

## **Exhibit H - Allowable Costs; Approval, Documentation, and Cost Allocation**

### **1. Purpose and Relationship of this Exhibit to Agreement**

This Exhibit is incorporated into and made part of the Partnership Agreement between the Sites Project Authority ("Authority") and the United States Bureau of Reclamation ("Reclamation"). The purpose of this Exhibit is to:

- Define what constitutes Allowable Costs for purposes of determining Federal in-lieu of cash contribution to the Sites Project;
- Establish clear approval, documentation, invoicing, and audit standards applicable to such costs; and
- Provide a consistent framework for calculation, valuation, and allocation of costs, including in-kind services.

In the event of a conflict between this Exhibit H and the main body of the Agreement, this Exhibit H shall control with respect to cost eligibility, valuation, and approval.

### **2. Governing Principles**

All Allowable Costs must:

1. Be necessary, reasonable, and directly allocable to the Sites Project;
2. Be directly attributable to Reclamation's providing of services to the Sites Project under the Agreement and be mutually agreed to in advance of the costs being incurred;
3. Be consistent with Federal law, including WIIN Act §4007, 2 CFR Part 200, and applicable Reclamation directives;
4. Be consistent with Generally Accepted Accounting Principles (GAAP) applicable to California public water agencies; and
5. Be approved, documented, and invoiced in accordance with this Exhibit.

Costs not meeting all five criteria are non-allowable unless expressly approved in writing by both Parties.

### **3. Categories of Allowable Costs**

#### **3.1 Planning and Pre-Construction Costs**

Allowable planning costs include costs incurred to advance Sites Project permitting, design development, and environmental compliance including:

- Payroll costs for directly assigned Reclamation staff performing project-specific planning activities, including wages and associated fringe benefits;

- Consultant, engineering, scientific, and legal services directly supporting Sites Project planning activities;
- Travel and subsistence expenses necessary for performance of approved planning tasks;
- Other project-specific costs approved in writing by the Authority in advance.

Excluded Planning Costs include general overhead, executive management costs, and costs related to Reclamation's participation in Sites Authority business activities.

### 3.2 Environmental and Cultural Compliance Costs

Allowable costs include:

- NEPA, ESA, NHPA Section 106, and FWCA compliance activities where Reclamation is the Federal lead or joint lead;
- Environmental mitigation measures required as a condition of project approval;
- Cultural resource studies, monitoring, and mitigation directly related to Sites Project implementation.

### 3.3 Permitting and Land Use Authorization Costs

Allowable costs include:

- Federal, State, and local permitting actions required for project construction or operation;
- Land use authorizations for the use of Federal facilities or lands.

### 3.4 Design, Engineering, and Construction-Related Costs

Allowable costs include:

- Design review and engineering services necessary to evaluate impacts to Federal facilities;
- Construction management and inspection activities directly related to modification of Federal facilities;
- Pre-approved Project management activities supporting approved scopes of work.

### 3.5 Operations and Maintenance (O&M) Costs

Allowable O&M costs include:

- Fixed O&M Costs allocated proportionally based on Sites Project Facilities Capacity Interest;
- Variable O&M Costs allocated based on actual use of Sites Project Facilities;
- Reclamation staff costs to coordinate the use of Federal facilities for Sites Project purposes.

### 3.6 In-Kind Services

Reclamation in-kind services may be credited toward its cost share if:

- The services directly offset a Sites Project cost that the Sites Authority has agreed to be performed by Reclamation;
- The value is documented and calculated in accordance with 2 CFR Part 200;
- The services are not otherwise reimbursed by another Federal program; and
- The scope and valuation methodology are approved in advance by the Authority.

#### **4. Non-Allowable Costs**

Non-allowable costs include, without limitation:

- General agency overhead, executive management, or internal administrative costs not directly tied to approved project tasks;
- Costs incurred without prior approval where prior approval is required;
- Interest, financing fees, or debt service costs;
- Costs related solely to Reclamation's general water rights administration and monitoring, and CVP related operations of federal facilities;
- Costs insufficiently documented or not allocable to the Sites Project.

#### **5. Cost Approval Process**

##### **5.1 Advance Approval**

- All allowable costs must be agreed to in advance of being incurred.
- Costs expected to exceed thresholds established in Spend Plan updates or that involve new scopes of work must be approved in writing prior to costs being incurred.
- Estimated Reclamation allowable costs must be included in advance as part of the Sites Authority annual budgeting process.
- Sites Authority approval may be provided through updates to the Spend Plan, annual operating and capital budgeting approvals, a written task authorization issued by the Sites Authority, or formal correspondence of agreement between the Parties.

##### **5.2 Invoicing and Documentation**

- Invoices shall be submitted no more frequently than quarter~~monthly~~ unless otherwise agreed.
- Each invoice must include sufficient detail to independently verify:
  - Scope of work;
  - Labor categories and hours;
  - Applicable rates and valuation methodology;
  - Allocation basis to the Sites Project.

##### **5.3 Review and Dispute Resolution**

- The Authority shall review invoices for compliance within 30 days.

- Undisputed amounts shall be credited to Reclamation project cost share; disputed amounts shall be identified with written explanation.
- Disputes shall be resolved pursuant to the Agreement's dispute resolution provisions.

## **6. Cost Allocation and Reconciliation**

- Costs shall be allocated proportionally to all Storage Partners based on Sites Project Facilities Capacity Interest unless otherwise specified.
- A final reconciliation of Allowable Costs shall occur following Completion of construction.
- Adjustments to Reclamation's Capacity Interest resulting from final cost reconciliation shall be documented in Exhibit E.

## **7. Records, Audit, and Retention**

- Each Party shall maintain records sufficient to support claimed Allowable Costs.
- Records shall be retained for the longer of: (i) applicable statutory requirements, or (ii) seven (7) years following final reconciliation.
- Each Party shall have reasonable audit rights over costs charged under this Exhibit.

## **8. Amendments to this Exhibit**

This Exhibit H may be amended by mutual written agreement of the Parties without amendment to the main body of the Agreement.