Meeting Minutes
Meeting of the California Water Commission
Wednesday, June 17, 2026
California Natural Resources Building
715 P Street, Second Floor Media Room
Sacramento, California 95814

1. Call to Order
Commission Chair Fern Steiner called the meeting to order at 9:30 a.m.

2. Roll Call
Commissioners Curtin, Elliott, Gallagher, Hurt, Makler, Matsumoto, Solorio and Steiner were present, constituting a quorum.

3. Acknowledgement of California Native American Tribal Governments
This is an opportunity for elected Tribal leaders and formally designated Tribal representatives to identify themselves and to specify the agenda item(s) on which they will comment, as described in the Commission's California Native American Tribal Leadership Comment Policy. No Tribal leaders or representatives asked to comment.

4. Approval of May 20, 2026, Meeting Minutes
Commissioner Gallagher motioned to approve May 20, 2026, meeting minutes. Commissioner Solorio seconded the motion. All Commissioners present voted to approve the minutes.

5. Executive Officer's Report
Executive Officer Laura Jensen reported the May meeting saw attendance increase to 87 participants, up from April and just above the all-time average of 83. The turnout included 2 in-person attendees, 25 remote attendees, and 60 webcast viewers. While no verbal public comments were made, the Commission received one written comment regarding the California Water Plan.

6. Commission Member Report
There was no Commission Member Report.

7. Public Testimony

Public Comment from Ben King who requested that Commissioner Gallagher recuse herself from all Sites Project matters and votes due to her ties to RD108, a storage partner positioned to benefit from project funding and contracts.

Anthony Austin, Water Commission Legal Counsel, reviewed the matter and determined that no conflict of interest existed and advised that Commissioner Gallagher could continue to participate in items regarding the Sites Project if she so chose.

Public Comment from Regina Chichizola who requested that the California Water Commission adjust its schedule to avoid meeting simultaneously with the California State Water Resources Control Board and urged the Commission to prioritize future program funding for groundwater recharge in floodplains rather than traditional reservoirs. Lastly, they highlighted the dual benefits of groundwater storage for flood control and avoiding the high costs and environmental issues of reservoirs.

Commissioner Steiner acknowledged the importance of groundwater recharge but explained that legislative mandates strictly constrained where and how they could pursue projects. They stated they would review the current projects before them within those firm legal guidelines. Additionally, they offered to redirect the speaker's feedback to a more appropriate agency if necessary.

Executive Officer Jensen shared that a panel on groundwater recharge was being organized for the September meeting. They encouraged public participation and expressed hope that attendees would join the upcoming September session.

Public comment from David Linville who asked for clarification regarding the attorney's recent conflict of interest ruling and questioned whether a more detailed, accessible report of the assessment was available.

Mr. Austin stated that no written report existed to share and explained that under Government Code 1090 and the Political Reform Act, Commissioner Gallagher's property ownership did not constitute a conflict of interest. The Commission legal counsel finalized the decision but offered a follow-up call for further discussion.

8. Water Storage Investment Program Update

Water Storage Investment Program Manager Amy Young provided an update on the progress of projects in the WSIP and highlighted progress on the Sites Reservoir Project, noting that the Sites Project closed its draft water right comment period on May 22, anticipated a new draft in July, and expected a final order in September, with its 401 certification comment period open until June 26. For other projects, the Chino Basin Program EIR comment period closed on June 5 with board certification expected in July, while the Willow Springs project update was deferred to August. Finally, the Kern Fan Project executed its early funding agreement in April to begin its first reimbursement invoice, and Sac Sewer continued active construction on the Harvest Water Program.

Commissioner Solorio emphasized the importance of strong labor standards, requesting monthly or periodic updates on each project's prevailing wage compliance, local hire policies, or project labor agreements and suggested a future staff report to evaluate permitting agency processes, aiming to find efficiencies or parallel sequencing to help accelerate advanced projects. Finally, the Commissioner sought clarification regarding the specific public benefits obtained from the additional funding recently granted to the Harvest Water Program.

Commissioner Curtin inquired about the timeline and implications of the State Water Resources Control Board's 401 certification, specifically asking if it related to reduced water availability for the Sites Project and clarified that the program included four groundwater projects and had been underway since Proposition 1 in 2016 or 2018. Finally, the Commissioner questioned whether the State Water Resources Control Board would address the public comment regarding potential water rights conflicts in the Colusa Basin Drain.

Amy Young explained that the 401 certification was a Clean Water Act permit related to water quality, which worked in tandem with the Army Corps of Engineers' 404 permit and that both permits addressed different wetland impacts caused by the project.

9. Water Storage Investment Program: Sites Project Update and Virtual Tour

Jerry Brown, Executive Director for Sites Project Authority, reported about how much water could be stored if the Sites Project existed today and shared operations modeling simulations based on actual high-flow conditions in the Sacramento River over the past four years. It was stated the simulations demonstrated that a substantial amount of water had been available to capture for system uses, proving that the entire 1.5-million-acre-foot reservoir could have been filled in just one or two years during the 2023 and 2024 period. Mr. Brown noted that water rights were a key concern and confirmed to Commissioner Curtin that the issues Mr. King and another protestant raised regarding appropriations in the Colusa Basin Drain were being actively addressed through State Board proceedings and the draft order. Most other construction and operational clearances were already in place—including incidental take permits, biological opinions, streambed alteration agreements, the federal Section 106 Cultural Resources agreement, and the Reclamation record of decision. A contractor had been secured for the reservoir and roads, and they were finalizing the procurement of a construction manager at risk (CMAR) for the pump station and major pipelines, drawing strong interest and hosting site visits that week. With a 30% design successfully cleared by the Department of Safety of Dams, they updated their cost estimates and schedules to provide investors with the latest data before the Sites' board met the following week to authorize next-phase contracts.

Mr. Brown stated financing was secured and planned to proceed the following month to seek underwriting services for their interim financing needs, which would provide the bridge funding required to construct the project before refinancing it into longer-term debt through an EPA WIFIA loan, USDA loan, and other municipal bonds. Mr. Brown shared that they have nearly finalized the off-taker contracts, completed negotiations for the Reclamation Partnership Agreement for upcoming board approval, and prepared the Contracts for the Administration of Public Benefits (CAPBs) for presentation that day, while simultaneously working with facility partners to finalize agreements for the necessary water conveyances. It was emphasized their significant progress toward securing investor authority to sign contracts before transitioning back to the water right as California had not issued a water right of that magnitude in six decades and highlighted two levels of concern regarding the draft decision's conditions: a broader, statewide concern regarding how the permit related to the Bay Delta Water Quality Control Plan update, and three project-specific areas where they were analyzing impacts on public benefits to seek changes. Mr. Brown noted that over 50 comment letters echoing similar technical recommendations had been submitted by various state agencies and elected officials, and they were waiting in an ex-parte period for the State Water Resources Control Board's (SWRCB) closed-session deliberations with expectations to hear a response in July.

Mr. Brown reported that the building trades and the selected contractor, Barnard Construction, had successfully executed a Project Labor Agreement (PLA) on March 20, 2026 and all affiliated trades signed the agreement, the North Coast States Carpenters Union declined to participate; consequently, to ensure full coverage and maintain labor harmony, Barnard arranged for Ames Construction to perform all carpenter work under their existing master agreement with the union. This PLA was subsequently adopted as a template for all future alternative delivery contracts, and Mr. Brown noted that the union's previously raised concerns had been addressed to the satisfaction of the signing parties, even using the carpenters' former attorney to help resolve the issues. Mr. Brown highlighted the project's impact on the Colusa Basin Drain and used a map to explain that the proposed Dunnigan Pipeline would convey water from the Tehama-Colusa Canal to the drain—where it would flow via gravity to the Knights Landing Outfall Gates—clarifying that the project would only affect specific flat sections downstream of the Ballston Weir, where they were actively studying potential water pooling and quality concerns. Finally, regarding the timeline, the speaker outlined a fast-tracked schedule predicated on receiving a favorable revised draft water right by July 15th, which would launch a four-month investor commitment period to secure board approvals, targeting a final funding request by December and a construction launch in early 2027. They cautioned that if the draft water right conditions proved unfavorable, the project would face a two- to four-month pause to evaluate next steps, potentially pushing investor decisions out to April but keeping the overall seven-year construction phase on track for completion at the end of 2033.

Public comment from Ben King expressed concern that staff excluded the Dunnigan pipeline and major cost-benefit factors—such as significant ecological impacts and massive rerouting expenses—from their project evaluations and noted that the SWRCB failed to account for the appropriate water rights regarding flows from Stone Corral and Funks Creek.

Commissioner Steiner commented the original scoring procedure exclusively served to rank projects by expected public investment return rather than to determine feasibility, and the

Commission continually monitored project updates throughout the multi-stage evaluation process.

Commissioner Matsumoto asked for more information about the impacts of the draft water rights decision on the project and clarification regarding figures on the newly released water rights, actual diversion levels, or the optimal assumptions hoped to secure in the permit.

Mr. Brown stated the submitted comments to SWRCB included tables that detailed how each draft order condition affected overall water supply performance and project-specific diversion criteria degraded performance by an estimated 12% to 15% and the broader statewide Bay Delta Water Quality Control Plan elements resulted in a more significant 30% to 50% reduction.

Commissioner Matsumoto asked for clarification based on her findings from comparing the public benefits against the current contract terms and why the total ecosystem volume decreased by roughly two-thirds, changes in north and south of Delta water volumes, the removal of the Yolo bypass flows and a reduced benefit duration from 82 to 60 years resulted in a significant overall decrease.

Mr. Brown stated the intent was to maintain the overall value of the benefits, although water quantities shifted, the value of that water was not equal, as south of Delta refuge deliveries held a higher value than north of Delta. The overall goal remained focused on collaborating to replace the Yolo bypass levels using the same 17.3% reservoir capacity commitment, ensuring the project still achieved its conditionally awarded benefit value.

Commissioner Matsumoto commented the shift was driven by dollar valuations and their corresponding inflationary effects rather than water volumes alone, even though south of Delta benefits dropped from 34.6 thousand acre-feet per year over 82 years down to 22.6, north of Delta allocations increased considerably and this restructuring was an effort to balance the allocations with the specific monetary values assigned to the ecosystem benefit.

Mr. Brown commented the project metrics were driven by the financial valuations and reservoir capacity used to maximize potential and maintain funding and capacity from the investors' perspective, while the overall value of benefits was maximized. Additionally, all data was evaluated independently by the staff and finance team, and a back-and-forth iteration was conducted to ensure identical footing regarding final value and allocated capacity.

Commissioner Matsumoto inquired about the status of outreach to Tribes regarding the impacts from the footprint of the reservoir project.

Mr. Brown stated Tribal outreach continued following the completion of the AB 52 consultation for the CEQA document and the finalization of Reclamation's NEPA record of decision and Section 106 programmatic agreement. They stated that regular working group meetings were held over two years with the five Tribes affiliated with the reservoir's inundation area. It was

DRAFT

noted discussions focused on construction plans, adjusting feature placements to protect significant cultural resources, and evaluating appropriate methods to handle burials and artifacts in accordance with tribal interests.

Commissioner Curtin commented investors became far more focused as the project approached a critical phase and asked about the breakdown of those investors and sought to clarify the geographical distinction, defining north of the Delta as areas feeding into it and south of the Delta as areas that do not and what portion of the investors were based in Southern California and if they constituted major stakeholders in the project.

Mr. Brown stated total participation in the project for allocated storage capacity, south of Delta, north of Delta, and federal and state groups held about 55% of the total storage capacity in the reservoir and reclamation and the state shared about a third of that capacity.

Commissioner Curtin commented about 55% went south, which was a pretty significant amount despite the complex exchange issues, while about 10% remained in the north portion of the State and noted that the governor and Senator Padilla were mentioned, but noticed a lack of representation or specific water issues addressed for the South and raised questions about whether southern entities implicitly accepted the SWRCB determination.

Commissioner Solorio noted that many people resisted moving forward on both above-ground and below-ground water storage projects but expressed gratitude that both parties did their jobs to reach this point and raised a question regarding water rights and conditions, specifically asking for a reminder of the maximum amount of water designated as available to flow through the project.

Mr. Brown estimated the annual limit was in the 900,000 acre-feet range and that no more than about 900,000 acre-feet could flow through per year.

Commissioner Solorio emphasized the importance of monitoring correspondence from elected officials and requested that project staff clearly outline which counties would benefit from the water project and noted that despite the project being located up north, it would play a vital role in securing a local water supply for Southern California—particularly for major upcoming events like the Olympics and the World Cup. Additionally, Commissioner Solorio encouraged fast-tracking the timeline to target a full funding agreement early in December, pushed for inclusive labor outreach to secure formal agreements with the building trades and carpenters, and questioned whether any early water could be released prior to the final 2033–2034 construction completion date.

Commissioner Makler acknowledged the significant difficulty of managing numerous interested parties and moving projects forward in California, praising the team's responsiveness and ongoing Project Labor Agreement dialogues and confirmed that settling water rights with the SWRCB by September was the primary driver for the project's December financing schedule. It

DRAFT

was noted their expectation that the Commission would be the final entity to sign off on the funding package and verified that the counterparty universe consisted of 22 distinct water district off-takers (project participants).

Mr. Brown stated discussions were held regarding a potential restructuring where several north state parties would consolidate into the Zone 3 Flood Control Water Conservation District of Colusa County and under this proposed arrangement, 7 of the 22 current entities would be consolidated down to 1. This change would result in a single contract counterparty being established, while subcontracts would be maintained directly between those individual parties and Zone 3.

Commissioner Makler clarified that the consolidated entities would determine how to handle liability, specifically whether it would be joint and several or separated and mentioned that the 22 off-takers were making long-term service commitments to pay once the facility was completed, rather than making prepayments during construction. Mr. Brown confirmed Commissioner Makler's expectation that these firm agreements would serve as the foundational pieces of the financing package, which could then be pledged to raise capital through private lenders or the WIFIA program.

Mr. Brown stated several options for repayment were available, meaning participants did not all have to wait until the project was completed and operations began and explained that parties could choose to pay as they go, capitalize the interest and begin payments once operations started, or make payments as the interest accrued.

Commissioner Steiner assumed that many of those financial questions could not be answered until the water rights were officially finalized and noted that investors would not commit their capital until they had absolute certainty that the project would move forward.

10. Water Storage Investment Program: Sites Project State Agency Draft Contracts for the Administration of Public Benefits

Water Storage Investment Program Manager Amy Young provided an overview of the Contracts for Administration of Public Benefits (CAPBs).

Kristal Davis-Fadtke, Environmental Program Manager with the California Department of Fish and Wildlife (CDFW), provided a presentation which summarized the structure of the draft contract for the administration of public benefits complies with Proposition 1 regulations and highlighted the final contract framework established a 70-year term tied to cumulative water delivery volumes. Ms. Davis-Fadtke noted the initial 2017 technical review evaluated both Yolo Bypass flows and the Refuge Water Supply Program based on an 82-year monetization analysis, the bypass flows were ultimately removed from the contract due to joint determinations by CDFW and the Sites Project Authority that the action could cause unintended negative impacts to Delta smelt. Consequently, the final contract advanced solely with the refuge water supply

DRAFT

benefit, maintaining a similar long-term average to the original application but delivering increased volumes north of the Delta during dry and critical years. Ms. Davis-Fadtke noted these final metrics incorporated updated regulatory factors—including revised biological opinions, the State Water Project's Incidental Take Permit (ITP), and Term 23 water rights permit conditions—while using localized conveyance agreements, Lake Oroville exchanges, and partnerships with the Bureau of Reclamation and local water districts to secure dependable water delivery to both the Upper Butte Basin Wildlife Area and other regional refuges.

Ms. Davis-Fadtke outlined that moving water through the Delta required additional Wheeling agreements with the Department of Water Resources (DWR), as well as a donation agreement with the Bureau of Reclamation to accept and deliver refuge water under specified conditions. To guarantee capacity, the contract mandated that the project provide up to 17.3% of its base and downstream facility capacity to ensure water delivery targets were met. To account for future infrastructure impacts or changing conditions, specific criteria and adaptive management processes were established to allow flexibility in identifying and adding alternative wetland delivery areas. Ms. Davis-Fadtke explained the contract categorized operations into "benefit implementation actions" within the project's control (delivering water and capacity), and actions requiring external partners (negotiating conveyance and donation agreements) and progress would be monitored through annual reports and a 5-year adaptive management review cycle, using performance thresholds—such as a minimum cumulative delivery of 280,000 acre-feet by year 25—to trigger a formal reassessment if extreme hydrology or infrastructure issues caused the project to fall short.

Ms. Davis-Fadtke explained that if an adaptive management trigger was hit, the Sites Project Authority could submit a review report outlining how it planned to recover performance thresholds, or the parties could initiate a formal "meet and confer" process and if agreements could not be reached, or if the project failed to implement agreed-upon actions, CDFW could initiate a public benefit dispute process leading to potential litigation and specific performance. For long-term environmental response issues, parties could propose amendments to modify the project's benefits or thresholds for California Water Commission approval. The process aimed for specific performance to achieve the contracted public benefit, rather than a return of funds.

Jessica Boyt, Senior Environmental Scientist with DWR, reported on the project's recreation and flood control benefits, outlined in that the Sites Reservoir Project’s draft CAPB. The Reservoir is expected to attract approximately 187,000 visitors annually by offering diverse surface water recreation alongside camping, hiking, and sightseeing facilities. Ms. Boyt shared that the CAPB would be a 75-year draft contract with DWR and mirrored the structural and adaptive management frameworks established by the CDFW. The CAPB includes a phased development plan includes construction at the Stone Corral Recreation Area and a day-use boat launch, with the Peninsula Hills facilities to be added later as visitation increased. Ms. Boyt discussed performance thresholds required completing the initial recreation areas within 14 years of contract execution and achieving the targeted 187,000 annual visitors, evaluated using a 5-year running average starting six years after operations began. Ms. Boyt stated that if monitoring revealed that construction milestones or visitation goals were missed, a formal “meet-and-confer” process would be triggered to deploy adaptive management actions, such as shifting facility programming, conducting visitor barriers surveys, or launching targeted marketing strategies. Ms. Boyt detailed the flood control benefit, noting that the reservoir would capture stormwater from Funks Creek and Stone Corral Creek to lower flood risks for the town of Maxwell and surrounding agricultural zones, all under the long-term safety oversight of the DWR Division of Safety of Dams (DSOD). Ms. Boyt explained Exhibit C of the contract summarized how the project will provide flood control benefits through a comprehensive management plan regulating flows, ensuring dam safety, and reducing downstream risks and the framework mandated the development of this plan within six years and activated an adaptive management trigger to initiate corrective responses if milestones were missed or safety standards dropped.

David Okita, WSIP Engineer with DWR, reported the provisions of the CAPB will legally bind participants to cooperate during emergencies to supply the required water. The CAPB includes an adaptive management trigger if the project fails to provide at least 75% of its intermediate target volume during designated emergency years. Mr. Okita noted to remedy these shortfalls, adaptive management tools were introduced to encourage better future storage management and the recruitment of additional water suppliers. In response to a direct request from project participants, administrators began evaluating a mechanism to allow the early transfer of water from regional storage into local reservoirs during the initial stages of a drought, provided that the water was strictly reserved for emergency use.

Public comment from Ben King expressed concerns that the project's flood control plan failed to recognize the structural risk of drawdowns on unlicensed local dams or the catastrophic potential of a dam failure on Maxwell, Colusa, and the local casino and noted that the Bureau of Reclamation lacked conveyance rights below Balsam Dam, meaning the project's stated environmental benefits remained entirely dependent on the Sites Project Authority negotiating complex new flowage agreements.

Public comment from David Linville requested clarification if the modeling used was the CalSIM model 2 or if it was a more updated, contemporary version.

Mr. Okita stated it was Cal SIM 3.

Public comment from Ellen Weir expressed long-standing support for refuge water deliveries under the WSIP program but argued that the draft contract failed to adequately protect refuge beneficiaries. They objected to a proposed non-public process that would allow CDFW to change benefit locations and water volumes behind closed doors, demanding instead that any adjustments undergo a public notice, comment, and hearing process before the California Water Commission.

Public comment from Regina Chichizola expressed frustration that funding for the Sites Project Authority continued to rise, public benefits were systematically reduced and highlighted the elimination of the Yolo Bypass flow pulse, attributing it to severe water quality risks such as stagnant water, rising mercury and methylmercury levels, and toxic algae blooms. Ms. Chichizola claimed these conditions would ruin recreational benefits and heavily degrade fisheries, particularly as the authority's water rights permit allowed river diversions well into crucial spring and fall fish migration windows.

Commissioner Matsumoto commented on the ecosystem benefits, noting that the current contract quantities appeared to be only about a third of what was originally proposed in the 2017 application and expressed concern that these volumes could decrease even further because the current assumptions accounted for diversion levels but excluded potential impacts from the Bay-Delta Water Quality Control Plan. Consequently, the Commissioner questioned the timing and mechanism for addressing these potential reductions, highlighting a risk that the updates could lag significantly behind the Commission's upcoming funding decisions.

Ms. Davis-Fadtke clarified that the gross water volumes were about half of previous estimates and noted that these numbers could change based on the final water right permit. They emphasized that even if the project delivered only half of the contracted volume, it would still provide a net ecosystem improvement over current conditions.

Commissioner Matsumoto questioned how the Commission would manage the financial risk of investing dollars into a project where uncontrollable uncertainties threatened public benefit delivery and complicated the statutory valuation of ecosystem benefits and asked for an update on the status of the essential conveyance and donation agreements with the Bureau of Reclamation and DWR.

Commissioner Solorio commented on shifting project targets often occurred naturally due to updated information from state agencies, nonprofits, and elected officials and emphasized that any shared public funds must deliver an appropriate amount of public benefit in return, such as dedicated wetlands or emergency response water. The Commissioner asked the presenters if they knew of any other situations where emergency water was specifically earmarked by a set percentage or allowed to be transferred well beyond a standard 5-to-10-mile radius from its source.

Ms. Davis-Fadtke explained that areas where the project could successfully deliver water directly to refuge or wildlife area boundaries had been identified and noted that criteria were established to integrate additional wetland areas based on species needs, while leaving the internal distribution of the water to the discretion of local land managers.

Commissioner Gallagher expressed appreciation for the comprehensive adaptive management planning, noting how inspiring it was to see such a high level of flexibility designed to move water to the State's most vulnerable areas during severe droughts and requested clarification regarding slide number seven, specifically asking for a more detailed explanation of how the 17.3% base facilities capacity operated across the three proposed water routing pathways.

Ms. Davis-Fadtke explained that the base facility capacity functioned essentially as the State's dedicated storage allocation, which was guaranteed at 17.3% of the reservoir and noted that the Sites Project Authority would manage this account by maximizing the filling and drawdown of that specific percentage to achieve the highest possible delivery volumes and clarified that the 17.3% also applied to downstream capacity, meaning the state shared the available capacity in the Dunnigan pipeline and the Colusa Basin drain alongside other member agencies to successfully move water south to the designated South of Delta refuges.

Commissioner Makler emphasized that taxpayers were providing funds to secure critical public co-benefits—such as environmental protection, flood control, and emergency response—that would have otherwise been paid for by ratepayers and noted that if the project fell short of its contractual obligations, the designated remedy of specific performance would ultimately force the 22 off-takers or other participants to invest additional capital or accept lesser water allocations to make the state whole. The Commissioner questioned whether the 22 project participants were signing agreements that legally bound them to underwrite and fulfill these public benefit obligations if the Joint Powers Authority failed to deliver.

Mr. Okita characterized the benefits and obligations agreement as a direct contract between the Sites Project Authority and its individual participants and clarified that while the legal obligation to fulfill the public benefit agreement rested solely with Sites Joint Powers Authority, the incorporation of specific drought provisions would legally bind both the participants and the authority to cooperate jointly to achieve those targets.

Commissioner Makler questioned whether the California Water Commission possessed third-party beneficiary rights to directly enforce agreements against the 22 project participant (also referred to as off-takers) and the Bureau of Reclamation if the Sites Project Authority failed to do so and asked if CDFW agreements contained specific requirements to ensure those participating entities legally stood behind the obligations made to secure taxpayer funding.

Ms. Davis-Fadtke explained that participants, including the Bureau of Reclamation, signed their contracts with full awareness of the project's public obligations, which directly factored into their resource allocations and noted that while the draftCAPB did not explicitly reference these external agreements, the emergency response framework might do so because it required a more active role from the participants.

The Commission broke for lunch.

A virtual tour of the Sites Project was presented.

Public comment from Ben King noted that members of the Pawtwin and Yocha Dehe Wintun Nation opposed the proposed recreational areas due to the presence of ancestral burial sites and cultural artifacts. They explained that local districts lacked the legal rights to convey stored water through existing drainage easements, warning that landowners and environmental groups would likely seek injunctions over property rights, potential flooding, and severe water quality risks like methylmercury and toxic algae blooms.

Public Comment from Regina Chichizola argued that while the project had received over $1 billion in public funds from Proposition 1, its promised environmental and public benefits had steadily decreased due to severe water quality risks and overblown delivery projections and urged the Commission to reconsider the investment, noting that the project would ultimately harm local Tribes, salmon, and communities while failing to provide verified, hard numbers to prove its benefits outweighed the negative impacts.

Public comment from Wes Strong expressed opposition to the Sites Project.

11. Water Storage Investment Program: Sites Project Consideration of Supplemental Funding Determination (Action Item)

Water Storage Investment Program Manager Amy Young presented the staff recommendation for increasing the Sites Project's conditional funding by $268.9 million to a new total of $1.36 billion, citing inflation-related cost increases of 66.7% since 2015 and the addition of a new $200 million emergency response benefit. While contract terms were reduced to 75 years for flood/recreation and 70 years for ecosystem benefits, updated calculations and 30% design completion prompted the proposal to use uncommitted program funds. Ms. Young explained the Commission can choose between approving, reducing, denying, or delaying the supplemental funding determination, with a final funding award still contingent on outstanding water rights permits.

Public comment from Ben King expressed support for the project and questioned why the Commission had not considered the project's own quarter-billion-dollar pricing for extending the pipeline to the river, a move likely driven by missing easement rights and unresolved water quality threats like methylmercury, high temperatures, and harmful algal blooms. He urged the Commission to approve funding but demanded rigorous oversight regarding these environmental risks and potential impacts on local rice farmers and salmon.

Public comment from Dan Branton expressed support for additional water storage but warned that the Sites Reservoir project was in jeopardy due to unqualified leadership and irresponsible fiscal oversight. They criticized the Sites' board for repeated Brown Act violations and for use a biased group of experts who selected an out-of-state contractor with no local workforce ties, negatively impacting local economies. Furthermore, they highlighted that the contractor's proposed contract changes shifted financial risks onto California taxpayers and pointed out the failure to fully secure critical water rights. Ultimately, the speaker requested that the item be tabled and requested an independent audit of the Sites Project Authority's actions and decisions.

Public comment from Katja Irvin expressed concern over Valley Water's increasing investment in the Sites Reservoir, fearing a repeat of the costly, unproductive outcomes seen with the Los Vaqueros and Pacheco Project. They argued that the project would not provide good value for local ratepayers, especially as construction costs inevitably rise alongside looming uncertainties regarding water rights and participant contracts. They questioned the validity of applying the same inflation rates to public benefits—such as south of Delta wildlife refuge water—as to construction costs.

Public comment from Layne Fajeau, with Sierra Club, criticized the Sites Project Authority's flawed financial analysis, noting project costs had nearly doubled from $4 billion to $7 billion and argued that the authority's request for an additional $270 million in inflationary funds—following a $220 million request the prior year—represented an expensive bailout for mismanagement rather than minor miscalculations. They warned that the project would destroy at least 144 tribal cultural sites, increase methylmercury contamination, and drive endangered species toward extinction.

Public comment from Regina Chichizola stated that the project would continue demanding more funding for diminishing public benefits, essentially privatizing water for out-of-region investors while leaving the State with nothing concrete. They argued that local communities would shoulder the actual environmental and economic harms—such as ruined fishing and recreational opportunities—while receiving none of the rewards. They opposed the use of general public taxpayer funds for what they termed an escalating boondoggle, asserting that all financial risks should instead be borne by the specific ratepayers receiving the actual water.

Public comment from Caty Wagner protested that granting an additional $270 million would push total taxpayer support to $1.36 billion for a project that failed to provide a new water source and was unaffordable for state water contractors. They condemned the nearly $500 million in cumulative inflationary requests over a few years, arguing it allowed the project to lowball initial costs and violated the 'beneficiary pays' principle by forcing general taxpayers to subsidize regional ratepayer benefits and demanded the Commission answer for these hidden, compounding costs during a time of brutal consumer unaffordability.

Public comment from Rebecca Eisenberg compared the project's issues to the financial irregularities and lack of transparency previously seen at the Pacheco project, noting the problems at Sites were much larger and argued that the alleged benefits—such as flood control—lacked scientific backing and that the cost overruns far outpaced actual inflation rates. They condemned the project as an irrational expenditure that would destroy ecosystems and Indigenous lands, calling the funding a decision to throw good money after bad.

Public comment from Peter Van Dyke argued that traditional surface reservoirs were an antiquated, 20th-century concept unsuited for an arid climate with high evaporation rates and rapid development and warned that water quality in the Sites Reservoir would inevitably degrade, likely requiring costly treatment that would limit its usability. They urged the

Commission to pivot toward modern, 21st-century technologies—such as wastewater recycling, water harvesting, and groundwater storage—citing successful international models like Israel and the UAE as superior alternatives.

Public comment from Penelope LePome opposed granting additional funds to the Sites Reservoir project, predicting that an ongoing inflationary period would drive the authority to repeatedly return for more taxpayer money. They expressed concern that the project would fail to generate any new water while causing widespread environmental degradation across multiple regions. Instead, the commenter advocated for water purification and recycling initiatives—such as advanced tertiary filtering to make existing supplies drinkable—as a significantly more responsible and sustainable use of public funds.

Mr. Brown expressed no regret regarding the allocation decision, noting that funds could easily be redirected if the project failed prior to final approvals and emphasized that moving forward would signal strong commitment to regional partners. They warned that project delays escalate costs by $20 million every month and addressed previous fiscal concerns by confirming that their budget was currently underrunning, ensuring sufficient financial runway alongside committed federal reclamation funds.

Commissioner Gallagher commented regarding the supplemental funding determination, one of the conditions was that it would help with the timely completion of the project and asked if staff were recommending this approval because that specific factor was expected to help the project progress in a timely fashion.

Ms. Young confirmed that the condition came from their recently augmented regulations as a item to consider and verified that their recommendation for approval was based on a comprehensive review of all factors and that providing this supplemental funding would successfully help the project continue its path toward construction in a timely manner.

Commissioner Makler supported the allocation, noting that while it was not a 'no-regrets' decision given alternative funding options, the complex project was essential for surface storage in a changing climate. He emphasized that the funding would signal critical support to the 22 off-takers, from whom they expected a robust commitment to stand behind the project and its inherent co-benefits. While acknowledging the public commenters' valid concerns regarding affordability, the Commissioner concluded that inflation was an unavoidable reality for all capital projects rather than a failure of project leadership.

Commissioner Matsumoto noted that municipal and industrial (M&I) deliveries were destined for south of Delta participants, with only one exception and expressed concern over the heavily weighted assumptions used to calculate these dollar values, pointing out that south of Delta water carried a significantly higher financial valuation than north of Delta water. While acknowledging that assumptions were necessary for these calculations, Commissioner Matsumoto requested a mechanism to ensure the final balance of distributed benefits

DRAFT

accurately reflected what the public was paying for, preventing a scenario where water shifts unexpectedly altered the project's economic output.

Commissioner Hurt expressed support for the staff's recommendation following extensive research and a review of the various presentations and noted it was determined that partner confidence must be signaled by ensuring the funds are prepared and ready for use, thereby encouraging continued investment in the project due to its statewide benefits.

Commissioner Solorio moved to adopt the staff recommendation for the Sites Project supplemental funding determination for additional funding amount of $268,904,043. Commissioner Gallagher seconded the motion. All Commissioners voted in favor.

12. Consideration of Items for Next California Water Commission Meeting

At the August meeting, the Commission will receive its quarterly WSIP update and the third State Water Project briefing of the year. The Commission will hear an update on California Salmon Strategy for a Hotter, Drier Future and learn about DWR's Vision for the San Joaquin Valley.

13. Adjourn

The Commission adjourned at approximately 2:53 PM.

DRAFT