



September 13, 2023

Lisa M. Butler
Community Facilities Programs Director
Rural Development
United States Department of Agriculture
3530 W. Orchard Ct.
Visalia, CA 93277
Sent via email only

Subject: Sites Project Authority Request for Extension of Letter of Conditions for a Community Facilities Program Loan to Construct the Maxwell Water Intertie

Dear Lisa:

The Sites Project Authority (Sites Authority) is writing to express and demonstrate its continued commitment to developing the Maxwell Water Intertie (MWI) alongside the Sites Reservoir Project (Project). The Sites Authority received a letter of conditions dated September 1, 2022, from the U.S. Department of Agriculture (USDA) relating to a USDA loan of \$449,559,000. This letter, along with the body of work completed to date in developing the Project, represents the Sites Authority's commitment to advancing the MWI and working with USDA Rural Development to make the necessary adjustments to extend the date by which the USDA Loan needs to be executed to reflect the most current updated Project schedule.

The project and agency background information, along with the review of funding sources provided within the remainder of this letter, demonstrates the Sites Authority's commitment to advancing the MWI.

This letter is a formal request to extend the effective date of the Letter of Conditions by five years (i.e., from September 26, 2023, to September 30, 2028) through an administrative staff action. H.R. 2617 was passed in 2022 which set appropriations and allocations for the 2023 fiscal year. Section 780 of the bill states that Rural Community Facilities Program funding will remain available through fiscal year 2028. Based on the current schedule and updated funding timeline in H.R. 2617, the Letter of Conditions may need to be updated again prior to execution of the loan agreement as construction is not anticipated to be complete until September of 2029.



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530.438.2309

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Project and Agency Background

The Congress of the United States of America and the California State Legislature have declared that the Sacramento-San Joaquin Delta watershed and California's water infrastructure are in crisis, and they have encouraged regional and local public agencies to form joint powers authorities to improve the operation of the State of California's water system. The Project has been identified by the State and the federal government as an important component of integrated water management in the Sacramento River watershed that could support the state's co-equal policy to improve water management and restore the ecological health for beneficial uses of the Sacramento-San Joaquin Delta and the Sacramento River Watershed in a manner consistent with the CALFED Bay-Delta Programmatic Record of Decision and Environmental Impact Report/Environmental Impact Statement.

The Sites Authority was formed in 2010 as a joint exercise of powers agency duly organized and existing under and pursuant to the Constitution and laws of the State and a fourth amended and restated Sites Project Authority Joint Exercise of Powers Agreement, dated November 21, 2016 (JPA Agreement) and governed by an Authority Board for the purpose of developing the Project. The JPA Agreement provides the mechanism for project agreements to undertake specific work activities to develop the Project and commits the signatories to certain Project cost obligations. The Project Participants, which include water agencies, cities, counties, and districts, participate in the development of the Project through a Reservoir Committee. The Reservoir Committee currently acts in an advisory and funding capacity to the Authority Board.

The Sites Authority released a Draft Environmental Impact Report/Draft Environmental Impact Statement in 2017, received comments, and proceeded to define a more affordable, permittable, and buildable Project through the value-planning process that culminated in the April 2020 approval of the value-planning report and the decision to recirculate the draft environmental documents. While the value-planning report adjusted project facilities, there was a commitment to continued delivery of the Project.

As a showing of organizational and governance commitment to the Project, the Sites Authority unanimously adopted a Strategic Plan in December 2020 to update the Sites Authority's mission to build and operate a climate-resilient, 21st-century water storage system to responsibly manage and deliver water, improve the environment, and provide flood control and recreation benefits. Since then, the Sites Authority has advanced the design of the Project through engineering and field explorations and have completed a Feasibility Project Cost Estimate for the Project, which was recommended for approval by the Reservoir Committee and unanimously adopted by the Sites Authority on June 23, 2021. The Sites Authority anticipates reaching a 30% design level in mid-2024.



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A Revised Draft Environmental Impact Report/Supplemental Draft Environmental Impact Statement (RDEIR/SDEIS) was released for public review and comment on November 12, 2021 with respect to the Project. The Sites Authority and Reclamation are collaborating to prepare the Final Environmental Impact Report/Environmental Impact Statement (Final EIR/EIS) and anticipate publishing the document in October 2023. The Authority is also progressing through the process of securing a water right for the Project.

In November 2021, the Sites Authority submitted the Final State Feasibility Report and 75% Non-Public Cost Share Materials to the California Water Commission (CWC) staff to satisfy the Proposition 1 eligibility requirements as part of the Water Storage Investment Program (WSIP). In December 2021, the CWC determined the Project to be feasible – deeming the project eligible for the full WSIP final award.

The MWI is a portion of the Sites Reservoir project and provides for the transfer of water between the Glenn-Colusa Irrigation District's (GCID's) main canal and the Tehama-Colusa (TC) Canal, the two major canal systems west of the Sacramento River. The transfer capability will increase water supply resiliency and reliability for participating water agencies, providing direct benefits to agriculture and indirect benefits to rural communities. In August of 2023, an update of the Preliminary Engineering Report for the MWI Project was completed and submitted to USDA. Construction on the MWI is expected to start in February 2025 with substantial completion by September 2029.

Consistent with the USDA's Nationwide Programmatic Agreement, the Sites Authority has initiated the activities called for in Section 3.7.2.2 of the Final EA. The Sites Authority prepared the confidential Sites Reservoir Project Cultural Resources Report based on prior study information, updated records searches, and historical map research. The confidential Report was prepared to inform the Sites Authority's Sites Reservoir Project, which also includes the MWI Project area. The effort to identify cultural resources for the confidential Report included a review of state inventory records searches at the California Historical Resources Information Center (CHRIS), Sites Authority and DWR records, Native American consultation and historical societies outreach, archival and public records research, previous archaeological field survey, and previous historical resources surveys and evaluations applicable to the study area. The Sites Authority has also initiated discussions and consultation with Native American Tribes under State Assembly Bill 52 on the overall Sites Reservoir Project which also includes the MWI Project area. These discussions and consultations are ongoing. The Sites Authority's Board of Directors recently approved land access agreements and the Sites Authority is pursuing obtaining land access to complete on-the-ground surveys in the coming years. Any properties identified during surveys will be recorded and evaluated, applying National Register Criteria, 36 CFR 60.4.



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Project Funding Sources

1. Project Members

Building on the contributions already received from the Project Members and Authority Board to date under the JPA Agreement and various project agreements, the Reservoir Committee unanimously recommended, and the Authority Board unanimously approved, a third amendment (Amendment 3) to the 2019 Reservoir Project Agreement (Project Agreement) in September 2021 to fund work through December 31, 2024. Each Project Member has worked with its respective home agency to execute the Project Agreement.

Project Members' approval of the Project Agreement and Work Plan represents a significant milestone in progressing the Project. This level of coordinated, stepwise partnering among local, state, and federal investment is exactly the approach that Congress and the State Legislature framed in establishing their related actions and directions for this new way of developing these multi-benefit and multi-agency statewide storage projects.

2. Federal Funding

The Final Federal Feasibility Report was submitted to Congress on December 22, 2020, and the Secretary of Interior made the determination of federal feasibility and federal investment of up to a 25 percent cost share under the Water Infrastructure Improvements for the Nation (WIIN) Act. These funds represent another source of committed cost share for the Project benefits. In December 2022 following the conclusion of a federal feasibility addendum, the Mid Pacific Region Director submitted a letter to the Sites Authority expressing an interest in participating in the Project at a 16 percent cost share. In May 2023, the Sites Authority increased Reclamation's share of the Project from 7% to 9% based on adjustments to Sites Reservoir's deadpool and surveyed reservoir size.

In addition to federal investment through the WIIN Act, the Sites Authority is pursuing federal low-interest loans to cover Project costs. These loans include a USDA Rural Development Loan (the subject of this letter, as discussed above) for the MWI and an EPA WIFIA loan for all eligible components of the Sites Reservoir Project.

In July 2021, the Sites Authority submitted a letter of interest under the Water Infrastructure Finance and Innovation Act (WIFIA) to the U.S. Environmental Protection Agency (EPA) declaring the Sites Authority's interest in participating in the WIFIA loan program. In March 2022, the EPA invited the Sites Authority to apply for a WIFIA loan up to 49% of eligible project costs (EPA WIFIA loan is currently estimated to be approximately \$2.2 billion for eligible components of the Sites Reservoir Project). The Sites Authority submitted the full WIFIA Application on March 30th, 2023 and plans to be ready to execute a WIFIA Master Agreement with EPA as early as mid 2024.



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3. State Funding

The State of California provides funding for Project development activities through an Early Funding Agreement administered by the California Water Commission (CWC) under Proposition 1 Water Storage Investment Program (WSIP). In December 2021, the CWC deemed the Project eligible for the full WSIP final award. The previous and ongoing agreements, expenditures, and Project development since the 2018 letter of conditions, together with the ongoing statewide and diverse partnerships among local, state and federal agencies, demonstrate an established commitment of cost-sharing that is expected to endure through the Project securing full funding.

Summary

In summary, this letter is a formal request to extend the effective date of the Letter of Conditions five years (i.e., from September 26, 2023, to September 26, 2028) which we understand to be an administrative action, not requiring Congressional approval. Thank you in advance for your continued support. The Sites Authority is committed to continuing to partner with the State and Federal government to develop this generational Project.

Sincerely,



Jerry Brown, Executive Director
Sites Project Authority

