



May 15, 2026

Via Email

Laura.Jensen@water.ca.gov

Laura Jensen
715 P Street
Sacramento, CA 95814

Subject: Request for Adjustment to Maximum Conditional Eligibility Determination (MCED) and Authorization of Supplemental Funding Determination for Drought Emergency Supply – Sites Reservoir Project

Dear Ms. Jensen:

~~LAURA~~

On behalf of the Sites Project Authority (Authority), I am writing to respectfully request that the California Water Commission (Commission) (1) adjust the Sites Reservoir Project's Maximum Conditional Eligibility Determination (MCED) to account for inflation and other material cost escalation factors, (2) be aware of the current status of water right permitting and its potential implications on the ability of the project to deliver public benefits, and (3) authorize a supplemental funding determination pursuant to the Commission's recently adopted regulations to recognize and fund the Project's additional public benefit associated with drought emergency water supply.

Inflationary and Other Effects on MCED

Since the Commission's most recent MCED adjustment (per Commission Resolution Number 2025-05) for the Sites Reservoir Project, the Project has advanced substantially in engineering, environmental compliance, and permitting. As the Project approaches construction starting in early 2027, updated cost and benefit estimates reflect significant and well-documented increases driven by inflation, supply chain constraints, labor market conditions, and evolving construction and operating requirements. These factors are consistent with statewide and national trends affecting large infrastructure delivery and were not reasonably foreseeable or in effect at the time of the most recent MCED adjustment. Absent an updated MCED adjustment, the current MCED of \$1,094,373,507 does not fully reflect the present-day cost of delivering the public benefits the Commission previously found eligible and integral to the Project.

Considerations for the Effects of 3/20/26 Draft Water Right Permit

The Authority also recognizes that the Project's current permitting status, including the State Water Resources Control Board's March 20, 2026 draft water right permit, may have implications

for future Project operations and associated public benefit delivery. In developing this request, the Authority has distinguished between operational requirements that are specifically attributable to the Sites Reservoir Project and broader potential Bay-Delta regulatory implementation requirements that may ultimately apply more generally across water users and operations. Given the draft and evolving nature of these broader regulatory frameworks, the Authority believes it is appropriate at this stage for the Commission’s consideration of Project public benefits and associated funding determinations to focus primarily on reasonably identifiable Project-specific operational conditions while broader statewide implementation issues continue to be evaluated through ongoing regulatory and policy processes. This approach allows for reconciliation of the final water right permit terms with the final funding award when determined later this year.

New Proposed Public Benefit

The Authority has continued to refine the Project’s operational framework and public benefits in response to changing hydrologic conditions and statewide water management priorities. Most notably, the increasing frequency and severity of drought conditions—including recent “snow drought” dynamics—have underscored the critical importance of having a dedicated, flexible drought emergency water supply capability. The Sites Reservoir Project is uniquely positioned to provide this benefit by capturing high flows when available and strategically releasing stored water during critically dry periods to support environmental, water quality, and emergency supply objectives.

The Commission’s updated regulations provide a clear pathway for recognizing such additional public benefits through a supplemental funding determination. The Authority respectfully requests that the Commission exercise this authority to evaluate and quantify the incremental ecosystem, water quality, and emergency response benefits associated with the Project’s drought emergency supply operations. These benefits are distinct from, and additive to, those previously evaluated, and they directly advance the State’s coequal goals and climate resilience objectives. The Authority’s draft proposal submitted to DWR is attached for reference.

Closing

This evaluation is requested now to assist the Authority in better understanding the funding and benefits the State seeks to secure, so that we may enter into our “investor commitment” with full knowledge of the State’s intended investment.

The Sites Reservoir Project remains a critical component of California’s long-term water management strategy. Adjusting the MCEd to reflect current cost realities and

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authorizing a supplemental funding determination for drought emergency supply will ensure that the Commission's investment continues to align with the full scope of public benefits the Project is designed to deliver.

The Authority appreciates the Commission's continued leadership and partnership in advancing the State's water resilience. We look forward to working collaboratively with Commission staff to provide the necessary materials and to support the Commission's consideration of this request.

Please do not hesitate to contact me if you have any questions or require additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Jerry Brown". The signature is fluid and cursive, with a long horizontal stroke at the end.

Jerry Brown, Executive Director
Sites Project Authority

Attachment: Draft Proposal For New Public Benefit – Drought Emergency Supplies

**Draft Sites Reservoir Project – Proposal for New Public Benefit -
Drought Emergency Supplies
May 15, 2026**

Public benefits associated with water storage projects are defined in Water Code Section 79753(a). To date, the Sites Authority has been conditionally awarded ~\$1,094M to provide ecosystem, recreation, and flood control public benefits in the Sites Reservoir Project. The Water Commission’s action on November 19, 2025, directed staff to proceed to implement emergency regulations allowing, among other things, existing projects to be eligible to receive supplemental funding for new public benefits provided by the project.

In response to the new regulations, the Site Authority proposes a new public benefit - drought emergency supplies, to be made available by the Sites project and conforming to the technical references as follows:

1. **Description of the Delivery Mechanisms and When to be Applied** - The Sites water to be provided as drought emergency supplies is water diverted under the Sites water right and to be stored in Sites Reservoir within the individual storage accounts of Municipal and Industrial (M&I) water agencies participating in the project (see Attachment C for entire list of current Participants). There are two ways that Sites Project can accomplish the drought emergency supplies public benefits:
 - a. To the degree that one or more Sites M&I Participants experience drought emergency conditions within their own service areas, their Sites water can be delivered to assist in meeting their own agency’s emergency drought needs. This can be accommodated within the existing operations plan for the Project. The decision for such use of Sites water is solely within the purview of the Sites M&I Participant. Sites water is a new water supply that would not be available but for the construction of the reservoir and investment in the Project by the Participants. The Benefits and Obligation (B&O) Contract will include requirements of the CAPB.
 - b. In addition, supplemental supplies from Sites storage may be made available from within the stored water accounts in Sites whereby certain Sites participants experiencing-emergency conditions may receive Sites water from other Sites participants not experiencing emergency conditions. Sites water can be transferred from a willing Sites participant to an affected Sites participant within the Sites Reservoir without requiring complex wheeling arrangements and instead being facilitated through routine water accounting within the Reservoir. The supplemental supplies would then be delivered to the affected Sites participants’ service area using the routine means of conveying Sites water. The B&O Contract that each Sites Participant will execute can accommodate these types of “within”

Sites water sales between willing Sites participants. For Sites M&I Participants, this process is the Drought Emergency Response Program (DERP) described in the CAPB.

2. **Quantification of Availability and Value of Drought Emergency Supplies** – According to the provisions stipulated in the 2017 WSIP Technical Reference Section 4.11.2.3, Drought Emergencies, water supply provided in either a designated water year type and/or a state or local declared drought emergency, is considered qualifying as a public benefit. The following sections describe how the Sites Project conforms to the technical reference.
 - a. **Amount above that can be provided in the without - project condition.** The without-project condition for the Sites M&I Participants is represented by reliance on existing supplies. A Sites project objective is to improve water supply reliability and resiliency to meeting water demands of Sites participants. The project is specifically structured to fill the reservoir during high flows on the Sacramento River for later use during dry periods. By design, the Sites water deliveries during the drier years are to be maximized, however each Sites participant makes their own decisions about how, when and where their Sites water is beneficially served.
 - b. **Quantities of Stored Water to be Delivered for a Drought Emergency.** From the operations model estimates, the Authority is proposing that an average of 35 taf would be the total delivered water in all the storage accounts of M&I Sites Participants during a Drought Emergency Year. The calculations in Attachment A to this paper identify the forecasted number of Drought Emergency Years based on the CalSim 3 model using the Reclamation's 2040 central tendency climate change scenario. The forecasted number of Drought Emergency Years multiplied by the average of deliveries to M&I Participants is the Target Volume of deliveries during the term of the CAPB. None of the water in the storage accounts designated for Prop 1 Ecosystem, or Reclamation, are included in the water available as drought emergency supplies in this analysis.
3. **Potential Unique Benefits of Sites Drought Emergency Supplies** – Sites is a water storage project inclusive of Sites Participant's service areas spanning almost the entire state, with ~35% of these geographic areas encompassing census tracts that are deemed disadvantaged communities. The Sites water is anticipated to have an authorized place of use spanning all areas of the State that is currently within the water rights of the state and federal projects (CVP and SWP); this covers most of the urban areas within the state.
 - a. There are many drought emergencies where one part of the state is affected solely or to a greater extent than another. With the wide-ranging coverage area of the Sites Project, there are opportunities to fulfill the needs of one part of the state without jeopardizing those of another part. For example, the City of American Canyon is a Sites Participant, and they have the capability through partnerships to serve drought emergency needs across Napa County, utilizing the North Bay Aqueduct. Under the proposed public benefit, while the City of American Canyon

stored Sites water could meet the City's emergency needs, if there was a Sites Participant located south of the delta that reached agreement with City of American Canyon to sell a portion of its stored Sites water during a City of American Canyon and surrounding area's emergency situation, and there was no drought emergency in service area of the Sites Participant located south of the delta selling its Sites water, then the Sites Reservoir has the potential to provide a substantial intrastate public benefit to better weather local drought emergency conditions that vary across the state. And these water sales can be accomplished without requiring any additional regulatory or institutional permits or agreements.

- b. Sites Reservoir will enable Sites Participants to implement their water management programs in ways that provide drought management benefits throughout the regions they serve. Currently, the barriers/costs/political sensitivities often favor narrowly focusing on agency specific solutions rather than more regional management approaches. For example, some Sites Participants are also participating in regional groundwater banks. The ability to secure new water supplies from Sites Reservoir in Drought Emergency Years will reduce pressure on Participants' reliance on groundwater and, thereby, benefit the health and well-being of the groundwater aquifer. Furthermore, the net increase in water supplies from Sites Reservoir during non-critical years may support groundwater recharge that might not otherwise occur.

4. **Proposed Drought Emergency Storage Rules and Priorities** – Generally, the Sites Project is to be operated in conformance with all applicable agreements, laws, regulations and permits. Each Sites Participant has equal priority to a proportional share of the diverted water under the condition the Sites Participant has storage space to store the diverted water. Each Sites Participant also has equal priority to release its Sites water stored in its storage space. The Authority has prepared an Operations Plan that outlines the operating procedures for the reservoir that aligns with the pre-operations project modeling based on the 100-yr hydrology on CalSim3. The Sites Participants have allotted capacity interest in the project which translates to storage and conveyance capacity that they each manage to facilitate the delivery of their Sites water to their service area. In determining the amount of public benefit (i.e. delivered water in a Drought Emergency Year), the Sites M&I Participants in Attachment C are expected to be participating in the program described in the CAPB. Conveying Sites water south of delta relies on through-delta conveyance. Sites water is considered “non project” water and is to be exported from the delta within the “transfer window¹”. Modeling shows that there is likely sufficient existing physical and

¹ “transfer window” means a period during which CVP and/or SWP Delta export facilities have available capacity, consistent with regulatory and operational constraints, to export non-Project water without impairing project purposes or compliance obligations.

environmental permit capacity currently available to export Sites water during drought emergency conditions.

5. **Proposed Implementation of Drought Emergency Supplies Public Benefits** – Upon issuance of the final water right order by the State Water Resources Control Board anticipated in 2026, a new water right will be secured that authorizes diversions of Sacramento River high flows to storage in Sites Reservoir. Together with the construction of the storage and conveyance facilities to be completed by end of 2033, the stored water in the reservoir will represent availability of supplemental supplies to Sites M&I Participants in Drought Emergency Years. The Sites Authority proposes the following key terms for the CAPB:

a. Definitions:

- i. Drought Year Series - defined as three consecutive years of Dry or Critical years with the third year a Critical year as defined in the State Water Resources Control Board's Decision 1641 Sacramento Valley Water Year Index.
- ii. Drought Emergency Year – defined as the last year of a Drought Year Series where in that year a State or local drought emergency is declared.
- iii. Intermediate Target Volume – The cumulative volumes of Sites water delivered that result in the Target Volume being achieved by the end of the CAPB term. CALSIM3 modeling identifies the forecasted number of Drought Year Series during the CAPB term. The Target Volume is divided by the forecasted number of Drought Year Series during the CAPB term. The result of this calculation is the initial Intermediate Target Volume. Subsequent Intermediate Target Volumes add to the initial Intermediate Target Volume such that the Target Volume is achieved at the end of the CABP Term. Meeting Intermediate Target Volumes is subject to Adaptive Management.
- iv. Target Amount Volume – The volume of drought emergency water the Sites Authority must deliver to M&I Participants during the CAPB term, subject to Adaptive Management.

b. To determine the number of estimated Emergency Drought Years within the term of the CAPB the Sites Authority proposes the following methodology:

- i. The Sites CALSIM3 operations model was used to determine how often a drought year series occurs using the Sacramento River Index These results are shown in attachment A.
- ii. The Sites Authority also evaluated the frequency of State and locally declared drought emergencies. For example over the past 10 years, State declared drought

emergencies were in effect in 2014, 2015, 2016, 2017, 2021, 2022, and 2023. This factor has been considered in determining the number of events.

- iii. After reviewing this information, the Sites Authority has concluded to use 16 qualifying years over the 100 years of CalSim3 hydrology equating to an average of 0.16 events per year. A CAPB term of 35 years would be expected to yield approx. 6 events.
- iv. The amount of Emergency Drought Supply will be defined as the delivered amounts of stored water in Sites Reservoir during a Drought Emergency Year. The estimate of this amount is determined as follows:
 - a) During the 16 Drought Emergency Years, the average delivered water for Sites M&I Participants is estimated to be 35 taf (see Attachment A). Modeling assumes deliveries SOD would be subject to carriage water loss of ~ 30%. It is assumed that all Sites M&I Participants that are part of the DREP are SOD.
 - b) The Sites Authority proposes to base the CAPB public benefit on 35 taf of average deliveries to Sites M&I Participants in a Drought Emergency Year.
 - c) If there are 6 events during the CAPB term, then the total drought emergency supplies delivered during the CAPB term would be 210 taf.
- c. Intermediate Target Volumes – To achieve the Target Volume, cumulative delivery milestones will be established for each forecasted Drought Emergency Year during the CAPB term. CALSIM3 modeling forecasts the number of drought years; the Target Volume is divided by this number to set the initial Intermediate Target Volume. Subsequent volumes build cumulatively toward the Target Volume.

Example:

- Target Volume: 210,000 AF
 - Forecast: 6 Drought Emergency Years
 - Intermediate Targets:
 - Year 1: 35,000 AF
 - Year 2: 70,000 AF (after considering consecutiveness of Drought Emergency Years)
 - Year 6 (end of term): 210,000 AF
 - Meeting these targets is subject to Adaptive Management
- d. If the actual deliveries to M&I Participants in a Drought Emergency Year are less than 75% of the forecasted Intermediate Target Volumes, the Sites M&I Participants will take any of the following adaptive management actions:

- i. Manage their storage during future droughts to ensure that at least the Intermediate Target Volume for the next Drought Emergency Year are met.
 - ii. Make best efforts to temporarily acquire additional Sites storage in the 1st or 2nd years of a drought year series to increase chances of meeting and/or surpassing future Intermediate Target Volumes.
 - iii. Recruit additional Sites Participants to dedicate additional water supplies toward emergencies.
- e. The term of the proposed CAPB would be 35 years or 6 Emergency Drought Years, whichever occurs earlier.
- f. The CAPB will include the following conditions:
 - i. Compliance will be evaluated based on the comparison of real amounts vs targeted amounts over the term of the CAPB and will take into consideration other factors affecting performance within the Authority's control, either positive or negative.
 - ii. Recognize that hydrologic, regulatory, and system operational conditions affect diversion/releases into and out of Sites storage and may impact ability to achieve the targets.
 - iii. Require the Authority to include language in the B&O Contract for Sites Participants to conform to the requirements of the CABP and ensure the Sites Participants could temporarily sell/exchange storage and stored water to assist in achieving the adaptive management actions.

Attachments:

Attachment A – Operations Modeling Summary Results Demonstrating Released Quantities Available for Drought Emergency

Attachment B – Not Used

Attachment C – List of Current Sites Participants including M&I Participants

Attachment A

04/10/2026 – Revised Proposal for Drought Emergency Supplies

2040MED_ALT3B_032626_WaterRight

Drought Emergency Years (DEY)	SOD PWA Delivery (1,000 acre- feet)	NOD PWA Transfer to NOD (1,000 acre-feet)	SVI WY Type¹	Drought Emergency Metric²
1926	11.6	0	Critical	SVI DEY
1931	0	0	Critical	SVI DEY
1932	0	0	Critical	SVI DEY
1933	0	0	Critical	SVI DEY
1934	0	0	Critical	SVI DEY
1977	283.1	0	Critical	Federal Drought Emergency Declaration
1990	0	0	Critical	SVI DEY
1991	0	0	Critical	SVI DEY
1992	0	0	Critical	SVI DEY
2008	152.8	0	Critical	CA Statewide Drought Emergency Declaration
2009	26.3	0	Critical	SVI DEY
2014	0	0	Critical	CA Statewide Drought Emergency Declaration
2015	27.9	0	Critical	SVI DEY
2016	52.0	0	Below Normal	CA Statewide Drought Emergency Declaration
2017	0	62.5	Wet	CA Statewide Drought Emergency Declaration
2021	12.3	0	Critical	CA Statewide Drought Emergency Declaration
Total Average:	35.4	3.9	-	-
M&I Portion³:	34.8	3.9	-	-

¹ SVI = Sacramento Valley Index

² Defining characteristic for drought emergency year, but individual year could be inclusive of other definitions

³ Assumes 98.3% of total PWA account is M&I (i.e. excludes Wheeler-Ridge)

Attachment C – List of Sites Participants (as of February 4, 2026)

Current Allocation of Active Sites Storage Space

(planning level estimates, subject to change)

Participant Name	Amendment 3 Participation Level	Amendment 3 Storage Allocation	% Available Storage ^{1,2,3}
Antelope Valley-East Kern WA	500	3,117	0.2%
City of American Canyon	4,000	24,936	1.8%
Coachella Valley WD	10,000	62,340	4.4%
Colusa County	10,000	62,340	4.4%
Colusa County WD	9,256	57,702	4.1%
Cortina WD	450	2,805	0.2%
Davis WD	2,000	12,468	0.9%
Desert WA	6,500	40,521	2.9%
	2,972	18,527	1.3%
	5,000	31,170	2.2%
	1,000	6,234	0.4%
	1,000	6,234	0.4%
	50,000	311,700	22.1%
	4,000	24,936	1.8%
Rosedale-Rio Bravo WD	500	3,117	0.2%
San Bernardino Valley Municipal WD	21,400	133,408	9.5%
San Geronio Pass WA	14,000	87,276	6.2%
Santa Clara Valley WD	500	3,117 9,351	0.2% 0.6%
Santa Clarita Valley WA	5,000	31,170	2.2%
Westside WD	5,375	33,508	2.4%
Wheeler Ridge - Maricopa WSD	3,050	19,014 12,780	1.3% 0.9%
Zone 7 WA	10,000	62,340	4.4%
State of California - Total Reclamation	n/a	244,000	17.3%
	n/a	128,020	9.1%
Available Storage Total		1,410,000	100.0%

At a glance:

- North of Delta – 19.4%
- South of Delta – 53.9%
- Reclamation – 9.1%
- State Prop 1 – 17.3%