

July 13, 2018

NOTICE OF PREPARATION
Environmental Impact Report
For the
Proposed SWP Water Supply Contract Amendments
for Water Management and California WaterFix

July 13, 2018

INTRODUCTION

Pursuant to the California Environmental Quality Act (CEQA), the Department of Water Resources (DWR) will be the Lead Agency and will prepare an Environmental Impact Report (EIR) for the proposed State Water Project Water Supply Contract Amendments for Water Management and California WaterFix (proposed project). As more fully discussed below, this proposed project includes amending certain provisions of the State Water Resources Development System (SWRDS) Water Supply Contracts (Contracts).

SWRDS (defined in Water Code Section 12931), or more commonly referred to as the State Water Project (SWP), was enacted into law in the Burns-Porter Act, passed by the Legislature in 1959 and approved by the voters in 1960. 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 Agencies¹ (PWAs). These PWAs include local water agencies and districts legislatively enabled to serve irrigation, municipal and industrial water supply customers or retail water supply

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, Castaic Lake 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 Geronimo 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, Solano County Water Agency, Tulare Lake Basin Water Storage District, and Ventura County Flood Control District.

agencies throughout Northern California, San Joaquin Valley, San Francisco Bay Area, Central Coast Area, and Southern California (SWP Service Area).

The SWP is the largest state-owned, multi-purpose, user-financed water storage and delivery system in the United States. The PWAs receive water service from the SWP in exchange for paying all costs associated with constructing, operating and maintaining the SWP facilities that are attributable to water supply.

The Contracts include water management provisions for actions such as the transfer or exchange of SWP water between PWA's, 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. The Contracts are substantially uniform; an example of a current Contract for one of the PWAs (Metropolitan Water District of Southern California) is available at <https://www.water.ca.gov/-/media/DWR-Website/Web-Pages/Programs/State-Water-Project/Management/Water-Supply-Contract-Extension/Files/Appendix-CExample-Water-Supply-Contract.pdf> for reference, including definitions of Contract terms. The Contract provisions reflected DWR's expectations at that time (1960s) with respect to future water demand and the planned construction of SWP components. DWR and the PWAs have made many amendments to the Contracts to address matters that have arisen over the past 55 years, including amendments in 1995 known as the Monterey Amendments.

Recently DWR and the PWAs have agreed to enter into the process for amending the Contracts to confirm and supplement certain provisions for several water management actions, including transfers and exchanges, and to address changes in financial provisions related costs of California WaterFix. In February 2018, DWR and the PWAs resumed the public process to negotiate the proposed amendments. This public process was initially noticed in November 2014 for cost allocation of the proposed Bay Delta Conservation Plan (BDCP). Since that time, DWR proposed a new alternative to BDCP called the California WaterFix. In July 2017, DWR certified its Final EIR, adopted Findings of Fact, a Statement of Overriding Considerations, an MMRP, and issued its Notice of Determination approving the California WaterFix. The purpose of the resumed negotiations was to address terms and conditions of water management actions related to water transfers and exchanges, and to develop terms and conditions for allocation of costs of California WaterFix for PWAs that directly benefit from WaterFix. The negotiations led to development of a non-binding agreement in principle known as the "Agreement in Principle Concerning the State Water Project Water Supply Contract Amendments for Water Management and California WaterFix" (AIP) that describes the

proposed project. The AIP is the proposed project described in this Notice of Preparation (NOP).

BACKGROUND

The SWP is a multi-purpose water storage and delivery system consisting of reservoirs, pipelines and aqueducts, power plants, and pumping plants which DWR maintains and operates. One of its main purposes is to store and convey water to the PWAs. Over 26 million Californians and 750,000 acres of agricultural land utilize water from the SWP. On average, approximately 70 percent of SWP water is allocated to urban users and 30 percent to agricultural users in accordance with the Contracts. The SWP is also operated to improve water quality in the Sacramento-San Joaquin Delta, control flood waters, generate electricity, provide recreation, and enhance fish and wildlife.

In the 1960's, DWR entered into Contracts with 29 Public Water Agencies to construct, operate, and maintain facilities needed to provide water service. The Contracts are complex legal documents with multiple provisions, primarily covering water delivery, payments, allocations of water supply and other general contract terms. Over time, the contracts have been amended to account for changed conditions. Most recently, as highlighted by the recent droughts, there is a need to address provisions for flexibility in the water management tools, such as transfers and exchanges, to ensure SWP supplies are used efficiently. In addition, the intent to construct new SWP facilities, namely California WaterFix, requires DWR address provisions for allocating costs.

As a result, DWR and the PWAs participated in 15 negotiating sessions between February and June 2018. The negotiations, open to and attended by members of the public, resulted in an AIP on the proposed changes to the Contracts. The AIP describes, in general terms, amendments to the existing Contracts related to water management actions to provide flexibility in water transfers of SWP water among PWAs, clarify terms of water exchanges of SWP water among PWAs, and address cost allocation for California WaterFix among PWAs. The negotiations and AIP are not a forum or basis for modifying existing decisions and approvals made on California WaterFix. The AIP describes the proposed project for the Draft EIR. A copy of the AIP can be found at <https://www.water.ca.gov/Programs/State-Water-Project/Management/Water-Supply-Contract-Amendment> or by requesting a copy at the address at the end of this Notice.

The AIP does not represent a contractual commitment by DWR or the PWAs to approve a proposed project or to amend the Contracts, but is a recommendation to pursue and to analyze the potential environmental effects of the proposed project. Once the EIR is completed and a Notice of Determination filed, DWR and the PWAs will then consider whether to execute the amendments to the Contracts or take other action.

PROJECT OBJECTIVES

DWR and the PWAs have common interests to ensure supplies from the SWP are used efficiently and to ensure the financial integrity of the SWP. In order to address water management flexibility and to allocate costs for California WaterFix, DWR and the PWAs agreed to the following objectives:

1. 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.
2. Provide a fair and equitable approach for cost allocation of California WaterFix facilities to maintain the SWP financial integrity.

PROJECT AREA

The proposed project is located within the SWP Service Area. Figure 1 shows the primary water delivery facilities of the SWP. Figure 2 shows the service areas of the PWAs that receive water supply from the SWP. These figures are included at the end of this document.

PROJECT DESCRIPTION

The proposed project would add, delete and modify provisions of the Contracts based on the AIP. 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:

- Add, modify, and clarify conditions and terms to the agreements for transfers and exchanges of SWP water between PWAs.
- Allow multi-year transfers of SWP water between PWAs that include terms developed by the PWAs to the agreements, including quantity, duration, and compensation, and that such transfers may be packaged in two or more transfer agreements between the same PWAs.
- Clarify provisions related to the exchanges of SWP water between PWAs.
- Establish reporting requirements for transfers and exchanges of SWP water by PWAs.
- Establish terms for transfer and exchange of stored SWP water/carryover water.
- Establish California WaterFix facilities allocation factors based on PWA participation percentages to be used for repayment of planning, construction, operation and maintenance costs associated with California WaterFix.
- Identify the methods of calculating costs and repayment of costs for California WaterFix.

ENVIRONMENTAL BASELINE

CEQA Guidelines Section 15125 states that an EIR must include a description of the physical environmental conditions in the vicinity of the project, as they exist at the time the NOP is published from local, regional, and, in this case, state perspectives (existing conditions). The environmental setting will constitute the baseline physical conditions that DWR, the Lead Agency, will use to determine whether an impact is significant. In general, the environmental baseline is the same as existing conditions.

PROJECT ALTERNATIVES

A reasonable range of potentially feasible project alternatives, in addition to the no project alternative, will be addressed, following the scoping process and will consider the views of agencies and the public.

POTENTIAL ENVIRONMENTAL EFFECTS

The EIR will analyze resources that may be affected by the proposed project. Resource topics to be considered for analysis in the EIR include the following:

- aesthetics
- agriculture and forestry resources
- air quality
- biological resources
- cultural resources
- energy
- geology and soils
- greenhouse gas emissions
- hazards and hazardous materials
- hydrology and water quality (surface and groundwater resources)
- land use and planning
- mineral resources
- noise
- population and housing
- public services
- recreation
- transportation/traffic
- tribal cultural resources
- utilities and service systems (including water supply)

SCOPING MEETINGS

A scoping meeting will be held on Thursday August 2, 2018 in the Resources Building Auditorium, 1416 Ninth Street, Sacramento, CA 95814 from 11 am to 1 pm.

July 13, 2018

The scoping meeting will include a brief presentation about the proposed project at the beginning of the meeting with time for public comments on the content and scope of the EIR to follow.

WRITTEN COMMENTS

This NOP is being circulated to obtain suggestions and information from interested parties, including responsible and/or trustee agencies and members of the public on the content and scope of issues that may be addressed in the EIR. Written comments from interested parties are invited to ensure that the full range of issues related to implementation of the proposed project is identified early in the CEQA process.

Agencies and organizations should provide a contact name and information in their letters. All comments received, including names and addresses, will become part of the official administrative record and may be made available to the public. DWR will post NOP comment letters in their entirety on the DWR web page for the proposed project at <https://www.water.ca.gov/Programs/State-Water-Project/Management/Water-Supply-Contract-Amendment>

In accordance with CEQA Guidelines section 15082(b)(1)(B), within 30 days of receiving the NOP, responsible and trustee agencies shall provide DWR with specific detail about the scope and content of the environmental information to be included in the Draft EIR related to their area of statutory responsibility. Comments from individual respondents, including names and home addresses of respondents, will be made available for public review. You may request DWR withhold your contact information from public disclosure, which will be honored to the extent allowable under California law. If you wish DWR to consider withholding this information, you must state this prominently at the beginning of your comments.

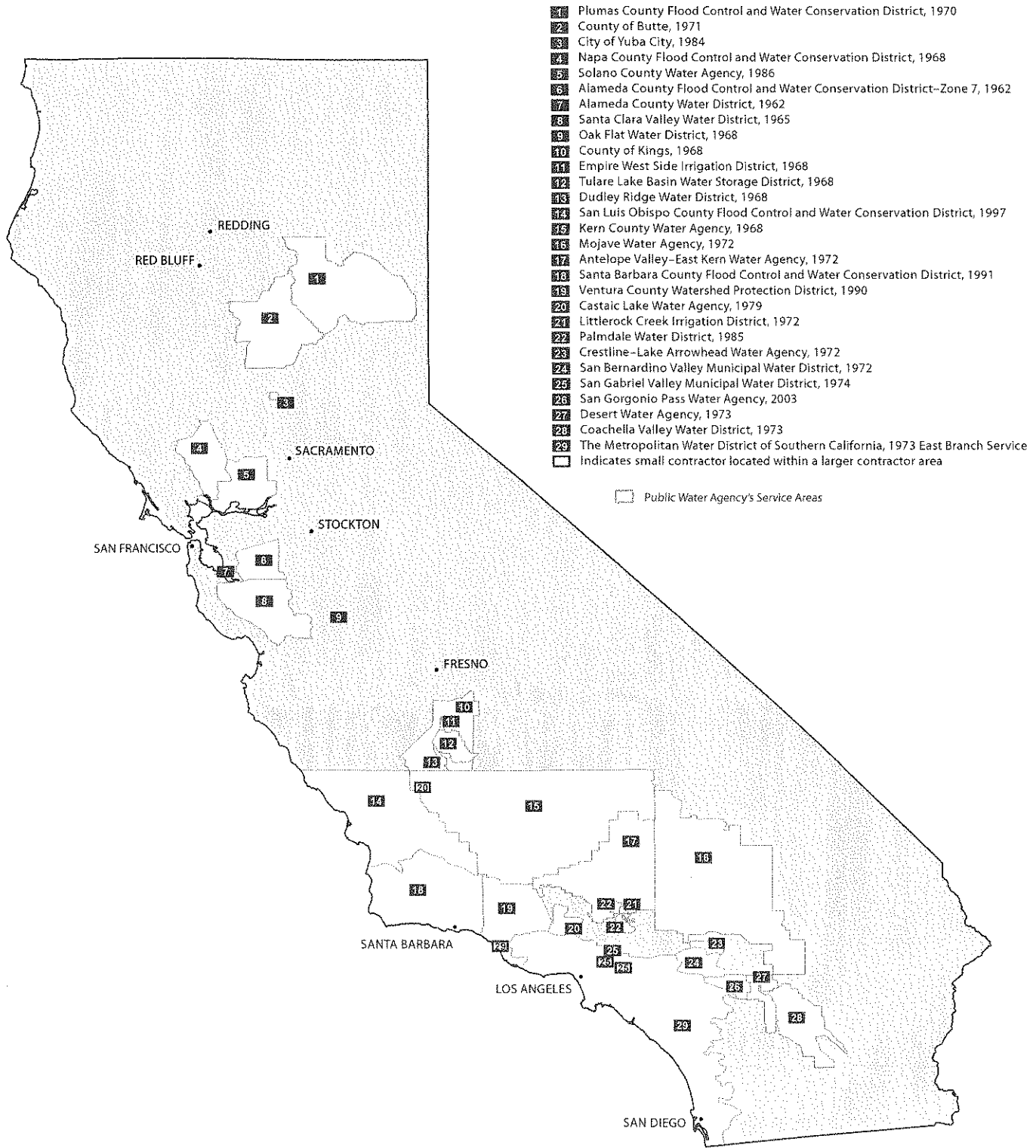
Written comments on the scope of the EIR are due no later than 5:00 pm on August 13, 2018. All comments or questions about the environmental review process should be mailed to Cassandra Enos-Nobriga, Executive Advisor, State Water Project, Department of Water Resources, 1416 Ninth Street, Room 1148-3, Sacramento, CA 95814 or e-mailed to ContractAmendment_comments@water.ca.gov. Additional information on the proposed project can be found on the DWR web page at the link for the proposed project provided above.

Date: 7/10/18Signature: Title: Deputy Director of State Water Project



SOURCE: California Department of Water Resources, Bulletin 132-16, June 2017

Figure 1
Primary State Water Project Water Delivery Facilities



SOURCE: California Department of Water Resources,
 Bulletin 132-16, June 2017

SWP Water Supply Amendments for Water Management and California Waterfix . 120002.08

Figure 2
 Public Water Agency's Service Areas

