level islands behind them, pulling in saltwater from the Bay and crippling the state’s ability to deliver clean water to the more than 25 million Californians and 700,000 acres of farmland served by the system.

Recognizing the SWP challenges, DWR, under Governor Brown, developed the California WaterFix, a solution that proposed two tunnels to convey water from the north to the south Delta, commonly referred to as the “twin tunnels” project.

On April 29, 2019, Governor Newsom issued an executive order directing state agencies to develop a comprehensive statewide strategy to build a climate-resilient water system, and directing DWR to pursue a smaller, single tunnel conveyance project. In response, DWR formally withdrew the permits and approvals for the California WaterFix project, decertified the Environmental Impact Report, and rescinded various permitting applications. DWR is currently working on defining a single tunnel project, which is being referred to as the “Delta Conveyance Project,” although details of the project scope and costs have not yet been publicly released.

DWR and SWP contractors recently began negotiations regarding amendments to the SWP water supply contracts necessary to coincide with a new project. The proposed amendments would describe how the operational costs and benefits of the Delta Conveyance Project would be allocated. The first public meeting to negotiate contract amendments took place on July 24, 2019, and meetings are expected to continue weekly until consensus is reached.

This public negotiation process is expected to result in an “Agreement in Principle” (AIP) among the DWR and SWP contractors that describes a methodology for cost allocation and related matters, and would be the basis of a contract amendment if a project is approved after all necessary environmental reviews. DWR and the SWP contractors are aiming to have a complete AIP by the end of August, with an accompanying period for agencies to make a participation decision on whether to opt in or out by September 2019. The implications of not participating in the new project are not clear at this time.
On August 1, 2019, the CCWA distributed a memorandum (Attachment 2) on the Delta Conveyance Project and stated that it would like each member agency to make a decision on participation in the project by the September 26, 2019 CCWA Board meeting, or possibly the October CCWA Board meeting if negotiations take longer. While CCWA has a goal to make a decision by September, DWR currently has not set a deadline for a decision to be made by any contractors. DWR has further stated that more details on potential timing will emerge as the negotiation process continues.

The CCWA memorandum presents a summary of the preliminary water supply yield and costs based on estimates previously prepared for a single tunnel project during California WaterFix project discussions. The CCWA memorandum also presents a preliminary summary of potential cost allocation methodologies, with the caveat that the public negotiations had not yet occurred at the time of the memorandum. Until more details on participation options are available, analyses of the options may be premature. However, staff is providing an overview of currently available information and requesting Council’s direction on a response to CCWA’s request for a participation decision by September 26, 2019. It is possible this item will be brought back to Council for further consideration at a later date, as details are further refined in public negotiation sessions over the coming months.

**Single-Tunnel Reliability and Cost Estimates**

The exact cost estimates on the newly proposed single tunnel project will unknown until DWR has determined the scope of the project. However, during the California WaterFix Project discussions, cost estimates were prepared for a single tunnel project, which provides a preliminary basis for the anticipated costs. According to CCWA’s memorandum, the projected state-wide construction cost would be $14 billion, with total annual debt service and operation and maintenance (O&M) costs of $1 billion.

While cost allocation methods are yet to be negotiated, in order to illustrate a reasonable estimate, the costs presented herein assume that costs are allocated proportional to contracted Table A amounts. Based on the CCWA’s existing contracted Table A amount of 45,486 AFY (which is 1.09 percent of the total statewide contracted Table A amount), the CCWA’s share of construction costs would be approximately $153 million. Assuming these costs are financed with a bond over 40 years with 6 percent interest, the total annual cost to CCWA would be $10.9 million (construction and O&M). The City’s share of annual fixed costs would be approximately $800,000 per year (based on the existing contracted Table A amount of 3,300 AFY).

It is estimated that the Delta Conveyance Project would maintain long-term average reliability for the participants at 67 to 69 percent of contracted Table A amount, rather than the projected decline to 48 percent of contracted Table A amount. Based on the City’s existing contracted Table A amount of 3,300 AFY, the long-term average yield of the Delta Conveyance Project is approximately 600 AFY for the City. This results in a fixed unit cost of $1300/AF of supply yield. With variable costs of pumping and treatment, the total unit cost of SWP deliveries with the Delta Conveyance Project are approximately
$1,700/AF of supply yield. For comparison, the unit cost of expanding the desalination plant, a local resource with more certainty in both reliability and costs, is currently estimated at $1,800/AF.

Project Cost Allocation and Financial Impacts

Previously, during the California WaterFix discussion, DWR took a position that all SWP contractors would have to pay for the project based on their proportional share of Table A. However, the SWP contractors are in the process of negotiating new potential cost allocation methodologies for the Delta Conveyance Project. In the SWP contractors’ preliminary proposal, a contractor may elect to opt into Delta Conveyance for (1) their full contracted Table A Amount, (2) an amount greater than their full contracted Table A Amount, or (3) they may elect to decline participation completely. However, they may not participate in the project for less than their contracted Table A Amount. This means that CCWA would have to completely opt in or out, based on the fully contracted amount of 45,486 AFY. However, the participation options are subject to change during the public negotiation session.

Next Steps

CCWA has requested a decision from its member agencies on whether to opt in or out of the Delta Conveyance Project and has requested a response before the CCWA Board meeting scheduled for September 26, 2019 or possibly later, depending on status of negotiations that are currently underway.

At its regular meeting on September 19, 2019, the Water Commission voted X-X in support of staff’s recommendations.

BUDGET/FINANCIAL INFORMATION:

The Fiscal Year 2020 budget and current financial plan for the Water Fund does not include the cost to participate in the reacquisition of Suspended Table A water rights or in the Delta Conveyance Project. Any costs would need to be funded by Water Fund Reserves.

ENVIRONMENTAL REVIEW:

The acquisition of additional Table A water would be subject to CEQA compliance. The CCWA will be the lead agency for CEQA, and the CCWA Board of Directors will consider initiating the CEQA process at their September 26, 2019 meeting.

ATTACHMENTS:  1. CCWA Memorandum dated June 17, 2019, regarding Suspended Table A Reacquisition
   2. CCWA Memorandum dated August 1, 2019, regarding Participation Decision in the State of California Department of Water Resources Delta Conveyance Project
TO: CCWA Board of Directors
FROM: Ray A. Stokes
Executive Director
SUBJECT: Suspended Table A Reacquisition

SUMMARY

Last month, staff presented an overview and history of efforts to reacquire 12,214 AF of suspended Table A water. This report will further expand on that discussion and request CCWA board approval to request participation requests and formal board action to move forward with the reacquisition by the September 26, 2019 CCWA Board meeting.

DISCUSSION

CCWA has made efforts to reacquire 12,214 AF of Table A water that was suspended, or set aside by DWR on behalf of the Santa Barbara County Flood Control and Water Conservation District (the County) in the 1980's. The most recent efforts in December 2016, resulted in the County and CCWA executing a term sheet regarding the reacquisition of the suspended Table A (Attachment #1) outlining the terms to which CCWA and the County would base the reacquisition upon.

Five agencies within CCWA have executed contracts with CCWA to participate in the reacquisition of the suspended Table A and all costs to date to reacquire the water have been allocated to these five agencies.

City of Santa Maria 9,814 AF  
Carpinteria Valley WD 1,000 AF  
City of Guadalupe 600 AF  
Santa Ynez ID#1 500 AF  
City of Solvang 300 AF

After execution of the term sheet, there were some concerns that reacquiring the suspended Table A plus the additional costs that were to be placed on the State Water Project Contractors for the Cal Waterfix Project, might be too much of a financial burden. Additionally, there were some political concerns raised by some on the County Board of Supervisors regarding where the water might be used and for what purposes within the County. For these and other reasons, the reacquisition efforts were placed on hold pending resolution of some of the financial and political concerns.

Attached is a white paper (Attachment #2) that provides a timeline and history of the suspended Table A water, as well as the benefits of reacquiring the water.
Long-Term Reliability of the State Water Project

DWR has estimated that the long-term reliability of the SWP (i.e., the amount of water the SWP can expect to provide as a percentage of the contract amounts for each of the SWP Contractors) could continue to decline from the current 62% to around 48% or lower. For CCWA, that means that for our 45,486 AF contract amount, at 48%, we could expect to see around 22,000 AF per year over the long-term. This is attributed to continued environmental restrictions and limits on pumping through the delta to protect threatened and endangered fish species.

If CCWA were to reacquire the 12,214 AF of suspended Table A water, which would act as an additional drought buffer (described in Attachment #2), the long-term reliability would be approximately as follows:

<table>
<thead>
<tr>
<th></th>
<th>Current Table A</th>
<th>With Suspended Table A</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>CCWA Table A Contract Amount (acre-feet)</td>
<td>45,486</td>
<td>45,486</td>
<td></td>
</tr>
<tr>
<td>Suspended Table A (acre-feet)</td>
<td>-</td>
<td>12,214</td>
<td></td>
</tr>
<tr>
<td>New Contract Amount with DWR</td>
<td></td>
<td>57,700</td>
<td></td>
</tr>
<tr>
<td>Long-Term Reliability Percentage Estimate</td>
<td>62%</td>
<td>48%</td>
<td>-14%</td>
</tr>
<tr>
<td>Estimated long-term acre-feet per year</td>
<td>28,201</td>
<td>27,696</td>
<td>(505)</td>
</tr>
</tbody>
</table>

The table above shows that by reacquiring the suspended Table A, CCWA could achieve almost the same 62% long-term reliability DWR currently projects, with just a little more than a 500 AF difference.

Updated Cost Estimates

The following costs are an estimate of the costs to reacquire the suspended Table A water through 2018:
Environmental Analysis

In May 2017, CCWA, DWR and Santa Barbara County, all executed the attached “Proposed Project to Amend the Water Supply Contract between DWR and SBCFCWCD (attachment #3), which among other things, establishes that CCWA shall act as the CEQA lead agency for the reacquisition project.

CCWA had previously received a proposal from Environmental Science Associates (ESA) to prepare an EIR for the reacquisition of the suspended Table A. That proposal has been updated and is attached as Attachment #4 to this report.

If approved, the estimated cost of the EIR report by ESA is $293,962, which would be paid by those CCWA project participants who have elected to participate in the reacquisition of the suspended Table A.

Additional Participation by Other CCWA Project Participants

Recently, some other CCWA project participants other than the ones listed on page one of this report, have expressed an interest in possibly participating in the reacquisition of the suspended Table A.

CCWA prepared separate contracts between CCWA and the participating CCWA project participants regarding the reacquisition of the Table A. These contracts essentially insulate the other non-participants from any and all liability associated with the reacquisition of the
suspended Table A. Any CCWA project participant wanting to participate in the reacquisition needs to execute the attached “Suspended State Water Program Participation Agreement” (Attachment #5). All costs associated the reacquisition for the suspended Table A are allocated to those participants executing the Participation Agreement. To date, CCWA has expended approximately $271,000 on the reacquisition efforts as follows:

<table>
<thead>
<tr>
<th>Project Participant</th>
<th>Amount Requested (AF)</th>
<th>General Cost Allocation Percentage</th>
<th>Total Expenses through 6/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Santa Maria</td>
<td>9,814</td>
<td>80.4%</td>
<td>$217,773</td>
</tr>
<tr>
<td>Carpinteria Water District</td>
<td>1,000</td>
<td>8.2%</td>
<td>$22,190</td>
</tr>
<tr>
<td>City of Guadalupe</td>
<td>600</td>
<td>4.9%</td>
<td>$13,314</td>
</tr>
<tr>
<td>Santa Ynez Imp. District, ID#1</td>
<td>500</td>
<td>4.1%</td>
<td>$11,095</td>
</tr>
<tr>
<td>Santa Ynez Imp. District, ID#1 (Solvang)</td>
<td>300</td>
<td>2.5%</td>
<td>$6,657</td>
</tr>
<tr>
<td>Total</td>
<td>12,214</td>
<td>100.00%</td>
<td>$271,029</td>
</tr>
</tbody>
</table>

**Possible Amendment Offer to Santa Barbara County**

As part of the agreement with DWR when the 12,214 AF was suspended in the 1980’s, Santa Barbara County requested, and DWR agreed, that if the 12,214 AF is reacquired in the future by any SWP Contractor, that the County is eligible for reimbursement of the costs it paid for the 12,214 AF from 1963 until the water was suspended in 1981, plus interest at the DWR Project Interest Rate of 4.610%. Those costs are now estimated to be around $6.8 million.

If other CCWA project participants agree to participate in the reacquisition beyond those already in the reacquisition project, there would be a broader allocation of the water supply benefits to the County as a whole. As such, an argument could be made that since the water is benefiting most of the County, that payment of the $6.8 million is unnecessary given the broad benefit to the County as a whole. This could be proposed to the County and provide additional incentive to other CCWA project participants by lowering the overall reacquisition costs.

**RECOMMENDATION**

In order to keep the reacquisition process moving forward, staff proposes the following and recommends board approval of:

1. That staff distribute this packet of information to all CCWA project participants asking if other non-participants wish to reconsider and participate in the reacquisition with a notification deadline to CCWA of no later than September 16, 2019.

2. That at the September 26, 2019 CCWA Board meeting, the CCWA Board considers moving forward with the environmental analysis to reacquire the suspended Table A amount and notifying both DWR and Santa Barbara County of such efforts.

RAS
List of Attachments

Attachment #1: Term Sheet between CCWA and Santa Barbara County Regarding Reacquisition of the Suspended Table A

Attachment #2: Reacquisition of 12,214 AFY State Water Project "Table A" Amount White Paper

Attachment #3: Lead Agency Agreement by and between CCWA, DWR and Santa Barbara County

Attachment #4: Proposal to Prepare an Environmental Impact Report for the Central Coast Water Authority's Reacquisition of State Water Project Table A Amount

Attachment #5: CCWA Suspended State Water Program Participation Agreement
ATTACHMENT #1

Term Sheet between CCWA and Santa Barbara County Regarding Reacquisition of the Suspended Table A
DATE: December 22, 2016

TO: Mr. Ray Stokes, Executive Director
    Central Coast Water Authority
    255 Industrial Way
    Buellton, CA 93427

RE: Term Sheet regarding Reacquisition of Table A

Enclosed is an original of the Term Sheet regarding Reacquisition of Table A Water that was approved at our Board meeting of December 13, 2016. This original is for your records.

Sincerely,  

Christina Lopez  
AOP

Enclosure: Term Sheet regarding Reacquisition of Table A Water (original)
TERM SHEET
REGARDING REACQUISITION OF TABLE A WATER

This Term Sheet is entered into by and between the Santa Barbara County Flood Control and Water Conservation District (District) and the Central Coast Water Authority (CCWA) on its behalf and on behalf of the CCWA members who will participate in the acquisition which may include, but not limited to, the City of Guadalupe, the Carpinteria Valley Water District, the Santa Ynez River Water Conservation District, ID 1, the La Cumbre Mutual Water Company, the Montecito Water District, and the City of Santa Maria (Participants).

The purpose of this Term Sheet is to memorialize (i) the preliminary terms discussed among the parties to reacquire 12,214 acre-feet of Table A water (the Project, also referred to as additional Table A water) from the State Water Project (SWP) and (ii) the present intent of the parties in the manner approved by the California Court of Appeal in Cedar Fair v City of Santa Clara (2011) 194 Cal.App.4th 1150. The Project shall not proceed unless and until the parties have negotiated, executed and delivered mutually acceptable contractually binding agreements based upon information produced from the California Environmental Quality Act (CEQA) review process and other public review and hearing processes, subject to any applicable governmental approvals.

This Term Sheet is a non-binding statement of intent and does not preclude the possibility that the parties may take actions contrary to the current stated intent of the parties in order to comply with CEQA, state statutes, or other provisions of law. The use of the terms “will” or “shall” or “may” or use of the passive or active voice in any description in this document is meant to be merely descriptive, pending CEQA review and final decisions and negotiations of terms and procedures mentioned herein, and shall not, in any way, change the speculative nature of the description of the Project or terms thereof in this document.

As background the following are a list of some of the previous agreements related to the State Water Project (SWP):

“1963 DWR Contract” Agreement for delivery of State Water between the California Department of Water Resources (DWR) and DISTRICT, as amended, and also referred to as the SWP Contract.

1980s WSRA Water Supply Retention Agreements between DISTRICT and various water purveyors who ultimately formed CCWA
1991 WSA    Water Supply Agreement between CCWA and Project Participants

1991 TFRA    Transfer of Financial Responsibility Agreement between DISTRICT and CCWA

1. Parties

The Santa Barbara County Flood Control and Water Conservation District (District), the Central Coast Water Authority (CCWA), and each CCWA member acquiring the additional Table A water (hereinafter referred to as “Participants”) which may include, but are not limited to, the City of Guadalupe, the Carpinteria Valley Water District, the Santa Ynez River Water Conservation District, ID 1, the La Cumbre Mutual Water Company, the Montecito Water District, and the City of Santa Maria, intend to execute an agreement in accordance with this Term Sheet through approval of each party’s governing board, as evidenced by a resolution.

2. Term

Begins on execution of the agreement and ends on termination or expiration of the 1963 DWR Contract.

3. Amendment to 1963 DWR Contract

The District will execute an amendment to the 1963 DWR Contract revising the Table A amount from 45,486 acre-feet per year (AFY) to 57,700 AFY. Form of amendment subject to reasonable approval by the District and CCWA.

4. Level of Participation for Additional Table A Water

Level of participation in the acquisition and use of the additional Table A water by CCWA Members is anticipated to be as follows, but may be amended if additional CCWA members join this effort or if listed agencies withdraw:

- City of Santa Maria- ___AFY
- City of Guadalupe- ___AFY
- Carpinteria Valley Water District- ___AFY
- Santa Ynez River Water Conservation District, ID 1- ___AFY
- La Cumbre Mutual Water Company - ___AFY
- Montecito Water District- ___AFY

CCWA and each participating CCWA member agrees to be bound by all the terms and conditions contained in the SWP Contract and SWP Contract amendment with
respect to the rights held by CCWA or the participating CCWA members under or in connection with the SWP Contract and SWP Contract amendment.

5. **One Time Payment of Back Costs by CCWA**

CCWA will pay, from amounts collected by CCWA from participants.:

A. To DWR: full amount required by DWR to reimburse it for costs incurred by DWR with respect to the additional Table A water.

B. To District: full amount required by the District to reimburse it for costs incurred by the District with respect to the additional Table A water in the amount of $______. In lieu of Amendment 9 to the SWP Contract, CCWA may pay this amount in a lump sum to the District.

Timing: After the Amendment to 1963 DWR Contract and the agreement to which this Term Sheet pertains have been adjudged to be valid by a final judgment issued by a court of competent jurisdiction, and the Amendment to the 1963 DWR Contract has been signed.

6. **Payment of Annual Costs by CCWA**

CCWA will pay, when due and from amounts collected by CCWA from the participants, all costs arising from the additional Table A as stated in the annual Statement of Charges from DWR in accordance with Section 2 of the 1991 Transfer of Financial Responsibility Agreement between the District and CCWA.

7. **Costs**

CCWA will pay for any and all costs for the process to acquire this additional water and the acquisition of the additional Table A water.

8. **Indemnification of District by CCWA**

CCWA will indemnify, defend, and hold harmless the District against any liability arising from the additional 12,214 AFY of Table A water acquired pursuant to the amendment to the 1963 DWR Contract on behalf of the Participants.

9. **Participating Purveyor Covenants**

A. **Indemnification.**
   
   (i) Each Participant will, pro rata, indemnify, defend and hold harmless
the District from and against any liability arising from the amount
of additional Table A water acquired by each Participant.

(ii) In addition to any other indemnification provided under any of the
other prior agreements related to the SWP, each Participant
confirms that they indemnify the District for their total SWP
allocation including current and additional Table A water.

B. **No Effect on Voting Rights.** The agreement shall not have any effect on the
voting rights of the CCWA Board of Directors and Operating Committee.

C. **Use of Water.** Any water received as a result of this additional Table A
water is for use within Santa Barbara County by the participants or as
exchanged with other CCWA members within Santa Barbara County. In
addition, this water may be used as payment for prior water exchanges or for
use by any other CCWA Member within the District.

D. **CCWA will enter into separate agreements with each of the Participants who**
will be part of this program.

10. **Special Provisions Applicable to City of Santa Maria.**

A. **Deposit.** City of Santa Maria will maintain on deposit with CCWA a fund in
the amount of 2 years of payments (or an amount no less than $____ [note- to
be determined in the final agreement based on the City’s level of
participation in Section 4]) to be used in the event of a payment default by
the City of Santa Maria with respect to the additional Table A water.

B. **Excess Water.** City of Santa Maria agrees to make any excess water
available to other CCWA members, at no profit, prior to its transfer to any
other person or entity. “Excess water” shall be defined as water that
exceeds the needs of the City’s customers and the City’s need to place
adequate State Water in storage outside of the County to meet projected
water needs of the City’s customers for a period of eighteen (18) months
beyond October 1st.

11. **Reserve Fund**

CCWA will establish and maintain a fund in the amount of 2 years of payments
to be made by the City Santa Maria to CCWA to be used in the event of a
payment default by the City of Santa Maria with respect to the additional Table A
water.
If the District determines that DWR did not receive from CCWA, or its Participant(s), sufficient funds to pay the costs of the reacquired Table A water in any year, after the exhaustion of the reserve fund and all other remedies to the extent that District is not financially exposed during CCWA’s exhausting of remedies, in the District’s sole discretion, the additional Table A water may revert permanently to the District who may relinquish the water to DWR.

12. **Effective Date**

The agreement will become effective after validation by the Court.

13. **CEQA Compliance**

CCWA will complete compliance with CEQA, including defending any litigation resulting therefrom, and will indemnify District against all costs thereof.

In order to comply with CEQA and give the public opportunity to participate in the CEQA process, the District and CCWA, on its behalf and on behalf of the Participants, retains the discretion to (i) modify the transaction, create and enter into documents and modify the Project as necessary to comply with CEQA, (ii) identify and select other feasible alternatives to avoid significant environmental impacts, if any, (iii) balance the benefit of the Project against any significant environmental impacts prior to taking final action if such significant impacts cannot otherwise be avoided, and/or (iv) determine not to proceed with the Project. No legal obligations will exist until the parties have negotiated, executed and delivered mutually acceptable agreements based upon information produced from the CEQA environmental review process and on other public review and hearing processes.

14. **Effect of Signatures.**

By signing below, the parties evidence their general agreement with the provisions of this Term Sheet and agree to use this Term Sheet as the framework for the negotiations of the definitive agreement. Any agreements resulting from negotiations will become effective only if considered and approved by the necessary parties following conduct of all legally required review procedures, including any necessary CEQA process. This paragraph remains a statement of general intent and does not create a legal or contractual obligation for any party to enter into any agreement described or contemplated in this Term Sheet.

**In Witness Whereof**, the parties executed this Term Sheet, as of ________________ , 2016:

Page 5 of 6
CENTRAL COAST WATER AUTHORITY

By
Ray Stokes, Executive Director

SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

By
Chair, Board of Directors

ATTEST:
MONA MIYASATO,
COUNTY EXECUTIVE OFFICER
CLERK OF THE BOARD and ex officio
Clerk of the Santa Barbara County Flood Control and Water Conservation District

By
Deputy

APPROVED AS TO FORM:
MICHAEL C. GHIZZONI,
COUNTY COUNSEL

By
Deputy County Counsel

APPROVED AS TO FORM:
RAY AROMATORIO, ARM, AIC
RISK MANAGEMENT MANAGER

By

APPROVED AS TO FORM:
THEODORE FALLATI,
AUDITOR CONTROLLER

By
Deputy

RECOMMENDED:
SCOTT D. MCGOLPIN
PUBLIC WORKS DIRECTOR

By

Page 6 of 6
ATTACHMENT #2

Reacquisition of 12,214 AFY State Water Project "Table A" Amount White Paper
Reacquisition of 12, 214 AFY State Water Project
"Table A" Amount

Contact: Ray Stokes
CCWA Executive Director
ras@ccwa.com
805.688.2292 x214

This report provides information relating to potential reacquisition by Santa Barbara County area interests of 12,214 AFY\(^1\) of Table A\(^2\) amount of (potential water deliveries from) the California State Water Project. The report includes an initial summary of the history and issues relating to the reacquisition decision.

The report follows the following outline:

- Timeline/History
- Background on Current Table A Amounts
- Ability to Reacquire
- SWP Transportation System Capacity and Ownership
- Potential Benefits of Reacquisition
- Estimated Costs of Suspended Table A Water
- Proposed Steps of Reacquisition

**Timeline/History**

**February 1963**

The Santa Barbara Flood Control and Water Conservation District (FCD) executed a water supply contract with the State Department of Water Resources (DWR) for the delivery of up to 57,700 acre feet of water per year from the State Water Project (SWP).

**1979**

Bond election for construction of in-County SWP distribution facilities fails.

**1979**

FCD began to reconsider ongoing financial responsibility for SWP Contract. Distributes questionnaire to all local water agencies and cities to determine quantity of Table A that the County should retain.

**1981**

FCD and DWR execute Amendment No. 9 reducing the Table A amount from 57,700 AFY to 45,486 AFY.

**1982-86**

The FCD executes Water Supply Retention Agreements with local water purveyors for a total 45,486 AFY. These agreements obligated the subscribing water agencies to pay the County's costs for maintaining the future water supply.

\(^1\) AFY – Acre Foot per Year. The volume of one acre of surface area to a depth of one foot. A typical family in Goleta uses about 0.25 acre-feet of water per year.

\(^2\) A water contracting agency's maximum entitlement.
Payments for Table A amount of 12,214 AFY were suspended by DWR under Amendment 9. Repayment to FCD of past charges was provided if the Table A amount was sold or allocated for some other project purpose.

1982
The FCD filed a lawsuit against DWR regarding proportionate use factors for Reach 31A. The suit was settled in 1987. Part of the negotiated settlement included DWR granting a one-year option for the FCD to reacquire all or part of the 12,214 AFY relinquished in Amendment 9.

The option period was extended by DWR several times between 1988 and 2001 at the request of the FCD and, later, the County Water Agency. In 2001, DWR stopped responding to the County’s requests for extensions to the option, stating that the annual request was unnecessary.

May 1991
EIR for Coastal Branch and in-County facilities certified. It discussed a 57,700 AFY alternative for in-County facilities.

June 1991
Voters in 11 out of 14 Water Supply Retention Agreement purveyor service areas approved funding and constructing local facilities to distribute SWP deliveries.

August 1991
Central Coast Water Authority (CCWA) formed to manage SWP operations on behalf of coastal branch participants.

November 1991
County and CCWA execute an agreement transferring certain rights and authorities to CCWA in return for CCWA (and its members) accepting responsibility for all SWP related costs. However, state declines to allow a full assignment of the contract to CCWA. As a result, FCD must act on behalf of CCWA in certain SWP contract related actions.

2007-09
CCWA acquires concurrence from SWP contractors and DWR that reacquisition of 12,214 AFY of Table A amount may occur. CCWA approaches County to discuss reacquisition process.

2009
Due to the extreme downturn in the economy, CCWA postpones reacquisition of the suspended water until a later time when the local economy recovers.

2014-2015
CCWA once again requests the ability to reacquire the 12,214 AFY of suspended Table A water for a small sub-set of CCWA project participants including, the City of Santa Maria, City of Guadalupe and the Santa Ynez River Water Conservation District, ID#1 (including the City of Solvang).

Background on Current Table A Amounts

The 1963 State Water Contract, in its current form, includes a “Table A” that provides for 45,486 AFY for Santa Barbara County. The various Water Supply Agreements between CCWA and its Project Participants divides this Table A Amount into the following three parts:

A. Project Allotments (total: 39,078 AFY). Each Project Participant has a “Project Allotment” in a specified amount. For example, Santa Maria has a Project Allotment of 16,200 AFY. This amount is explicitly stated in Santa Maria’s Water Supply Agreement with CCWA. The Project
Participant has certain **contractual rights** as to its Project Allotment, including (i) the right to transfer it to another Project Participant without CCWA approval, (ii) the right to transfer it to a non-Participant in the county with CCWA approval (which may not be unreasonably withheld), and (iii) the right to transfer it outside the County with CCWA approval and subject to a right of first refusal by existing Project Participants.

B. **Additional Allotment** (total: 2,500 AFY). Goleta Water District holds Additional Allotment of 2,500 AFY which it acquired by contract from Golden State Water Company in the early 1990’s. This is in addition to its Project Allotment of 4,500 AFY. In essence, this Additional Allotment is a “drought buffer” for Goleta’s exclusive use. The term drought buffer is used to describe an allotment that is held in excess of the Project Allotments and serves the purpose of enhancing the year to year reliability of the Project Allotment.

C. **Drought Buffer** (total: 3,908 AFY). CCWA holds 3908 AFY of Table A water as a drought buffer for the benefit of all Project Participants. By Board policy, this drought buffer has been made available to all Project Participants on a pro-rata basis. This amount is not subject to any contract with the Project Participants, and therefore no Project Participant has the contractual right to transfer its share of the “drought buffer” to anyone else.

The state water distribution and treatment system constructed by CCWA in the 1990’s was sized to deliver the total of the Project Allotments (39,078 AFY), with allowance for delivery interruptions due to annual maintenance. For this reason, the Project Participants understand that they will not receive in any year an amount of water greater than their Project Allotment, unless another Project Participant voluntarily accepts a shortfall.

The “drought buffer” concept is intended to increase the amount of water delivered in any year in which the State Water Project is unable to deliver 100% of Project Allotments. This is why the drought buffer water is considered to be a reliability-enhancement strategy.

**Ability to Reacquire**

In 2007 and 2008, CCWA discussed reacquisition of 12,214 AFY "Table A" amount (right to request delivery from the SWP) with the other State Water Contractors and DWR. Both the Contractors and DWR approved moving forward with this reacquisition. Since both the original Water Supply Contract and Amendment 9 were signed by the FCD, however, the request for reacquisition must come from the FCD. In addition, formal amendment of the SWP contract to modify Table A (adding the 12,214 AFY) would require FCD action. Since this would be a discretionary action (by DWR, CCWA and the FCD), compliance with the California Environmental Quality Act (CEQA) is required.

The reacquisition of 12,214 AFY would be accomplished by a very simple revision to Table A: “45,486 AFY” would be replaced with “57,700 AFY.” At the same time, there would be **no change** to the agreements between CCWA and the Project Participants. There would be **no change** in the total Project Allotment of 39,078. There would be **no change** in the size of the delivery and treatment facilities. There would be **no change** in the “Additional Allotment” of 2,500 AFY held by Goleta.

The only change would be an increase in the “drought buffer” amount by 12,214 AFY, from 3908 AFY to 16,122 AFY. The net result is an increase in project reliability.

Currently, three CCWA project participants have requested some or all of the 12,214 AF of suspended water: The City of Santa Maria, City of Guadalupe and the Santa Ynez River Water Conservation District, Improvement District #1, which also includes a portion to be allocated to the City of Solvang.
SWP Transportation System Capacity and Ownership

**Design of Coastal Branch:** The Coastal Branch was constructed in two phases. The first, phase, through Reach 31A, included capacity for 57,700 AFY of FCD annual deliveries. These original “Coastal Branch Phase I” facilities are located directly off the main stem of the California Aqueduct near Kettleman City in Kings County, referred to as Reach 31A and were constructed in the early years of the State Water Project to serve Berrenda Mesa Water District, and ultimately San Luis Obispo and Santa Barbara Counties when the additional facilities were built to bring State Water into each County. Below Reach 31A, including the Polonio Pass water treatment plant, the design capacity was 45,486, the amount of Table A entitlement originally held by CCWA and its members. Due to its conservative design, the Coastal Branch below Reach 31A appears to have roughly 10% operational capacity above its nominal design. This may provide operational flexibility to transport some of the additional 12,214 AFY during years of full deliveries.

**Ownership of Coastal Branch:** The Coastal Branch is financed (and owned by) DWR through the tank farm in the Casmalia hills. The rest of the delivery system, including the Polonio Pass Treatment Plant and the system from Casmalia to Lake Cachuma, was financed and is owned by CCWA and its members. The capital costs of the various elements of the system were financed by bonds issued by either CCWA or DWR. Interest payments on those bonds is a significant element of the systems annual cost.

**Operation of SWP system:** CCWA operates the entire Coastal Branch, Phase II, including the Polonio Pass Treatment Plant. Several times each year leading up to each water year the state announces projected system-wide deliveries and each contractor provides a requested delivery schedule. Actual deliveries are made based on actual system capabilities and water availability. Storage facilities located south of the Delta are used to regulate the system, improve reliability and manage the cost of pumping.

**Delivery Constraints:** SWP operations are constrained by three basic factors: system design, availability of water in project source areas, and environmental protection constraints. The SWP system design is generally **limited to deliver the annual Table A amount** to each contractor at their designated turnout with factors such as downtime for Operations and Maintenance (O&M) and operational constraints known at the time of design factored in. Deliveries are also limited by **availability of water** in the project source areas, particularly the nature and timing of runoff in the Feather River watershed. In particular the timing and amount of snowmelt affects the total supply available to the project in any given year due in part to storage limitations and **pumping constraints to protect environmental resources.** Because the volume, timing and nature of pumping water from the Sacramento River on the north side of the delta to the pumping plant on the south affects hydrology and habitat of endangered species, operations of the SWP are constrained at certain times of the year.

These constraints in effect set operational "windows" during which the SWP can move water, but also times when no or greatly curtailed operations occur. These constraints affect both water available in any given year, and limit SWP ability to deliver peak daily and total annual volumes. Numerical simulation (models) of the SWP and related water supply systems have been developed to evaluate the effects of existing (and potential future) constraints on SWP deliveries. DWR regularly updates their models and provides that information to the public. The latest reliability estimate is available at: http://baydeltaoffice.water.ca.gov/swpreliability/. The available information indicates that the SWP can supply between 6 and 90% of existing Table A amount to its contractors under the range of conditions assumed for the analysis. The long term average SWP annual delivery capability is considered to be 58% (DWR 2015 Delivery Capability Report). Since CCWA and Goleta Water District have acquired Table A
amount in excess of their direct needs, (a so called drought buffer), the average annual delivery capability to CCWA members is estimated to be approximately 75% or greater.

Potential Benefits of Reacquisition

A number of potential benefits may be realized by reacquisition of SWP Table A amount. Existing SWP supplies were developed in the early 1990s to address water supply and water quality improvement needs identified in the 1970s and 1980s. SWP supplies are available to most urban and suburban areas in the County.

The actual benefits of any additional supplies would depend on specific management decisions in relationship to other supplies. The potential benefits are listed below.

- **Supplemental supply**: The region has fully developed most local water supplies, Additional SWP supplies, depending on their management, may address potential supply shortages in certain local areas.
- **Dependability**: SWP deliveries are subject to reduction due to shortages of supply in the watersheds of origin and constraints in operation of transportation facilities, (i.e. the Sacramento-San Joaquin Delta.). In addition, deliveries may be suspended due to required maintenance or natural disaster. Thus SWP supplies are not generally relied upon as a sole source of supply. Additional Table A amount may be used to augment requests in periods when full deliveries will not occur.
- **Water quality**: SWP deliveries replace high TDS groundwater for some purveyors, reducing treatment costs and improving the quality of return flows.
- **Drought protection**: Additional SWP allocation during dry periods may "firm up" actual deliveries and thus lessen drought related measures imposed on retail water customers. This firming up, or drought buffer, allows additional deliveries (based on unallocated Table A amounts) to be requested of DWR to make up for projected shortages in any given year.
- **Value**: Estimated value of reacquired water under various use scenarios can be developed using one or more methodologies. The "value" of supplemental water may be estimated several ways including:
  - comparison to other supplemental supply alternatives such as desalination,
  - comparison to water acquired by substituting for an existing use (such as agriculture), and
  - comparison to greater water efficiency.
Each of these methods of evaluation may have its shortcomings, but if taken together, they allow the "value" of the reacquisition to be placed in a reasonable context.
Estimated Costs of Suspended Table A Water

As was discussed earlier in this report, the SWP facilities that existed prior to the successful vote to bring State Water into Santa Barbara County in 1991, included capacity for the full 57,700 AFY of Santa Barbara County Table A. These original "Coastal Branch Phase I" facilities are located directly off the main stem of the California Aqueduct near Kettleman City in Kings County, referred to as Reach 31A and were constructed in the early years of the State Water Project to serve Berrenda Mesa Water District, and ultimately San Luis Obispo and Santa Barbara Counties when the additional facilities were built to bring State Water into each County.

DWR allocates capital and operations and maintenance costs proportionally based on where each State Water Project Contractor takes water from the State Water Project facilities.

After the 1991 vote to authorize bonds to construct facilities to deliver State Water through Santa Barbara County, DWR and CCWA began the process to construct the facilities to extend the then-existing Coastal Branch Phase I facilities. The Phase II facilities were NOT designed to include the additional 12,214 AF of suspended Table A water, or the currently existing Goleta Water District drought buffer of 2,500 AF or the CCWA 3,908 AF of drought buffer. Therefore, DWR only allocates costs for three different drought buffers totaling 18,622 AF from Lake Oroville (Reach 1) through Reach 31A, (the Coastal Branch Phase I). These costs are estimated to be around $150 per acre-foot (fixed costs only).

The costs allocated by DWR to the facilities that include the Coastal Branch Phase II include costs from Lake Oroville (Reach 1) through Reach 38 at Vandenberg Air Force Base, which includes all the newly constructed facilities to bring State Water into Santa Barbara County. These DWR costs are currently around $1,000 per acre-foot.

The following table shows the current estimate of costs for each type of water discussed above:

<table>
<thead>
<tr>
<th>Costs</th>
<th>Estimated DWR</th>
<th>Estimated DWR</th>
<th>Estimated Total DWR</th>
<th>Estimated Total Costs (2015 Charges)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs</td>
<td>Lake Oroville to Coastal Branch Phase I through CB Phase II Costs Through CB Phase II</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acre-Feet</td>
<td>Phase I (Rch 31A)</td>
<td>(Rch 38)</td>
<td></td>
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<tr>
<td>Project Allotment</td>
<td>39,078</td>
<td>$ 150</td>
<td>$ 850</td>
<td>$ 1,000</td>
</tr>
<tr>
<td>CCWA Drought Buffer</td>
<td>3,908</td>
<td>$ 150</td>
<td>-</td>
<td>$ 150</td>
</tr>
<tr>
<td>Goleta WD Drought Buffer</td>
<td>2,500</td>
<td>$ 150</td>
<td>-</td>
<td>$ 150</td>
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<tr>
<td>Suspended Table A Drought Buffer</td>
<td>12,214</td>
<td>$ 150</td>
<td>-</td>
<td>$ 150</td>
</tr>
<tr>
<td>TOTAL:</td>
<td>57,700</td>
<td></td>
<td></td>
<td>$ 41,871,300</td>
</tr>
</tbody>
</table>
The following graphic shows the same information in relation to the entire State Water Project:

While the current costs of the suspended Table A are estimated to be around $150/AF, if DWR undertakes future projects which are allocated to all SWP contractors allocated on a Table A basis, then the annual costs will increase. For instance, if DWR undertakes construction of the Twin Tunnels project, absent an alternative allocation methodology, one could assume the costs would be allocated to all 57,700 AF of Santa Barbara County Table A amount.

Proposed Steps of Reacquisition

- The FCD and CCWA create and sign an agreement to go through a process relating to reacquisition of the 12,214 AFY of Table A amount from DWR.
- CCWA and its members create the mechanism to fund the reacquisition process.
- The FCD and CCWA consult with DWR to initiate the process and prepare a project description and initiate the CEQA process to evaluate potential impacts to the human and natural environment.
- County certifies CEQA document after appropriate public process.
- County and DWR execute amendment.
- County and CCWA execute agreement regarding reacquisition.
ATTACHMENT #3

Lead Agency Agreement by and between CCWA, DWR and Santa Barbara County
County of Santa Barbara
BOARD OF SUPERVISORS
Minute Order
May 2, 2017

Present: 5 - Supervisor Williams, Supervisor Wolf, Supervisor Hartmann, Supervisor Adam, and Supervisor Lavagnino

PUBLIC WORKS, BOARD OF DIRECTORS, FLOOD CONTROL AND WATER CONSERVATION DISTRICT

RE: Consider recommendations regarding reacquisition of Santa Barbara County Flood Control and Water Conservation District’s suspended state water, as follows:

Acting as the Board of Directors, Flood Control and Water Conservation District:

a) Approve and authorize the Chair to execute the Lead Agency Agreement with the California Department of Water Resources and the Central Coast Water Authority regarding the Proposed Project to Amend the Water Supply Contract to Reacquire Suspended State Water Project Allocation; and

b) Determine that the proposed action is not a project under the California Environmental Quality Act, pursuant to Guidelines Section 15378(b)(5), organization or administrative activities that will not result in a direct or indirect physical change in the environment.

A motion was made by Supervisor Williams, seconded by Supervisor Hartmann, that this matter be Acted on as follows:

Acting as the Board of Directors, Flood Control and Water Conservation District:

a) Approved and authorized; Chair to execute; and

b) Approved.

The motion carried by the following vote:

Ayes: 3 - Supervisor Williams, Supervisor Wolf, and Supervisor Hartmann

Noes: 2 - Supervisor Adam, and Supervisor Lavagnino

This is a true certified copy of the original document on file or of record in my office. It bears the seal and signature, imprinted in purple ink, of the Clerk of the Board of Supervisors.

[Signature]
Clerk of the Board, Santa Barbara County, California
Date 5/2/2017 by Deputy
CCWA-Santa Barbara-DWR

Lead Agency Agreement

AGREEMENT AMONG THE CALIFORNIA DEPARTMENT OF WATER RESOURCES (DWR),
SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT (SBCFCWCD),
AND CENTRAL COAST WATER AUTHORITY (CCWA), COLLECTIVELY THE “PARTIES,”
REGARDING THE PROPOSED PROJECT TO AMEND THE WATER SUPPLY CONTRACT
BETWEEN DWR AND SBCFCWCD

This Agreement is made on \textbf{April 17} among DWR, SBCFCWCD, and CCWA under California Code of Regulations, Title 14, section 15051, subdivision (d) to designate CCWA as the lead agency under the California Environmental Quality Act (CEQA) for the proposed Project to amend the long-term water supply contract between DWR and SBCFCWCD.

A. Whereas, DWR owns, operates, and maintains the California State Water Project (SWP), which delivers water throughout California, including to Santa Barbara County.

B. Whereas, DWR has entered into the water supply contract with SBCFCWCD on February 26, 1963, to provide water supply from the SWP to Santa Barbara County from the SWP (Water Supply Contract).

C. Whereas, CCWA is a joint powers authority comprised of eight member agencies, and is a wholesale water provider to 13 water districts and private companies in Santa Barbara County, and another 11 water purchasers in San Luis Obispo County.

D. Whereas, CCWA was formed in 1991 to construct, manage, and operate Santa Barbara County’s local facilities for distribution and treatment of the SWP water supply for SBCFCWCD.

E. Whereas, SBCFCWCD has transferred certain rights and responsibilities under the Water Supply Contract with DWR to CCWA.

F. Whereas, CCWA is obligated to reimburse SBCFCWCD all costs charged to SBCFCWCD under the Water Supply Contract pursuant to the Transfer of Financial Responsibility Agreement entered into between CCWA and SBCFCWCD in November 12, 1991.

G. Whereas, the original Water Supply Contract executed in 1963, as amended by Amendment No. 2 in 1965, provided for a “Table A Amount” for Santa Barbara County of 57,700 acre feet per year (AFY). Pursuant to Amendment No. 9 to the Water Supply Contract, executed in 1981, the “Table A Amount” available to Santa Barbara was changed to 45,486 AFY, a reduction of 12,214 AFY (Suspended Allocation).

H. Whereas, SBCFCWCD desires to reacquire the Suspended Allocation and has requested that DWR consider amendment of the Water Supply Contract to increase the Table A Amount of the
Water Supply Contract by 12,214 AF from 45,486 AF to 57,700 AF, which for the purpose of this Agreement is described as the "Project."

I. Whereas, DWR has the authority to consider the adjustment of the Table A Amount for SBCFCWCD based on Article 7 (a) of the Water Supply Contract and to potentially approve this adjustment through an amendment to the Water Supply Contract.

J. Whereas, SBCFCWCD has the authority to consider the adjustment of the Table A Amount and to potentially approve the adjustment through an amendment to the Water Supply Contract.

K. Whereas, SBCFCWCD and CCWA desire to consider an agreement whereby CCWA will be obligated to reimburse SBCFCWCD for all costs charged to SBCFCWCD related to the proposed Project and each party has the authority to enter into such agreement.

L. Whereas, CCWA has the authority to take delivery of the water made available by the proposed Project, as a component of the Table A Amount available to Santa Barbara County, to distribute the additional water supply through the Coastal Branch to its members, and to collect any costs from its members resulting from the Project.

M. Whereas, the Parties recognize that the proposed Project is subject to CEQA and believe that an EIR should be prepared to analyze its environmental impacts.

N. Whereas, the Parties are public agencies that will have discretionary approval of portions of the Project and responsibility to carry out parts of the proposed Project, and all have a substantial claim to serve as lead agency.

O. Whereas, CEQA provides that when more than two or more public agencies have a substantial claim to be the lead agency, the public agencies may agree among themselves to designate one of the agencies as lead agency.

P. Whereas, the Parties have agreed in this Agreement to designate CCWA as the lead agency for this Project under the terms stated below.

The Parties agree as follows:

1. CCWA shall act as the CEQA lead agency for the Project, and will fulfill all obligations of the lead agency with respect to the proposed Project as required by CEQA.

2. DWR and SBCFCWCD shall act as responsible agencies for proposed Project, and they will fulfill all obligations of responsible agencies with respect to the Project as required by CEQA.

3. CCWA shall be responsible for the preparation of the EIR, and for conducting the public review process as required by CEQA. CCWA will use its staff and any needed consultants to prepare the EIR. CCWA shall share with DWR and SBCFCWD administrative drafts of the EIR and shall consider and incorporate their comments as appropriate.

4. All costs associated with CEQA compliance for the proposed Project, including for the preparation of the EIR, and the public review process, shall be the sole responsibility of CCWA.

5. DWR shall assist CCWA in the preparation the EIR and the public review process, and shall be responsible for any costs that they incur while assisting CCWA.

6. SBCFCWCD shall assist CCWA in the preparation the EIR and the public review process, and shall not be responsible for any costs incurred while assisting CCWA.
7. All Parties will engage in cooperative efforts and consultation to effectively prepare the EIR and to ensure compliance with CEQA.

8. CCWA agrees to defend, indemnify, and hold DWR and SBCFCWDC, their officers, and employees harmless from any liability, expenses, defense costs, attorney fees, claims, actions, and lawsuits of any kind arising from or related to the Agreement.

9. The Agreement will terminate upon CCWA’s completion and certification of the EIR, or CCWA’s issuance of a notice of determination, whichever is later. Any party may terminate this Agreement by giving 60 day notice to the other Parties in writing. CCWA’s responsibilities in paragraph 8 shall continue after the termination of the Agreement.

The Parties have executed this agreement on the date written above.

State of California, Department of Water Resources

Santa Barbara County Flood Control and Water Conservation District

See Page 4

Central Coast Water Authority

Ray K. Smith
ATTEST:
Mona Miyasato
County Executive Officer
Ex Officio Clerk of the Board of
Directors of the Santa Barbara County
Flood Control and Water Conservation
District

By: [Signature]
Deputy Clerk

RECOMMENDED FOR APPROVAL:
Santa Barbara County Flood Control &
Water Conservation District

By: [Signature]
Scott D. McGolpin
Public Works Director

APPROVED AS TO FORM:
Michael C. Ghizzoni
County Counsel

By: [Signature]
Deputy County Counsel

SANTA BARBARA COUNTY FLOOD CONTROL
& WATER CONSERVATION DISTRICT:

By: [Signature]
Joan Hartmann, Chair, Board of
Directors
Date: 5/21/17

APPROVED AS TO FORM:
Ray Aromatorio, ARM, AIC
Risk Manager

By: [Signature]
Risk Management

APPROVED AS TO ACCOUNTING FORM:
Theodore A. Fallati, CPA
Auditor-Controller

By: [Signature]
Deputy
ATTACHMENT #4

Proposal to Prepare an Environmental Impact Report for the Central Coast Water Authority's Reacquisition of State Water Project Table A Amount
June 13, 2019

Stephanie Osler Hastings
Brownstein Hyatt Farber Schreck
1020 State Street
Santa Barbara, Ca 93101

Subject: Proposal to Prepare an Environmental Impact Report for the Central Coast Water Authority's Reacquisition of State Water Project Table A Amount

Dear Ms. Hastings:

Environmental Science Associates (ESA) is pleased to provide you with a scope, schedule and budget to prepare the Environmental Impact Report (EIR) for the Central Coast Water Authority's (CCWA) request to reacquire 12,214 acre-feet per year (AFY) of State Water Project (SWP) Table A amount. In 1963 the Santa Barbara Flood Control and Water Conservation District (FCD) and Department of Water Resources (DWR) executed a Water Supply Contract (Contract) for delivery of up to 57,700 AFY from the SWP. In 1981 FCD and DWR executed an amendment to the Contract (Amendment No. 9) that reduced FCD’s Table A amount from 57,700 AFY to 45,486, suspending delivery of 12,214 AFY. In May 1991 the EIR for the Coastal Branch and in-County (Santa Barbara County) facilities was certified. This 1991 EIR evaluated delivery of the full Table A amount (57,700 AFY). The CCWA was formed in 1991 to manage SWP operations on behalf of the Coastal Branch participants, including FCD. In 2014, CCWA made a request as to the ability for them to reacquire the 12,214 AFY of suspended Table A water for use by one or more of CCWA’s member agencies within their respective service area(s). The reacquisition of the 12,214 AFY Table A amount is the proposed project to be evaluated in this EIR. No modified or new water conveyance facilities are proposed to deliver this water. As described below in the Scope of Work, ESA will assume use of information contained in the Water Supply Contract Extension Project EIR and the 2018 State Water Project Water Supply Contract Amendments for Water Management and California Waterfix (Contract Amendment) Draft EIR to the maximum extent practicable to describe the setting for the SWP service area. The 1991 Coastal Branch EIR will be used to describe the CCWA service area but will be updated as needed to reflect more current conditions. This EIR will also serve as the basis for the growth-inducing analysis since it evaluated growth based on full Table A delivery (57,700 AFY); however, the information will be updated and refined to reflect the proposed distribution of the 12,214 AFY in CCWA’s service area.

It is assumed that DWR Modeling Branch will run CALSIMII to demonstrate how the proposed project might impact delivery of SWP water to other Public Water Agencies (PWAs). The findings will be used in the analysis of several resource topics including, Water Resources (both supply and quality), Aquatic Resources, Energy, Climate Change and Growth Inducement. Based on the nature of the proposed project (a Contract amendment and no new of modified infrastructure) no other modeling, or field surveys are proposed in support of the analysis.

The following details our proposed scope of work to complete the EIR and is followed by our proposed schedule and budget.
Ms. Hastings:  
June 13, 2019  
Page 2

Scope of Work

Task 1: Project Initiation

ESA’s project director and project manager will prepare for and participate in a project initiation call with the CCWA staff. During the call, ESA and the CCWA staff will review and confirm the project scope and schedule, EIR organization, identify data gaps for preparing the project description and description of the alternatives, and identify other available information for use in preparing the EIR. In addition, the following items will be discussed: (1) the communication protocol between ESA, CCWA, and DWR; (2) dates/times for project progress meetings; and administrative record format; and (3) timing and agenda for public meetings. ESA will document key decisions and future action items.

Task 1 Deliverables:
- Meeting agenda
- Project Description data gaps memorandum
- Action items

Task 2: AB 52 Compliance

Given the nature of the proposed project and the potential area of effect, ESA’s cultural resources staff suggest that outreach can be focused to the CCWA service area. Our proposed scope and level of effort reflects this assumption.

As part of CEQA compliance, ESA will assist CCWA in conducting Assembly Bill (AB) 52 consultation with CCWA’s known tribal consultation list (anticipated to be no more than 10 tribes). This will include drafting informative letters to be distributed to the tribes to identify any consultation requests, as well as conducting one round of follow up phone calls or emails. Formal government to government consultation will be conducted by CCWA and any interested tribes. While this scope does not anticipate the need for or include ESA’s presence at any tribal meetings, attendance at tribal meetings can be conducted under separate scope and cost, as the needed. The information received from AB52 consultation effort will be incorporated into the EIR section.

Task 3: Notice of Preparation

Subtask 3.1: Notice of Preparation

ESA will collaborate with CCWA staff to develop a project description for inclusion in the Notice of Preparation (NOP). The project description will include: (1) project location, including the service areas of the CCWA members that will use the supply; (2) project objectives; (3) description of the proposed Contract amendment; (4) proposed schedule; and (5) anticipated regulatory requirements and approvals. It is also anticipated that the NOP will include a summary of the project background that helps set the context for the proposed Contract amendment.
Ms. Hastings:
June 13, 2019
Page 3

The NOP will be prepared consistent with CEQA Guidelines section 15082 and will include a completed Environmental Checklist (Initial Study) to focus the environmental resource areas to be addressed in full in the EIR. ESA will prepare an administrative draft Initial Study (IS) and NOP for CCWA review and comment, and then will revise the administrative draft and prepare the document for submittal to DWR for review and comment. Following receipt of comments from DWR, a call will be scheduled to discuss comments and resolve approach to revisions. Following that call, ESA will revise the NOP and IS and provide a screencheck version to CCWA to confirm the resolution of comments prior to ESA finalizing the draft for publication. The IS will published along with the NOP. ESA will prepare the Notice of Completion (NOC) and will submit the NOP and NOC to the State Clearinghouse. ESA will also draft the notice for publication in the local newspaper and with the Santa Barbara County Clerk’s office. CCWA will be responsible for posting the notices with the newspaper and County Clerk’s office. CCWA will prepare the distribution list and provide to ESA and ESA will mail out copies of the NOP (up to 25 addresses). ESA will also provide a web-ready version of the NOP and IS for CCWA to post on the Agency’s website.

Subtask 3.3: Public Scoping Meeting

ESA will attend one public scoping meeting to receive public comments on the scope of the EIR analysis. ESA will prepare scoping meeting materials, including a power point presentation, sign in sheet, comment cards and fact sheet. CCWA will be responsible for meeting logistics including meeting location and set up and court reporter, if needed. Based on public comment received on the NOP, ESA will work with CCWA staff to further refine the scope of the EIR, as appropriate. Any additional scope necessary in response to the NOP will be negotiated separately. It is assumed that ESA’s Project Manager will attend the scoping meeting and that it will be held in Santa Barbara.

Task 3 Deliverables:
- Draft NOP and Environmental Checklist (electronic version in MS Word)
- NOP (electronic version in MS Word and PDF; web-ready version; 40 paper copies [15 for the State Clearinghouse and 25 for the distribution list] and 15 CDs for the State Clearinghouse)
- NOC (electronic version in MS Word, 1 paper copy)
- Draft notice (electronic version in MS Word)
- Scoping meeting materials, including power point presentation, sign in sheet, comment card and fact sheet

Task 4: Draft EIR

ESA will prepare a Draft EIR in accordance with Public Resources Code sections 21000-21177, and the CEQA Guidelines. The EIR will address the resource topics identified for further analysis in the NOP. Wherever appropriate, existing information from the 1991 Coastal Branch EIR will be used and updated. ESA will also use information from other existing environmental documents to describe the SWP service area.

Subtask 4.1: Administrative Draft EIR

An Administrative Draft EIR will be submitted for CCWA review and will include the following:
Summary. This chapter will provide a summary of the project’s objectives; project description; discussion of alternatives considered and environmentally superior alternative; key findings; and areas of controversy as relevant. This chapter will also include a table summarizing the impacts and associated mitigation measures along with the level of significant both before and after mitigation.

Introduction. The introduction chapter will: contain an overview of the project background; describe the environmental review and approval process; scope of the EIR analysis; and organization of the EIR.

Project Background. This chapter will include background information that provides the context for the proposed Contract Amendment.

Project Description. Based on the project description developed in subtask 3.1, this chapter will describe the location and characteristics of the proposed amendment (proposed project).

Environmental Analysis. This chapter of the EIR will include individual sections for the environmental resource areas to be evaluated. The analysis will evaluate the project-specific and cumulative impacts associated with CCWA reacquiring 12,214 AFY of Table A to be delivered through the existing Coastal Branch facilities. It is assumed that DWR’s Modeling Branch will run CALSIMII to demonstrate how the proposed project might impact delivery of SWP water to other PWAs. The modeling results will be used in the analysis of several resource topics including, Water Resources (both supply and quality), Aquatic Resources, Energy, Climate Change and Growth Inducement. Based on the nature of the proposed project (a Contract amendment and no new of modified infrastructure) no other modeling, or field surveys are proposed in support of the analysis. The results of the AB52 analysis (see Task 2) will be incorporated into the cultural and tribal resource sections of the EIR. Each section will include the following:

Environmental and Regulatory Setting. The setting discussion will provide sufficient background information to characterize existing environmental conditions (baseline) associated with the project area to provide context for the impact analysis. The setting will also include a discussion of relevant regulatory conditions that shape the assumptions and the policy environment for implementation of the project. It is anticipated that the setting sections for each resource topic will include a summary of the SWP service area based on descriptions and level of detail included in the Water Supply Contract Extension Project EIR and 2018 Contract Amendment DEIR. Setting for the CCWA service area will be based on information provided in the 1991 Coastal Branch EIR, updated by review of existing available documents, to reflect more recent conditions.

Significance Criteria. The standards of significance will be based on Appendix G of the CEQA Guidelines and will be used to determine the significance of identified impacts.

Impacts and Mitigation Measures. The impacts and mitigation measures section will include the analysis of project-specific and cumulative impacts associated with implementation of the proposed Contract amendment. Findings of significance will be made based on standards of significance identified above. The impact discussions will provide information necessary to support the findings. For any identified significant impacts, ESA will develop feasible mitigation measures to reduce the magnitude of the impact. The mitigation
measures will identify the action, responsible party and timing of implementation to facilitate development of
the Mitigation Monitoring and Reporting Program (MMRP), if needed. Discussion will also be provided
describing the effectiveness of proposed mitigation measures. The impact analysis will assume compliance
with relevant existing laws (including ordinances) when making a finding of significance.

**Alternatives Analysis.** The EIR will include an analysis of alternatives to the Contract amendment developed in
consultation with CCWA and DWR. In addition to the No Project Alternative (no Contract amendment to
reacquire the 12,214 AFY of Table A amount) alternatives that consider reacquiring a portion of the Table A
amount might be considered. The analysis will include a discussion of proposed project impacts compared to each
alternative, including any project impacts that would be avoided, and any new impacts attributed to the alternative
not attributed to the proposed project. A discussion of each of the alternatives ability to achieve proposed project
objectives will be provided along with identification of the Environmentally Superior Alternative. A summary
matrix comparing project impacts compared to each alternative will also be included. The Alternatives chapter
will also include a discussion of alternatives considered but eliminated from further consideration, if appropriate.

**Growth Inducing Impacts.** This chapter of the EIR will address the potential growth inducing impacts of
CCWA reacquiring the 12, 214 AFY of Table A for use by member agencies. The analysis will focus on the
delivery of this water to member agencies that have requested delivery of a portion of the suspended Table A to
them. The analysis will be based on the detailed growth analysis included in the 1991 Coastal Branch EIR which
assessed the growth impacts associated with delivery of the full Table A amount (57,700 AFY) prior to the 1981
Contract amendment that reduced CCWA’s Table A from 57,700 to 45,486 AFY (less 12,214 AFY). The growth
analysis will update the information included in the 1991 Coastal Branch EIR to reflect the allocation of the
reacquired Table A and include conditions that have changed since 1991.

**Other Statutory Required Sections.** In addition to the sections described above, ESA will prepare all other
statutory required sections (summary of cumulative impacts, summary of significant unavoidable impacts, and
significant irreversible changes).

**Cumulative Impacts.** Each environmental resource section will include: a description of the cumulative
context; and an evaluation of the proposed project’s contribution to identified cumulative impacts. Mitigation
measures will be incorporated by reference, as necessary. Identified cumulative impacts will be summarized
in this section but the analysis will be in the individual resource topic sections.

**Summary of Significant and Unavoidable Impacts.** This section will present a summary of any significant and
unavoidable impacts identified for the proposed project in the individual environmental resource area
sections.

**Significant and Irreversible Environmental Changes.** This section will provide an evaluation of the significant
and irreversible changes to the environment that could result if the proposed project were to be implemented
consistent with CEQA Guidelines section 15126.2 (c).

ESA will meet with CCWA staff in Sacramento to review comments and agree to revisions before ESA revises
the document and sends it to DWR for review. It is anticipated that a second meeting in Sacramento will be set to
Ms. Hastings:
June 13, 2019
Page 6

go over and DWR comments that would be attended by DWR, CCWA staff and ESA. A total of 16 hours each (8 hours per meeting) is assumed for ESA’s Project Director and Project Manager to attend these two meetings.

**Subtask 4.2: Screencheck Draft EIR**
Following incorporation of comments provided by both CCWA and DWR, ESA will revise the Administrative Draft EIR and prepare a Screencheck Draft EIR for final CCWA and DWR review and approval.

**Subtask 4.3: Draft EIR**
Based on any corrections or revisions to the Screencheck Draft EIR, ESA prepare the Draft EIR. It is assumed that the edits provided will be editorial and will not result in any new technical analysis. As part of this subtask and prior to publication, ESA will provide technical editing review of the document to ensure that the document is free of grammatical or spelling errors. ESA will prepare the NOC, Notice of Availability (NOA), and the notice for publication in the local newspaper and with the Santa Barbara County Clerk’s office. ESA will deliver the NOC and Executive Summary of the Draft EIR to the State Clearinghouse. CCWA will be responsible for posting the notices with the newspaper and County Clerk’s office. ESA will mail out copies of the NOA to the distribution list developed under Subtask 3.1 (up to 25 addresses). ESA will also provide a web-ready version of the NOA and Draft EIR for CCWA to post on the Agency’s website.

**Subtask 4.4: Draft EIR Public Meeting**
ESA will attend one public meeting during the Draft EIR public circulation period to receive public comments on the content and analysis of the Draft EIR. ESA will prepare scoping meeting materials, including a power point presentation, sign in sheet, comment cards and fact sheet. CCWA will be responsible for meeting logistics including meeting location and set up and court reporter, if needed. It is assumed that ESA’s Project Manager will attend the public meeting and that it will be held in Santa Barbara.

**Task 4 Deliverables:**
- Administrative Draft EIR (electronic version in MS Word)
- Screencheck Draft EIR (electronic version in MS Word)
- Draft EIR (electronic version in MS Word and PDF; web-ready version; 15 paper copies of the Executive Summary and 15 CDs of the Draft EIR for the State Clearinghouse; 5 paper copies of the Draft EIR)
- NOA (electronic version in MS Word; 25 paper copies for the distribution list; 25 CDs)
- NOC (electronic version in MS Word, 1 paper copy)
- Draft notice (electronic version in MS Word)
- Scoping meeting materials, including power point presentation, sign in sheet, comment card and fact sheet
Task 5: Final EIR

Subtask 5.1: Administrative Final EIR
Following completion of the 45-day public review period, ESA will compile all written and oral comments received on the Draft EIR. ESA will meet with CCWA staff in Sacramento to discuss approach to comments received and to make assignments for responding. A total of 8 hours is assumed for ESA’s Project Director and Project Manager to attend the meeting. At the meeting the potential development of Master Responses will be discussed. Following the meeting and response assignments, ESA will prepare responses to comments. The responses to comments will be incorporated into the Final EIR which will be prepared in accordance with CEQA Guidelines section 15132. In addition to the responses to comments, the Final EIR will include: a list of agencies and persons commenting; bracketed comment letters; and a summary of any text changes (in response to comments or staff initiated). The Administrative Final EIR will also include a draft MMRP for any mitigation measures identified in the Draft EIR.

The Administrative Final EIR will be provided to CCWA for review and comment. ESA will meet with CCWA staff in Sacramento to review comments and agree to revisions before ESA revises the document and sends it to DWR for review. It is anticipated that a second meeting in Sacramento will be set to go over and DWR comments that would be attended by DWR, CCWA staff and ESA. A total of 16 hours each (8 hours per meeting) is assumed for ESA’s Project Director and Project Manager to attend these two meetings.

Subtask 5.2: Final EIR
Following incorporation of comments provided by both CCWA and DWR, ESA will revise the Administrative Final EIR and prepare a Screencheck Final EIR for CCWA and DWR review and approval. Based on any corrections or revisions to the Screencheck Final EIR, ESA prepare the Final EIR. It is assumed that the edits provided will be editorial and will not result in any new technical analysis. ESA will distribute responses to any commenting agencies 10 days prior to the certification hearing. Following certification, ESA will prepare the Notice of Determination (NOD) for CCWA review and will revise based on CCWA comments. It is assumed that CCWA will post the NOD with the County Clerk and will pay the appropriate filing fees.

Task 5 Deliverables:
- Administrative Final EIR (electronic version in MS Word)
- Screencheck Final EIR (electronic version in MS Word)
- Final EIR (electronic version in MS Word and PDF; web-ready version; 5 paper copies of the Final EIR)
- NOD (electronic version in MS Word)

Task 6: Project Management and Meetings
Ongoing project management efforts will include internal coordination and check-ins with ESA staff and coordination with CCWA and DWR staff throughout development of the EIR and the CEQA process. ESA’s Project Director and Project Manager will participate in bi-weekly conference calls with CCWA staff (including
Ms. Hastings:
June 13, 2019
Page 8

DWR staff, when appropriate) through development of the Draft EIR. Based on the project schedule (approximately 5 months from project initiation to publication of the Draft EIR), it is anticipated that 10 progress calls will be held (2 hours each, including preparation time). ESA will also participate in an additional 8 project coordination calls (2 hours each, including preparation time) through the rest of the CEQA process. This task also assumes 4 hours per month of general project and contract management time over approximately 10-month schedule.

Schedule

ESA proposed to complete the EIR in approximately 10 months assuming that the CALSIM II model run results would be available for use in developing the Administrative Draft EIR technical analysis within 8 weeks from project initiation. This schedule is aggressive and will require that the project team work together. In order to facilitate this schedule, ESA has incorporated into this scope of work the use of all-day work sessions to discuss and come to resolution of comments provided on the Administrative Draft EIR and Administrative Final EIR. ESA also proposes an all-day work session to discuss comments received on the Draft EIR to discuss the approach to responding and response assignments will be made. In addition, regular communication will be key; therefore, ESA has incorporated team calls every 2 weeks through publication of the Draft EIR. It is assumed that a detailed schedule would be developed as part of Task 1 Project Initiation.

Budget

ESA proposes to complete this EIR for $293,962 as detailed in the attached spreadsheet.

We look forward to this opportunity to work with you and CCWA staff on this important project. If you have any questions or require additional information, please do not hesitate to call me at (916) 564-4500 or e-mail me at cmcefee@esassoc.com.

Sincerely,

Catherine C. McEfee
Vice President
ATTACHMENT #5

CCWA Suspended State Water Program Participation Agreement
CENTRAL COAST WATER AUTHORITY

SUSPENDED STATE WATER PROGRAM PARTICIPATION AGREEMENT

This Suspended State Water Program Participation Agreement ("Agreement") is made as of ____________ by

CENTRAL COAST WATER AUTHORITY ("Authority")

and

_________________________ ("Contractor").

Recitals

A. The Authority owns, operates and maintains water conveyance, storage and treatment facilities to deliver water from California’s State Water Project to cities, water districts and other water purveyors and users in Santa Barbara County.

B. The Authority and Contractor are parties to a Water Supply Agreement dated August 1, 1991 related to the matters described in Recital A.

C. The Authority treats and delivers water pursuant to (i) an agreement between the State of California Department of Water Resources ("DWR") and the Santa Barbara County Flood Control and Water Conservation District ("District") dated February 26, 1963 ("1963 Water Supply Contract"), and (ii) an agreement between the Authority and the District entitled "Transfer of Financial Responsibility Agreement" dated November 12, 1991 ("TFRA").

D. In an agreement designated "Amendment No. 9 to Water Supply Contract Between the State of California Department of Water Resources and Santa Barbara County Flood Control and Water Conservation District" dated August 31, 1981, the parties agreed to reduce the "Table A" quantity from 57,700 AFY to 45,486 AFY, a reduction of 12,214 AFY (the "Suspended State Water"). The Authority has determined that it should seek to re-acquire the Suspended State Water.

E. The Contractor has determined that it wishes to participate in the Authority’s program to re-acquire the Suspended State Water, and is willing to share in the expenses pertaining thereto.
Agreement

1. **Representation; Delivery Goal; Cooperation with Authority.** Contractor agrees that the Authority shall be authorized to represent Contractor in the identification, structuring and negotiation of transactions for the re-acquisition of the Suspended State Water (collectively, the “Water”). Contractor represents that it is seeking to acquire _____ AFY of Water over the term of this Agreement (“Contractor’s Delivery Goal”). Contractor shall be entitled to request an increase in the Contractor’s Delivery Goal stated in this paragraph (which shall be known as the “Revised Delivery Goal”) by executing and delivering to the Authority, at any time during the term of this Agreement, an Amendment to Participation Agreement in a form approved by the Authority, subject to (i) the availability of additional Suspended State Water, and (ii) the provisions of this Contract requiring that all costs allocated under this contract – including costs incurred prior to the delivery of the notice -- shall be allocated to the Contractor in accordance with the Revised Delivery Goal.

2. **Allocation of Delivered Water; Allocation of Costs; Deposits.**

2.1 **Allocation of Costs.** The Contractor shall pay to the Authority the Contractor’s pro-rata share of the Authority’s Total Expenses, which pro-rata share shall be calculated as follows:

2.1.1 For Total Expenses arising from services rendered by the Authority, the Contractor’s pro-rata share shall be that Contractor’s Delivery Goal as stated herein (or the Revised Delivery Goal) divided by the sum of all Contractors’ Delivery Goals as stated in their respective Agreements.

2.1.2 In any event, for Total Expenses arising from services that are of benefit to only one Contractor, that Contractor shall pay for the expenses related to said services.

2.1.3 “Total Expenses” shall include all out-of-pocket expenditures made by the Authority for environmental review, consultant reports, legal expenses and other costs related to any transaction arising under this Agreement.

2.2 **Deposit.** Prior to execution of this Agreement, the Authority prepared and delivered to the Contractor an estimate of the Contractor’s anticipated financial obligations under subparagraph 2.4 of this Agreement through the end of the 2015 calendar year, and has provided that estimate to the Contractor. Concurrently with execution of this Agreement, Contractor shall place on deposit with the Authority the amount stated in the estimate.

2.3 **Subsequent Deposits.** Prior to the end of the 2015 calendar year, the Authority shall provide to the Contractor an estimate of the Contractor’s anticipated financial obligations under subparagraph 2.1 of this Agreement for such period of time as shall be determined by the Authority’s Executive Director. The Contractor shall place on deposit with the Authority the amount stated in the estimate no later than the deadline established by the Authority’s Executive Director.
2.4 Invoices and Payments. In the event the Authority reasonably determines that the deposit paid by Contractor to the Authority will be insufficient to cover Contractor’s financial obligations hereunder, the Authority is authorized to deliver to the Contractor a revised estimate of those financial obligations and an invoice for an additional deposit. The Contractor shall remit the amount stated in the invoice within thirty (30) days of receipt.

2.5 Obligation in the Event of Default.

2.5.1 Written Demand Upon Failure to Make Payment. Upon failure of the Contractor to make any payment in full when due under this Agreement or to perform any other obligation hereunder, the Authority shall make written demand upon the Contractor, and if such failure is not remedied within thirty (30) days from the date of such demand, such failure shall constitute a default at the expiration of such period. Notice of such demand shall be provided to each other Contractor by the Authority. Upon failure of the Authority to perform any obligation of the Authority hereunder, the Contractor shall make written demand upon the Authority, and if said failure is not remedied within thirty (30) days from the date of such demand, such failure shall constitute a default at the expiration of such period. Notice of such demand shall be provided to each Contractor by the Contractor making such written demand.

2.5.2 Other Events of Default. In addition to any default resulting from breach by the Authority or the Contractor of any agreement, condition, covenant or term hereof, if the Authority or the Contractor shall file any petition or institute any proceedings under any act or acts, state or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity, wherein or whereby the Authority of the Contractor asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of its debts or obligations, or offers to its creditors to effect a composition or extension or time to pay its debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of its debts or for any other similar relief, or if the Authority or the Contractor shall make a general or any assignment for the benefit of its creditors, then in each and every such case the Authority or the Contractor, as the case may be, shall be deemed to be in default hereunder.

2.5.3 Termination of Contractual Rights; Continuing Obligations. Upon the failure of the Contractor to make any payment which failure constitutes a default under this Agreement and causes the Authority to be in default under the Purchase Agreement or the Brokerage Agreement, the Authority may (in addition to the remedy provided by section 2.5.2 hereof), terminate the provisions of this Agreement insofar as the same entitle the Contractor to any deliveries of Water. Irrespective of such termination, the obligations of the Contractor to the Authority to pay the full amount of costs under this Agreement shall continue in full force and effect.

2.5.4 Increase in Non-defaulting Contractor Costs. Upon the failure of any Contractor to make any payment which failure constitutes a default under its respective Binding Agreement to Purchase, and except as transfers are made pursuant to Section 2.5.2 hereof, (i) the pro-rata share of each non-defaulting Contractor shall be automatically increased for the remaining term of the Purchase Agreement pro rata with those of the other non-defaulting
Contractors, and (ii) such defaulting Contractor's right to receive Water shall be reduced accordingly. Upon payment of such increase, a non-defaulting Contractor shall be entitled to take delivery of its pro rata share of such defaulting Contractor's Water.

2.5.5 Right of Recovery from Defaulting Contractor. If a Contractor shall fail or refuse to pay any amounts due to the Authority, the fact that a non-defaulting Contractor has increased its obligation to make such payments shall not relieve the defaulting Contractor of its liability for such payments, and the non-defaulting Contractor shall have a right of recovery from the defaulting Contractor to the extent of such respective increase in obligation caused by the defaulting Contractor. Any amounts received by the Authority from the defaulting Contractor for costs that were previously paid by a Non-Defaulting Contractor pursuant to Section 2.5.4 above, shall be reimbursed by the Authority to the Non-Defaulting Contractor.

2.6 Reconciliation. Upon termination of this Agreement, the Authority shall provide to the Contractor an accounting of the actual amounts Contractor is obligated to pay hereunder. Any overpayment by Contractor shall be promptly refunded by the Authority and any underpayment by the Contractor shall be promptly paid to the Authority.

3. Term; Termination.

3.1 Term. The term of this Agreement shall commence on November 1, 2014 and shall continue until termination of the 1963 Water Supply Contract.

3.2 Termination. This Contract may be terminated by the Authority at any time, provided all Contractors agree in writing thereto.

4. Contractor's Representative; Coordination Among Contractors.

4.1 Contractor's Representative. For purposes of this Agreement, Contractor shall provide to the Authority a written Designation of Representative identifying its authorized representative with full authority to grant, provide and enter into, by and on behalf of the Contractor, any and all consents, approvals, instructions, authorizations or agreements by the Contractor in connection with this Agreement (collectively, "Contractor Directions"). The Authority shall be entitled to rely upon, without inquiry, the full authority of the Contractor's designated representative. Without limiting the foregoing, the Contractor's representative shall be solely responsible for requesting and obtaining in advance any special or further authorizations on behalf of Contractor that may be necessary in connection with any Contractor Direction given to the Authority hereunder and the Authority may assume, without further inquiry, that all such authorizations have been obtained. Contractor may designate a different individual as its representative in connection with this Agreement at any time by written notice to Authority.

4.2 Coordination Among Contractors.

4.2.1 Contractors Committee. A Contractors Committee shall be created with each Contractor’s Representative as stated in Section 4.1. The Committee shall be
authorized to advise the Authority with respect to its duties under this Agreement, and to perform such other functions as the Contractors shall deem appropriate. Each member of the Committee shall have a weighted vote corresponding to the Contractor’s Delivery Goal as a proportion of the total Delivery Goals for all Contractors. A quorum shall be at least 50% of the voting percentages. Committee decisions shall be made by the following vote:

4.2.1.1 If the Committee has two members, a majority of the voting percentages shall be necessary to adopt a motion.

4.2.1.2 If the Committee has three or more members, sixty percent (60%) of the voting percentages, plus the affirmative vote of at least two members, shall be necessary to adopt a motion.

4.2.2 Subcommittees of Participating Contractors. For each Water transaction in which one or more Contractors have signed and delivered a Binding Agreement to Purchase, a Subcommittee shall be created with a representative from each such participating Contractor. The Subcommittee shall be authorized to advise the Authority with respect to its duties under the Binding Agreement to Purchase for that Water transaction, and to perform such other functions as those Participating Contractors shall deem appropriate. Each member of the Subcommittee shall have a weighted vote corresponding to the quantity of Water to be delivered to that Contractor under its Binding Agreement to Purchase as a proportion of the total quantity of Water to be delivered to all Participating Contractors under their respective Binding Agreements to Purchase. A quorum shall be at least 50% of the voting percentages. Subcommittee decisions shall be made by the following votes:

4.2.2.1 If the Subcommittee has two members, a majority of the voting percentages shall be necessary to adopt a motion.

4.2.2.2 If the Subcommittee has three or more members, sixty percent (60%) of the voting percentages, plus the affirmative vote of at least two members, shall be necessary to adopt a motion.

5. Miscellaneous

5.1 Incorporation of Recital and Exhibits. The Recitals to this Agreement and exhibits attached to this Agreement are incorporated herein and made a part hereof by this reference.

5.2 Headings. The headings in this Agreement are for convenience of reference only and shall not be used in construing this Agreement.

5.3 Legal Advice. Each party has received independent legal advice from its attorneys with respect to the advisability of executing this Agreement and the meaning of the provisions of this Agreement. Any rule of contract interpretation to the effect that ambiguities or uncertainties are to be interpreted against the drafting party or the party who caused it to exist shall not be employed in the interpretation of this Agreement or any document executed in connection herewith.
5.4 **Terms Generally.** The defined terms in this Agreement shall apply equally to both the singular and the plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The terms "person" and "party" include individuals, corporations, partnerships, trust, and other entities and associations. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation."

5.5 **Attorneys' Fees.** In any action to enforce or interpret this Agreement, the prevailing party shall recover from the non-prevailing party, in addition to any damages, injunctive or other relief, all costs (whether or not allowable as "cost" items by law) reasonably incurred by the prevailing party at, before and after trial or on appeal, or in any bankruptcy proceeding, including attorneys' and witness (expert and otherwise) fees, deposition costs, copying charges and other expenses.

5.6 **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

5.7 **Time of the Essence.** Except as otherwise provided in this Agreement, time is of the essence with respect to this Agreement and the performance of each and every obligation contained in this Agreement.

5.8 **Severability.** If any provision of this Agreement or its application to any party or circumstance is held invalid or unenforceable, then the remainder of this Agreement and the affected provision to the extent it is not so held shall remain valid and enforceable and in full force and effect. The forgoing shall not apply, however, if the invalid or unenforceable provision in question or, as applicable, the portion or application thereof held invalid or unenforceable, is a fundamental and material provision of this Agreement.

5.9 **Time for Performance.** Notwithstanding any provision of this Agreement to the contrary, in the event a party fails to perform any obligation under this Agreement (other than an obligation to pay money) because of strikes, lockouts, labor disputes, acts of God, inability to obtain labor or materials or reasonable substitutes for labor or materials, government or judicial actions, inclement weather or other causes beyond its reasonable control, that failure will not constitute a default under this Agreement, and the performance in question will be excused during the period in which the cause for failure continues.

5.10 **Notices.** All notices required or permitted hereunder shall be in writing and shall be served on the Parties at the following address:

If to Contractor:

________________________________________________________________________

Telephone: ______________  Facsimile: ______________
If to Authority:

Central Coast Water Authority
255 Industrial Way
Buellton, CA 93427
Attn: Executive Director
Telephone: (805) 688-2292
Facsimile: (805) 686-4700

Any such notices may be sent by (a) certified mail, return receipt requested, in which case notice shall be deemed delivered three (3) business days after deposit, postage prepaid in the U.S. mail, (b) a recognized and reputable overnight courier, in which case notice shall be deemed delivered one (1) business day after deposit with such courier (on or prior to 5:00 p.m., local time of the sender; if deposited after such time, it shall be deemed to have been deposited on the next business day); provided, however, that this method of delivery will not be applicable to a party that has specified a P.O. Box for its address, or (c) facsimile transmission, in which case notice shall be deemed delivered upon electronic verification (on or prior to 5:00 p.m., local time of the recipient; if verification is received after such time, it shall be deemed to have been delivered on the next business day) that transmission to recipient was completed (which verification may include a fax transmission receipt, or fax transmission log, from the sending party’s fax machine which includes the date and time of a stated successful transmission to the recipient). The above addresses and facsimile numbers may be changed by written notice to the other party; provided that no notice of a change of address or facsimile number shall be effective until actual receipt of such notice. Copies of notices are for informational purposes only, and a failure to give or receive copies of any notice shall not be deemed a failure to give notice.

5.11 Governing Law; Venue. This Agreement and all matters relating to this Agreement shall be governed by the laws of the State of California, without regard to principles of conflicts of laws. Venue for any disputes under this Agreement shall be in Santa Barbara County, California.

5.12 Due Authority. The parties hereby represent that the individuals executing this Agreement are expressly authorized to do so on and in behalf of the parties.

5.13 Counterparts; Delivery by Facsimile. The Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and all of which when taken together shall constitute one and the same document. The signature of any party to any counterpart shall be deemed a signature to, and may be appended to, any other counterpart. Any party may deliver its signed counterpart of the Agreement to any other party by facsimile transmission, and such delivery shall be deemed made and completed upon receipt of such facsimile transmission by the other party. Any party delivering a signed counterpart by facsimile transmission agrees to promptly send the counterpart bearing its original signature to the other party; provided that a delay or failure to do so shall not negate the effectiveness of the delivery made by the facsimile transmission.

5.14 Entire Agreement; Modification. The making, execution and delivery of this Agreement have not been induced by any representations, statements, warranties or agreements.
other than those herein expressed. This Agreement constitutes the entire agreement and understanding of the parties concerning the subject matter hereof. This Agreement supersedes all prior negotiations, agreements, representation and understandings of the parties relating to the subject matter hereof. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by all of the parties.

5.15 **Indemnification and Defense.** Contractor agrees to indemnify, defend, protect and hold harmless the Authority and its officers, directors, employees, agents, Members, Associate Members and contractors from and against all claims, actions, damages, losses and expenses, including reasonable attorneys’ fees, arising from or relating to this Agreement, whether said claims, actions, damages, losses or expenses arise prior to or following termination or expiration of this Agreement. If more than one Contractor signs this Agreement, the obligations of this paragraph 5.15 shall be allocated among such Contractors according to their respective Delivery Goals as stated herein.

5.16 **Third Party Beneficiary: Enforcement.** The parties agree that this Agreement is for the benefit of (i) the Contractor, (ii) the Authority, (iii) all Project Participants under their respective Water Supply Agreements with the Authority dated August 1, 1991, and (iv) all other Contractors who are signatories to agreements in substantially the same form as this Agreement, and all of the aforementioned entities and persons shall be entitled to enforce the provisions of this Agreement.

5.17 **Superseding Previous Agreement.** This Agreement entirely supersedes and replaces any Water Purchase Representation Agreement or similar agreement concerning the same subject executed between the parties hereto.

IN WITNESS WHEREOF, the parties have executed and entered into this Agreement as of the date first written above.

<table>
<thead>
<tr>
<th>&quot;Authority&quot;</th>
<th>&quot;Contractor&quot;</th>
</tr>
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<tbody>
<tr>
<td>CENTRAL COAST WATER AUTHORITY</td>
<td></td>
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<tr>
<td>a California joint powers agency</td>
<td></td>
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<tr>
<td>By:</td>
<td>By:</td>
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<tr>
<td>Name:</td>
<td>Name:</td>
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<tr>
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<td>Approved as to form:</td>
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<tr>
<td>Brownstein Hyatt Farber Schreck</td>
<td>[Insert Contractor’s counsel name]</td>
</tr>
<tr>
<td>By:</td>
<td>By:</td>
</tr>
</tbody>
</table>

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8
TO: CCWA Board of Directors  
CCWA Member Agencies  
CCWA Project Participants  

FROM: Ray A. Stokes  
Executive Director  

SUBJECT: Participation Decision in the State of California Department of Water Resources Delta Conveyance Project

SUMMARY

At the Direction of Governor Newsom, the Department of Water Resources (DWR) rescinded all approvals and withdrew all requested applications for permits and approvals for the project previously referred to as “Cal Waterfix” or, more commonly, the “twin-tunnels” project. Governor Newsom directed DWR to engage in planning efforts for a strategically designed single tunnel to deliver water through the Delta. As a result, on May 2, 2019, DWR informed the State Water Project Contractors (SWC) that it had rescinded its approvals and began withdrawing proposed permits for the Cal Waterfix project and planning for a smaller, single-tunnel project.

DWR is currently working on defining a proposed single tunnel project, which is being referred to as the “Delta Conveyance” project (DC). As part of this, on July 24, 2019, DWR and the State Water Project (SWP) Contractors began negotiations to amend the long-term water supply contracts to define the cost allocation and water supply benefits from a DC facility. It is anticipated that at the conclusion of the contract amendment negotiations, anticipated to be completed by the end of August 2019, a set of “Agreements in Principle” (AIP) will be made available summarizing the various proposed amendments to the State Water Contract for consideration by each of the SWP Contractors. DWR is requesting that each SWP Contractor take an action to approve a proposed AIP and indicate whether each will be participating in the planning costs for DC. It is expected that DWR will set a date-certain for these votes to occur.

This report will summarize the following:

1. What problems is Delta Conveyance trying to address?  
2. How did Cal Waterfix (formally withdrawn) propose to address those issues?  
3. Benefits of Delta Conveyance  
4. DWR/SWP Contract Amendment Negotiations  
5. Single Tunnel Delta Conveyance Cost Estimates  
6. Key Considerations  
7. Likely DWR Requests of Individual SWP Contractors  
8. CCWA Project Participant and Board Decisions
What Problems is Delta Conveyance Trying to Address?

There has been a continual decline in the amount of water than can be exported from the Sacramento-San Joaquin Delta over the years.

The various fish regulatory agencies have continued to impose pumping restrictions on both the state and federal water projects. In fact, the following graph shows that the only months in which there is not some sort of pumping restrictions for endangered fish species are in the months of July to September.
Due to the increased pumping restrictions, there has been a continual decline in the amount of exports through the Sacramento-San Joaquin Delta (the Delta) as shown below.

In addition to the increasingly restrictive regulatory environment, the current conveyance relies on a levee system that is vulnerable to earthquakes and other failures, does not easily respond to inner seasonal swings in hydrology projected under climate change, and is not situated to be resilient to sea level rise. DWR estimates that without some form of alternative conveyance to move water around or under the Delta (i.e., tunnel), that the long-term export capabilities of the SWP will be around 48%, down from the current 62%.

**How Did Cal WaterFix Propose to address those problems?**

Cal Waterfix proposed to construct two 40 foot diameter tunnels underneath the Delta, about 30 miles long, 150 feet underground with a total capacity of 9,000 cubic feet per second (cfs) of capacity. The project would have installed three new intakes on the Sacramento River, which would then flow into the underground tunnels to the existing State and Federal pumps located in the south Delta as shown below.

The use of a dual conveyance system would address some regulatory issues by installing state of the art fish screening techniques; would address levee failure risks by providing an ability to convey water to the export facilities even under conditions where movement through leveed channels could not occur; and would address climate change by providing a second point of diversion for more flexibility, located at a higher elevation than the existing pumps to ensure access to fresh water.
With the Governor’s revised direction for Delta Conveyance, it is anticipated that there would be a single tunnel with less capacity, but still moving water under the Delta to the existing SWP pumps in the south Delta.

**Benefits of Alternative Conveyance**

Again, we do not yet know the scope of the project that DWR will propose, but the prior analysis done under Cal Waterfix provides some idea of the “type” of benefits moving SWP under the Delta could achieve.

**Additional Exports During High Flow Events**

One of the benefits of dual conveyance and moving a portion of the SWP water under the Delta as opposed to “through the Delta”, is the ability to take “big gulps” of water when there is high flow due to storm activity. The following graph shows an analysis of two storm events in the winter of 2012-13, the amount of flow to the ocean, the actual amount of state and federal project exports and the amount that could have been exported, if Cal Waterfix had been in place, while still meeting the various regulatory protections currently in place. Again, we don’t know the benefits a revised DC will provide, but this gives a general idea of the concept.
Climate Change Risk

Climate change will have a significant impact on the export capability of the SWP. That’s due to:

- Sea level rise
- Reduced snowpack
- Changing precipitation patterns
- Changing runoff timing and intensity

The following graphic shows estimates of additional salinity within the Delta due to sea level rise and highlighting the close proximity to the interior of the Delta and the pathway to the pumps.
Seismic Risk

Studies on the impact of seismic risk in the Delta show that there is a 63% probability of a 6.5 magnitude earthquake or greater by the year 2032. The impact of such an earthquake on the ability to deliver SWP through the Delta, is that there is a great potential for significant levee failures within the delta, resulting in the flooding of delta islands and large quantities of seawater rushing in to flood the breached levees and islands. By installing a tunnel underneath the Delta, the seismic risk to water supply is substantially reduced.
DWR/SWP Contract Amendment Negotiations

On July 24, 2019, DWR and the SWP Contractors entered into negotiations to amend the SWP Contract for a single-tunnel DC. While DWR has not yet provided information on the revised DC, it is anticipated that the basic framework for the cost allocation and accounting for benefits can be addressed in an AIP. The negotiations will inform a Notice of Preparation for DC project environmental review.

The following represents the SWP Contractor’s initial offer to DWR on July 24, 2019 for the cost-allocation portion of the proposed amendments. Obviously, since this is a negotiation process, this is just a starting point and it may change. However, the following general principles represent the current basis for consideration to be used in deciding to participate in the planning of DC or not (a more detailed version of the SWP Contractor initial offer is attached to this report).

1. “Opt-In” approach: SWP Contractors can either opt-in to the project for their full contracted Table A amount, or opt-out completely.
2. DC is a SWP facility integrated with the existing SWP.
3. DC water established as a new type of SWP water.
4. DC water and rights to use available capacity allocated to participating SWP Contractors.
5. “Non-Participants” may use available capacity (if any) and pay all associated costs of DC.
6. Five north of Delta public water agencies excluded from the DC.
7. AIP from contract negotiations to include:
   a. Description of Opt-In framework
   b. Schedule of SWP Contractor proposed participation
   c. Cost accounting principles
   d. Water accounting/forecasting/administration
   e. General Operations Principles:
      i. Delivery priority
      ii. Use of available capacity in DC
      iii. Use of San Luis Reservoir
      iv. Carriage water savings
   f. Dispute resolution – a description of a dispute resolution process

**Single Tunnel Delta Conveyance Cost Estimate**

Since we do not yet know the project DWR will propose, we can only use cost estimates that were performed under Cal Waterfix. In the environmental analysis done for Cal Waterfix, a single tunnel, 6,000 cfs facility was analyzed. The following cost estimates are based on estimates provided in that analysis.

**Key Principles**

- Opt In/Out (full Table A or opt out completely)
- May be able to enter into an agreement for a portion of the project from those SWP Contractors opting in (i.e., another SWP Contractor may be willing to transfer a portion of their participating rights in the project if CCWA opts out of the DC)
- Costs follow the water

**Key Financing Assumptions**

- 40-year bond term at 6%
- Construction Costs ($11 billion cost estimate, with 3% inflation per year over a ten-year construction period resulting in a total construction cost of $14 billion)
- Estimated average cost per year when operational of about $1 billion
- CCWA share of the project: 1.09% (Table A contract percentage of 45,486 AF)

**Preliminary Cost Estimate**

The following table shows that CCWA's share of a $14 billion project would be about $153 million. Based on an estimated $1 billion cost per year (includes operations and maintenance costs and repayment of capital costs), CCWA's share would be about $10.9 million per year, or $240 per acre-foot ($10.9 million divided by 45,486 AF).
Incremental Water

Again, not knowing what additional water supply benefits will be provided (and based on the previous Cal Waterfix analysis), if one assumes the long-term reliability of the SWP will continue to decline to around 48% of current contract amounts, and that DC will provide on average, 67%, CCWA could realize an increase in water (incremental water) of 8,459 acre-feet per year above what is projected to occur in the future given the regulatory, climate change, and seismic risks described above. If you divided the $10.9 million by the additional water supply of 8,459 AF, the additional cost for the incremental water is $1,289/AF.

Additional Planning Costs

The Delta Conveyance Design and Construction Authority (DCA) is the agency that would design and construct the DC facilities. The DCA will not begin construction until a DC project is defined and has secured necessary permits, but can begin planning and design work that can advance design to better inform the environmental analysis, including defining appropriate mitigation. The DCA has stated it needs an additional $350 million in planning costs to continue the design of the project. The additional funds will be paid by those SWP Contractors that opt-in to the project and a separate funding agreement will be executed with DWR so that the funds can be collected on the annual Statement of Charges.

If CCWA were to opt-in to the DC, based on the Cal Waterfix analysis, CCWA’s share of the $350 million would be approximately $3.8 million.
**Summary of Estimated Costs**

The following table shows an estimate of the cost to CCWA by project participant using the criteria listed above.

| Column 1: | Shows CCWA’s estimated share of $14 billion in construction costs |
| Column 2: | Shows each CCWA project participant’s share of the additional $350 million in planning costs, should CCWA opt-in to the project. |
| Column 3: | Shows the estimate by project participant of the annual cost of participating in DC. Based on $1 billion per year on average to repay the capital costs and annual operations and maintenance costs. |
| Column 4: | Estimated annual costs (column 3) divided by Table A amount, including drought buffer |

**Estimated Cost of Delta Conveyance Project**

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<thead>
<tr>
<th>Project Participant</th>
<th>Table A Including Drought Buffer Percentage</th>
<th>(1) Estimated Total Capital Cost</th>
<th>(2) Additional Planning Costs ($350M)</th>
<th>(3) Est. Annual Costs of DCP w/O&amp;M</th>
<th>(4) Est. Annual Costs of DCP ($/AF)</th>
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<td>Santa Ynez</td>
<td>700</td>
<td>1.54%</td>
<td>2,348,415</td>
<td>58,710</td>
<td>167,744</td>
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<tr>
<td>Goleta</td>
<td>7,450</td>
<td>16.38%</td>
<td>24,993,844</td>
<td>624,846</td>
<td>1,785,275</td>
</tr>
<tr>
<td>Morehart</td>
<td>220</td>
<td>0.48%</td>
<td>738,073</td>
<td>18,452</td>
<td>52,720</td>
</tr>
<tr>
<td>La Cumbre</td>
<td>1,100</td>
<td>2.42%</td>
<td>3,890,366</td>
<td>92,259</td>
<td>263,598</td>
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<tr>
<td>Raytheon</td>
<td>55</td>
<td>0.12%</td>
<td>184,518</td>
<td>4,613</td>
<td>13,180</td>
</tr>
<tr>
<td>Santa Barbara</td>
<td>3,300</td>
<td>7.25%</td>
<td>11,071,099</td>
<td>276,777</td>
<td>790,793</td>
</tr>
<tr>
<td>Montecito</td>
<td>3,300</td>
<td>7.25%</td>
<td>11,071,099</td>
<td>276,777</td>
<td>790,793</td>
</tr>
<tr>
<td>Carpinteria</td>
<td>2,200</td>
<td>4.84%</td>
<td>7,380,733</td>
<td>184,518</td>
<td>527,195</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>45,486</td>
<td>100.00%</td>
<td>$152,600,000</td>
<td>$3,815,000</td>
<td>$10,900,000</td>
</tr>
</tbody>
</table>

**KEY CONSIDERATIONS**

**Participation Risk**

As stated earlier, CCWA could opt out of DC right now and then determine if any individual CCWA project participants wish to participate in DC and try to enter into a separate transfer agreement with another participating SWP Contractor. However, there are risks to this approach:

- It is anticipated that if an individual SWP Contractor does not approve the AIP shortly after the AIP is developed and agree to provide planning funds, the project that DWR defines and is analyzed will not include participation by such Contractor and they will be assumed to be out of the project.
• DWR may size the project for only those SWP Contractors opting in
• Other SWP contractors may not have excess to transfer to CCWA
• Might be a premium to get in later
• If we don’t participate now, the primary mechanism to participate later would be through transfer agreements with a participating contractor.
• Participating now (approving an AIP and approving planning funds) only “reserves” our participation until we can review and analyze the actual project DWR will analyze and propose (i.e., the FINAL decision will occur when DWR presents the proposed contract amendments to the SWP Contractors AFTER the full environmental analysis).

Seismic Risk

If CCWA does not participate in DC and the Delta is not available to convey SWP water, we may not be able to receive SWP water for an extended period of time.

Reliability Risk

Is 48% long-term reliability for those not participating in the DC realistic? If it is, can individual CCWA project participants live with a continued decline in the long-term reliability of the SWP?

DWR Requests of Individual SWP Contractors

We anticipate DWR requesting each SWP Contractor to do the following:

1. At the conclusion of the contract amendment negotiations, take an action on the Agreements in Principle (AIP) indicating whether they approve the AIP and if they are electing to participate in DC.

2. If the SWP Contractor is electing to participate in DC, sign a funding agreement for their allocated share of the additional $350 million in planning costs.

CCWA Project Participant and Board Decisions

1. CCWA will share with all CCWA project participants the AIP and any other pertinent information developed over the course of the negotiation as it is developed.

2. CCWA is asking each CCWA project participant to consider their position on participating in DC. This includes those project participants that are not represented on the CCWA Board of Directors, as shown below:

   • La Cumbre Mutual Water Company
   • Vandenberg Air Force Base
   • Golden State Water Company
   • Morehart Land Company
   • Raytheon Systems, Inc.

For the project participants listed above, please communicate your participation interest to Ray Stokes before September 26, 2019 at ras@ccwa.com
For CCWA member agencies represented on the Board of Directors, your participation decisions will be made at the Board meeting.

3. The CCWA Board of Directors will vote to consider CCWA participation in DC at its meeting on September 26, 2019 (note: This date might get pushed to the October 24, 2019 meeting if the SWP contract amendment negotiations extend beyond August 2019).

4. Following the vote by the CCWA Board of Directors, CCWA will communicate its decision to the Santa Barbara County Flood Control and Water Conservation District (SB County), as the contracting agency with DWR.

If you have any questions regarding this information, please contact Ray Stokes at (805) 697-5214 or ras@ccwa.com

RAS

Attachment
To: Department of Water Resources

From: State Water Contractors

Date: July 24, 2019

Subject: PWAs’ First Offer for a potential Delta Conveyance Contract Amendment of the State Water Project

This “First Offer” contains a proposed cost allocation and participation framework for a potential new Delta Conveyance Project that could provide the foundation for an Agreement-in-Principle among the State Water Project Contractor Public Water Agencies (PWAs) and the Department of Water Resources (DWR) that, upon approval of a Delta Conveyance Project, could lead to an amendment of the State Water Project Contracts.

The PWAs’ First Offer is organized as follows:

I. Overall Objective Statement
II. Cost Allocation and Participation Framework
III. Contents of An Agreement-in-Principle
IV. Environmental Review

---

1 The SWC organization is a nonprofit mutual benefit corporation that represents and protects the common interests of its 27 member public agencies in the vital water supplies provided by California’s State Water Project (“SWP”). Each of the SWC member agencies holds a contract with the California Department of Water Resources (“DWR”) to receive water supplies from the SWP. Collectively, the SWC members deliver water to more than 25 million residents throughout the state and more than 750,000 acres of agricultural lands. SWP water is served from the San Francisco Bay Area, to the San Joaquin Valley and the Central Coast, to Southern California. The SWC’s members are: Alameda County Flood Control and Water Conservation District Zone 7; Alameda County Water District; Antelope Valley-East Kern Water Agency; Casitas Municipal Water District; Central Coastal Water Authority; City of Yuba City; Coachella Valley Water District; County of Kings; Crestline-Lake Arrowhead Water Agency; Desert Water Agency; Dudley Ridge Water District; Empire-West Side Irrigation District; Kern County Water Agency; Littlerock Creek Irrigation District; Metropolitan Water District of Southern California; Mojave Water Agency; Napa County Flood Control and Water Conservation District; Oak Flat Water District; Palmdale Water District; San Bernardino Valley Municipal Water District; San Gabriel Valley Municipal Water District; San Gorgonio Pass Water Agency; San Luis Obispo County Flood Control & Water Conservation District; Santa Clara Valley Water District; Solano County Water Agency; Santa Clarita Valley Water Agency; and Tulare Lake Basin Water Storage District.

2 The State Water Project is the name commonly used to refer to the State Water Resources Development System (Water Code Section 12931).

3 In general, the State Water Project Contractor Public Water Agencies (PWAs) includes the SWC organization’s 27 member public agencies, Butte County Water and Resource Conservation, and Plumas County Flood Control and Water Conservation District. However, this First Offer does not include input from County of Kings, Littlerock Creek Irrigation District, and Plumas County Flood Control and Water Conservation District and therefore does not necessarily represent the views of those PWAs.
I. **Overall Objective Statement:**

“Develop an agreement between State Water Project Contractor Public Water Agencies and the Department of Water Resources to equitably allocate costs and benefits of a potential Delta Conveyance Project.”

II. **Cost Allocation and Participation Framework**

A. **Proposed Framework**

The PWAs propose an “Opt-In” approach where each “Participating PWA” opts to participate in a Delta Conveyance Project at a level in proportion to at least its Agricultural or M&I amount of its contract. Key concepts associated with this proposed framework are:

- Delta Conveyance Project is an SWP facility that will be integrated with the existing SWP.
- Delta Conveyance Project Water is established as a new type of SWP project water that represents the additional amount of total SWP water that can be conveyed with the Delta Conveyance Project compared to the amount that can be conveyed without the Delta Conveyance Project.
- Delta Conveyance Project Water and rights to use available capacity in the Delta Conveyance Project, as well as capital costs for the Delta Conveyance Project, shall be allocated to each Participating PWA in proportion to its participation level.
- Participating PWAs will return to the State all capital, operations, maintenance, power and replacement (OMP&R) and variable costs for the Delta Conveyance Project.
- “Non-Participants” that make arrangements to use available capacity will contract with the State for that use and pay all associated capital, operations, maintenance, power and replacement (OMP&R), and variable costs and charges. Revenue received from Non-Participant use will be credited against all Participating PWAs’ charges.
• The five North of Delta PWAs will not participate in the Delta Conveyance Project and will be excluded from payment of capital, operations, maintenance, power and replacement (OMP&R) costs for the Delta Conveyance Project.

B. Participation Levels

The PWA staff have begun preliminary analyses of the costs and benefits of generic Delta Conveyance facilities of different capacities, based on information derived from the prior California WaterFix Project. Depending on the capacity and estimated costs of the delta conveyance project to be proposed, PWA staff believe that the Opt-In Framework will result in sufficient PWA participation to fully fund a cost-effective Delta Conveyance Project.

When a proposed Delta Conveyance Project is identified, affordability and estimated PWA participation will be specifically evaluated, and a participation level identified for each Participating PWA for the purpose of allocating the project’s benefits and capital costs, and informing the CEQA analysis. The following table will be populated to show the participation level as a percentage for each PWA, with “0” indicating no participation.

The PWA staff expect the development of the participation levels to be an iterative process as the proposed project description is developed, and as each PWA Board considers and decides on a final participation level.

<table>
<thead>
<tr>
<th>PWA</th>
<th>Participation Level (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alameda County Flood Control and Water Conservation District Zone 7</td>
<td></td>
</tr>
<tr>
<td>Alameda County Water District</td>
<td></td>
</tr>
<tr>
<td>Antelope Valley-East Kern Water Agency</td>
<td></td>
</tr>
<tr>
<td>City of Yuba City</td>
<td>0</td>
</tr>
<tr>
<td>Coachella Valley Water District</td>
<td></td>
</tr>
<tr>
<td>County of Butte</td>
<td>0</td>
</tr>
<tr>
<td>County of Kings- Government Center</td>
<td></td>
</tr>
<tr>
<td>Crestline-Lake Arrowhead Water Agency</td>
<td></td>
</tr>
<tr>
<td>Desert Water Agency</td>
<td></td>
</tr>
<tr>
<td>Dudley Ridge Water District</td>
<td></td>
</tr>
<tr>
<td>Empire West Side Irrigation District</td>
<td></td>
</tr>
</tbody>
</table>
C. Alternative Framework

For purposes of CEQA analysis, the PWAs may propose that an alternative cost allocation approach be included in the AIP and evaluated in the EIR.

III. Contents of an Agreement-in-Principle

Discussions and negotiations with DWR will result in an Agreement-in-Principle (AIP) that will establish key terms for a proposed contract amendment or other necessary agreement. The PWAs propose that the AIP include the following:

- Definition of proposed project, to include:

<table>
<thead>
<tr>
<th>PWA</th>
<th>Participation Level (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kern County Water Agency</td>
<td></td>
</tr>
<tr>
<td>Littlerock Creek Irrigation District</td>
<td></td>
</tr>
<tr>
<td>Metropolitan Water District of Southern California</td>
<td></td>
</tr>
<tr>
<td>Mojave Water Agency</td>
<td></td>
</tr>
<tr>
<td>Napa County Flood Control and Water Conservation District</td>
<td>0</td>
</tr>
<tr>
<td>Oak Flat Water District</td>
<td></td>
</tr>
<tr>
<td>Palmdale Water District</td>
<td></td>
</tr>
<tr>
<td>Plumas County Flood Control and Water Conservation District</td>
<td>0</td>
</tr>
<tr>
<td>San Bernardino Valley Municipal Water District</td>
<td></td>
</tr>
<tr>
<td>San Gabriel Valley Municipal Water District</td>
<td></td>
</tr>
<tr>
<td>San Gorgonio Pass Water Agency</td>
<td></td>
</tr>
<tr>
<td>San Luis Obispo County Flood Control and Water Conservation District</td>
<td></td>
</tr>
<tr>
<td>Santa Barbara County Flood Control and Water Conservation District</td>
<td></td>
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<tr>
<td>Santa Clara Valley Water District</td>
<td></td>
</tr>
<tr>
<td>Santa Clarita Valley Water Agency</td>
<td></td>
</tr>
<tr>
<td>Solano County Water Agency</td>
<td>0</td>
</tr>
<tr>
<td>Tulare Lake Basin Water Storage District</td>
<td></td>
</tr>
<tr>
<td>Ventura County Watershed Protection District</td>
<td></td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
- Project objectives
  - Capacity
    - General configuration (alignment, number of intakes, tunnels, pump stations, etc.)

- Description of Opt-In Framework – General description and key concepts associated with the Opt-In cost allocation framework

- Schedule of PWA Participation – Table showing the participation level as a percentage for each Participating PWA for the purpose of allocating benefits and capital costs of the Delta Conveyance Project.

- Cost Accounting Principles – Principles addressing the allocation of capital, operations, maintenance, power and replacement (OMP&R) and variable costs for the Delta Conveyance Project among the Participating PWAs as well as to Non-Participants that make arrangements for use of available capacity in the Project.

- Water Accounting/Forecasting/Administration Principles – Principles addressing accounting and forecasting to quantify the water supply benefits of the Delta Conveyance Project.

- General Operations Principles, to include such issues as
  - Delivery priority,
  - Use of available capacity in the Delta Conveyance Project,
  - Use of San Luis Reservoir,
  - Carriage Water savings


- Dispute Resolution – Description of a dispute resolution process to be used to resolve disputes related to accounting for Delta Conveyance costs and benefits.
IV. Environmental Review

The PWAs understand that at this time DWR has not proposed a Delta Conveyance Project and that any proposed Delta Conveyance Project is subject to environmental review pursuant to the California Environmental Quality Act (CEQA) and DWR’s independent judgment following that review whether or not to approve a Delta Conveyance Project and Contract Amendment. Similarly, the PWAs will exercise their independent judgment after considering the CEQA review whether or not to approve a Delta Conveyance Contract Amendment. Nothing in this offer or in any subsequent AIP resulting from this offer and negotiations shall be construed to predetermine DWR’s and the PWAs decisions after completion of the CEQA process and DWR and the PWAs may determine, consistent with the completed analysis under CEQA, that no Delta Conveyance Project and Delta Conveyance Contract Amendment shall be approved.

Consistent with this understanding, the PWAs offer the following language for inclusion in any AIP that may result from this offer and subsequent negotiations:

DWR and the PWAs agree that this AIP is intended to be used during the environmental review process for the California Environmental Quality Act (CEQA), to define the proposed project description for the purposes of CEQA, and to permit the next steps of the SWP contract amendment process, including scoping and the preparation of the EIR. The AIP principles are not final contract language and do not represent a contractual commitment by either DWR or the PWAs to approve any proposed project or to sign contract amendments. By concurring with the AIP, DWR and the PWAs express their intent to move forward with the CEQA process with DWR as lead agency and the PWAs as responsible agencies, and ultimately develop a proposed Delta Conveyance Project including proposed contractual amendments consistent with the AIP principles and prepare the EIR for consideration by DWR and the PWAs.

At the end of the CEQA process and in compliance with CEQA, DWR and the PWAs will each individually evaluate the EIR and contract amendments, exercise their independent judgment, and determine whether or not to certify the EIR, approve the proposed project and sign
the contract amendments or to approve an alternative project. Consequently, even though DWR and the PWAs have agreed to the AIP for the purposes described in the preceding paragraphs, DWR and each PWA retain their full discretion under CEQA to consider and adopt mitigation measures and alternatives, including the alternative of not going forward with the proposed project.
STATE WATER PROJECT SUSPENDED TABLE A AND DELTA CONVEYANCE PROJECT

Water Commission
September 19, 2019
Recommendation

- Receive a presentation and provide direction on whether to participate in
  - pursuing the reacquisition of Suspended Table A Water; and
  - whether to participate in the Delta Conveyance Project
Overview

• State Water Project (SWP) Overview
• SWP Reliability
• Suspended Table A Cost
State Water Project
Coastal Branch
Original Table A Contract & Supplemental Table A

• 1963: County Flood Control contracted with State DWR for up to 57,700 AFY

• 1991-1997: Coastal Branch constructed
  - SB water purveyor contracts total 45,486 AFY
  - City’s portion currently 3,300 AFY (3,000 AFY plus 300 AFY “drought buffer”)
  - Remaining 12,214 AFY was suspended, with option to re-acquire
Historical SWP Table A Reliability

Since 2008, average deliveries ~49%

2008 Biological Opinion
State-wide Drought

Historical SWP Table A Reliability

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
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</tr>
<tr>
<td>2019</td>
<td></td>
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</table>
Projected Reliability

- DWR Modeling Estimates

<table>
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<tr>
<th>Scenario</th>
<th>Percent Reliability</th>
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</thead>
<tbody>
<tr>
<td>Modeled Current Condition Average</td>
<td>62%</td>
</tr>
<tr>
<td>Modeled Future Condition Average – No DCP</td>
<td>48%</td>
</tr>
<tr>
<td>Modeled Future Condition Average – With DCP</td>
<td>67%</td>
</tr>
</tbody>
</table>

- 2011 Long Term Water Supply Plan assumed 50% reliability
Acquisition Opportunity

• All CCWA members requested to indicate level of interest
• Expressing interest commits City to admin/legal expenses for developing contracts
• Actual acquisition decided at later time; requires County Board of Supervisors approval
Coastal Branch Pipeline Capacity

- Capacity designed for 45,486 AFY
- No capacity for additional 12,214 AFY in wet years
- Additional water is “drought buffer” when allocations are less than 100%
Role of State Water in City’s Supply

• Typically used as drought or emergency water supply
• Minimal deliveries when Cachuma & Gibraltar storage is relatively full
• Higher costs for pumping conveyance
City’s Historical State Water Deliveries

**Historical City State Water Deliveries to Lake Cachuma**

- Available Table A Delivered
- Available Table A Undelivered
- Supplemental Purchases Delivered

The graph shows the historical water deliveries from 2000 to 2018, with specific data points indicating the amount of acre-feet delivered each year. The bars represent the delivered water, with different colors indicating the source of the water (Available Table A and Supplemental Purchases).
Example: Suspended Table A Yield

• For 500 AFY Contract
  - 240 AFY long-term average
  - 1,000 AF drought yield over 5-years (2014-2018)
Example Deliveries

Option: 500 AFY of Suspended Table A
City State Water Deliveries to Lake Cachuma

- Supplemental Purchases Delivered
- Available Suspended Table A Undelivered
- Available Table A Undelivered
- Available Suspended Table A Delivered
- Available Table A Delivered

~1,000 AF Total Suspended Table A Yield during drought

SantaBarbaraCA.gov/Water
Suspended Table A Cost Summary (Preliminary)

- Annual cost for 500 AFY Suspended Table A
  - $93,500 ~ Acquisition Cost
  - $68,500 ~ Fixed Cost
  - $106,000 ~ Average Variable Cost
  - $268,000 ~ Total Annual Cost
- $1,117/AF Unit Cost (based on 240 AFY average yield)
Status Quo Costs (2000-2018)

- 12,200 AF of Supplemental Purchase during drought
- $14.7 million total cost
500 AFY Suspended Table A Costs (2000-2018)

- 1,000 AF of Suspended Table A Drought Yield
- 11,200 AF of Supplemental Purchase during drought
- $17 million total cost
Summary

• Table A has been really beneficial to the City
  - 1/3 of drought water supplies

• Suspended Table A
  - Provide additional water supply
  - Higher cost (fixed costs, regardless of if we use the water)
  - Less reliable than other sources available to the City
DELTA CONVEYANCE PROJECT
Delta Water Conveyance Threats

• Water pumping and flow threats to species
  - Delta Smelt, Salmon, and Longfin Smelt
• Water conveyance reliability
  - Currently ~ 48%
• Seismic Events
  - Resulting in levee breaches
• Sea Level Rise
  - Inundation of sea water to the Delta area
Regulations have Reduced Export Capability

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<tr>
<th>Year</th>
<th>Annual Average Export Capability (MAF)</th>
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<tbody>
<tr>
<td>1980's</td>
<td>8</td>
</tr>
<tr>
<td>1991 NMFS BiOp</td>
<td>7</td>
</tr>
<tr>
<td>1992 CVPIA</td>
<td>6</td>
</tr>
<tr>
<td>1994 Accord</td>
<td>5</td>
</tr>
<tr>
<td>2000 Trinity River Flows</td>
<td>4</td>
</tr>
<tr>
<td>2006 San Joaquin Flows</td>
<td>3</td>
</tr>
<tr>
<td>2008-9 Smelt/Salmon BiOps</td>
<td>2</td>
</tr>
<tr>
<td>Future</td>
<td>?</td>
</tr>
</tbody>
</table>
Proposed Delta Conveyance Project

• California Water Action Plan (Twin Tunnels Project)
  - Formerly known as Cal WaterFix
  - Governor Jerry Brown signed in 2014
  - Undersubscribed and ultimately deemed too expensive
• Revised Delta Conveyance Project
  - Governor Newsom signed in 2019
  - Simplifies the overall project
  - Single Tunnel
Proposed Delta Conveyance Project Overview
Single-Tunnel 6,000 cfs Cost Estimates (from WaterFix)
(For illustration purposes only)

- Key Financing Assumptions
  - 40-year bond term at 6% interest
  - Construction Costs ($11B, w/ inflation $14B, 3% over 10 yrs)
  - Estimated Average Cost per year with O&M: $1B

- CCWA share of project: 1.09% (proportional Table A)
  - $10.9M Annually
City’s Estimated Delta Conveyance Project Costs
(For illustration purposes only)

• City’s share of CCWA: 7.25% proportional Table A (3,300 AFY out of 45,486 AFY)
• City’s estimated share of annual cost: $790K
Estimated Unit Cost
*(For illustration purposes only)*

- 627 AFY Additional Supply Yield to City
  - based on increase from 48% to 67% reliability
- $1,289/AF – Unit cost for fixed expenses
- $440/AF – Unit cost for variable expenses
- $1,729/AF – Total Unit Cost
State Water Project reliability could be improved with Groundwater Banking opportunities, which would increase the unit cost of the options.
**Additional Planning Costs**

- Delta Conveyance Design and Construction Authority (DCA) requesting an additional $350M to continue design of the project.
  - CCWA’s share of these costs would be ~$3.8M
  - City’s share of costs would be ~$275,500
  - Note: Participation costs are estimates only
Timeline and Next Steps

- DWR is requesting participation decisions from the 29 SWP Contractors
- CCWA Project Participants and Members are currently considering options
- CCWA Board decision at the October 24 Board meeting
- CCWA to send decision to DWR and Santa Barbara County (contract holder)
Possible CCWA Participation/Actions

• Opt into the project completely (full Table A) and attempt to enter into a side agreement with another SWP Contractor for that portion not needed/wanted.

• Opt out of the project completely and then enter into a participation agreement with another SWP Contractor for a smaller share of the project at a later date (SLO County?).
Recommendation

• Receive a presentation and provide direction on whether to participate in
  - pursuing the reacquisition of Suspended Table A Water; and
  - whether to participate in the Delta Conveyance Project