IN WITNESS WHEREOF, the parties hereto have executed this contract the day and year first above written.

THE UNITED STATES OF AMERICA

By Robert Hammond
Acting Regional Director, Region 2
Bureau of Reclamation

SOUTHERN CALIFORNIA WATER COMPANY

(SEAL)

By
President

ATTEST:

Secretary

The undersigned, Merle F. Lundberg, hereby certifies:

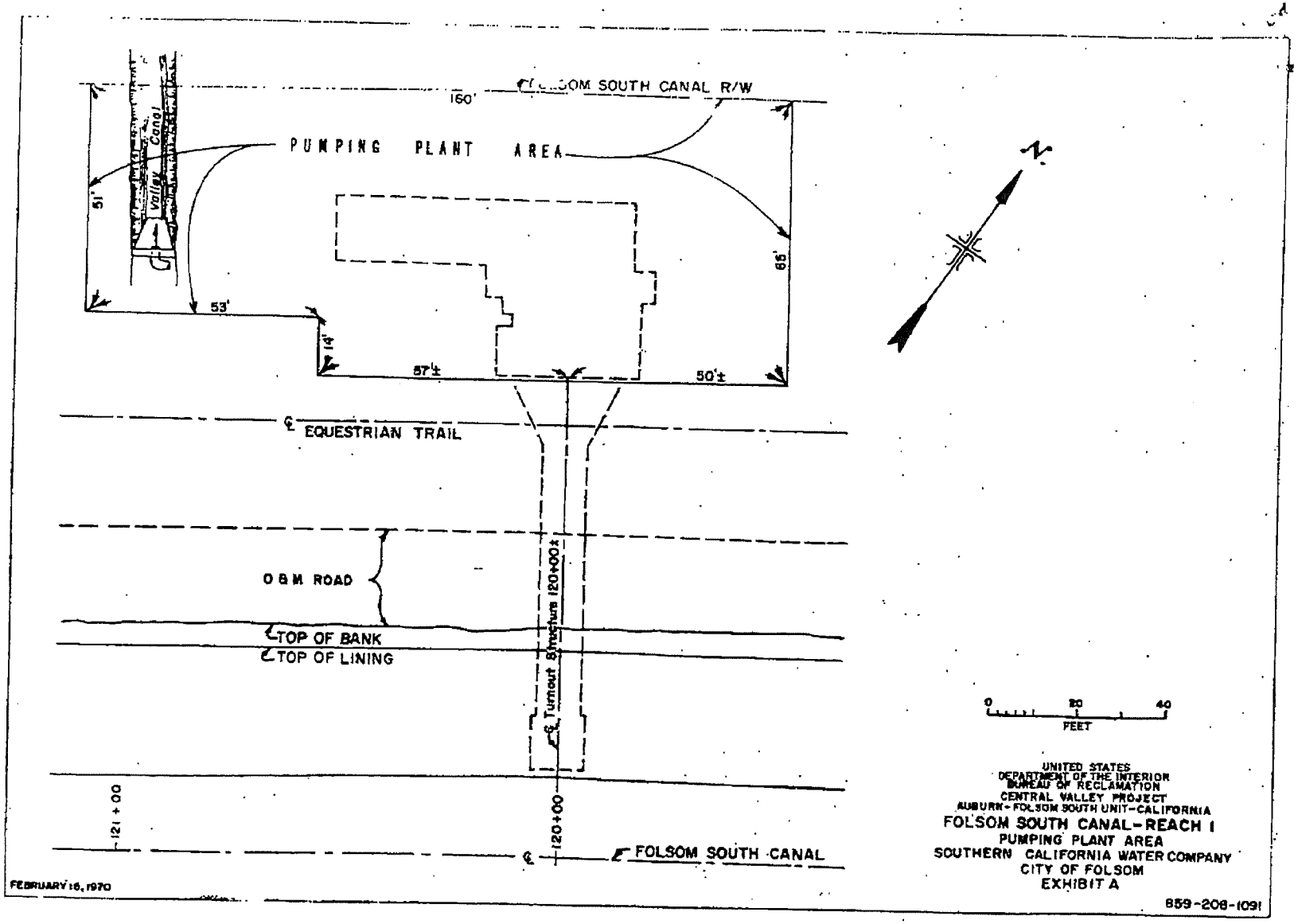
(1) That he is the duly elected, qualified and acting Secretary of Southern California Water Company, a California corporation.

(2) That the attached is a full, true and correct copy of Resolutions duly adopted by the Board of Directors of said corporation at a meeting thereof duly convened and held on the 7th day of April, 1970, at which Meeting there was present at all times a quorum of said Directors; and that said Resolutions have not been repealed, rescinded or amended and are now in full force and effect.

WITNESS the hand of the undersigned and the seal of said corporation this 23rd day of April, 1970.

Merle F. Lundberg
Secretary

(Seal)


FOLSOM SOUTH CANAL R/W
160'
PUMPING PLANT AREA
Valley Canal
51'
53'
14'
57'±
50'±
65'
EQUESTRIAN TRAIL
O & M ROAD
TOP OF BANK
TOP OF LINING
℄ Turnout Structure 120+00±
121 + 00
120+00
FOLSOM SOUTH CANAL
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20
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FEET
UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF RECLAMATION
CENTRAL VALLEY PROJECT
AUBURN-FOLSOM SOUTH UNIT-CALIFORNIA
FOLSOM SOUTH CANAL-REACH I
PUMPING PLANT AREA
SOUTHERN CALIFORNIA WATER COMPANY
CITY OF FOLSOM
EXHIBIT A
FEBRUARY 16, 1970
859-208-1091

SOUTHERN CALIFORNIA WATER COMPANY

Resolution Approving Contract With
U.S. Department of Interior

RESOLVED, that the form of contract between the United States of America and this corporation for conveyance of water rights and water presented to and discussed at this meeting be, and it hereby is, approved and the officers of this corporation be, and each of them severally hereby is, authorized and directed, in the name of this corporation and on its behalf, to execute and deliver said agreement and to ake such other actions as may be necessary or appropriate to carry out and perform the terms and provisions thereof.

5750 Almaden Expressway, San Jose, CA 95118-3614 | (408) 265-2600 | www.valleywater.org

Santa Clara Valley Water District

LA19

December 22, 2014

Mr. David G. Murillo, Regional Director
United States Bureau of Reclamation
Mid-Pacific Region
2800 Cottage Way
Sacramento, CA 95825-1898

Subject: Request for Extension of the Public Review Period for the Central Valley Project Municipal and Industrial Water Shortage Policy Draft Environmental Impact Statement (Draft EIS)

Dear Mr. Murillo:

The Santa Clara Valley Water District (District) requests an extension of time for public review of the Draft EIS to **March 13, 2015**.

I am pleased that Reclamation is moving forward with finalization of the Central Valley Project (CVP) Municipal and Industrial Water Shortage Policy (M&I WSP). The process toward finalization has been extraordinarily protracted, as evidenced by the fact that the current draft M&I WSP dates back to 2001. Efforts in 2003-2005 produced a draft revised policy and a NEPA environmental assessment but the proposed policy in those documents was not adopted. In reinitiating efforts towards a final M&I WSP in 2010, Reclamation held a number of stakeholder workshops and NEPA NOI meetings that extended into 2011. Subsequently, stakeholders were told that issues had arisen with the continuity of Reclamation's consultant contract, which led to delay of more than a year in work towards an M&I WSP. More recently, stakeholders were informed that the consultant's work had resumed and that a Draft EIS would be issued in 2014. But stakeholders did not anticipate that the window of time offered by Reclamation for public review would be only 45 days and span the end-of-year holiday period when many stakeholder employees and advisors take vacations. The fact that Reclamation has taken many years to develop and publish the Draft EIS should not cause a sudden and impractical rush towards closure at the expense of receiving adequate stakeholder and public comment. 1

The Draft EIS is a document of substantial length and great detail that will require approximately three months for proper review. Accordingly, I am requesting that the review period be extended to Friday, March 13, 2015.

Sincerely,

Beau Goldie
Chief Executive Officer

do:mf
1218a-l.docx

LA 20

Subject: M&I Shortage Policy comment deadline extension request
To: "RUST, TIMOTHY" <trust@usbr.gov>

Hello Tim,

The Municipal and Industrial (M&I) Shortage Policy is of critical importance to the Santa Clara Valley Water District (District). It provides an important degree of reliability for our imported CVP supplies, particularly during dry years. The District supports Reclamation's efforts to finalize the M&I Shortage Policy and sees the recent release of the Draft Environmental Impact Statement (Draft EIS) as a positive step in that process.

Our preliminary, cursory review of the Draft EIS identified several inaccurate statements, and as a result we feel that more time to review the document is warranted. For instance, on page 4-18 the Draft EIS makes the following statement about the San Felipe Division: "In critically dry water years, contractors would not rely on CVP deliveries to meet PHS demand given their ability to access sufficient non-CVP supplies to meet these demands." This is completely false. In 2014, nearly all of the surface water delivered to the District's drinking water treatment plants was imported from the Delta, with the majority of that supply provided by the CVP. There are other comments of concern in the document as well which make it clear that time is needed to identify and correct potential inaccuracies. The current deadline for submittal of public comments is January 12, 2015. Given the size of the document, complexity of issues, and the upcoming holidays, we request that the deadline for submitting comments be extended by 60 days. 1

Thanks, and have a nice weekend.

Cindy

Santa Clara Valley Water District

Cindy Kao, Ph.D., PE

IMPORTED WATER UNIT MANAGER
Water Supply Division
Water Utility Enterprise
Santa Clara Valley Water District
(408) 630-2346
ckao@valleywater.org

LA21

5750 Almaden Expressway, San Jose, CA 95118-3614 | (408) 265-2600 | www.valleywater.org

Santa Clara Valley Water District

March 13, 2015

Tim Rust
Bureau of Reclamation,
2800 Cottage Way, MP-410
Sacramento, CA 95825

Subject: Comments on Draft EIS for the CVP Municipal and Industrial Water Shortage Policy

Dear Mr. Rust:

Thank you for the opportunity to comment on the Draft Environmental Impact Statement (DEIS) for the Central Valley Project (CVP) Municipal and Industrial (M&I) Water Shortage Policy (WSP).

The Santa Clara Valley Water District (District) is the primary water resources management agency for Santa Clara County, providing wholesale water supply, stream stewardship and flood protection for the County's 2 million residents and the vital high-tech economy known as "Silicon Valley." Santa Clara County has been called the "economic engine" of the Bay Area, with over 200,000 workers commuting daily from other parts of the region and from the San Joaquin Valley for employment. The District also serves agricultural water users in the southern portion of the County.

The importance of the WSP to Santa Clara County cannot be overstated. The District is committed to extending the benefits of CVP M&I supplies through sound water management, aggressive conservation, recycling and other measures, but a solid policy is needed to support these efforts. The quantity of CVP water delivered to Santa Clara County is small relative to the total quantity of CVP supplies conveyed south of the Delta, while it serves as a foundational supply in the water portfolio that fuels an $80 Billion economy, sustains large residential communities, and protects Santa Clara County from land subsidence. The District cannot support any policy that significantly degrades the reliability or quantity of this supply. 1

The importance of providing reliable M&I water supplies was recognized at the beginning of the CVP, when early contracts for M&I water supply contained protective terms. In the 1990's, in response to the Central Valley Project Improvement Act which motivated early renewal of contracts, Reclamation initiated a public process regarding urban water supply reliability. Since at least as early as 1993, the U.S. Bureau of Reclamation (Reclamation) has put forth interim policies of providing "75% of M&I Reliability" to M&I contractors and has been operating under a draft WSP since 2001. The 2001 draft WSP was the result of extensive discussions among Reclamation, M&I contractors and irrigation water service contractors. The District continues to support the fundamental principles set forth in the 2001 WSP.

In general, the District finds that the DEIS meets applicable National Environmental Policy Act (NEPA) requirements. It describes a reasonable range of alternatives, and includes a good-faith analysis of the

impacts of these alternatives. However, there are several shortcomings and erroneous assumptions in the DEIS that undercut the key purposes and importance of the policy. Most of our detailed comments fall within the following broad themes.

A. Purpose and need description is incomplete
B. Importance of CVP supplies to the District is understated
C. CVP supplies should not be considered supplemental
D. Availability of substitute supplies is overstated
E. Economic impacts of water shortages are underestimated
F. EIS alternatives

1

The District's overall comments are provided below, with specific, detailed comments provided in Attachment 1.

A. Purpose and Need Description is Incomplete

A key purpose of the M&I WSP, as stated in the 2001 draft M&I WSP as well as in the October 21, 2010 Working Draft M&I WSP, includes establishing a minimum water supply level that (a) with M&I contractors' drought water conservation measures and other water supplies would sustain urban areas during droughts, and (b) during severe or continuing droughts would, as much as possible, protect public health and safety. This purpose is supported by California law but is lost in the description of the purpose and need as described in Section 1.3.2 of the DEIS. Santa Clara requests that the document be revised to include this purpose.

California law recognizes the importance of municipal water use in times of shortages, giving it a higher priority to meet minimum health and safety needs. Water that may otherwise be subject to curtailment due to water shortages may be diverted for minimum health and safety needs. (23 CCR § 878.1(a)(1).) This exception to curtailment recognizes "the essential nature of water in sustaining human life" and provides that "use even under a more senior right for any other purpose when domestic and municipal supplies required for minimum health and safety needs cannot be met is a waste and unreasonable use under the California Constitution, Article X, § 2." (23 CCR § 878.1(b).)

2

The District also requests that the purpose and need statement for the M&I WSP be modified to reflect the importance of providing reliable supplies to urban areas in general. It is the clear policy of the State of California that water for municipal and domestic use, including furnishing drinking water for human consumption, is of the highest priority. (Water Code §§ 106, 1245, and 1460; see also Gould v. Stafford (1888) 77 Cal. 66, 68; Smith v. Corbit (1897) 116 Cal. 587, 592; Deetz v. Carter (1965) 232 Cal.App.2d 851, 854, 856; City of Santa Maria v. Adam (2012) 211 Cal. App. 4th 266, 297.) The right of a municipality to acquire and hold rights to the use of water should be protected to the fullest extent necessary for existing and future uses. (Water Code § 106.5.)

B. Importance of CVP Supplies to the District is Understated

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Since implementation of the District's long term CVP contract began in 1987, CVP supplies have been essential to the District's ability to minimize the risk of subsidence in Santa Clara County and to recover the region's overdrafted groundwater basins. CVP supplies have also provided the largest and most

reliable single source of water for the District's three drinking water treatment plants. Together with a smaller quantity of SWP supplies, CVP supplies provide, on average, half the water delivered to the groundwater recharge system.

Historically, Santa Clara County has experienced up to 14 feet of land subsidence in some places, resulting in sea water intrusion, increased flood risks, and damaged infrastructure. As a result of past subsidence, residential communities, major business campuses, and wastewater treatment facilities are currently below sea level and are protected from flooding by levees. One example is the San Jose-Santa Clara Regional Wastewater facility, which cleans and treats the wastewater of more than 1.5 million people and serves a business sector with more than 17,000 main sewer connections. Sewer lines and storm drains operate based on gravity flow and can be significantly compromised by localized and regional subsidence. Similarly, water supply pipelines as well as the valley's dense network of buildings and roads are also susceptible to infrastructure damage from continued land subsidence. Preventing additional subsidence in the heart of the Silicon Valley is a public health and safety concern and a priority for the District, one that relies heavily on allocations from both the CVP and SWP to offset groundwater pumping.

The risk of subsidence and public health and safety impacts is real as evidenced by recent conditions. In 2014, the CVP M&I allocation of 50% of historic use was critically important in providing enough supply to prevent permanent subsidence from resuming in Santa Clara County. Even with that supply, however, groundwater levels temporarily exceeded subsidence thresholds for several months. The District's calculations indicate that, as of the end of February 2015, combined non-project water supplies are insufficient to meet public health and safety needs for indoor residential and commercial and industrial use and to maintain groundwater levels above subsidence thresholds. This year, the District is very reliant on allocations of CVP supplies from Reclamation to help meet its public health and safety needs. 3

In addition to providing essential dry year relief, CVP deliveries are extremely important in maintaining a reliable water supply in all year types and provides a foundational supply upon which the District builds its supply portfolio and planning efforts. Given that the 75% reliability target for M&I allocations has been in place since the early days of the District's CVP contract and eventually took the form of the 2001 draft WSP that Reclamation has been substantially implementing for the past 14 years, the District has incorporated the WSP into both its short term and long term water supply planning. All of the District's short and long-term water supply planning decisions, budgeting, and water supply projects rely on the expectation that the policy will continue in substantially the same form into the future. Any degradation in the ability of the policy to protect the reliability of M&I supplies will impair the District's ability to meet both short and long-term water supply needs of the people and economy of Santa Clara County.

C. CVP supplies should not be considered supplemental supplies

The District is concerned with language in the WSP and DEIS implying that CVP supplies are meant to be "supplemental" to other sources available to M&I contractors. The policy indicates that allocation of M&I water based on a contractor's recent historical use of CVP M&I supplies "is intended to encourage contractors to use non-CVP water first and rely on CVP water as a supplemental supply." (2001 Draft Policy, p. 3). This perspective is also reflected in the description of the DEIS alternatives that requires non-CVP supplies to be used first prior to allocation of CVP supplies for public health and safety. 4

The District is not aware of any information in the authorizing legislation for the CVP or in any CVP water service contract that provides CVP M&I water supplies are "supplemental" to other sources of water. In fact, an important purpose of the District's CVP water service contract was to provide CVP supplies for use in lieu of local groundwater pumping in order to control groundwater overdraft. CVP supplies are a foundational supply for Santa Clara County and for a number of other CVP contractors as well. As such, the District requests that Reclamation eliminate any language from the preferred alternative indicating that CVP M&I supplies are supplemental supplies, and that related statements are removed from the EIS as well. 4

D. Availability of Substitute Supplies is Overstated

The DEIS states in numerous places in the document that the District does not need CVP supplies in dry years because it has access to non-project supplies to make up any reductions in CVP allocations. This assumption not only contradicts the District's position that CVP supplies are not supplemental to other supplies, but it is erroneous. The reality is that non-project supplies are also extremely limited in dry years. For example, in 2014, the State Water Project allocation was only 5%, while dry local conditions resulted in extremely deficient local supplies in which evaporation from local reservoirs exceeded inflows during winter months. By 2015, groundwater reserves were depleted such that subsidence is now a significant concern, and the District is highly reliant on CVP deliveries to help meet its public health and safety needs. 5

Water shortages also impair the District's ability to retrieve water supplies that it previously stored in the Semitropic water banking program in Kern County to help meet critical demands. These supplies are normally delivered directly from the Delta through an exchange with SWP supplies. When SWP allocations are low, a condition that occurs concurrently with low CVP allocations, it is not guaranteed that there will be sufficient supplies to support the District's requested banking withdrawals when they are needed most.

In addition, the availability of water through spot market purchases is reduced in dry years, making securing transfer supplies very challenging. Transfers must meet certain requirements, and regulatory approvals are difficult to secure. Water that can be transferred typically must be conveyed during a brief window of time during which the ability to convey the water may be limited. 6

Much of the available transfer supplies are secured through transfer pools with other SWP and CVP contractors located south of the Delta, and the District's share in these pools is small. Transfer pools for North of Delta purchases by the San Luis and Delta Mendota Water Authority typically allocate the District water based only on the portion of its contract that provides irrigation water, which amounts to a 2% share. The District has agreed to this approach primarily because in most years it has historically been able to rely on implementation of the M&I shortage policy to provide some level of stability in its CVP deliveries, and therefore has been willing to relinquish transfer opportunities to irrigation contractors.

E. Economic Impacts of Water Shortages are Underestimated

The DEIS underestimates the adverse economic impacts of water shortages on the District. It mistakenly assumes that the District has enough non-CVP water supplies that there will be no need for significant demand reduction measures in dry years. 7

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First, the assumption that sufficient non-CVP water supplies will always be available is not realistic for the District and other M&I contractors as described previously. Second, the DEIS should recognize, based on at least a qualitative analysis, that M&I water users could experience adverse economic impacts caused by reductions in water availability that are significantly higher than the estimated impacts disclosed by the DEIS. According to a recent study, water reductions of 10 to 30 percent, if imposed on commerce and industry in Santa Clara County, could result in a decrease in the local sales revenue of about $900 million to more than $10 billion, a loss of 3,000 to 53,000 jobs, and $260 million to $4.1 billion in payroll losses[1].

Shortages can also lead to groundwater overdraft and land subsidence which can damage infrastructure and increase flooding risk. A portion of costs incurred due to historic subsidence between 1960 and 1975 is estimated at $750 million (in 2013 dollars) and includes costs to remediate and repair damage to critical infrastructure, including sewer systems and storm drains, and to prevent flooding.[2] If subsidence were to resume with today's infrastructure and population, the economic costs would be far greater.

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Demand reductions measures also come with an economic cost. Over the past year the District has invested about $25 million to support higher rebates to encourage conservation, expand outreach to raise awareness about the drought and promote immediate water savings, launch a Water Waste Inspector program to respond to reports of water waste, make improvements to water supply facilities to boost performance, and improve onsite water efficiency improvements.

The District is also anticipating significant expenditures in 2015 to pursue supplemental water supplies, including transfers, recovery of banked water, and development of additional recycled water supplies. These costs are in addition to payment of fixed costs required by the District's SWP and CVP contracts regardless of the quantity of water received. These additional costs come at the same time as reductions in revenue due to limited water supplies and implementation of water use reduction measures. The District expects lost revenues to total $20-25 million during the current drought.

The DEIS should also disclose more prominently that the DEIS estimates of Bay Area M&I economic impacts caused by shortages are likely underestimated due to the numerous technical limitations of the "LCPSIM" economic model (used to estimate Bay Area economic impacts) that are noted in Chapter 13 and Appendix G.

F. EIS Alternatives

9

The DEIS evaluates a reasonable range of alternatives, including the bookends of Alternative 2 (equal agricultural and M&I allocations) and Alternative 3 (allocation of full contract amounts to M&I contractors). The District does not support implementation of either bookend, but is supportive of Alternative 5, the redline-strikeout version of the policy, as modified to incorporate the public health and safety component of the No Action Alternative and the changes requested in Section C. The description of Alternative 5 in the DEIS should be corrected to eliminate the mistaken requirement that

10

[1] Sunding, David. 2010. *Economic Analysis of Water Shortage in Santa Clara County*. http://www.valleywater.org/Newsroom/Library.aspx

[2] Borchers, JW and M Carpenter, 2014. Land Subsidence from Groundwater Use in California. Available at http://www.californiawaterfoundation.org/uploads/1397858208-SUBSIDENCEFULLREPORT_FINAL.pdf

the alternative requires modification to CVP operations in the form of increased carryover in CVP storage facilities (see comment 13 in Attachment 1). 10

Among the options, the District supports Alternative 5 as providing the most clear and reasoned guidance on implementation of the policy when public health and safety issues are not a concern. The method for calculating historic use outlined in Alternative 5 most accurately incorporates the results of stakeholder meetings held by Reclamation from 2010 to 2012. However, the District requests that the determination of public health and safety in Alternative 5 be replaced with the approach in the draft September 11, 2001 M&I WSP that states, under emergency conditions, "Reclamation will provide a water supply at the public health and safety level to all CVP M&I contractors..." and that, *only at times of extraordinary circumstance*, "Reclamation may determine that it is necessary to vary the allocation of M&I water among contractors, taking into consideration a contractor's available non-CVP water." The draft September 2001 WSP recognizes that adjustments to public health and safety allocations for available non-CVP supplies should be the exception rather than the rule, consistent with the perspective outlined in Section C. Both Alternatives 4 and 5 as written reduce the reliability of CVP supplies under emergency water supply conditions relative to the No Action Alternative by requiring as standard practice that non-project supplies be deducted from a contractor's calculated public health and safety need before Reclamation provides CVP supplies to help meet those needs. This unfairly penalizes those contractors who have invested in developing non-project supplies, or who have expended dollars to purchase transfer supplies in order to increase the reliability of their systems, and disincentivizes contractors from investing in new projects. 11 12

The DEIS does not appropriately describe the large impacts of Alternative 2 on the District's economy, environment, and public health and safety. Because the total contract amount for agriculture south of the Delta is large (approximately 1.81 million acre-feet) compared to the total M&I contract amount south of the Delta (about 177 thousand acre-feet total), Alternative 2 would result in enormous impacts to Santa Clara County and other urban areas south of the Delta. Attachment 2 illustrates this point by showing how historic Ag and M&I allocations south of the Delta would have differed if those allocations were equalized. Between 1999 and 2014, if there was no M&I preference (Alternative 2), the Ag allocation would have increased on average about 3% and at most 5%, while M&I allocations would have decreased on average about 26% and up to 46%. The reliability of the District's CVP supplies would be severely compromised, and the resulting loss in supply would affect the District's ability to meet treatment plant demands, recharge its groundwater basin, and prevent the return of land subsidence. In dry years, it is likely that there will be insufficient supplies to meet Santa Clara County's public health and safety needs. Alternative 3, under which M&I contractors receive a 100 percent allocation whenever water is available, is also not acceptable to the District because it provides unreasonable allocations of supply to M&I contractors when insufficient water is available to the CVP. 13 14

Attachment 2 also illustrates how implementation of the Ag and M&I allocation tables (Tables 2 and 3 in Alternatives 4 and 5) under the WSP, which are identical in the No Action Alternative, Alternative 4, and Alternative 5, have relatively small impacts on the CVP Ag allocation compared to Alternative 2. 15

The District appreciates Reclamation's efforts to finalize the M&I WSP and requests that, prior to finalization of the M&I WSP, Reclamation provides contractors the opportunity to discuss the selection of a preferred alternative through a transparent stakeholder process. 15

Thank you for your consideration of the District's comments, and please feel free to contact me at (408) 630-2346 with any questions.

Sincerely,

Cindy Kao
Imported Water Unit Manager