



March 11, 2022

Joseph Yun, Executive Officer
California Water Commission
PO Box 942836
Sacramento, CA 94236

Dear Mr. Yun,

This letter is regarding the March 16 agenda item #9 considering the allocation of \$63.9 million of Prop 1 storage funds among the existing 7 projects.

The Sites Project Authority requests that the Commission follow the staff presented option 2 to first allocate funds to increase the Sites Project Maximum Conditional Eligibility Determination (MCED), then apply the remaining funds as an inflation adjustment proportionately distributed across all seven projects. The following reasons are given to support this request:

1. This approach achieves fairness and parity in setting the MCED across all seven projects. The Sites Project is the only remaining Rank 3 project not yet fully funded to the Applicant requested amount. The full funding was determined to be \$841M (2015 dollars) through the Commission's feasibility review, which is under the Applicant requested amount determined in 2018 of \$916M (2015 dollars).
2. This is the same approach the Commission applied in 2021 which achieved a successful precedent and stakeholder acceptance. The decision to delay full funding for the Sites Project in 2021 was justified. However, significant progress has been made over the past year and the appropriate full funding level has now been verified, is ready to implement, and adequate funds exist to proceed. Increasing the MCED \$25M using the available funds would bring the Sites Project MCED on par with the other projects. The additional funds will help to ensure all of the anticipated public benefits come to fruition through the Sites Project.
3. This option maintains consistency with the Commission's Resolution 2019-02 where preference was to be given to adjusting the MCED for the Rank 3 projects up to the Applicant's request. With the proposed action, this Commission will fulfill the condition that was set by the Commission that was directly involved in the original selection and MCED setting process. Giving deference to the 2019 Resolution three years later would be appropriate given the highly complex, detailed and exhaustive review process that went into reaching that conclusion.

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4. This option still provides a substantial amount of additional funds to each of the existing projects as an inflation adjustment thereby providing funding certainty and improving financial viability. The risks of inflation and cost increases have multiplied over the past year and are expected to continue and the State needs to equitably share in this burden.

Thank you for your consideration of this matter and a representative from the Sites Project will be available at the meeting to address any questions.

Sincerely,



Jerry Brown, Executive Director
Sites Project Authority

Cc: Teresa Alvarado, California Water Commission
Matthew Swanson, California Water Commission
Samantha Arthur, California Water Commission
Daniel Curtin, California Water Commission
Kimberly Gallagher, California Water Commission
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