



October 28, 2020

Mr. Matt Young
Water Agency Manager
Santa Barbara County Flood Control and Water Conservation District
130 E. Victoria Street, Suite 200
Santa Barbara, CA 93101

Eric Friedman
Chairman

Ed Andrisek
Vice Chairman

Ray A. Stokes
Executive Director

Brownstein Hyatt
Farber Schreck
General Counsel

Member Agencies

City of Buellton

Carpinteria Valley
Water District

City of Guadalupe

City of Santa Barbara

City of Santa Maria

Goleta Water District

Montecito Water District

Santa Ynez River Water
Conservation District,
Improvement District #1

Associate Member

La Cumbre Mutual
Water Company

Re: Amendment No. 21 (The Water Management Amendment) to the State Water Contract

Dear Matt:

I am writing to request that the Santa Barbara County Flood Control and Water Conservation District (District) execute Amendment No. 21 (The Water Management Amendment) to the State Water Contract between the Department of Water Resources (DWR) and the District in accordance with the 1991 Transfer of Financial Responsibility Agreement between the District and CCWA and transmit the executed amendment to DWR before December 31, 2020.

As you know, on September 4, 2020, DWR presented the Water Management Amendment to our agencies for execution. (Email from D. Rizzardo to F. Crease and R. Stokes, September 4, 2020, attached to this letter.) The CCWA Board of Directors considered the Water Management Amendment at its September and October meetings and approved the amendment on October 22, 2020 and also made responsible agency findings pursuant to CEQA and adopted CEQA Findings and Statement of Overriding Considerations. (See CCWA Resolution 20-01, attached to this letter.) A copy of The Water Management Amendment is attached as Exhibit B to Resolution No. 20-01.

As described in more detail in my attached October 14, 2020 staff report to the CCWA Board of Directors, the existing State Water Contract allows transfers in a limited and specific manner and therefore is rarely utilized. In addition, while the contracting public water agencies (PWA(s)) may engage in bona fide exchanges of water with other PWAs, the State Water Contract lacks specificity regarding the parameters. As a result, DWR has considered proposed exchanges of water between PWAs on a case by case basis, which has provided less certainty for PWA planning purposes.

Consequently, beginning in earnest in February 2018, DWR and the PWAs worked together to find solutions to develop water supply management practices to enhance management flexibility for SWP water supplies in a changing environment. The Water Management Amendment, which results from that effort, supplements and clarifies the provisions of the State Water Contract related to water transfers and exchanges within the State Water Project service area to improve water management capabilities and options. The proposed amendment does not increase State Water Project diversions or change State Water Project operations. The Water Management Amendment creates numerous benefits for CCWA's participating local

agencies and their ratepayers, and thus for all of Santa Barbara County, including by:

- Creating new tools and enhanced flexibility to respond to changes in hydrology and increasing constraints on DWR's operation of the State Water Project;
- Increasing certainty for water managers by clarifying existing practices and providing rules for implementing transfers and exchanges;
- Ensuring transparency of transfers and exchanges and avoidance of harm; and
- Potentially increasing opportunities for and benefits associated with conjunctive management of surface and groundwater supplies in the state.

For all of these reasons, CCWA's Board of Directors *unanimously* approved the Water Management Amendment and has directed me to obtain the District's execution.

Please deliver the District's executed Water Management Amendment to DWR **before December 31, 2020**. As provided by the Water Management Amendment (see p. 20), the amendment will become effective when 24 PWAs sign it. If any PWA has not executed the amendment within 60 days of the effective date, the amendment is not effective as to that PWA, unless DWR, in its discretion, and the PWA later execute the amendment. Accordingly, to ensure that the amendment, and the water management benefits that it provides, becomes effective as to CCWA, the Water Management Amendment should be executed by the District as soon as possible.

If you have any questions or require any additional information, please let me know.

Sincerely,



Ray A. Stokes
Executive Director

cc: Santa Barbara County Board of Supervisors
Das Williams, First District
Gregg Hart, Second District
Joan Hartmann, Third District
Peter Adam, Fourth District
Steve Lavagnino, Fifth District
Karla Nemeth, Director, Department of Water Resources
Pedro Villalobos, Chief, Water Contracts Branch, State Water Project
Analysis Office
James (Tripp) Mizell, Office of the Chief Counsel, Department of Water
Resources

(Continued next page)

cc: Jennifer Pierre, State Water Contractors
CCWA Board of Directors
Eric Friedman, Chair, City of Santa Barbara
Ed Andrisek, Vice Chair, City of Buellton
Farfalla Borah, Goleta Water District
Jeff Clay, Santa Ynez River Water Conservation District, ID #1
Shirley Johnson, Carpinteria Valley Water District
Gina Rubalcaba, City of Guadalupe
Etta Waterfield, City of Santa Maria
Floyd Wicks, Montecito Water District
CCWA Operating Committee
Mike Alvarado, La Cumbre Mutual Water Company
Paeter Garcia, Santa Ynez River Water Conservation District, ID #1
Rose Hess, City of Buellton
Robert McDonald, Carpinteria Valley Water District
John McInnes, Goleta Water District
Pernell Rush, Vandenberg AFB 30 CES/CEOEO 1028
Shad Springer, City of Santa Maria
Shannon Sweeney, City of Guadalupe
Cathy Taylor, City of Santa Barbara
Nick Turner, Montecito Water District
Matt van der Linden, City of Solvang
Mona Miyasato, County Executive Officer, Santa Barbara County
Tom Fayram, Deputy Director, Santa Barbara County Public Works Dept.
Johannah Hartley, Deputy County Counsel, Santa Barbara County

Attachments:

1. September 4, 2020 Email from D. Rizzardo to F. Crease and R. Stokes
2. CCWA Resolution 20-01 (1) Approving Amendment No. 21, and (2) Making Responsible Agency Findings Pursuant and Adopting CEQA Findings And Statement Of Overriding Considerations
3. October 14, 2020 Staff Report Re. Amendment No. 21 from R. Stokes to CCWA Board of Directors (w/o attachments)
4. CCWA Notice of Determination

Ray Stokes

From: Rizzardo, David@DWR <David.Rizzardo@water.ca.gov>
Sent: Friday, September 4, 2020 11:37 AM
To: Ray Stokes; fcrease@co.santa-barbara.ca.us
Cc: Edwards, James@DWR
Subject: State Water Project Water Supply Contract Water Management Amendment - Santa Barbara Flood Control and Water Conservation District
Attachments: Santa Barbara.pdf

Ms. Crease and Mr. Stokes

Attached to this email is an execution version of the State Water Project Water Supply Contract Water Management Amendment between your agency and the Department of Water Resources.

The execution version of the amendment is based on the Agreement in Principle, dated May 20, 2019. The Department certified the related Final EIR on August 25, 2020 and filed a Notice of Determination with the State Clearinghouse on August 28, 2020 for this amendment. You can find a copy of the Final EIR and the NOD here: <https://water.ca.gov/News/Public-Notices/2020/August/SWP-Water-Supply-Contract-EIR>

Please review this execution version and, when your agency is ready to sign, let James Edwards know (please reference the Water Management Amendment) and an execution version within DocuSign will be prepared and routed. If you prefer to have wet signatures, please let James know and a hard copy of this execution version can be mailed to your agency. DWR will later send an execution version to you as part of your agency's consideration of this proposed project. James Edwards can be reached at james.edwards@water.ca.gov or by phone at (916) 653-1073.

David Rizzardo, P.E.

Supervising Water Resources Engineer
Chief, Water Contracts Branch | State Water Project Analysis Office

****Please note: In response to COVID-19 I am teleworking. ****

To leave voice message: (916) 653-9593 | Direct calls to my cell: (916) 494-3629 (no voice mail)

Please make sure to email me as well: David.Rizzardo@water.ca.gov



**CALIFORNIA DEPARTMENT OF
WATER RESOURCES**

RESOLUTION NO. 20-01

**A RESOLUTION OF THE BOARD OF DIRECTORS OF
THE CENTRAL COAST WATER AUTHORITY
(1) APPROVING AMENDMENT NO. 21 (WATER MANAGEMENT
AMENDMENT) TO THE WATER SUPPLY CONTRACT BETWEEN THE
STATE OF CALIFORNIA DEPARTMENT OF WATER RESOURCES
AND SANTA BARBARA COUNTY FLOOD CONTROL AND WATER
CONSERVATION DISTRICT; AND
(2) MAKING RESPONSIBLE AGENCY FINDINGS PURSUANT TO
CEQA FOR THE FINAL ENVIRONMENTAL IMPACT REPORT FOR
AMENDMENT NO. 21, AND ADOPTING CEQA FINDINGS AND
STATEMENT OF OVERRIDING CONSIDERATIONS**

WHEREAS, in 1963, following the voters' 1960 approval of the California Water Resources Development Bond Act, the Santa Barbara County Flood Control and Water Conservation District (District) and the Department of Water Resources (DWR), acting on behalf of the State of California, executed that certain agreement dated February 26, 1963 for the supply and delivery of State Water Project (SWP) water to Santa Barbara County (State SWP Contract); and

WHEREAS, the SWP Contract is substantially identical to agreements between DWR and 28 other public water agencies in California;

WHEREAS, on November 12, 1991, the District and the Central Coast Water Authority (Authority) entered into the Transfer of Financial Responsibility Agreement whereby the Authority assumed full responsibility for all of the District's obligations pursuant to the SWP Contract, and said agreement also contemplates a future assignment of the SWP Contract to the Authority; and

WHEREAS, to date, the SWP Contract has not been assigned to the Authority, therefore the District remains the contracting party to the SWP Contract; and

WHEREAS, to date, the SWP Contract has been amended on numerous occasions since its execution; and

WHEREAS, under the existing SWP Contract, water transfers are permitted in a limited and very specific manner, resulting in their infrequent use, and the parameters for exchanges of water, while allowed, lack specificity and clear guidance, which impede planning; and

WHEREAS, the Authority, along with other public water agencies with SWP Contracts (PWAs) conducted a series of public negotiations with DWR with the goal of agreeing on concepts to supplement and clarify the existing water transfer and exchange provisions of the SWP Contracts to provide improved water management; and

WHEREAS, in June 2018, PWAs and DWR agreed upon an Agreement in Principle (AIP), which included specific principles to clarify and enhance the terms of the

SWP water supply contract related to water transfers and exchanges to improve water management capabilities and PWA options; and

WHEREAS, in October 2018, DWR circulated a Draft Environmental Impact Report (2018 DEIR) that considered impacts related to the AIP, which at that time also included certain cost allocation sections for the California WaterFix project (WaterFix); and

WHEREAS, in early 2019, Governor Newsom decided not to move forward with California WaterFix and DWR rescinded its approvals of the AIP project. The PWAs and DWR subsequently held a public negotiation and agreed to remove the WaterFix cost allocation sections from AIP, but to retain the water management provisions, and the AIP was finalized on May 20, 2019; and

WHEREAS, the proposed amendment to the SWP Contract for consideration by the Board (Amendment No. 21 – The Water Management Amendment) articulates in contract language the principles of the final AIP; and

WHEREAS, DWR is the lead agency pursuant to the California Environmental Quality Act (CEQA) for the Amendment No. 21 project which is called the “State Water Project Supply Contract Amendments for Water Management” (Project), pursuant to CEQA (Pub. Res. Code §§ 21000, et seq.) and the State CEQA Guidelines (14 CCR §§ 15000, et seq.). As the lead agency, DWR is responsible for assuring that an adequate analysis of the Project’s environmental impacts is conducted; and

WHEREAS, on February 28, 2020, DWR issued a Partially Recirculated Draft Environmental Impact Report (DEIR) for the Project, which was circulated for public review for 94 days through June 1, 2020; and

WHEREAS, DWR prepared a Final Environmental Impact Report for the Project, which included the DEIR, appendices, comments on the DEIR, responses to comments on the DEIR, and revisions to the DEIR (collectively, FEIR); and

WHEREAS, on August 25, 2020, DWR certified the FEIR, adopted CEQA Findings of Fact and Statement of Overriding Considerations and approved the Project; and

WHEREAS, the FEIR concluded that the Project would have significant and unavoidable impacts to groundwater hydrology and water quality, and cumulatively considerable and unavoidable impacts to groundwater supplies and subsidence. As such, DWR adopted CEQA Findings of Fact and Statement of Overriding Considerations for the Project (attached as **Exhibit “A”**); and

WHEREAS, the Authority and DWR propose to amend the SWP Contract by approving Amendment No. 21 (The Water Management Amendment) attached as **Exhibit “B”** to this Resolution, the environmental effects of which were studied in the FEIR; and

WHEREAS, the Authority is a responsible agency and has more limited approval and implementing authority over Amendment No. 21 than does the DWR; and

WHEREAS, the Board of Directors of the Authority, at its scheduled public meetings on September 24, 2020 and October 22, 2020 independently reviewed and

considered the FEIR, DWR's CEQA Findings of Fact and DWR's Statement of Overriding Considerations, and other related documents and evidence in the record before it; and

WHEREAS, all the procedures of CEQA and the State CEQA Guidelines have been met, and the FEIR prepared in connection with the Project is sufficiently detailed so that all the potentially significant effects of the Project and the Amendment on the environment and measures feasible to avoid or substantially lessen such effects have been evaluated in accordance with CEQA; and

WHEREAS, as contained herein, the Authority has endeavored in good faith to set forth the basis for its decision on the Amendment.

NOW, THEREFORE, BE IT RESOLVED as follows:

SECTION 1.

The above recitals are true and correct and are incorporated herein as though set forth in full.

SECTION 2.

Based on the findings set forth herein, the Board of Directors approves Amendment No. 21 (The Water Management Amendment) to the SWP Contract, which is attached hereto and incorporated herein as **Exhibit "B."** This resolution constitutes complete and final agreement by the Authority to be bound by the terms of Amendment No. 21 (The Water Management Amendment) to the Contract and this Resolution shall take effect immediately.

SECTION 3.

The Board of Directors hereby authorizes the Executive Director to transmit Amendment No. 21 to the District for the District's execution and delivery of Amendment No. 21 to DWR in accordance with the provisions of the Transfer of Financial Responsibility Agreement between the Authority and the District.

SECTION 4.

A. The FEIR prepared for the Project, which can be found at <https://water.ca.gov/News/Public-Notices/2020/August/SWP-Water-Supply-Contract-EIR>, is hereby received by the Board and incorporated herein by this reference.

B. Pursuant to State CEQA Guidelines section 15096 and in its limited role as a responsible agency under CEQA, the Board of Directors has reviewed and considered the FEIR, as well as DWR's certification of the FEIR and approval of the Project, and DWR's CEQA Findings of Fact and Statement of Overriding Considerations, and the Board incorporates those items herein by reference. As to those resources within the Authority's power and authority as a responsible agency under CEQA, the Board exercises its independent judgment and finds that the FEIR contains a complete, objective and accurate reporting of the Amendment's impacts.

C. Exercising its independent judgment, the Board adopts the CEQA Findings of Fact and Statement of Overriding Considerations, attached hereto as **Exhibit "C"** and incorporated herein by this reference. The Board further finds that there are no feasible mitigation measures or alternatives within its authority that would substantially lessen or avoid any significant effects that the Project would have on the environment, for the reasons explained in the FEIR and in CCWA's CEQA Findings of Fact and Statement of Overriding Considerations.

D. The Board concurs with the Statement of Overriding Considerations adopted by DWR and, exercising its independent judgment, finds that, within its jurisdiction, the benefits of the Amendment outweigh the adverse environmental impacts not reduced to below a level of significance.

E. The Board hereby authorizes and directs staff to file and have posted a Notice of Determination with the County Clerk and with the State Clearinghouse within five (5) working days of the adoption of this Resolution.


F. The documents and materials that constitute the record of proceedings for this Resolution are located at Central Coast Water Authority, 255 Industrial Way, Buellton, California 93427.

– continued on next page –

I certify that the foregoing Resolution No. 20-01 was adopted by the Board of Directors of the Central Coast Water Authority at a meeting held October 22, 2020.


Eric Friedman, Chairman

[Seal]

Attest:

Elizabeth Watkins
Secretary to the Board of Directors

	VOTING PERCENTAGE	AYE	NAY	ABSTAIN	ABSENT
City of Buellton	2.21%	<u>X</u>	<u> </u>	<u> </u>	<u> </u>
Carpinteria Valley Water District	7.64%	<u>X</u>	<u> </u>	<u> </u>	<u> </u>
Goleta Water District	17.20%	<u>X</u>	<u> </u>	<u> </u>	<u> </u>
City of Guadalupe	1.15%	<u>X</u>	<u> </u>	<u> </u>	<u> </u>
Montecito Water District	9.50%	<u>X</u>	<u> </u>	<u> </u>	<u> </u>
City of Santa Barbara	11.47%	<u>X</u>	<u> </u>	<u> </u>	<u> </u>
City of Santa Maria	43.19%	<u>X</u>	<u> </u>	<u> </u>	<u> </u>
Santa Ynez River Water Conservation District, Improvement District No. 1	7.64%	<u>X</u>	<u> </u>	<u> </u>	<u> </u>

APPROVED AS TO FORM:

Brownstein Hyatt Farber Schreck LLP
General Counsel to the Central Coast Water Authority

Stephanie Osler Hastings

Exhibits:

- A. DWR's CEQA Findings of Fact and Statement of Overriding Considerations
- B. Amendment No. 21 (The Water Management Amendment)
- C. CCWA's CEQA Findings of Fact and Statement of Overriding Considerations

I certify that the foregoing Resolution No. 20-01 was adopted by the Board of Directors of the Central Coast Water Authority at a meeting held October 22, 2020.

Eric Friedman, Chairman

[Seal]

Attest:

Elizabeth Watkins
Secretary to the Board of Directors

	VOTING PERCENTAGE	AYE	NAY	ABSTAIN	ABSENT
City of Buellton	2.21%	_____	_____	_____	_____
Carpinteria Valley Water District	7.64%	_____	_____	_____	_____
Goleta Water District	17.20%	_____	_____	_____	_____
City of Guadalupe	1.15%	_____	_____	_____	_____
Montecito Water District	9.50%	_____	_____	_____	_____
City of Santa Barbara	11.47%	_____	_____	_____	_____
City of Santa Maria	43.19%	_____	_____	_____	_____
Santa Ynez River Water Conservation District, Improvement District No. 1	7.64%	_____	_____	_____	_____

APPROVED AS TO FORM:

Brownstein Hyatt Farber Schreck LLP
General Counsel to the Central Coast Water Authority



Stephanie Osler Hastings

Exhibits:

- A. DWR's CEQA Findings of Fact and Statement of Overriding Considerations
- B. Amendment No. 21 (The Water Management Amendment)
- C. CCWA's CEQA Findings of Fact and Statement of Overriding Considerations

CEQA Findings of Fact and Statement of Overriding Considerations for the State Water Project Water Supply Contract Amendments for Water Management

Section 1. Description of the Project

The proposed project includes amending certain provisions of the State Water Resources Development System (SWRDS) Water Supply Contracts (Contracts). SWRDS (defined in Wat. Code, Section 12931), or more commonly referred to as the SWP, was enacted into law by the Burns-Porter Act, passed by the Legislature in 1959 and approved by the voters in 1960. The Department of Water Resources constructed and currently operates and maintains the SWP, a system of storage and conveyance facilities that provide water to 29 State Water Contractors known as the Public Water Agencies (PWAs)¹. The Contracts include water management provisions as the methods of delivery, storage and use of water and financial provisions for recovery of costs associated with the planning, construction, and operation and maintenance of the SWP.

DWR and the PWAs have a common interest to ensure the efficient delivery of SWP water supplies and to ensure the SWP's financial integrity. In order to address water management flexibility DWR and the PWAs agreed to the following objectives:

- Supplement and clarify terms of the SWP water supply contract that will provide greater water management regarding transfers and exchanges of SWP water supply within the SWP service area.

The proposed project would add, delete, and modify provisions of the Contracts and clarify certain terms of the Contracts that will provide greater water management regarding transfers and

¹ The State Water Project Public Water Agencies include Alameda County Flood Control and Water Conservation District (Zone 7), Alameda County Water District, Antelope Valley-East Kern Water Agency, City of Yuba City, Coachella Valley Water District, County of Butte, 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, The Metropolitan Water District of Southern California, Mojave Water Agency, Napa County Flood Control and Water Conservation District, Oak Flat Water District, Palmdale Water District, Plumas County Flood Control and Water Conservation District, San Bernardino Valley Municipal Water District, San Gabriel Valley Municipal Water District, San Geronio Pass Water Agency, San Luis Obispo County Flood Control and Water Conservation District, Santa Barbara County Flood Control and Water Conservation District, Santa Clara Valley Water District, Santa Clarita WA (formerly Castaic Lake WA), Solano County Water Agency, Tulare Lake Basin Water Storage District, and Ventura County Flood Control District.

exchanges of SWP water within the SWP service area. In addition, the proposed project would not build new or modify existing SWP facilities nor change any of the PWA's annual Table A amounts.² The proposed project would not change the water supply delivered by the SWP, as SWP water would continue to be delivered to the PWAs consistent with current Contract terms and all regulatory requirements. The May 20, 2019 AIP is included as Appendix A of the 2020 Partially Recirculated Draft Environmental Impact Report (RDEIR).

Section 2. Findings Required Under CEQA

CEQA requires that the lead agency adopt mitigation measures or alternatives, where feasible, to substantially lessen or avoid significant environment impacts that would otherwise occur. Mitigation measures or alternatives are not required, however, where such changes are infeasible or where the responsibility for the project lies with some other agency. (CEQA Guidelines, Section 15091, sub. (a), (b).)

With respect to a project for which significant impacts are not avoided or substantially lessened, a public agency, after adopting proper findings, may nevertheless approve the project if the agency first adopts a statement of overriding considerations setting forth the specific reasons why the agency found that the project's "benefits" rendered "acceptable" its "unavoidable adverse environmental effects." (CEQA Guidelines, Sections 15093, 15043, sub. (b); see also Pub. Resources Code, Section 21081, sub. (b).)

In seeking to effectuate the substantive policy of CEQA to substantially lessen or avoid significant environmental effects to the extent feasible, an agency, in adopting findings, need not necessarily address the feasibility of both mitigation measures and environmentally superior alternatives when contemplating approval of a proposed project with significant impacts. Where a significant impact can be mitigated to an "acceptable" level solely by the adoption of feasible mitigation measures, the agency, in drafting its findings, has no obligation to consider the feasibility of any environmentally superior alternative that could also substantially lessen or avoid that same impact — even if the alternative would render the impact less severe than would the proposed project as mitigated. (*Laurel Hills Homeowners Association v. City Council* (1978) 83 Cal.App.3d 515, 521; see also *Kings County Farm Bureau v. City of Hanford* (1990) 221 Cal.App.3d 692, 730-731; and *Laurel Heights Improvement Association v. Regents of the University of California* ("Laurel Heights I") (1988) 47 Cal.3d 376, 400-403.)

In cases in which a project's significant effects cannot be mitigated or avoided, an agency, after adopting proper findings, may nevertheless approve the project if it first adopts a statement of overriding considerations setting forth the specific reasons why the agency found that the "benefits of the project outweigh the significant effects on the environment." (Pub. Resources Code, Section 21081, sub. (b); see also, CEQA Guidelines, Sections 15043, subd. (b), 15093.)

² The maximum amount of SWP water that the PWAs can request pursuant to their individual water supply contract. annual Table A amounts also serve as a basis for allocation of some SWP costs among the contractors.

In the Statement of Overriding Considerations found at the conclusion of this exhibit, DWR identifies the benefit that, in its judgment, outweighs the significant environmental effects that the projects would cause.

The California Supreme Court has stated that “[t]he wisdom of approving ... any development project, a delicate task which requires a balancing of interests, is necessarily left to the sound discretion of the local officials and their constituents who are responsible for such decisions. The law as we interpret and apply it simply requires that those decisions be informed, and therefore balanced.” (*Citizens of Goleta* (1990) 52 Cal.3d 553, 564.)

In support of its approval of the proposed project, DWR’s findings are set forth below for the potentially significant environmental effects and alternatives of the proposed project identified in the EIR pursuant to Public Resources Code, Section 21080 and Section 15091 of the CEQA Guidelines.

These findings do not attempt to describe the full analysis of each environmental impact contained in the 2018 DEIR and 2020 RDEIR (collectively referred to in this document as the DEIR). Instead, a full explanation of these environmental findings and conclusions can be found in the DEIR and these findings hereby incorporate by reference the discussion and analysis in the DEIR supporting the determination regarding the impacts of the proposed project. In making these findings, DWR ratifies, adopts and incorporates in these findings the determinations and conclusions of the DEIR and Final EIR (FEIR) relating to environmental impacts except to the extent any such determinations and conclusions are specifically and expressly modified by these findings.

As described below and in the DEIR, there were two significant impacts identified for the proposed project and they were associated with groundwater hydrology and water quality. There were no mitigation measures identified in the DEIR to substantially lessen or avoid the potentially significant and significant groundwater resource impacts of the proposed project. Therefore, a Mitigation Monitoring and Reporting Program was not developed for the proposed project and is not included herein.

Unless otherwise specified, all page references presented herein are to the 2020 RDEIR.

2.1. Significant and Unavoidable Impacts

The following significant and potentially significant environmental impacts of the project are unavoidable and cannot be mitigated in a manner that would lessen the significant impact to below the level of significance. Notwithstanding disclosure of these impacts, DWR elects to approve the project due to overriding considerations as set forth below in Section 7, the statement of overriding considerations.

Impact Category: Groundwater Hydrology and Water Quality

Impact 5.10-1: The increase in groundwater pumping associated with changes in transfers and exchanges implemented by PWAs could substantially deplete groundwater supplies in some areas of the study area. [p. 5.10-17 – 5.10-21]

Finding. It is possible that transfers and exchanges of SWP water among the PWAs could result in benefits to groundwater levels, as transferred or exchanged water could be used instead of groundwater supplies or this water could be used for groundwater recharge. However, it is also possible that transfers and exchanges from agricultural to M&I PWAs could result in an increase in groundwater pumping resulting in a net deficit in aquifer volume or lowering the local groundwater table in some areas of the study area. DWR's conclusion is based on a program-level analysis, as there is uncertainty in the amount of groundwater use that may occur.

Because the Sustainable Groundwater Management Act (SGMA) is in the process of being implemented and because the extent, location, and implementation timing of groundwater pumping associated with changes in transfers and exchanges implemented by PWAs are not known, assumptions related to the ability of SGMA to mitigate any changes in groundwater levels are speculative.

PWAs could propose feasible mitigation measures to reduce significant impacts to less than significant in some cases, although it is not possible for DWR to conclude that feasible mitigation measures would be available to avoid or mitigate significant groundwater effects in all cases. Per CEQA Guidelines Section 15091(a)(2), implementation and enforcement mitigation measures are within the responsibility and jurisdiction of another public agency and not the agency making the finding.

The extent, location, and implementation timing of groundwater pumping associated with changes in transfers and exchanges implemented by PWAs are not known. Therefore, it is concluded that the potential increase in groundwater pumping could result in a net deficit in aquifer volume or lowering the local groundwater table. **For these reasons, this impact is significant and unavoidable.**

Impact 5.10-2: The increase in groundwater pumping associated with changes in transfers and exchanges implemented by PWAs could result in subsidence in some of the study area. [p. 5.10-22 – 5.10-25]

Finding. It is possible that transfers and exchanges among the PWAs could result in benefits to groundwater levels, as transferred or exchanged water could be used instead of groundwater supplies or this water could be used for groundwater recharge. However, it is also possible that transfers and exchanges from agricultural to M&I PWAs could result in an increase in groundwater pumping in some areas of the study area causing subsidence due to a net deficit in aquifer volume or lowering the local groundwater table. Because the extent, location, and implementation timing of groundwater pumping associated with changes in transfers and exchanges implemented by PWAs are not known, it is concluded that groundwater pumping in

some areas of the study area would cause subsidence due to a net deficit in aquifer volume or lowering the local groundwater table and the impact would be potentially significant.

Because SGMA is in the process of being implemented and because the extent, location, and implementation timing of groundwater pumping associated with changes in transfers and exchanges implemented by PWAs are not known, assumptions related to the ability of SGMA to mitigate any changes in groundwater levels or related subsidence are speculative.

PWAs could propose feasible mitigation measures to reduce significant impacts to less than significant in some cases, although it is not possible for DWR to conclude that feasible mitigation measures would be available to avoid or mitigate significant groundwater effects in all cases. Per CEQA Guidelines Section 15091(a)(2), implementation and enforcement mitigation measures are within the responsibility and jurisdiction of another public agency and not the agency making the finding.

DWR has no information on specific implementation of the transfers and exchanges from the proposed project and it has no authority to implement mitigation measures in the PWA service area. **For these reasons, this impact is significant and unavoidable.**

Section 3. Cumulative Impacts

Cumulative impacts, as defined in Section 15355 of the CEQA Guidelines, refer to two or more individual effects that, when taken together, are “considerable” or that compound or increase other environmental impacts. Cumulative impacts can result from individually minor, but collectively significant, actions when added to the impacts of other closely related past, present, or reasonably foreseeable future projects. Pertinent guidance for cumulative impact analysis is provided in Section 15130 of the CEQA Guidelines.

The DEIR presents the cumulative impact analysis for the proposed project. Each impact discussion in the DEIR assesses whether the incremental effects of the proposed project could combine with similar effects of one or more of the projects identified in the 2020 RDEIR (p.6-2 – 6.14) to cause or contribute to a significant cumulative effect. If so, the analysis considers whether the incremental contribution of the proposed project would be cumulatively significant (p. 6-8 –6-14).

DWR hereby finds that implementation of the proposed project would not result in physical environmental impacts on the following resource areas: hazards and hazardous materials; noise; population, employment and housing; public services and recreation; surface water hydrology and water quality; transportation; and utilities and service systems. Therefore, these resource areas would not contribute to a cumulative effect and would not compound or increase an environmental impact of these other projects.

The cumulative impact analysis associated with the remaining resource areas (aesthetics, agriculture and forest resources, air quality, biological resources, cultural resources, energy, geology and soils, GHG, groundwater hydrology and water quality, land use and planning, and water supply) focused on six types of impacts that were identified as less than significant or

potential impacts of the proposed project that could contribute to cumulative impacts with the cumulative projects (Contract Extension Project, Monterey Amendment and Settlement Agreement, and Sustainable Groundwater Management Act Implementation) identified in the DEIR. The six types of impacts are impacts to groundwater supplies, subsidence, fallowing and changes in crop patterns, energy and Greenhouse Gas (GHG), reservoir storage, and surface water flow above or below diversions. Impacts associated with fallowing and changes in crop patterns, energy and GHG, reservoir storage, and surface water flow above or below diversions were determined to be less than significant with no mitigation required.

Related to groundwater supplies and subsidence, DWR hereby finds as follows:

Groundwater Supplies and Subsidence

Findings. The incremental contribution of the proposed project's effect on groundwater supplies and subsidence would be cumulatively considerable when viewed in connection with the effects of past projects, and current and probable future projects (as full implementation of SGMA is not anticipated until 2040 or 2042). This cumulative impact would be **significant**. PWAs may provide mitigation in their project-level analysis for exchanges and transfers. However, per CEQA Guidelines Section 15091(a)(2), implementation and enforcement mitigation measures are within the responsibility and jurisdiction of another public agency and not the agency making the finding.

Because DWR has no information on specific implementation of the transfers and exchanges from the proposed project and it has no authority to implement mitigation measures in the PWA service area, the cumulative impact would remain **significant and unavoidable**.

Section 4. Significant Irreversible Environmental Changes

According to Sections 15126, subd. (c) and 15126.2, subd. (c) of the CEQA Guidelines, an EIR is required to address any significant irreversible environmental changes that would occur should the proposed project be implemented.

The proposed project would add, delete and modify provisions of the Contracts to clarify terms of the Contracts that will provide greater water management regarding transfers and exchanges of SWP water supply within the service area. The proposed project would not build or modify existing SWP facilities nor change each PWA's contractual maximum Table A amounts. The proposed project would amend and add financial provisions to the Contracts based on the negotiated Agreements in Principle between DWR and the PWAs. Therefore, the proposed project would not result in the commitment of nonrenewable natural resources such as gravel, petroleum products, steel, and slowly renewable resources such as wood products any differently than under existing conditions, and there would be no significant irreversible environmental changes.

Section 5. Growth-Inducing Effects

The CEQA Guidelines Section 15126.2, subd. (d) requires that an EIR evaluate the growth-inducing impacts of a project. As identified in CEQA Section 15126.2(d), growth inducement is not in and of itself an “environmental impact;” however, growth can result in adverse environmental consequences. Growth inducement may constitute an adverse impact if the growth is not consistent with or accommodated by the land use plans and policies for the affected area. Local land use plans, typically General Plans, provide for land use development patterns and growth policies that allow for the “orderly” expansion of urban development supported by adequate urban public services, such as water supply, sewer service, and new roadway infrastructure. A project that would induce “disorderly” growth (i.e., a project in conflict with local land use plans) could indirectly cause adverse environmental impacts. To assess whether a project with the potential to induce growth is expected to result in significant impacts, it is important to assess the degree to which the growth associated with a project would or would not be consistent with applicable land use plans.

In California, cities and counties have primary authority³ over land use decisions, while water suppliers, through laws and agreements, are expected and usually required to provide water service if water supply is available. Approval or denial of development proposals is the responsibility of the cities and counties in the study area. Numerous laws are intended to ensure that water supply planning, including planning for water supply infrastructure, and land use planning (such as the approval of, or establishment of constraints to, development) proceed in an orderly fashion.

The proposed project would not build new or modify existing SWP facilities nor change each PWA’s contractual maximum Table A amounts. As discussed in DEIR Section 5.14, Population, Employment, and Housing, (p. 5.14-2 to 5.14-5) because there would be no new facilities built or existing facilities modified, no housing is proposed as part of the project or required as a result of it, nor would the project provide substantial new permanent employment opportunities. Therefore, the proposed project would not result in direct growth inducement.

Because the proposed project would not result in the construction of new or modification of existing water supply storage, treatment or conveyance facilities it would not remove an obstacle to growth associated with water supply.

As discussed in DEIR Section 5.3 Agricultural and Forestry Resources of the DEIR (p. 5.3-7 to 5.3-9), it is possible that transfers from agricultural to M&I PWAs could result in fallowing of agricultural lands and/or changes in crop patterns (e.g., switching from high water-using crops to low water-using crops) in the study area. It is also possible that exchange of SWP water from agricultural to M&I PWAs could occur. However, these transfers and exchanges and any associated fallowing of agricultural land and/or changes in cropping patterns in the study area would not be anticipated to change the existing agricultural land use designations because the land use would remain in agricultural use. Furthermore, additional water transfers or exchanges

³ Although cities and counties have primary authority over land use planning, there are exceptions to this such as the CEC (with permit authority and CEQA lead agency status for some thermal power plant projects) and the CPUC (with regulatory authority and CEQA lead agency status for certain utility projects).

are not expected to substantially affect the acreage of land fallowed or put into dry farming compared to existing practices for other reasons (e.g., market conditions, economic conditions, etc.). As a result, it would not be anticipated that there would be a change in land uses associated with delivery of SWP water supplies including, conversion of agricultural land uses to urban uses or increased developed uses in urban areas.

While with the proposed amendments transfers and exchanges could be more frequent and longer in duration, they would not be a permanent transfer of a PWA's annual Table A amounts; therefore, it would not represent a viable long-term source of urban water supply to support additional unplanned growth. Therefore, the proposed amendments would not result in additional water supply that could support growth over what is currently planned for in those jurisdictions and the proposed project would not result in indirect growth inducement.

Furthermore, cities and counties are responsible for considering the environmental effects of their growth and land use planning decisions (including, but not limited to, conversion of agricultural land to urban uses, loss of sensitive habitats, and increases in criteria air emissions). As new developments are proposed, or general plans adopted, local jurisdictions prepare environmental compliance documents to analyze the impacts associated with development in their jurisdiction pursuant to CEQA. The impacts of growth would be analyzed in detail in general plan EIRs and in project-level CEQA compliance documents. Mitigation measures for identified significant impacts would be the responsibility of the local jurisdictions in which the growth would occur. If identified impacts could not be mitigated to a level below the established thresholds, then the local jurisdiction would need to adopt overriding considerations.

Section 6. Alternatives

DWR has considered the project alternatives presented and analyzed in the DEIR and presented during the comment period and public hearing process. DWR finds that these alternatives are infeasible. Based on the impacts identified in the DEIR and other reasons summarized below, and as supported by substantial evidence in the record, DWR finds that approval and implementation of the proposed project as proposed is the most desirable, feasible, and appropriate action and hereby rejects the other alternatives and other combinations and/or variations of alternatives as infeasible based on consideration of the relevant factors set forth in CEQA Guidelines Section 15126.6, subdivision (f). (See also CEQA Guidelines, Section 15091, subd. (a)(3).) Each alternative and the facts supporting the finding of infeasibility of each alternative are set forth below.

Alternatives Considered and Dismissed from Further Consideration

The alternative described below was rejected for further consideration (p 7-3 – 7-4).

Implement New Water Conservation Provisions in the Contracts: Agriculture and urban water efficiency, conservation, and management measures are governed by the existing regulatory and legal requirements independent from the proposed project, including Assembly

Bill 1668 and Senate Bill 606. Additional water conservation measures in the Contracts would not provide greater water management regarding transfers and exchanges of SWP water as compared to the proposed project because water conservation is already required. Consequently, these actions are independent from the proposed project and do not meet the basic project objectives. Therefore, amending the Contracts to require implementation of agriculture and M&I water conservation measures was rejected, as these actions are required by state statute and are met by local water agencies under existing law.

Summary of Alternatives Considered

CEQA requires that an EIR describe and evaluate a range of reasonable alternatives to a project or to the location of a project that would feasibly attain most of the basic project objectives and avoid or substantially lessen significant project impacts. The purpose of the alternatives analysis is to determine whether or not a variation of the proposed project would reduce or eliminate significant project impacts within the framework of the project's basic objectives.

The alternatives considered in the DEIR include:

- Alternative 1: No Project
- Alternative 2: Reduce Table A Deliveries
- Alternative 3: Reduced Flexibility in Water Transfers/Exchanges
- Alternative 4: More Flexibility in Water Transfers/Exchanges
- Alternative 5: Only Agriculture to M&I Transfers Allowed

Alternative 1: No Project

Description

CEQA Guidelines section 15126.6, subd. (e) requires consideration of a No Project Alternative. The purpose of this alternative is to allow the decision makers to compare impacts of approving a project with impacts of not approving a project. Under the No Project Alternative, DWR takes no action, and DWR and the PWAs would continue to operate and finance the SWP under the current Contracts.

Facts in Support of Finding of Infeasibility

Alternative 1 would not meet the objective of the project because Alternative 1 does not provide greater water management regarding transfers and exchanges of SWP water supply within the SWP service area and as compared to the proposed project. In addition, impacts under Alternative 1 would be similar but greater when compared to the proposed project. Alternative 1 could result in new potentially significant impacts associated with the construction and operation of new water supply facilities that were not identified for the proposed project. In addition, if alternative sources of water are not available, then the less than significant impacts identified for the proposed project could be potentially significant.

Alternative 2: Amending Contract to Reduce Table A Deliveries

Description

Under Alternative 2, as with the proposed project, DWR and the PWAs would agree to amend the Contracts based on the May 20, 2019 AIP. However, unlike the proposed project, the Contracts would be amended to reduce annual Table A amounts proportionately for all the PWAs.

Facts in Support of Finding of Infeasibility

Alternative 2 would not meet the objectives of the project because it would cause a reduction in delivery of annual Table A amounts proportional for all PWAs and would not provide greater water management regarding transfers and exchanges. In addition, impacts under Alternative 2 would be similar but greater when compared to the proposed project. Alternative 2 could result in new potentially significant impacts associated with the construction and operation of new water supply facilities that were not identified for the proposed project. In addition, if alternative sources of water are not available, then the less than significant impacts identified for the proposed project could be potentially significant.

Alternative 3: Less Flexibility in Water Transfers/Exchanges

Description

Under Alternative 3, as with the proposed project, DWR and the PWAs would agree to amend the Contracts based on the May 20, 2019 AIP. However, unlike the proposed project, the Contracts would not be amended to modify provisions of the Contracts and clarify certain terms of the Contracts to provide greater water management regarding transfers and exchanges of SWP water supply within the SWP service area. Some increase in flexibility of exchanges and transfers would be agreed to, but not all. For example, Alternative 3 would amend the Contracts to allow PWAs to transfer carryover water in San Luis Reservoir, but only 20 percent of the carryover water (the proposed project allows for 50 percent), allow limited multi-year transfers of five years or less (the proposed project allows for up to the Contract term), and not allow use of Transfer Packages. In addition, unlike the proposed project, PWAs would transfer water based on cost compensation established by DWR. Also, under Alternative 3, the Contracts would not amend the text in Article 56(f) regarding water exchanges to add provisions, such as conducting water exchanges as buyers and sellers in the same year and increasing the compensation allowed to facilitate the exchanges. Therefore, Alternative 3 would result in a similar or slightly less amount of water transfers among the PWAs than the proposed project, due to the less flexibility in water transfers and exchanges.

Facts in Support of Finding of Infeasibility

Alternative 3 would meet the objectives of the project, but to a lesser degree because the water transfers and exchanges would not provide as much water management flexibility regarding transfers and exchanges. In addition, impacts under Alternative 3 would be similar but greater

when compared to the proposed project. Alternative 3 could result in new potentially significant impacts associated with the construction and operation of new water supply facilities that were not identified for the proposed project. In addition, if alternative sources of water are not available, then the less than significant impacts identified for the proposed project could be potentially significant.

Alternative 4: More Flexibility in Water Transfer/Exchanges

Description

Under Alternative 4, as with the proposed project, DWR and the PWAs would agree to amend the Contracts. However, unlike the proposed project, the Contracts would be amended to allow PWAs more flexibility in water transfers and exchanges. Similar to the proposed project, PWAs would be able to transfer carryover water in San Luis Reservoir, transfer water for multiple years without permanently relinquishing that portion of their Table A amounts, and transfer water in Transfer Packages. Similar to the proposed project, PWA would be able to transfer water based on terms they establish for cost compensation and duration, and store and transfer water in the same year. Unlike the proposed project that only allows for a single-year transfers associated with carryover water, Alternative 4 would allow transfers and exchanges to include up to 100 percent of a PWA's carryover in San Luis Reservoir and allow multi-year use of its carryover water in both transfers and exchanges. Similar to the proposed project, the proposed exchange provisions of the AIP would establish a larger range of return ratios in consideration of varying hydrology and also maximum compensation with respect to SWP charges and allow PWAs to conduct additional water exchanges as buyers and sellers in the same year.

Facts in Support of Finding of Infeasibility

Alternative 4 would meet the objectives of the project. In addition, Under Alternative 4 the less than significant impacts associated with changes in flow including, adverse effects to special-status fish or terrestrial species, and water supply would be similar to the proposed project. However, similar to the proposed project, there is potential for Alternative 4 to result in a net deficit in aquifer volume, lowering of the local groundwater table, or subsidence in some areas of the study area with impacts that may be significant and unavoidable.

Alternative 5: Greater Water Management – Only Agriculture to M&I Transfers Allowed

Description

Under Alternative 5, as with the proposed project, DWR and the PWAs would agree to amend the Contracts based on the May 20, 2019 AIP.

Unlike the proposed project, DWR and PWAs would amend Contract provisions to allow the transfer of Table A water only from agricultural PWAs to M&I PWAs and not change any current Contract provisions for exchanges. Transfers from M&I PWAs to M&I PWAs, M&I PWAs to agricultural PWAs, and agricultural PWAs to agricultural PWAs would not be allowed. Similar to

the proposed project, PWAs could transfer carryover water in San Luis Reservoir to PWAs, transfer water for multiple years without permanently relinquishing that portion of their Table A amounts and request DWR's approval of Transfer Package; however, unlike the proposed project, these transfers would only be from agricultural PWAs to M&I PWAs. Similar to the proposed project, Alternative 5 would revise the Contract to allow the PWAs to transfer water based on terms they establish for cost compensation and duration. An agricultural PWA would be able to store and transfer water in the same year to M&I PWAs, and transfer up to 50 percent of its carryover water, but only for a single-year transfer to an M&I PWA (i.e., a future or multi-year commitment of transferring carryover water is not allowed). Under Alternative 5, the Contracts would not be amended to modify the text in Article 56(f) regarding water exchanges to include additional provisions, such as conducting water exchanges as buyers and sellers in the same year.

Similar to the proposed project, Alternative 5 would not build new or modify existing SWP facilities nor change any of the PWA's contractual maximum Table A amounts. Also similar to the proposed project, Alternative 5 would not change the water supply delivered by the SWP as SWP water supply would continue to be delivered to the PWAs consistent with current Contracts terms, including Table A and Article 21 deliveries. Operation of the SWP under this alternative would be subject to ongoing environmental regulations including for water rights, water quality and endangered species protection, among other State and federal laws. Also similar to the proposed project, Alternative 5 would not require additional permits or approvals.

Facts in Support of Finding of Infeasibility

Alternative 5 would meet some of the objectives of the project, but to a lesser degree because the water transfers and exchanges would not provide as much water management flexibility regarding transfers and exchanges. In addition, impacts under Alternative 5 would be similar but greater when compared to the proposed project. Alternative 5 could result in new potentially significant impacts associated with the construction and operation of new water supply facilities that were not identified for the proposed project. In addition, if alternative sources of water are not available, then the less than significant impacts identified for the proposed project could be potentially significant.

Environmentally Superior Alternative

CEQA Guidelines Section 15126.6 subd. (e) requires the identification of an environmentally superior alternative to the proposed project.

As presented in the DEIR, implementation of the proposed project would result in less than significant or no physical environmental impacts to all resource areas except for impacts related to groundwater supplies and subsidence, which are significant and unavoidable.

Alternative 4 would result in similar impacts as the proposed project (e.g., net deficit in aquifer volume, lowering of the local groundwater table, or subsidence in some areas of the study area). Alternatives 1, 2, 3, and 5 could result in impacts similar or greater (new potentially significant impacts associated with the construction and operation of new water supply facilities that were not identified for the proposed project) than the proposed project. Therefore, because the

proposed project and Alternative 4 would result in similar impacts and the other alternatives may result in similar or greater impacts, Alternative 4 was determined to be the environmentally superior alternative.

Section 7. Statement of Overriding Considerations

DWR hereby declares that, pursuant to CEQA Guidelines Section 15093, it has balanced the benefits of the proposed project against any unavoidable environmental impacts in determining whether to approve the proposed project. Pursuant to the CEQA Guidelines, if the benefits of the proposed project outweigh the unavoidable adverse environmental impacts, those impacts may be considered “acceptable.”

Having evaluated the reduction of adverse significant environmental effect of the proposed project to the extent feasible, considered the entire administrative record on the Project, and weighed the benefits of the proposed project against its unavoidable adverse impact, DWR has determined that each of the following benefits of the proposed project separately and individually outweigh the potential unavoidable adverse impacts and render those potential adverse impacts acceptable based upon the following overriding considerations. The following represents the specific reasons to support this determination based on the final EIR and information contained therein.

Water Transfers

The proposed project would add, delete, and modify provisions of the Contracts and clarify certain terms of the Contracts that will provide greater water management regarding transfers and exchanges of SWP water within the SWP service area.

The transfer provisions of the proposed project would facilitate the PWAs ability to:

- Transfer SWP water for multiple years and multiple parties without permanently relinquishing that portion of their annual Table A amounts;
- negotiate cost compensation and duration among the PWAs on a willing seller-willing buyer basis for water transfers; and
- Transfer SWP water stored outside of the transferring PWA’s service area to the receiving PWA’s service area

All these proposed transfer provisions would provide the PWAs with increased flexibility for short-term and long-term planning and management of their SWP water supplies. The proposed project, however, would not include any change to the PWA’s permanent annual Table A amounts.

Since the Monterey Amendment, DWR has approved short-term water transfers pursuant to Articles 15(a) and 41, and has administered the short-term Turn-Back Water Pool Program pursuant to Article 56 of the Contracts. The Turn-Back Water Pool Program allows a PWA to sell Table A water that it will not use, subject to certain conditions, for a set price that is either 50

percent or 25 percent of the Delta Water Rate for that year. DWR has also administered, on a demonstration basis, a multi-year water pool program for 2013-2014 and 2015-2016 that allowed PWAs to participate in the two-year program as either a buyer or seller for each of the two years (a decision made at the beginning of each of the two-year programs) with greater compensation for the water than allowed under the Turn-Back Water Pool Program. DWR has allowed transfers of Table A water among two PWAs with the same landowner in their respective service areas that do not include an exchange of money.

The proposed project would remove all language related to the Turn-back Pool from the Contracts and, compared to the Turn-Back Water Pool Program where DWR established the price based on the Delta water rate, the proposed project would revise the Contracts to allow the PWAs to transfer water based on terms they establish for cost compensation and duration. Also, in contrast to the Turn-Back Water Pool Program, a water transfer could be as long as the remainder of the term of the PWA's Contract. In addition, a PWA would be able to store and transfer water in the same year, and transfer up to 50 percent of its carryover water in San Luis Reservoir, but only for a single-year transfer (i.e., a future or multi-year commitment of transferring carryover water is not allowed).

The proposed amendments would result in a greater amount of water transfers among the PWAs than under the current Contract provisions. Based on past experience and discussions with PWAs, most water transfers that occur due to the proposed amendments would occur among the PWAs located south of the Delta and would not involve additional export of SWP water from the Delta. Water transfers would be implemented using the existing physical facilities and existing operational and regulatory processes, including CEQA compliance.

Water Exchanges

The proposed project would amend the text in Article 56(f) regarding water exchanges to include additional provisions. The proposed exchange provisions of the AIP would establish return ratios (up to a 5:1 ratio) based on a consideration of varying hydrology and would set compensation based on a PWA's SWP charges.

The proposed amendments would allow PWAs to exchange carryover water in San Luis Reservoir, and exchange up to 50 percent of their carryover water in a single-year transaction (i.e., a future or multi-year commitment of exchanging carryover water is not allowed). The proposed provisions would also allow PWAs to conduct water exchanges of carryover water as buyers and sellers in the same year.

While DWR has approved water exchanges pursuant to Articles 15(a), 41, and 56(f), the proposed project would provide the PWAs with increased flexibility for short-term and long-term planning of water supplies. Under the proposed project, exchanges may be used more frequently to respond to variations in hydrology, such as wet years, and in single dry-year and multiple dry-year conditions.

Acronyms and Glossary

AIP	Agreement in Principle
CEQA	California Environmental Quality Act
CFR	Code of Federal Regulations
Contracts	Water Supply Contracts
DEIR	Draft Environmental Impact Report
DWR	California Department of Water Resources
EIR	Environmental Impact Report
FEIR	Final EIR
PRC	California Public Resources Code
PWAs	Public Water Agencies
RDEIR	Recirculated Draft Environmental Impact Report
SGMA	Sustainable Groundwater Management Act
SWC	State Water Contractors
SWP	State Water Project

STATE OF CALIFORNIA
CALIFORNIA NATURAL RESOURCES AGENCY
DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. 21 (THE WATER MANAGEMENT AMENDMENT)
TO WATER SUPPLY CONTRACT
BETWEEN
THE STATE OF CALIFORNIA DEPARTMENT OF WATER RESOURCES
AND
SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION
DISTRICT

THIS AMENDMENT to the Water Supply Contract is made this _____ day of _____, 20____ pursuant to the provisions of the California Water Resources Development Bond Act, the Central Valley Project Act, and other applicable laws of the State of California, between the State of California, acting by and through its Department of Water Resources, herein referred to as the "State," and Santa Barbara County Flood Control and Water Conservation District, herein referred to as the "Agency."

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RECITALS

- A. The State and the Agency entered into and subsequently amended a water supply contract (the “contract”), dated February 26, 1963, providing that the State shall supply certain quantities of water to the Agency and providing that the Agency shall make certain payments to the State, and setting forth the terms and conditions of such supply and such payments; and
- B. The State and the Agency, in an effort to manage water supplies in a changing environment, explored non-structural solutions to provide greater flexibility in managing State Water Project (SWP) water supplies; and
- C. The State and the Agency, in an effort to support the achievement of the coequal goals for the Delta set forth in the Delta Reform Act, sought solutions to develop water supply management practices to enhance flexibility and reliability of SWP water supplies while the Agency is also demonstrating its commitment to expand its water supply portfolio by investing in local water supplies; and
- D. The State and the Agency, in response to the Governor’s Water Resiliency Portfolio, wish to maintain and diversify water supplies while protecting and enhancing natural systems without changing the way in which the SWP operates; and
- E. The State and the Agency sought to create a programmatic solution through transfers or exchanges of SWP water supplies that encourages regional approaches among water users sharing watersheds and strengthening partnerships with local water agencies, irrigation districts, and other stakeholders; and
- F. The State and the Agency, in an effort to comply with the Open and Transparent Water Data Platform Act (Assembly Bill 1755), sought means to create greater transparency in water transfers and exchanges; and
- G. The State, the Agency and representatives of certain other SWP Contractors have negotiated and agreed upon a document (dated May 20, 2019), the subject of which is “ Draft Agreement in Principle for the SWP Water Supply Contract Amendment for Water Management” (the “Agreement in Principle”); and
- H. The Agreement in Principle describes that the SWP Water Supply Contract Amendment for Water Management “supplements and clarifies terms of the SWP water supply contract that will provide greater water management regarding transfers and exchanges of SWP water within the SWP service area”; the principles agreed to achieve this without relying upon increased SWP diversions or changing the way in which the SWP operates, and are consistent with all applicable contract and regulatory requirements; and

- I. The State, the Agency and those Contractors intending to be subject to the contract amendments contemplated by the Agreement in Principle subsequently prepared an amendment to their respective Contracts to implement the provisions of the Agreement in Principle, and such amendment was named the “SWP Water Supply Contract Amendment for Water Management”; and
- J. The State and the Agency desire to implement continued service through the contract and under the terms and conditions of this “SWP Water Supply Contract Amendment for Water Management”;

NOW, THEREFORE, IT IS MUTUALLY AGREED that the following changes and additions are hereby made to the Agency's water supply contract with that State:

AMENDED CONTRACT TEXT

ARTICLE 1 IS AMENDED TO ADD THE FOLLOWING DEFINITIONS, PROVIDED THAT IF THIS WATER MANAGEMENT AMENDMENT TAKES EFFECT BEFORE THE CONTRACT EXTENSION AMENDMENT TAKES EFFECT, THE ADDITIONS HEREIN SHALL CONTINUE IN EFFECT AFTER THE CONTRACT EXTENSION AMENDMENT TAKES EFFECT NOTWITHSTANDING THE CONTRACT EXTENSION AMENDMENT'S DELETION AND REPLACEMENT OF ARTICLE 1 IN ITS ENTIRETY:

1. Definitions

- (au) **"Article 56 Carryover Water"** shall mean water that the Agency elects to store under Article 56 in project surface conservation facilities for delivery in a subsequent year or years.

ARTICLES 21 and 56 ARE DELETED IN THEIR ENTIRETY AND REPLACED WITH THE FOLLOWING TEXT:

21. Interruptible Water Service

(a) Allocation of Interruptible Water

Each year from water sources available to the project, the State shall make available and allocate interruptible water to contractors in accordance with the procedure in Article 18(a). Allocations of interruptible water in any one year may not be carried over for delivery in a subsequent year, nor shall the delivery of interruptible water in any year impact the Agency's approved deliveries of Annual Table A Amount or the Agency's allocation of water for the next year. Deliveries of interruptible water in excess of the Agency's Annual Table A Amount may be made if the deliveries do not adversely affect the State's delivery of Annual Table A Amount to other contractors or adversely affect project operations. Any amounts of water owed to the Agency as of the date of this amendment pursuant to former Article 12(d), any contract provisions or letter agreements relating to wet weather water, and any Article 14(b) balances accumulated prior to 1995, are canceled. The State shall hereafter use its best efforts, in a manner that causes no adverse impacts upon other contractors or the project, to avoid adverse economic impacts due to the Agency's inability to take water during wet weather.

(b) Notice and Process for Obtaining Interruptible Water

The State shall periodically prepare and publish a notice to contractors describing the availability of interruptible water under this Article. To obtain a supply of interruptible water, including a supply from a transfer of interruptible water, the Agency shall execute a further agreement with the State. The State will timely process such requests for scheduling the delivery of the interruptible water.

(c) Rates

For any interruptible water delivered pursuant to this Article, the Agency shall pay the State the same (including adjustments) for power resources (including on-aqueduct, off-aqueduct, and any other power) incurred in the transportation of such water as if such interruptible water were Table A Amount water, as well as all incremental operation, maintenance, and replacement costs, and any other incremental costs, as determined by the State. The State shall not include any administrative or contract preparation charge. Incremental costs shall mean those nonpower costs which would not be incurred if interruptible water were not scheduled for or delivered to the Agency. Only those contractors not participating in the repayment of the capital costs of a reach shall be required to pay any use of facilities charge for the delivery of interruptible water through that reach.

(d) Transfers of Interruptible Water

- (1) Tulare Lake Basin Water Storage District, Empire West-Side Irrigation District, Oak Flat Water District, and County of Kings may transfer to other contractors a portion of interruptible water allocated to them under subdivision (a) when the State determines that interruptible water is available.
- (2) The State may approve the transfer of a portion of interruptible water allocated under subdivision (a) to contractors other than those listed in (d)(1) if the contractor acquiring the water can demonstrate a special need for the transfer of interruptible water.
- (3) The contractors participating in the transfer shall determine the cost compensation for the transfers of interruptible water.

The transfers of interruptible water shall be consistent with Articles 56(d) and 57.

56. Use and Storage of Project Water Outside of Service Area and Article 56 Carryover Water

(a) State Consent to Use of Project Water Outside of Service Area

Notwithstanding the provisions of Article 15(a), the State hereby consents to the Agency storing Project Water in a groundwater storage program, project surface conservation facilities and in nonproject surface storage facilities located outside its service area for later use by the Agency within its service area and to the Agency transferring or exchanging Project Water outside its service area consistent with agreements executed under this contract.

(b) Groundwater Storage Programs

The Agency shall cooperate with other contractors in the development and establishment of groundwater storage programs. The Agency may elect to store Project Water in a groundwater storage program outside its service area for later use within its service area. There shall be no limit on the amount of Project Water the Agency can store outside its service area during any year in a then existing and operational groundwater storage program.

(1) Transfers of Annual Table A Amount stored in a groundwater storage program outside a contractor's service area.

In accordance with applicable water rights law and the terms of this Article, the Agency may transfer any Annual Table A Amount stored on or after the effective date of the Water Management Amendment in a groundwater storage program outside its service area to another contractor for use in that contractor's service area. These transfers must comply with the requirements of Articles 56(c)(4)(i)-(v), (6) and (7), and Article 57. The Agency will include these transfers in its preliminary water delivery schedule required in Article 12(a).

(2) Exchanges of any Annual Table A Amount stored in a groundwater storage program outside a contractor's service area.

In accordance with applicable water rights law and the terms of this Article, the Agency may exchange any Annual Table A Amount stored on or after the effective date of the Water Management Amendment in a groundwater storage program outside its service area with another contractor for use in that contractor's service area. These exchanges must comply with the requirements in Article 56(c)(4)(i)-(v). The Agency shall include these exchanges in its preliminary water delivery schedule pursuant to Article 12(a).

(c) Article 56 Carryover Water and Transfers or Exchanges of Article 56 Carryover Water

- (1) In accordance with any applicable water rights laws, the Agency may elect to use Article 56 Carryover Water within its service area, or transfer or exchange Article 56 Carryover Water to another contractor for use in that contractor's service area in accordance with the provisions of subdivision (c)(4) of this Article. The Agency shall submit to the State a preliminary water delivery schedule on or before October 1 of each year pursuant to Article 12(a), the quantity of water it wishes to store as Article 56 Carryover Water in the next succeeding year, and the quantity of Article 56 Carryover Water it wishes to transfer or exchange with another contractor in the next succeeding year. The amount of Project Water the Agency can add to storage in project surface conservation facilities and in nonproject surface storage facilities located outside the Agency's service area each year shall be limited to the lesser of the percent of the Agency's Annual Table A Amount shown in column 2 or the acre-feet shown in column 3 of the following table, depending on the State's final Table A water supply allocation percentage as shown in column 1. For the purpose of determining the amount of Project Water the Agency can store, the final water supply allocation percentage shown in column 1 of the table below shall apply to the Agency. However, there shall be no limit to storage in nonproject facilities in a year in which the State's final water supply allocation percentage is one hundred percent. These limits shall not apply to water stored pursuant to Articles 12(e) and 14(b).

1. Final Water Supply Allocation Percentage	2. Maximum Percentage of Agency's Annual Table A Amount That Can Be Stored	3. Maximum Acre-Feet That Can Be Stored
50% or less	25%	100,000
51%	26%	104,000
52%	27%	108,000
53%	28%	112,000
54%	29%	116,000
55%	30%	120,000
56%	31%	124,000
57%	32%	128,000
58%	33%	132,000
59%	34%	136,000
60%	35%	140,000
61%	36%	144,000
62%	37%	148,000
63%	38%	152,000
64%	39%	156,000
65%	40%	160,000
66%	41%	164,000
67%	42%	168,000
68%	43%	172,000
69%	44%	176,000
70%	45%	180,000
71%	46%	184,000
72%	47%	188,000
73%	48%	192,000
74%	49%	196,000
75% or more	50%	200,000

- (2) Storage capacity in project surface conservation facilities at any time in excess of that needed for project operations shall be made available to requesting contractors for storage of project and Nonproject Water. If such storage requests exceed the available storage capacity, the available capacity shall be allocated among contractors requesting storage in proportion to their Annual Table A Amounts for that year. The Agency may store water in excess of its allocated share of capacity as long as capacity is available for such storage.
- (3) If the State determines that a reallocation of excess storage capacity is needed as a result of project operations or because of the exercise of a contractor's storage right, the available capacity shall be reallocated among contractors requesting storage in proportion to their respective Annual

Table A Amounts for that year. If such reallocation results in the need to displace water from the storage balance for any contractor or noncontractor, the water to be displaced shall be displaced in the following order of priority:

First, water, if any, stored for noncontractors;

Second, water stored for a contractor that previously was in excess of that contractor's allocation of storage capacity; and

Third, water stored for a contractor that previously was within that contractor's allocated storage capacity.

The State shall determine whether water stored in a project surface water conservation facility is subject to displacement and give as much notice as feasible of a potential displacement. If the Agency transfers or exchanges Article 56 Carryover Water pursuant to this subdivision to another contractor for storage in such facility, the State shall recalculate the amount of water that is subject to potential displacement for both contractors participating in the transfer or exchange. The State's recalculation shall be made pursuant to subdivision (4) of this Article.

(4) Transfers or Exchanges of Article 56 Carryover Water

The Agency may transfer or exchange its Article 56 Carryover Water as provided in this subdivision under a transfer or an exchange agreement with another contractor. Water stored pursuant to Articles 12(e) and 14(b) and Nonproject Water shall not be transferred or exchanged. Transfers or exchanges of Article 56 Carryover Water under this subdivision shall comply with subdivision (f) of this Article and Article 57 as applicable, which shall constitute the exclusive means to transfer or exchange Article 56 Carryover Water.

On or around January 15 of each year, the State shall determine the maximum amount of Article 56 Carryover Water as of January 1 that will be available for transfers or exchanges during that year. The State's determination shall be consistent with subdivisions (c)(1) and (c)(2) of this Article.

The State shall timely process requests for transfers or exchanges of Article 56 Carryover Water by participating contractors. After execution of the transfer or exchange agreement between the State and the contractors participating in the transfer or exchange, the State shall recalculate each contractor's storage amounts for the contractors participating in the transfer or exchange. The State's recalculation shall result in an increase by an amount of water within the storage amounts for the contractor receiving the water and a decrease by the same amount of water for the contractor transferring or exchanging water. The State's recalculation shall be based on the criteria set forth in the State's transfer or exchange agreement with the participating contractors. The State's calculations shall also apply when a contractor uses Article 56 Carryover Water to complete an exchange.

Transfers and exchanges of Article 56 Carryover Water shall meet all of the following criteria:

- (i) Transfers or exchanges of Article 56 Carryover Water are limited to a single-year. Project Water returned as part of an exchange under subdivision (c)(4) may be returned over multiple years.
- (ii) The Agency may transfer or exchange an amount up to fifty percent (50%) of its Article 56 Carryover Water to another contractor for use in that contractor's service area.
- (iii) Subject to approval of the State, the Agency may transfer or exchange an amount greater than 50% of its Article 56 Carryover Water to another contractor for use in that contractor's service area. The Agency seeking to transfer or exchange greater than 50% of its Article 56 Carryover Water shall submit a written request to the State for approval. The Agency making such a request shall demonstrate to the State how it will continue to meet its critical water needs in the current year of the transfer or exchange and in the following year.

- (iv) The contractor receiving the water transferred or exchanged under subdivisions (4)(i) or (ii) above shall confirm in writing to the State its need for the water that year and shall take delivery of the water transferred or exchanged in the same year.
 - (v) Subject to the approval of the State, the Agency may seek an exception to the requirements of subdivisions (4)(i), (ii), and (iii) above. The Agency seeking an exception shall submit a written request to the State demonstrating to the State the need for 1) using project surface conservation facilities as the transfer or exchange point for Article 56 Carryover Water if the receiving contractor cannot take delivery of the transfer or exchange water in that same year, 2) using project surface conservation facilities for the transfer or exchange of one contractor's Article 56 Carryover Water to another contractor to reduce the risk of the water being displaced, or 3) for some other need.
- (5) The restrictions on storage of Project Water outside the Agency's service area provided for in this subdivision (c), shall not apply to storage in any project off-stream storage facilities constructed south of the Delta after the date of the Monterey Amendment.
- (6) For any Project Water stored outside its service area pursuant to subdivisions (b) and (c), the Agency shall pay the State the same (including adjustments) for power resources (including on-aqueduct, off-aqueduct, and any other power) incurred in the transportation of such water as the Agency pays for the transportation of Annual Table A Amount to the reach of the project transportation facility from which the water is delivered to storage. If Table A Amount is stored, the Delta Water Charge shall be charged only in the year of delivery to interim storage. For any stored water returned to a project transportation facility for final delivery to its service area, the Agency shall pay the State the same for power resources (including on-aqueduct, off-aqueduct, and any other power) incurred in the transportation of such water calculated from the point of

return to the aqueduct to the turn-out in the Agency's service area. In addition, the Agency shall pay all incremental operation, maintenance, and replacement costs, and any other incremental costs, as determined by the State, which shall not include any administrative or contract preparation charge. Incremental costs shall mean those nonpower costs which would not be incurred if such water were scheduled for or delivered to the Agency's service area instead of to interim storage outside the service area. Only those contractors not participating in the repayment of a reach shall be required to pay a use of facilities charge for use of a reach for the delivery of water to, or return of water from, interim storage.

- (7) If the Agency elects to store Project Water in a nonproject facility within the service area of another contractor it shall execute a contract with that other contractor prior to storing such water which shall be in conformity with this Article and will include at least provisions concerning the point of delivery and the time and method for transporting such water.

(d) Non-Permanent Water Transfers of Project Water

Notwithstanding the provisions of Article 15(a), the State hereby consents to the Agency transferring Project Water outside its service area in accordance with the following:

- (1) The participating contractors shall determine the duration and compensation for all water transfers, including single-year transfers, Transfer Packages and multi-year transfers.
- (2) The duration of a multi-year transfer shall be determined by the participating contractors to the transfer, but the term of the transfer agreement shall not extend beyond the term of the Contract with the earliest term.
- (3) A Transfer Package shall be comprised of two or more water transfer agreements between the same contractors. The State shall consider each proposed water transfer within the package at the same time and shall apply the transfer criteria pursuant to Article 57 in the review and approval of each transfer. The State shall not consider a Transfer Package as an exchange.

(e) Continuance of Article 12(e) Carry-over Provisions

The provisions of this Article are in addition to the provisions of Article 12(e), and nothing in this Article shall be construed to modify or amend the provisions of Article 12(e). Any contractor electing to transfer or exchange Project Water during any year in accordance with the provisions of subdivision (c) of this Article, shall not be precluded from using the provisions of Article 12(e) for carrying over water from the last three months of that year into the first three months of the succeeding year.

(f) Bona Fide Exchanges Permitted

Notwithstanding the provisions of Article 15(a), the State hereby consents to the Agency exchanging Project Water outside its service area consistent with this Article. Nothing in this Article shall prevent the Agency from entering into bona fide exchanges of Project Water for use outside the Agency's service area with other parties for Project Water or Nonproject Water if the State consents to the use of the Project Water outside the Agency's service area. Also, nothing in this Article shall prevent the Agency from continuing those exchange or sale arrangements entered into prior to September 1, 1995. Nothing in this Article shall prevent the Agency from continuing those exchange or sale arrangements entered into prior to the effective date of this Amendment which had previously received any required State approvals. The State recognizes that the hydrology in any given year is an important factor in exchanges. A "bona fide exchange" shall mean an exchange of water involving the Agency and another party where the primary consideration for one party furnishing water to another party is the return of a substantially similar amount of water, after giving due consideration to the hydrology, the length of time during which the water will be returned, and reasonable payment for costs incurred. In addition, the State shall consider reasonable deductions based on expected storage or transportation losses that may be made from water delivered. The State may also consider any other nonfinancial conditions of the return. A "bona fide exchange" shall not involve a significant payment unrelated to costs incurred in effectuating the exchange. The State, in consultation with the contractors, shall have authority to determine whether a proposed exchange of water constitutes a "bona fide exchange" within the meaning of this paragraph and not a disguised sale.

(g) Exchanges of Project Water

Exchanges of Project Water shall be consistent with Article 57. In addition, the State shall apply the following criteria to its review of each exchange of Project Water as set forth below:

(1) **Exchange Ratio**

Exchange ratio shall mean the amount of water delivered from a contractor's project supply in a year to another contractor compared to the amount of water returned to the first contractor in a subsequent year by the other contractor. All exchanges shall be subject to the applicable exchange ratio in this Article as determined by the allocation of available supply for the Annual Table A Amount at the time the exchange transaction between the contractors is executed.

- (a) For allocations greater than or equal to 50%, the exchange ratio shall be no greater than 2 to 1.
- (b) For allocations greater than 25% and less than 50%, the exchange ratio shall be no greater than 3 to 1.
- (c) For allocations greater than 15% and less than or equal to 25%, the exchange ratio shall be no greater than 4 to 1.
- (d) For allocations less than or equal to 15%, the exchange ratio shall be no greater than 5 to 1.

(2) **Cost Compensation**

The State shall determine the maximum cost compensation calculation using the following formula:

The numerator shall be the exchanging contractor's conservation minimum and capital and transportation minimum and capital charges, including capital surcharges. DWR will set the denominator using the State Water Project allocation which incorporates the May 1 monthly Bulletin 120 runoff forecast.

If the Agency submits a request for approval of an exchange prior to May 1, the State shall provide timely approval with the obligation of the contractors to meet the requirement of the maximum compensation. If the maximum compensation is exceeded because the agreement between the

contractors is executed prior to the State Water Project allocation as defined in (c)(2) above, the contractors will revisit the agreement between the two contractors and make any necessary adjustments to the compensation. If the contractors make any adjustments to the compensation, they shall notify the State.

(3) Period During Which the Water May Be Returned:

The period for the water to be returned shall not be greater than 10 years and shall not go beyond the expiration date of this Contract. If the return of the exchange water cannot be completed within 10 years, the State may approve a request for an extension of time.

(h) Other Transfers

Nothing in this Article shall modify or amend the provisions of Articles 15(a), 18(a) or Article 41, except as expressly provided for in subdivisions (c) and (d) of this Article and in subdivision (d) of Article 21.

NEW CONTRACT ARTICLES

ARTICLE 57 IS ADDED TO THE CONTRACT AS A NEW ARTICLE AS FOLLOWS:

57. Provisions Applicable to Both Transfers and Exchanges of Project Water

- (a) Nothing in this Article modifies or limits Article 18 (a).
- (b) Transfers and exchanges shall not have the protection of Article 14(b).
- (b) The Agency may be both a buyer and seller in the same year and enter into multiple transfers and exchanges within the same year.
- (d) Subject to the State's review and approval, all transfers and exchanges shall satisfy the following criteria:
 - (1) Transfers and exchanges shall comply with all applicable laws and regulations.
 - (2) Transfers and exchanges shall not impact the financial integrity of the State Water Project, Transfers and exchange agreements shall include provisions to cover all costs to the State for the movement of water such as power costs and use of facility charge.
 - (3) Transfers and exchanges shall be transparent, including compliance with subdivisions (g) and (h) of this Article.
 - (4) Transfers and exchanges shall not harm other contractors not participating in the transfer or exchange.
 - (5) Transfers and exchanges shall not create significant adverse impacts to the service area of each contractor participating in the transfer or exchange.
 - (6) Transfers and exchanges shall not adversely impact State Water Project operations.
- (e) The Agency may petition the State and the State shall have discretion to approve an exception to the criteria set forth in subdivision (d) in the following cases:
 - (1) When a transfer or an exchange does not meet the criteria, but the Agency has determined that there is a compelling need to proceed with the transfer or exchange.

- (2) When the Agency has received water in a transfer or an exchange and cannot take all of the water identified in the transaction in the same year, the Agency may request to store its water consistent with Article 56(c), including in San Luis Reservoir.
- (f) The State will timely process such requests for scheduling the delivery of the transferred or exchanged water. Contractors participating in a transfer or an exchange shall submit the request in a timely manner.
- (g) The Agency shall, for each transfer or exchange it participates in, confirm to the State in a resolution or other appropriate document approving the transfer or exchange, including use of Article 56(c) stored water, that:
- (1) The Agency has complied with all applicable laws.
 - (2) The Agency has provided any required notices to public agencies and the public.
 - (3) The Agency has provided the relevant terms to all contractors and to the Water Transfers Committee of the State Water Contractors Association.
 - (4) The Agency is informed and believes that the transfer or exchange will not harm other contractors.
 - (5) The Agency is informed and believes that the transfer or exchange will not adversely impact State Water Project operations.
 - (6) The Agency is informed and believes that the transfer or exchange will not affect its ability to make all payments, including payments when due under its Contract for its share of the financing costs of the State's Central Valley Project Revenue Bonds.
 - (7) The Agency has considered the potential impacts of the transfer or exchange within its service area.
- (h) **Dispute Resolution Process Prior to Executing an Agreement**

The State and the contractors shall comply with the following process to resolve disputes if a contractor that is not participating in the transfer or exchange claims that the proposed transfer and/or exchange has a significant adverse impact.

- (1) Any claim to a significant adverse impact may only be made after the Agency has submitted the relevant terms pursuant to Article

57(g)(3) and before the State approves a transfer or an exchange agreement.

- (2) In the event that any dispute cannot be resolved among the contractors, the State will convene a group including the Department's Chief of the State Water Project Analysis Office, the Department's Chief Counsel and the Department's Chief of the Division of Operations or their designees and the contractors involved. The contractor's representatives shall be chosen by each contractor. Any contractor claiming a significant adverse impact must submit written documentation to support this claim and identify a proposed solution. This documentation must be provided 2 weeks in advance of a meeting of the group that includes the representatives identified in this paragraph.
- (3) If this group cannot resolve the dispute, the issue will be taken to the Director of the Department of Water Resources and that decision will be final.

WATER MANAGEMENT AMENDMENT IMPLEMENTING AND ADMINISTRATIVE PROVISIONS

IT IS FURTHER MUTUALLY AGREED that the following provisions, which shall not be part of the Water Supply Contract text, shall be a part of this Amendment and be binding on the Parties.

1. EFFECTIVE DATE OF WATER MANAGEMENT AMENDMENT

- (a) The Water Management Amendment shall take effect (“Water Management Amendment effective date”) on the last day of the calendar month in which the State and 24 or more contractors have executed the Water Management Amendment, unless a final judgment by a court of competent jurisdiction has been entered that the Water Management Amendment is invalid or unenforceable or a final order has been entered that enjoins the implementation of the Water Management Amendment.
- (b) If any part of the Water Management Amendment of any contractor is determined by a court of competent jurisdiction in a final judgment or order to be invalid or unenforceable, the Water Management Amendments of all contractors shall be of no force and effect unless the State and 24 or more contractors agree any the remaining provisions of the contract may remain in full force and effect.
- (c) If 24 or more contractors have not executed the Water Management Amendment by February 28, 2021 then within 30 days the State, after consultation with the contractors that have executed the amendment, shall make a determination whether to waive the requirement of subdivision (a) of this effective date provision. The State shall promptly notify all contractors of the State’s determination. If the State determines, pursuant to this Article to allow the Water Management Amendment to take effect, it shall take effect only as to those consenting contractors.
- (d) If any contractor has not executed the Water Management Amendment within sixty (60) days after its effective date pursuant to subdivisions (a) through (c) of this effective date provision, this Amendment shall not take effect as to such contractor unless the contractor and the State, in its discretion, thereafter execute such contractor’s Water Management Amendment, in which case the Water Management Amendment effective date for purposes of that contractor’s Amendment shall be as agreed upon by the State and contractor, and shall replace the effective date identified in subdivision (a) for that contractor.

2. ADMINISTRATION OF CONTRACTS WITHOUT WATER MANAGEMENT AMENDMENT

The State shall administer the water supply contracts of any contractors that do not execute the Water Management Amendment in a manner that is consistent with the contractual rights of such contractors. These contractors' rights are not anticipated to be affected adversely or benefited by the Water Management Amendments.

3. OTHER CONTRACT PROVISIONS

Except as amended by this Amendment, all provisions of the contract shall be and remain the same and in full force and effect, provided, however, that any reference to the definition of a term in Article 1, shall be deemed to be a reference to the definition of that term, notwithstanding that the definition has been re-lettered within Article 1. In preparing a consolidated contract, the parties agree to update all such references to reflect the definitions' lettering within Article 1.

4. DocuSign

The Parties agree to accept electronic signatures generated using DocuSign as original signatures.

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment on the date first above written.

Approved as to Legal Form
and Sufficiency:

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

Chief Counsel
Department of Water Resources

Director

Date

Approved as to Form:

SANTA BARBARA COUNTY FLOOD
CONTROL AND WATER
CONSERVATION DISTRICT

General Counsel
Santa Barbara County Flood Control
and Water Conservation District

General Manager

Date

CENTRAL COAST WATER AUTHORITY

RESOLUTION OF THE CENTRAL COAST WATER AUTHORITY MAKING FINDINGS OF FACT AND ADOPTING A STATEMENT OF OVERRIDING CONSIDERATIONS FOR THE STATE WATER PROJECT WATER SUPPLY CONTRACT AMENDMENTS FOR WATER MANAGEMENT FINAL EIR

FINDINGS OF FACT AND STATEMENT OF OVERRIDING CONSIDERATIONS BY THE BOARD OF DIRECTORS OF THE CENTRAL COAST WATER AUTHORITY REGARDING THE FINAL ENVIRONMENTAL IMPACT REPORT FOR THE STATE WATER PROJECT SUPPLY CONTRACT AMENDMENTS FOR WATER MANAGEMENT

This document presents Findings of Fact (the “Findings”) and a Statement of Overriding Considerations (the “Statement”) by the Central Coast Water Authority (the “CCWA”) regarding the Final Environmental Impact Report (the “Final EIR”) for the State Water Project Water Supply Contract Amendments for Water Management (the “Project”), for which CCWA is acting as a responsible agency under the California Environmental Quality Act (“CEQA”). The Findings and the Statement presented herein were prepared in compliance with CEQA and the State’s CEQA Guidelines. Substantial evidence supporting all findings made herein is contained in the Final EIR and/or the record of proceedings.

If a Project would have significant adverse effects on the environment, CEQA requires a responsible agency to prepare findings describing how those effects would be reduced or avoided. Under California Public Resources Code section 21081(a) and CEQA Guidelines section 15091(a), several findings are possible. They include:

- (1) Changes or alterations have been required in, or incorporated into, the project which mitigate or avoid the significant effects on the environment.
- (2) Those changes or alterations are within the responsibility and jurisdiction of another public agency and have been, or can and should be, adopted by that other agency.
- (3) Specific economic, legal, social, technological, or other considerations, including considerations for the provision of employment opportunities for highly trained workers, make infeasible the mitigation measures or alternatives identified in the environmental impact report.

For any significant effects that cannot be avoided or reduced to a less-than-significant level, the responsible agency must describe the reasons why mitigation or adoption of an alternative approach is infeasible (California Public Resources Code section 21081(a)(3); CEQA Guidelines section 15091(a)(3)). Adoption of a project that would have significant adverse effects on the environment requires that the lead agency identify the project benefits that are evaluated as outweighing its significant effects on the environment (Public Resources Code section 21081(b); CEQA Guidelines section 15093(b)).

BACKGROUND

The Project would amend certain provisions of the State Water Resources Development System (“SWRDS”) Water Supply Contracts (“SWP Contracts”). SWRDS (defined in Water Code section 12931), or more commonly referred to as the SWP, was enacted into law by the Burns-Porter Act, passed by the Legislature in 1959 and approved by the voters in 1960. The Department of Water Resources (“DWR”) constructed and currently operates and maintains the SWP, a system of storage and conveyance facilities that provide water to 29 State Water

Contractors known as the public water agencies (“PWAs”). The Project includes proposed amendments to the SWP Contracts to include water management provisions for actions such as the transfer or exchange of SWP water between PWAs, as well as financial provisions including the methods used by DWR to recover certain costs associated with the planning, construction, and operation and maintenance of SWP facilities.

CCWA’s Role

CCWA is a public entity organized under a joint exercise of powers agreement dated August 1, 1991, by the cities and special districts responsible for the creation and maintenance of water resources in portions of the North County, Santa Ynez Valley, and the South Coast areas of Santa Barbara County. CCWA owns and operates a water treatment plant and pipeline that delivers water from the SWP to project participants in Santa Barbara and San Luis Obispo Counties.

CCWA’s Role as Responsible Agency under CEQA

DWR, as lead agency for the Project under CEQA, certified the Final EIR for the Project in August 2020.

CCWA is a responsible agency for the Project under CEQA as it agrees to be bound by the terms of the amendments to the SWP Contract authorized by approval of the Project. As a responsible agency, CCWA is required to consider the environmental review document prepared by the lead agency and make findings regarding the environmental effect of those parts of the Project that CCWA decides to carry out, fund, or approve.

CCWA’s Review and Consideration of the Final EIR

Prior to taking action on the Project, the Board of Directors (“Board”) of CCWA fully reviewed and considered the information contained in the record of proceedings. In accordance with Public Resources Code section 21167.6(e), the record of proceedings for CCWA decision on the Project includes the following documents:

- The Notice of Preparation and Notice of Completion (“NOC”) filed on July 13, 2018;
- The State Water Project Supply Contract Amendments for Water Management and California WaterFix Draft Environmental Impact Report and all appendices (“Draft EIR”);
- The State Water Project Supply Contract Amendments for Water Management Partially Recirculated Draft Environmental Impact Report and all appendices (“Recirculated Draft EIR”);
- All written comments received in response to, or in connection with, environmental documents prepared for the Project, including responses to the Notice of Preparation;
- Documents cited or referenced in the Draft EIR and Recirculated Draft EIR;
- All findings adopted by DWR and CCWA for the Project
- All reports, studies, memoranda, maps, staff reports, or other planning documents related to the Project prepared by DWR or its consultants with respect to CCWA’s compliance with CEQA and with respect to CCWA’s action on the Project;
- Any recordings of public meetings, public workshops and public hearings held by DWR and CCWA in connection with the Project; and

- Any other materials required for the record of proceedings by Public Resources Code section 21167.6(e).

At its scheduled public meetings on September 24, 2020 and October 22, 2020, the Board independently reviewed and considered the FEIR, DWR's CEQA Findings of Fact and Statement of Overriding Considerations, and other related documents and evidence in the record before it. The Board received one comment from WE Watch dated September 23, 2020 stating, "oppose any changes to water transfer rules that would loosen current provisions and allow the Tuscan Aquifer to be overdrawn to satisfy Central Valley needs, just as the Central Valley water districts have overdrawn their own aquifers. The emphasis for replenishment needs to stay focused on local supplies."

Project Objectives

The Project objective is to supplement and clarify terms of the SWP Contract that will provide greater water management regarding transfers and exchanges of SWP water supply within the entire SWP service area.

Project Description

The Project would add, delete, and modify provisions of the SWP Contracts and clarify certain terms of the SWP Contracts that will provide greater water management regarding transfers and exchanges of SWP water within the SWP service area. In addition, the Project would not build new or modify existing SWP facilities nor change any of the PWA's Annual Table A amounts. The Project would not change the water supply delivered by the SWP, as SWP water would continue to be delivered to the PWAs consistent with current SWP Contract terms and all regulatory requirements.

Draft and Partially Recirculated Draft EIR Circulation

In 2018, DWR prepared and circulated the Draft EIR. The Notice of Preparation ("NOP") and Notice of Completion ("NOC") were filed with the State Clearing Housing (State Clearing Housing No. 2018072033) on July 13, 2018 for public review ending on August 13, 2018. The NOP and information on the scoping meeting were provided to stakeholders, and a scoping meeting was held on August 2, 2018 in the Resources Building Auditorium, 1416 Ninth Street, Sacramento, CA 95814.

The Draft EIR was filed with the State Clearinghouse in July 2018 and was circulated for a 45-day comment period and one extension for a total comment period of 76 days from October 26, 2018 to January 9, 2019. During the public review period, two public meetings were held (November 16 and 30, 2018) and 15 comment letters were received.

In 2019, Governor Newsom announced that he did not support the WaterFix as it was configured at that time, and DWR Director Karla Nemeth withdrew approval of the California WaterFix and rescinded DWR's adoption of findings, statement of overriding considerations, and Mitigation, Monitoring and Reporting Plan, and project approvals. DWR then prepared a Partially Recirculated Draft EIR for the Project that removed the analysis of the California WaterFix and instead focused exclusively on water management regarding transfers and exchanges for SWP water among SWP contractor PWAs.

On May 20, 2019, DWR and SWP contractor PWAs negotiated amendments to a 2018 Agreement in Principle that removed the cost allocation provisions associated with the California WaterFix, but left in place other provisions of the Agreement in Principle related to water management for transfers and exchanges. The Recirculated Draft EIR was published on February 28, 2020 and circulated for 94 days through June 1, 2020. No additional public meetings were held and 3 additional comment letters were received.

Final EIR

Based on comments received on the Draft EIR and Recirculated Draft EIR, changes were made to the document and master responses were prepared for the public comments. The Final EIR incorporates the Draft EIR and Recirculated Draft EIR (and associated appendices) by reference. The Final EIR and all associated materials in the administrative record are incorporated herein by reference. DWR certified the Final EIR on August 25, 2020 as being prepared in accordance with CEQA.

SIGNIFICANT AND UNAVOIDABLE IMPACTS WITHIN CCWA'S JURISDICTION

The Final EIR identified significant and potentially significant environmental impacts that could occur with the implementation of the Project. Specifically, the Project was considered to have potentially significant impacts on Groundwater Hydrology and Water Quality. There were no mitigation measures identified in the Final EIR to substantially lessen or avoid the potentially significant groundwater resources impacts of the Project. The Final EIR also evaluated potential Cumulative Impacts, Significant Irreversible Environmental Changes, and Growth-Inducing Effects.

Impact Category: Groundwater Hydrology and Water Quality

Impact 5.10-1: The increase in groundwater pumping associated with changes in transfers and exchanges implemented by PWAs could substantially deplete groundwater supplies in some areas of the study area. (Final EIR, pp. 5.10-17 – 5.10-21.)

Findings. It is possible that transfers and exchanges of SWP water by CCWA, on behalf of one or more of its members or other participants, could result in benefits to groundwater levels, as transferred or exchanged water could be used in lieu of groundwater supplies or to supplement groundwater recharge. It is also possible, however, that transfers and exchanges from some water users to other water users could result in an increase in groundwater pumping causing a net deficit in aquifer volume or lowering of local groundwater tables in some areas. CCWA's conclusion is based on DWR's program-level analysis, as there is uncertainty in the amount of groundwater use that may occur as a result of the Project.

Because the Sustainable Groundwater Management Act (SGMA) is in the process of being implemented and because the extent, location, and implementation timing of groundwater pumping associated with changes in transfers and exchanges implemented by PWAs are not known, assumptions related to the ability of SGMA to mitigate any changes in groundwater levels are speculative.

CCWA is a Joint Powers Authority whose members and other participants may propose one or more specific transfers or exchanges of SWP water with other PWAs pursuant to the proposed project and any such transfer or exchange could substantially deplete groundwater supplies within the jurisdiction of the CCWA member or participants and/or within the jurisdiction of the

other participating PWAs. The project proponent(s) within Santa Barbara County (CCWA's members/participants) could propose feasible mitigation measures to reduce significant impacts to groundwater pumping within their jurisdiction that are associated with the proposed transfer or exchange to less than significant, although it is not possible for CCWA to conclude that feasible mitigation measures would be available to avoid or mitigate significant groundwater effects in all cases. Per CEQA Guidelines Section 15091(a)(2), implementation and enforcement mitigation measures are within the responsibility and jurisdiction of another public agency and not the agency making the finding.

The extent, location, and implementation timing of groundwater pumping associated with changes in transfers and exchanges implemented by CCWA, on behalf of its members and other participants, are not known. Therefore, it is concluded that the potential increase in groundwater pumping could result in a net deficit in aquifer volume or lowering the local groundwater table. **For these reasons, this impact is significant and unavoidable.**

Impact 5.10-2: The increase in groundwater pumping associated with changes in transfers and exchanges implemented by PWAs could result in subsidence in some of the study area. (Final EIR, pp. 5.10-22 – 5.10-25.)

Findings. It is possible that transfers and exchanges of SWP water by CCWA, on behalf of one or more of its members or other participants, could result in benefits to groundwater levels, as transferred or exchange water could be used in-lieu of groundwater supplies or to supplement groundwater recharge. It is also possible, however, that transfers and exchanges from some water users to other water users could result in an increase in groundwater pumping that could cause subsidence due to a net deficit in aquifer volume or lowering of the local groundwater table in some areas. Because the extent, location, and implementation timing of groundwater pumping associated with changes in transfers and exchanges implemented by PWAs are not known, it is concluded that groundwater pumping in some areas of the study area would cause subsidence due to a net deficit in aquifer volume or lowering the local groundwater table and the impact would be potentially significant.

Because the Sustainable Groundwater Management Act (SGMA) is in the process of being implemented and because the extent, location, and implementation timing of groundwater pumping associated with changes in transfers and exchanges implemented by PWAs are not known, assumptions related to the ability of SGMA to mitigate any changes in groundwater levels are speculative.

The project proponent(s) within Santa Barbara County (CCWA's members/participants) could propose feasible mitigation measures to reduce significant impacts to less than significant in some cases, although it is not possible for CCWA to conclude that feasible mitigation measures would be available to avoid or mitigate significant groundwater effects in all cases. Per CEQA Guidelines Section 15091(a)(2), implementation and enforcement mitigation measures are within the responsibility and jurisdiction of another public agency and not the agency making the finding.

CCWA has no information on specific transfers or exchanges that might be proposed pursuant to the proposed project and CCWA has no authority to implement mitigation measures in any member/participant's service area. **For these reasons, this impact is significant and unavoidable.**

Cumulative Impacts

The Final EIR presents the cumulative impact analysis for the Project, and identified that the Project could cause or contribute to a significant cumulative impact to groundwater supplies and subsidence. (Final EIR, pp. 6-8 – 6-14.)

Findings. The incremental contribution of the proposed project's effect on groundwater supplies and subsidence could be cumulatively considerable when evaluated in connection with the effect of past, current and probable future projects (as full implementation of SGMA is not anticipated until 2040 or 2042). This cumulative impact would be **significant**. The project proponent(s) within Santa Barbara County (CCWA's members/participants) may provide mitigation in their project-level analysis for any proposed transfers or exchanges pursuant to the proposed project. However, per CEQA Guidelines Section 15091(a)(2), implementation and enforcement of mitigation measures are within the responsibility and jurisdiction of another public agency and not the agency making the finding.

Because CCWA has no information on specific implementation of the transfers and exchanges from the proposed project and it has no authority to implement mitigation measures in any member/participant's service area, the cumulative impact would remain **significant and unavoidable**.

Significant Irreversible Environmental Changes

Findings. The Project would not build or modify any existing SWP facility, nor change CCWA's contractual Table A amounts. Thus, the Project would not result in the commitment of nonrenewable natural resources such as gravel, petroleum products, steel, and slowly renewable resources such as wood products, any differently than under existing conditions, and there would be no significant irreversible environmental changes.

Growth-Inducing Impacts

Findings. The Final EIR considered Growth-Inducing Impacts potentially caused by the Project. The Final EIR identified that the Project would not build new or modify existing SWP facilities nor change CCWA's contractual maximum Table A amounts. The Project would also not create additional housing or substantial new permanent employment opportunities, nor would the Project eliminate water supply considerations from future development opportunities. (Final EIR, pp. 5.14-2 – 5.14-5.)

The Final EIR, however, does identify that the Project could result in the fallowing of agricultural land and/or changes in crop patterns as a result of potential exchanges and transfers between agricultural water users and other water users. (Final EIR, pp. 5.3-7 -5.3-9.) Within CCWA's service area, transfers and exchanges and any associated fallowing of agricultural lands and/or changes in cropping patterns are not expected to be substantial and would not be anticipated to change the existing land use designations because land use for these parcels would remain agricultural use.

Further, cities and counties are responsible for considering the environmental effect of their growth and land use planning activities, and perform the appropriate CEQA review for any new development projects. Therefore, the Project does not result in any Growth-Inducing Impacts.

ALTERNATIVES ANALYSIS

DWR considered project alternatives and analyzed these alternatives in the Final EIR and during the public comment period and hearing process. CCWA concurs with DWR's conclusion that these alternatives are infeasible based on the substantial evidence in the record of the impacts of these alternatives and the reasons contained in the Final EIR. Each alternative and the findings associated with the infeasibility of each alternative are set forth below.

Summary of Alternatives Considered

CEQA requires that an EIR describe and evaluate a range of reasonable alternatives to a project or to the location of a project that would feasibly attain most of the basic project objectives and avoid or substantially lessen significant project impacts. The Final EIR considered and rejected the following alternatives by making findings that the alternatives were infeasible. CCWA affirms and adopts DWR's infeasibility findings, as set forth below:

Alternative 1 – No Project

Description. CEQA Guideline section 15126.6(e) requires consideration of a No Project Alternative in order to allow decision-makers to compare impacts of approving a project with the impacts of not approving a project. Under this alternative, DWR would take no action, and DWR and CCWA would continue to operate and finance the SWP under the current SWP Contracts.

Facts in Support of Finding of Infeasibility. The No Project Alternative would not meet the objective of the Project because it does not provide greater water management regarding transfers and exchanges of SWP water within the SWP service area and CCWA service area as compared to the Project. The No Project Alternative would result in similar or greater impacts when compared to the Project. Further, it could result in potentially significant impacts associated with the construction and operation of new water supply facilities. Furthermore, the Project's less than significant impacts could be potentially significant if alternative water sources are not available.

Alternative 2 – Reduce Table A Deliveries

Description. DWR and PWAs, including CCWA, would agree to amend the SWP Contracts in accordance with the May 20, 2019 Agreement in Principle, which would reduce annual Table A amounts proportionately for all the PWAs.

Facts in Support of Finding of Infeasibility. Alternative 2 would not meet the objectives of the Project because it would require CCWA to accept a reduction in delivery of annual Table A amounts proportional for all PWAs and would not provide greater water management regarding transfers and exchanges. Impacts under Alternative 2 would be similar to or greater than the Project within CCWA's jurisdiction. Further, it could result in potentially significant impacts associated with the construction and operation of new water supply facilities. Furthermore, the Project's less than significant impacts could be potentially significant if alternative water sources are not available.

Alternative 3 – Reduced Flexibility in Water Transfers/Exchanges

Description. DWR and PWAs, including CCWA, would agree to amend the SWP Contracts in accordance with the May 20, 2019 Agreement in Principle, but the amendments would not

modify provisions of the SWP Contracts to clarify certain terms to provide greater water management regarding transfers of SWP water supply within the SWP and CCWA service area. Alternative 3 would provide some increase in flexibility of exchanges and transfers, but not as much flexibility as the Project. For example, Alternative 3 would amend the SWP Contracts to allow PWAs to transfer carryover water in San Luis Reservoir, but only 20 percent of the carryover water (the Project allows for 50 percent), allow limited multi-year transfers of five years or less (the Project allows for up to the SWP Contract term), and not allow use of Transfer Packages. In addition, unlike the Project, PWAs, including CCWA, would transfer water based on cost compensation established by DWR. Also, under Alternative 3, the SWP Contracts language in Article 56(f) would not be amended regarding water exchanges to add provisions, such as conducting water exchanges as buyers and sellers in the same year and increasing the compensation allowed to facilitate the exchanges.

Facts in Support of Finding of Infeasibility. Alternative 3 would meet the objective of the Project, but to a lesser degree because the water transfers and exchanges would not provide as much water management flexibility to CCWA regarding transfers and exchanges. Further, it could result in potentially significant impacts associated with the construction and operation of new water supply facilities. Furthermore, the Project's less than significant impacts could be potentially significant if alternative water sources are not available.

Alternative 4 – More Flexibility in Water Transfers/Exchanges

Description. DWR and the PWAs, including CCWA, would agree to amend the SWP Contracts. Unlike the Project, however, the SWP Contracts would be amended to allow PWAs more flexibility in water transfers and exchanges. Similar to the Project, PWAs would be able to transfer carryover water in San Luis Reservoir, transfer water for multiple years without permanently relinquishing that portion of their Table A amounts, and transfer water in Transfer Packages. Similar to the Project, CCWA would be able to transfer water based on terms they establish for cost compensation and duration, and store and transfer water in the same year. Unlike the Project that only allows for single-year transfers associated with carryover water, Alternative 4 would allow transfers and exchanges to include up to 100 percent of a PWA's carryover in San Luis Reservoir and allow multi-year use of its carryover water in both transfers and exchanges. Similar to the Project, the proposed exchange provisions of the Agreement in Principle would establish a larger range of return ratios in consideration of varying hydrology and also maximum compensation with respect to SWP charges and allow PWAs, like CCWA, to conduct additional water exchanges as buyers and sellers in the same year.

Facts in Support of Finding of Infeasibility. Alternative 4 would meet the objective of the Project. Under Alternative 4 the less than significant impacts associated with changes in flow including adverse effects to special-status fish or terrestrial species, and water supply would be similar to the Project. However, similar to the Project, there is potential for Alternative 4 to result in a net deficit in aquifer volume, lowering of the local groundwater table, or subsidence in some areas of the study area with impacts that may be significant and unavoidable.

Alternative 5 – Only Agriculture to Municipal and Industrial Transfers Allowed

Description. DWR and the PWAs, including CCWA, would agree to amend the SWP Contracts based on the May 20, 2019 Agreement in Principle; however, the amendments would only allow for the transfer from agricultural PWAs to municipal and industrial PWAs, and it would not change any current SWP Contract provisions for exchanges. Similar to the Project, PWAs, like CCWA, could transfer carryover water in San Luis Reservoir to PWAs, transfer water for

multiple years without permanently relinquishing that portion of their Table A amounts and request DWR's approval of Transfer Package; however, unlike the Project, these transfers would only be from agricultural PWAs to municipal and industrial PWAs. Similar to the Project, Alternative 5 would revise the SWP Contracts to allow the PWAs to transfer water based on terms they establish for cost compensation and duration. An agricultural PWA would be able to store and transfer water in the same year to only to municipal and industrial PWAs, and transfer up to 50 percent of its carryover water, but only for a single-year transfer to a municipal and industrial PWA (i.e., a future or multi-year commitment of transferring carryover water is not allowed). Under Alternative 5, the SWP Contracts would not be amended to modify the text in Article 56(f) regarding water exchanges to include additional provisions, such as conducting water exchanges as buyers and sellers in the same year.

Similar to the Project, Alternative 5 would not build new or modify existing SWP facilities nor change CCWA's contractual maximum Table A amounts. Also similar to the Project, Alternative 5 would not change the water supply delivered by the SWP as SWP water supply would continue to be delivered to the PWAs consistent with current SWP Contracts terms, including Table A and Article 21 deliveries. Operation of the SWP under this alternative would be subject to ongoing environmental regulations including for water rights, water quality and endangered species protection, among other State and federal laws. Also similar to the Project, Alternative 5 would not require additional permits or approvals.

Facts in Support of Finding of Infeasibility. Alternative 5 would meet some of the objectives of the Project, but to a lesser degree because the water transfers and exchanges would not provide as much water management flexibility regarding transfers and exchanges. Alternative 5 would limit the water users that could engage in transfers and exchanges depending on their water use. Further, it could result in potentially significant impacts associated with the construction and operation of new water supply facilities. Furthermore, the Project's less than significant impacts could be potentially significant if alternative water sources are not available.

Summary of Alternatives Considered and Dismissed from Further Consideration

Description. DWR considered and rejected the alternative to Implement New Water Conservation Provisions in Contracts. This alternative was rejected because existing statutes and regulations govern agricultural and urban water efficiency, conservation, and management measures independent from the Project. (Final EIR, pp. 7-3 – 7-4.)

Findings. Additional water conservation measures in the SWP Contracts would not provide groundwater water management compared to the Project, since these water conservation measures are already required by statutes and regulations. Therefore, CCWA concurs with DWR's conclusion to reject alternative to include additional water conservation measures into the SWP Contracts.

STATEMENT OF OVERRIDING CONSIDERATIONS

Pursuant to CEQA Guideline Section 15093, CCWA finds that specific economic, legal, social, technological, or other considerations make infeasible any additional mitigation measures or Project alternatives identified in the Final EIR, as described above. All feasible mitigation measures have been incorporated into the Project.

In making this Statement of Overriding Considerations in support of the findings of fact and the Project, the Board has considered information contained in the Final EIR for the Project as well

as the public testimony and record of proceedings for the Project. CCWA has balanced the Project's benefits against the unavoidable adverse impacts identified in the Final EIR, described above. This determination is made based upon the public benefits identified in the Final EIR and record of proceedings as stemming from the approval of Project.

The following represents the specific reasons to support this determination based on the Final EIR.

Water Transfers

The Project would add, delete, and modify provisions of the SWP Contracts and clarify certain terms of the SWP Contracts that will provide greater water management regarding transfers and exchanges of SWP water within the SWP service area, including CCWA's service area.

The transfer provisions of the Project would facilitate CCWA's ability to:

- Transfer SWP water for multiple years and multiple parties without permanently relinquishing that portion of their annual Table A amounts;
- Negotiate cost compensation and duration among the PWAs on a willing seller-willing buyer basis for water transfers; and
- Transfer SWP water stored outside of the transferring PWA's service area to the receiving PWA's service area.

All these proposed transfer provisions would provide the PWAs, including CCWA, with increased flexibility for short-term and long-term planning and management of their SWP water supplies. The Project, however, would not include any change to the CCWA's permanent annual Table A amounts.

Since the Monterey Amendment, DWR has approved short-term water transfers pursuant to Articles 15(a) and 41 of the SWP Contracts, and has administered the short-term Turn-Back Water Pool Program pursuant to Article 56 of the SWP Contracts. The Turn-Back Water Pool Program allows a PWA to sell Table A water that it will not use, subject to certain conditions, for a set price that is either 50 percent or 25 percent of the Delta Water Rate for that year. DWR has also administered, on a demonstration basis, a multi-year water pool program for 2013-2014 and 2015-2016 that allowed PWAs to participate in the two-year program as either a buyer or seller for each of the two years (a decision made at the beginning of each of the two-year programs) with greater compensation for the water than allowed under the Turn-Back Water Pool Program. DWR has allowed transfers of Table A water among two PWAs with the same landowner in their respective service areas that do not include an exchange of money.

The Project would remove all language related to the Turn-back Pool from the SWP Contracts and, compared to the Turn-Back Water Pool Program where DWR established the price based on the Delta water rate, the Project would revise the SWP Contracts to allow the PWAs, including CCWA, to transfer water based on terms they establish for cost compensation and duration. Also, in contrast to the Turn-Back Water Pool Program, a water transfer could be as long as the remainder of the term of a SWP Contract. In addition, CCWA would be able to store and transfer water in the same year, and transfer up to 50 percent of its carryover water in San Luis Reservoir, but only for a single-year transfer (i.e., a future or multi-year commitment of transferring carryover water is not allowed).

The proposed amendments would result in a greater amount of water transfers among the PWAs, including CCWA, than under the current SWP Contract provisions. Based on DWR's past experience and discussions with PWAs, most water transfers that occur due to the proposed amendments would occur among the PWAs located south of the Delta, including CCWA, and would not involve additional export of SWP water from the Delta. Water transfers would be implemented using the existing physical facilities and existing operational and regulatory processes, including CEQA compliance.

Water Exchanges

The Project would amend the text in Article 56(f) of SWP Contracts regarding water exchanges to include additional provisions. The proposed exchange provisions of the Agreement in Principle would establish return ratios (up to a 5:1 ratio) based on a consideration of varying hydrology and would set compensation based on CCWA's SWP charges.

The proposed amendments would allow PWAs, such as CCWA, to exchange carryover water in San Luis Reservoir, and exchange up to 50 percent of their carryover water in a single-year transaction (i.e., a future or multi-year commitment of exchanging carryover water is not allowed). The proposed provisions would also allow CCWA, and other PWAs, to conduct water exchanges of carryover water as buyers and sellers in the same year.

While DWR has approved water exchanges pursuant to Articles 15(a), 41, and 56(f) of the SWP Contracts, the Project would provide the PWAs, including CCWA, with increased flexibility for short-term and long-term planning of water supplies. Under the Project, exchanges may be used more frequently to respond to variations in hydrology, such as wet years, and in single dry-year and multiple dry-year conditions.



CENTRAL COAST WATER AUTHORITY

MEMORANDUM

October 14, 2020

TO: CCWA Board of Directors

FROM: Ray Stokes
Executive Director

SUBJECT: Consider Resolution No. 20-01 (1) Approving Amendment No. 21 (Water Management Amendment) to the Water Supply Contract Between The State Of California Department Of Water Resources And Santa Barbara County Flood Control And Water Conservation District; and (2) Making Responsible Agency Findings Pursuant To CEQA For The Final Environmental Impact Report For Amendment No. 21, And Adopting CEQA Findings And Statement Of Overriding Considerations

SUMMARY

CCWA has a long term water supply contract (SWP Contract) with the State of California Department of Water Resources (DWR) for the delivery of State Water Project (SWP) water.¹ Under the existing SWP Contract, water transfers are permitted in a limited and very specific manner, resulting in their infrequent use. In addition, while the existing SWP Contract allows for bona fide exchanges of water, it lacks specificity regarding the parameters of such exchanges. Consequently, public water agencies that have SWP Contracts with DWR (PWAs) have relied upon DWR's case by case application, which provides less certainty for planning purposes.

Given changes in hydrology and further constraints placed on DWR's operation of the SWP and to provide flexibility in the future, PWAs and DWR conducted a series of public negotiations with the goal of agreeing on concepts to supplement and clarify the existing water transfer and exchange provisions of the SWP Contracts to provide improved water management. In a December 2017 Notice to Contractors, DWR indicated its desire to supplement and clarify the water management tools through this public process. In June 2018, PWAs and DWR agreed upon an Agreement in Principle (AIP), which included specific principles to accomplish this goal. These principles included clarifying existing practices for exchanges, providing new flexibility for single and multi-year non-permanent water transfers, allowing PWAs to set terms of compensation for transfers and exchanges, providing for the limited transfer of carryover and Article 21 water, and adding provisions to ensure transparency, among some others. In October 2018, a Draft Environmental Impact Report (DEIR) was circulated for the proposed project.

In addition, the AIP at the time included certain cost allocation sections for the California WaterFix project (WaterFix). In early 2019, the Governor decided not to move forward with

¹ The SWP Contract was executed in 1963 by the Santa Barbara County Flood Control and Water Conservation District (District) and DWR. On November 12, 1991, the District and CCWA entered into the Transfer of Financial Responsibility Agreement whereby CCWA assumed full responsibility for all of the District's obligations pursuant to the SWP Contract. However, the District remains the contracting party to the SWP Contract.

WaterFix and DWR rescinded its approvals of the project. After this shift the PWAs and DWR held a public negotiation and agreed to remove the WaterFix cost allocation sections from AIP, but to keep all of the water management provisions in the AIP. The AIP was finalized on May 20, 2019. DWR decided to amend and recirculate the DEIR. In February 2020, DWR published the Partially Recirculated DEIR for the State Water Project Supply Contract Amendments for Water Management (Project) and in August 2020, DWR certified the Final EIR for the Project.

The proposed amendments to the SWP Contract for consideration by the Board of Directors are based on the AIP, which has been converted into contract amendment language developed by PWA and DWR attorneys. If approved by the Board, the proposed amendment would be effective when 24 of the SWP PWAs execute the amendment. The proposed contract amendment – **“Amendment No. 21 (Water Management Amendment) to the SWP Contract”** – is attached as **Exhibit B** to the proposed Resolution No. 20-01 for consideration by the Board.

DISCUSSION

Background

The SWP Contract has been amended nineteen (19) times; most recently in 2003.² The last update to the water management rules governing SWP operations was in 1994.

Existing article 56(d) of the SWP Contract provides the only mechanism for non-permanent transfers of SWP water between PWAs. This mechanism is called the Turnback Pool. As indicated above, it allows transfers in a limited and specific manner and it is rarely utilized. In addition, Section 56(f) allows PWAs to enter into bona fide exchanges of water with other PWAs, but it lacks specificity regarding the parameters. As a result, DWR has applied Section 56(f) on a case by case basis, which has provided less certainty for PWA planning purposes.

Consequently, DWR and the PWAs worked together to find solutions to develop water supply management practices to enhance management flexibility for SWP water supplies in a changing environment. The proposed contract amendment for the Board’s consideration supplements and clarifies terms of the SWP water supply contract related to water transfers and exchanges within the SWP service area to improve water management capabilities and options. The proposed amendment does not increase SWP diversions or change SWP operations.

Transfers

Specifically, the proposed contract amendment does the following, among other things, regarding transfers:

- Removes the Turnback Pool language from the contract.
- Creates new flexibility for non-permanent transfers, including allowing PWAs to transfer water to other PWAs outside their service area, to determine the duration (either single or multi-year) and terms of compensation for transfers, to execute Transfer Packages (2 or more transfer agreements between the same PWAs), and to transfer water stored outside their service territory directly to other PWAs.
- Requires certain conditions be met to avoid harm to the SWP and other PWAs.
- Requires DWR approval based on satisfaction of such conditions.

² Amendment No. 20 to the SWP Contract is the Contract Extension Amendment which is not yet effective.

- Permits PWAs to transfer Article 21 water with DWR approval after a demonstration of special need.
- Allows PWAs to transfer or exchange up to 50% of their carryover water.
- Adds provisions to ensure transparency.
- Provides for a dispute resolution process for non-participating PWAs who feel they may be adversely impacted by a transfer.

Exchanges

The proposed contract amendment does the following, among other things, with regards to exchanges of water:

- Establishes clear criteria for exchanges to provide more clarity.
- Sets exchange ratios based on Annual Table A water allocation percentages, up to 5 to 1.
- Sets the maximum cost compensation for an exchange.
- Allows exchanges to be carried out over a 10 year period (meaning water could be returned over 10 years).
- Permits the exchange or transfer of up to 50% of PWAs carryover water.
- Requires certain conditions to be met to avoid harm to the SWP and other PWAs.
- Adds provisions to ensure transparency.
- Provides for a dispute resolution process for non-participating PWAs who feel they may be adversely impacted by an exchange.

In addition to the above, the proposed amendment permits PWAs to participate in multiple transfers or exchanges each year, as well as to be both buyers and sellers in the same year. PWAs may also petition DWR for exceptions to the some of the above criteria upon a demonstration of special needs or circumstances. Overall, the proposed amendments provide improved flexibility for PWAs to utilize water transfers and exchanges to better manage their SWP water supplies in a dynamic environment.

Proposed Amendment Implementation Schedule

The proposed contract amendment to the SWP Contract is a uniform amendment that all PWAs are considering. Pursuant to the terms of the proposed amendment, it will not go into effect until the last day of the month after 24 PWAs have executed the contract amendment. If 24 or more PWAs have not executed the amendment by February 28, 2021, DWR may decide in consultation with those PWAs who have executed it whether to allow the amendment to take effect.

Compliance with CEQA

DWR, Lead Agency

On February 28, 2020, DWR published the 2020 Partially Recirculated DEIR for the Project. The Partially Recirculated DEIR was circulated for 94 days through June 1, 2020. On August 25, 2018, DWR certified the Final EIR for the Project. The Final EIR determined that the Project would have significant and unavoidable impacts to groundwater hydrology and water quality, and cumulatively considerable and unavoidable impacts to groundwater supplies and subsidence. As such, DWR adopted CEQA Findings of Fact and Statement of Overriding Considerations for the Project. On August 28, 2020, DWR filed a Notice of Determination for the Project. The Final EIR and CEQA Findings of Fact and Statement of Overriding

Considerations comply with CEQA. DWR's Notice of Determination, Partially Recirculated DEIR, and Final EIR can be found on the official DWR website at: <https://water.ca.gov/News/Public-Notices/2020/August/SWP-Water-Supply-Contract-EIR>. **DWR's CEQA Findings and Statement of Overriding Considerations** is attached as **Exhibit A** to proposed Resolution 20-01 for the Board's review and consideration.

CCWA, Responsible Agency

Before approving the proposed amendment to the SWP Contract, CCWA, as a Responsible Agency under CEQA, is required to certify that it has reviewed and considered the information in the certified Final EIR for the Project. In addition, because the certified Final EIR identified significant and unavoidable impacts to the environment, CCWA must adopt CEQA Findings of Fact and Statement of Overriding Considerations.

Pursuant to the authority delegated to Staff pursuant to CCWA Resolution No. 15-01 (CCWA CEQA Guidelines), Staff has prepared the **CEQA Findings of Fact and Statement of Overriding Considerations** which is attached as **Exhibit C** to the proposed Resolution 20-01 for the Board's review and consideration.

CCWA Implementing Policies and Procedures

Staff anticipates that the Board's approval of the proposed amendment may require that CCWA adopt policies and procedures to administer and implement the proposed amendment within CCWA. For example:

1. **Due Diligence:** In the event that CCWA proposes an exchange or transfer pursuant to the proposed amendment, CCWA must certify to DWR that the proposed exchange or transfer will not negatively impact either DWR or CCWA's ability to meet their demand or have a negative financial impact on DWR or CCWA. Accordingly, CCWA would need to obtain certification from the project participants proposing the exchange or transfer.
2. **Stored Water/Carryover Water:** Similarly, in the event that a CCWA project participant proposes to exchange or transfer more than 50% of its carryover water, CCWA must certify to DWR that the transaction will not prevent the participant from meeting critical water supply needs during a proscribed period. Accordingly, CCWA would need to obtain certification from the project participants proposing the exchange or transfer.
3. **Transfer of Article 21 Water:** The proposed amendment allows for the transfer of Article 21 with DWR approval. Article 21 is allocated on a real-time basis, meaning if DWR declares Article 21 to be available, it is taken in real-time. Historically, CCWA has allocated Article 21 to CCWA participants that are actually taking SWP water at the time. It may be appropriate to develop policies and procedures regarding any CCWA participant's election to transfer any Article 21 water allocated to them.
4. **Long-Term Transfers:** The proposed amendment will allow for the long-term transfer of Table A amount for the duration of the term of the SWP Contract. Procedures may be required to clarify how this option may be implemented consistent with CCWA's Water Supply Agreements with each CCWA participant.
5. **Exchange/Transfers:** To accommodate concurrent exchanges and transfers where CCWA participants are acting as buyers and sellers, CCWA will need to develop a program to administer these transactions. CCWA's Supplemental Water Purchase

Program only addresses transactions whereby one or more CCWA participants are the buyer.

FINANCIAL CONSIDERATIONS

N/A

RECOMMENDATION

Staff recommends:

- A. Board approval of Resolution No. 20-01:
 - (1) Approving Amendment No. 21 (Water Management Amendment) To The Water Supply Contract Between The State Of California Department Of Water Resources And Santa Barbara County Flood Control And Water Conservation District; And
 - (2) Making Responsible Agency Findings Pursuant To CEQA For The Final Environmental Impact Report For Amendment No. 21, And Adopting CEQA Findings And Statement Of Overriding Considerations
- 2. Board direction to Staff to prepare policies and procedures necessary or convenient to implement the proposed amendment for consideration by the Board at a future meeting.

Attachment:

Resolution No. 20-01

Exhibits:

- A. DWR's CEQA Findings of Fact and Statement of Overriding Considerations
- B. Amendment No. 21 (The Water Management Amendment)
- C. CCWA's CEQA Findings of Fact and Statement of Overriding Considerations

Notice of Determination

Appendix D

To:

Office of Planning and Research
 U.S. Mail: _____ Street Address: _____
 P.O. Box 3044 1400 Tenth St., Rm 113
 Sacramento, CA 95812-3044 Sacramento, CA 95814

County Clerk
 County of: _____
 Address: _____

From:

Public Agency: Central Coast Water Authority
 Address: 255 Industrial Way
Buellton CA 93427

Contact: Ray Stokes, P.E.
 Phone: 805-688-2292

Lead Agency (if different from above):
Department of Water Resources
 Address: 1416 Ninth Street
Sacramento CA 95814
 Contact: David Rizzardo, P.E.
 Phone: 916-563-9593

SUBJECT: Filing of Notice of Determination in compliance with Section 21108 or 21152 of the Public Resources Code.

State Clearinghouse Number (if submitted to State Clearinghouse): 2018072033

Project Title: State Water Project Water Supply Amendments for Water Management

Project Applicant: Department of Water Resources

Project Location (include county): SWP Facilities and Service Areas, including the County of Santa Barbara

Project Description:

The proposed project would add, delete, modify, and clarify provisions of the Contracts that will improve water management regarding transfers and exchanges of SWP water within the SWP service area. The proposed project would not build new or modify existing SWP facilities nor change CCWA's annual Table A amounts. The proposed project would not change the water supply delivered by the SWP, as SWP water would continue to be delivered to CCWA consistent with the current contract terms and regulatory requirements.

This is to advise that the Central Coast Water Authority has approved the above
 (Lead Agency or Responsible Agency)

described project on _____ and has made the following determinations regarding the above
 (date)

described project.

1. The project [will will not] have a significant effect on the environment.
2. An Environmental Impact Report was prepared for this project pursuant to the provisions of CEQA.
 A Negative Declaration was prepared for this project pursuant to the provisions of CEQA. CCWA considered the EIR as prepared by DWR.
3. Mitigation measures [were were not] made a condition of the approval of the project.
4. A mitigation reporting or monitoring plan [was was not] adopted for this project.
5. A statement of Overriding Considerations [was was not] adopted for this project.
6. Findings [were were not] made pursuant to the provisions of CEQA.

This is to certify that the final EIR with comments and responses and record of project approval, or the negative Declaration, is available to the General Public at:
https://water.ca.gov/News/Public-Notices

Signature (Public Agency):  Title: Executive Director

Date: 10-22-20 Date Received for filing at OPR: _____