

**MEMORANDUM OF UNDERSTANDING BETWEEN
THE UNITED STATES OF AMERICA DEPARTMENT OF THE INTERIOR
BUREAU OF RECLAMATION
AND
FWA, SLDMWA, AND SJRECWA
FOR
ESTABLISHING A SOUTH OF DELTA DROUGHT RESILIENCY FRAMEWORK**

1. **Preface**

- A. This Memorandum of Understanding ("MOU") is effective as of March 21, 2024, by and between the United States Department of Interior, Bureau of Reclamation ("Reclamation"), Friant Water Authority ("FWA"), San Luis & Delta-Mendota Water Authority ("SLDMWA"), and the San Joaquin River Exchange Contractors Water Authority ("SJRECWA" or "EC"), individually "Party", collectively the "Parties", to cooperate and collaborate on implementation of drought resiliency projects south of the Sacramento-San Joaquin River Delta ("Delta").
- B. The State of California has recently experienced two significant multi-year droughts that have brought to light the need for more dependable water supplies and additional drought resiliency measures for the Central Valley Project ("CVP") south of the Delta in the future. The Parties have collectively identified projects and potential actions aimed at improving drought resiliency south of the Delta hereinafter referred to as the "South of Delta Drought Resiliency Framework" ("Framework").

2. **Purpose of this MOU**

- A. An initial Framework was developed on July 7, 2023, with the recognition that the Framework was and is a living document that will evolve and change over time and will be updated periodically to reflect such changes. Since July 2023, the Parties have made progress on the implementation of many of the components of the Framework. It is anticipated that further implementation of components will be a multi-year process, and therefore, the Parties determined a Memorandum of Understanding ("MOU") would facilitate future implementation and progress of the Framework. The Parties anticipate this MOU will assist the Parties and their respective boards and officials in setting short and long-term goals and expectations regarding the matters included in the Framework that each Party desires to see implemented.

3. **Authority for this MOU**

- A. This MOU is entered into by and through Reclamation pursuant to the applicable authority granted to it generally in the Act of Congress approved June 17, 1902, (32 Stat. 388), and the acts amendatory thereof or supplementary thereto, including, but not limited to, the Act of August 26, 1937 (50 Stat. 844), as amended, and as reauthorized by the Act of October 17, 1940 (54 Stat. 1198), and as reauthorized by the Act of

September 26, 1950 (64 Stat. 1036), the Central Valley Improvement Act of 1992 (106 Stat. 4600, 4702), and the San Joaquin River Restoration Settlement Act, Pub. L. No. 111-11, Title X (123 Stat. 1349).

4. **Components of the Framework**

- A. The components of the Framework are attached hereto as Exhibit A. The Parties will continue to collaborate on the components of the Framework, as it may evolve and change over time. Exhibit A will be updated by Reclamation with the written concurrence of the Parties at least once per year with progress made and new components added as they are identified.

5. **General Provisions**

- A. **Non-binding Nature:** This MOU is legally nonbinding and in no way: (i) impairs any Party from continuing its own planning or project implementation; (ii) limits a Party from exercising its regulatory or discretionary authority in any matter; (iii) infers that a Party's governing body or management will act in any particular manner on a project or other component of the Framework; (iv) gives any of the Parties any authority over matters within the jurisdiction of any other Party; or (v) requires any Party to take any action that exceeds its legal authority or otherwise take any action without compliance with all applicable laws, policies and regulations, including environmental reviews. Nothing in this MOU creates any legal rights, obligations, benefits, or trust responsibilities, substantive or procedural, enforceable at law or in equity, by a Party against any other Party, a Party's officers, employees, or agents, or any other person.
- B. **Term:** This MOU will be effective upon the execution of this MOU by all the Parties, which date is set forth on the first page. This MOU will remain in effect for five years and will automatically renew for additional five-year terms unless terminated in writing as set forth below.
- C. **Dispute Resolution and Termination:** At any time, any Party to this MOU wishing to withdraw from this MOU must provide a 30-day written notice to the other Parties specifying the reason the notifying Party wishes to withdraw. Before the withdrawal takes effect, the Parties will promptly meet and confer in a good-faith effort to address and resolve, if possible, the issue(s) causing the notifying Party to wish to withdraw from this MOU. If following such meeting(s) the notifying Party still wishes to withdraw, such Party may withdraw no sooner than 30 days after the date of the final written notice following a good faith effort to resolve the disputing Party's concern(s) described herein. Upon the effective withdrawal by any Party, the remaining Parties will determine whether they wish to continue the MOU, continue the MOU with changes, or terminate the MOU.
- D. **Amendment:** Modifications or amendments to the terms of this MOU must be in writing and executed by all Parties.
- E. **Authorities Not Altered:** Nothing in this MOU alters, limits, or supersedes the authorities and responsibilities of any Party on any matter within its respective jurisdiction.

- F. **Authorized Representatives:** Each signatory to this MOU represents that this MOU has been reviewed by the respective governing body of such Party or with respect to Reclamation, by appropriate senior management officials, and that the governing body or senior officials support the Framework that is memorialized in this MOU.
- G. **Effect of MOU:** No Party hereto shall assert that any activity under this Agreement shall affect the validity of any existing water rights held by any other Party. This Memorandum of Understanding does not constitute an amendment, modification or alteration of any existing water service, repayment, exchange, or purchase contract, and all the Parties' respective water service, repayment, exchange, and purchase contracts shall remain in full force and effect.

Further, nothing in this MOU will be interpreted as limiting, superseding, or otherwise affecting each Party's normal operations or decisions in carrying out its statutory or regulatory duties. This MOU does not limit or restrict the Parties from participating in similar activities or arrangements with other entities, except to the extent that such activities or arrangements would significantly and adversely interfere with the Parties' abilities to advance the Framework under this MOU.

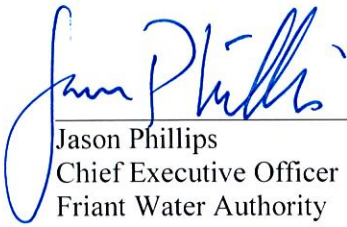
- H. **Relationship of Parties:** Execution of this MOU does not create a new legal entity with a separate existence from the individual Parties. This MOU does not create an "advisory committee" as that term is defined in the Federal Advisory Committee Act, as amended (Pub. L. 92-463). This MOU also does not result in the joint exercise of powers as set forth in California Government Code section 6500 et seq. This MOU neither expands nor is in derogation of those powers and authorities vested in the Parties, or any of them, by applicable laws, statutes, regulations, or Executive Orders, nor does it modify or supersede any other applicable interagency agreements existing as of the date of this MOU.
- I. **Funding and Availability of Funds:** Any funding provided by Reclamation for any of the Framework is subject to the requirements of any and all applicable laws, regulations, and procedures. Nothing in this MOU is intended or will be construed to authorize or require the obligation, appropriation, reprogramming, or expenditure of any funds by Reclamation as permitted by applicable law. As required by the Anti-Deficiency Act, 31 U.S.C. 1341, 1342, and 1517, all binding legal commitments made by Reclamation are subject to the availability of appropriated funds and budget priorities. Any funding commitment or services, if pursued, will be handled in accordance with applicable laws, regulations, and procedures.
- J. **No Third-Party Beneficiaries:** This MOU is for the sole benefit of the Parties and nothing herein, express, or implied, is intended to or will confer upon any other person or entity, including individual FWA, SLDMWA, and SJRECWA member agencies, any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this MOU.

6. Signatures



Federico Barajas
Executive Director
San Luis & Delta-Mendota Water Authority

3/21/24
Date



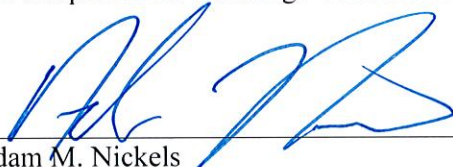
Jason Phillips
Chief Executive Officer
Friant Water Authority

March 21, 2024
Date



Chris White
Executive Director
San Joaquin River Exchange Contractors Water Authority

21 Mar 2024
Date



Adam M. Nickels
Principal Deputy Regional Director
U.S. Department of the Interior, Bureau of Reclamation

03/21/24
Date

Exhibit A:

Components of the South of Delta Drought Resiliency Framework

This Exhibit presents the Framework components and will be periodically updated as provided in the MOU as to progress made to date and additional components that are subsequently identified.

Updated As of March 21 2024

1. Drought Plan

The proposed “Drought Plan” would allow participating entities to voluntarily conserve and securely store or exchange a portion of their CVP south of Delta deliveries for subsequent use with the goal of providing at least a 5% allocation to CVP south of Delta agricultural water service/repayment Contractors, reducing reliance on Delta exports in the driest hydrologic conditions, and reducing the risk for a potential call on Friant Dam for Exchange Contract deliveries while supporting flow and temperature goals of the San Joaquin River Restoration Program (SJRRP). The Parties are fully supportive of the SJRRP Program and have agreed to collaborate towards a full implementation of the Program. The Drought Plan actions are all related to enhanced management of CVP deliveries south of the Delta and are not expected to influence CVP’s north of Delta operations.

- A. The Parties will work towards developing and implementing a Drought Plan that operates within Reclamation’s policies, agreements, and water rights, and that avoids impacts to other CVP Contractors that do not participate in the Drought Plan. (See Attachment 1 for the current description of the Drought Plan.)
- B. The Parties will initiate a Drought Plan “Pilot Program” in 2024. (See Attachment 2 for the description of the 2024 Pilot Program.) The objectives of the Pilot Program are as follows:
 - Understand operation of a “Drought Pool” (i.e., puts, takes, spill, losses, etc.) and its use in conjunction with CVP allocations.
 - Develop and refine accounting procedures for the Drought Pool.
 - Assess benefits and identify any potential third-party impacts of the Drought Pool, if any.
 - Increase interest and participation for the Drought Plan.
 - Understand water cost and compensation related to the Drought Pool operations.
 - Develop Drought Pool governance rules.
 - Investigate the potential federal actions associated with the Drought Pool and the need for evaluating their environmental compliance or flexibilities within current environmental coverage of CVP actions.
- C. The Parties understand that there are many components to the Drought Plan that need to be developed over time and, if mutually agreeable, will modify and extend the Pilot Program beyond one year.

2. **SLDMWA and FWA MOU Relating to Allocation, Collection and Payment of OM&R Costs for Water Delivered through certain CVP Facilities (“SLDMWA-FWA OM&R Cost MOU”)**

SLDMWA and FWA executed a Memorandum of Agreement in January 2024 setting forth, in general terms, proposed amendments to the 2002 SLDMWA-FWA OM&R Cost MOU that are intended to be incorporated into a “Second Amended and Restated MOU”. A draft of the amended MOU, including Exhibits such as an Amended OM&R Cost Recovery Plan, is anticipated to be shared with Reclamation for review and concurrence in February/March 2024.

3. **Allocation of Costs for Large Extraordinary Maintenance (XM) Projects**

Through the negotiations that led to the execution of the Memorandum of Agreement referenced in Section 2 above, SLDMWA and FWA also addressed the process of allocating costs for large extraordinary OM&R (XM) projects, including the DMC Subsidence Correction Project.

4. **DMC Subsidence Correction Project**

- A. The Parties support the development and completion of the DMC Subsidence Correction Project, subject to 3 above, and necessary appropriations, funding and/or financing available to fund the project.
- B. Technical review sessions with FWA were held on August 30, 2023, and October 16, 2023. FWA reviewed the Draft Feasibility Report and provided comments to Reclamation.
- C. In a letter dated January 21, 2024, FWA confirmed support for the continuation of the process to complete the DMC Project, subject to the execution of the process described in the proposed revised MOU for developing cost allocations for large XM projects.

5. **SJRRP Flows Past Sack Dam**

Reclamation and SJRECWA considered several interim mechanisms and are committed to developing processes to ensure that the SJRRP can provide flows past Sack Dam whenever water is being delivered to the Exchange Contractors via the San Joaquin River to Mendota Pool.

6. **FWA and Exchange Contractors’ Resolution on Del Puerto Canyon Reservoir Project**

- A. FWA and the Exchange Contractors are working to resolve Friant Contractor concerns regarding the operation of the proposed Del Puerto Canyon Reservoir to ensure it supports and does not conflict with the objectives outlined in the Drought Plan.
- B. Currently, an alternative with components of the Drought Plan is being proposed to be analyzed in the Del Puerto Reservoir environmental document.

- C. Once a resolution is reached, Reclamation will accept FWA and other Friant Contractors, as requested, as a cooperating agency under NEPA.

7. **Protection of Existing Contracts, Water Rights, and Operational Criteria**

- A. The Parties support continuation of the current San Luis Reservoir 10% rescheduling allowance and recognize that rescheduling is a critical tool of individual CVP Contractors and their growers. As proposed, the Parties do not foresee their respective agencies challenging the use of this water by individual Contractors.
- B. The Parties support the continuation of the existing Exchange Contractors' water transfer programs consistent with legal and regulatory compliance.
- C. Reclamation agrees to continue implementing the Exchange Contract as it has done in recent history as provided in *Contract between the United States and Central California Irrigation District for the Conveyance of Refuge Water Supplies* Number 17-WC-20-5023 signed (9-20-2017).

8. **FWA's Participation in Voluntary Agreements**

FWA committed to working with its members and has resolved outstanding issues related to their support of and participation in the Voluntary Agreements. FWA rescinded its letter of May 25, 2023, withdrawing from the Voluntary Agreements on September 15, 2023, subject to resolution of components 9 through 11 and 15 below.

9. **SJRRP Flows Delta Recapture**

In compliance with all relevant SWRCB permits and authorizations, Reclamation, in coordination with DWR, will develop procedures for Delta recapture and accounting with the goal of implementation by the 2024 Restoration Year. Delta recapture procedures will protect and account for recapture of Restoration Flows, while preventing, avoiding, and mitigating involuntary reductions in contract water allocations to CVP and SWP Contractors, other than Friant Division long-term Contractors, with the goal to make certain amounts of such flows available for the Voluntary Agreements.

10. **SJRRP Reach 1 Losses**

In coordination with FWA and SJRECWA, Reclamation is evaluating losses below Friant Dam and whether unauthorized or excessive diversions and use could be contributing factors.

11. **FWA, SLDMWA, and EC Support for the SJRRP**

- A. FWA, SLDMWA, and EC submitted letters of support to their respective congressional representatives on September 11, 2023, seeking support for levee improvements associated with Reach 2B of the San Joaquin River and raising the cap for the San Joaquin River Restoration Program in coordination with and inclusive of existing SJRRP priorities.

12. **Storage Options for the Drought Plan**

- A. On August 18, 2023, the Parties collectively submitted a letter to Reclamation comprised of a priority list of projects that would help with realization of Drought Plan benefits.
- B. Reclamation will explore options to facilitate a single collection and single payment program utilizing upfront funding that will be reimbursed at the time of water delivery from the pool subject to available funding and appropriations.
- C. Reclamation has identified initial funding using “general planning” money and has committed to initiate a planning study using those appropriations to evaluate potential storage options south of the Delta.

Commitments and Needs Identified After July 7, 2023:

13. **Refuge Incremental Level 4 (IL4) Deliveries**

Reclamation has committed to work with SLDMWA on south of Delta IL4 refuge water supply delivery availability timing and exchange, or carryover needs.

14. **CVP M&I Water Shortage Policy**

- A. The Drought Plan is not intended to change or modify Reclamation’s implementation of the CVP M&I Water Shortage Policy or be a replacement for Delta pumping to meet public health and safety demands. Any contribution to the Drought Pool made by an M&I Contractor will not cause a like reduction to the Contractor’s Historical Use and will not be considered other water available to meet public health and safety demands.

15. **South of Delta Accounting Improvements**

- A. Reclamation has committed to refining the current accounting process for improved San Luis Reservoir monthly water use and contract year delivery forecasting to help monitor, identify, and quantify the storage and delivery of south-of-Delta supplies, including, but not limited to, rescheduled and current year water supplies. Accounting is reliant on information being provided timely and accurately to Reclamation by Contractors and the SLDMWA. Reclamation will implement a process in Contract Year 2024 where monthly actuals (preliminary) and remaining year forecasted use will be provided by Contractors and summarized by Reclamation in the subsequent month.
- B. Reclamation, in coordination with Contractors, will evaluate accounting of storage and conveyance losses of different water types stored in San Luis Reservoir and implement improvements on those accounting procedures where necessary.
- C. Reclamation has committed to confirming that available supply will target building water supply in CVP facilities in the fall and winter, to the extent prudent, practicable, and otherwise allowed by law, and will be based in part on demand patterns that assume full use of allocated supplies and San Luis Reservoir low point with any stored Drought Pool supplies. Allocations will be reviewed monthly by Reclamation during

the allocation season (typically February through May/June) and adjusted as needed based on actual and projected pumping and use of CVP water supplies.

- D. Rescheduled water estimates will be requested by Reclamation for each month, December through February, and rescheduled water will be finalized in March. Monthly rescheduled water use may also be requested by Reclamation to facilitate forecasting and accounting throughout the contract year. Rescheduled water will be managed according to the then current Rescheduling Guidelines. Reclamation may request rescheduling schedules from Contractors annually or monthly, as needed, for accounting purposes.

Attachment 1

SOUTH OF DELTA DROUGHT PLAN

Shared Vision:

To improve the reliability of water supplies for south of Delta (SOD) communities, farms, and ecosystems dependent on Central Valley Project (CVP) water.

Shared Objectives:

- Provide increased water supply reliability to Exchange Contractors, CVP SOD Contractors and CVP Friant contractors and support the success of the San Joaquin River Restoration Program.
- Provide improved water supply reliability through timely and reliable allocations.

Plan Participation:

- Participation is voluntary for individual Contractors. The Authorities may have to secure a commitment to backstop their share of contribution to the Drought Pool with minimum contributions under certain conditions.
- Water added to the Drought Pool will become unallocated CVP water and will be subject to CVP rates when delivered. However, each Party's Drought Pool contribution will be tracked separately.

Coordination and Communication:

- Use of the pool will be discussed amongst the plan participants prior to use, including flexible operation of the pool within the contract year.
- Ultimate use of the pool will be decided by Reclamation.
- Participants will review, on a regular basis, how the Drought Pool was filled and used and make improvements as necessary to maximize use of assets and ensure efficient operations.

Financing and Cost Share:

- Financing and cost share will be developed through the Pilot Program(s).

Location of Drought Pool:

- The Parties agree on collaboratively pursuing surface water and groundwater storage options outside of, and in addition to, the federal share of San Luis Reservoir.
- A portion of Drought Pool is intended to be stored in CVP San Luis Reservoir. Parties acknowledge the risk of increased foregone pumping with increased carry over storage in CVP San Luis Reservoir. Share of Drought Pool storage to be stored in CVP San Luis Reservoir will be determined through the meet and confer process.
- Attachment 2 provides the current description of the Pilot Program defining short-term operation of the Drought Pool.
- Reclamation has full and sole discretion on determining how much of the Drought Pool can be stored in CVP San Luis Reservoir.

Drought Pool Operation:

Parties agree on the following general description of puts, takes, and spill priorities described below and illustrated in Figure 1. The operation of the Drought Pool will further be developed through Pilot Program(s).

Drought Pool Contributions:

- Up to 50 TAF of reduced demand (either voluntary reduction in water made available or reduction in consumptive use under the existing transfer program which doesn't impact current 80 TAF south of Delta transfer agreement) by the Exchange Contractors in any non-critical year until a maximum of 50 TAF is accumulated. Once 50 TAF is reached, it remains stored (subject to losses) until needed or spilled (if stored in a reservoir) after which the reduced demands would begin again in the next non-critical year.
- Up to 50 TAF of unused recapture water (or other source) from Friant Contractors in all years except SJRRP water year type critical-low years, when no restoration flows occur, until a maximum of 50 TAF is accumulated. Once 50 TAF is reached, this remains stored (subject to losses) until needed or spilled (if stored in a reservoir) after which the unused recapture would begin again in the next non-critical low year.
- Up to 5% of CVP allocation water in two separate accounts: "CVP South of Delta Contractor Pool" and "Common Pool". Common Pool account will include SLDMWA's 50 TAF contribution to the Drought Pool. CVP South of Delta Contractor Pool will be 65 TAF and will be managed by SLDMWA for all its members (AG, M&I, and Refuge). This is because SLDMWA members are expected to use Drought Pool much more frequently than FWA or Exchange Contractors. When building storage, Common Pool will fill first; and when using Drought Pool, CVP South of Delta Contractor Pool will be used first towards a 5% CVP SOD allocation for SLDMWA members. Contributions made by M&I Contractors will not cause a like reduction to the Contractor's Historical Use or be considered other water available to meet public health and safety demands under the CVP M&I Water Shortage Policy.
- Up to 50 TAF of unallocated CVP water that is not storable in current CVP reservoirs, but can be stored in accessible groundwater banks, or other current or future storage facilities.

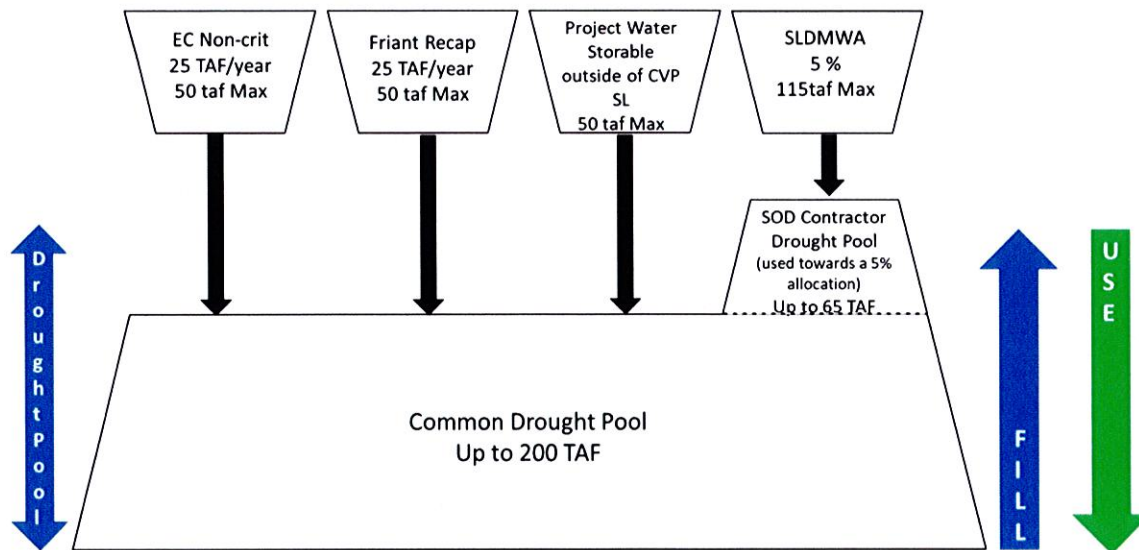


Figure 1. Drought Pool accounts, contributions, fill, take, and spill priorities.

Drought Pool Use:

- Drought Pool water is considered as a supplemental water supply available to contributing Contractors; is in addition to the Contractors' CVP South of Delta allocation; and cannot be transferred into or out of the Drought Pool. Drought Pool water, however, can be exchanged amongst each other to avoid spill or to support each other for Drought Pool contribution.
- Once Drought Pool water is made available to the contributing Contractors, the Authorities (SLDMWA, FWA, and SJRECWA) will determine the split of available Drought Pool water among their participating members. Reclamation will work with the Authorities to make Drought Pool water available for their participating members.
- Drought Pool can be accessed in years when CVP South of Delta AG allocation is less than 5%.
- Drought Pool consists of an up to 200 TAF "Common Pool" and an up to 65 TAF "South of Delta Contractor Pool".
 1. Common Pool is available to all contributing partners (SLDMWA, FWA, SJRECWA).
 2. South of Delta Contractor Pool is only available to SLDMWA.
 - a. Any water available in the South of Delta Contractor Pool is used first prior to using the water available in Common Pool.
- In years where CVP South of Delta AG allocation is less than 5%, Drought Pool water is used to supplement CVP South of Delta Contractor deliveries up to 5% (or 115 TAF).
 1. In these years, any water available in the South of Delta Contractor Pool is used first prior to using the water available in Common Pool.
 2. Common Pool usage is shared equally between Common Pool accounts.
- In years where Exchange Contractor demands cannot be met through diversions at the Delta and stored water in CVP reservoirs, the Common Pool will be divided 2/3 and 1/3:
 1. Up to 2/3 of the water stored in the Common Pool will first be made available to meet Exchange Contractor deliveries.
 2. Up to 1/3 of the water stored in the Common Pool will first be made available to meet SLDMWA demands up to a 5% allocation (or 115 TAF).
 - a. In these years, any water available in the South of Delta Contractor Pool is used first prior to using the water available in Common Pool.
 3. Any unused water by each Party is made available to the other Party to meet EC deficiency or up to 5% (or 115 TAF) CVP SOD delivery.
 4. After the use of Drought Pool water, should there be a gap in meeting the Exchange Contractor demands and there is a reliance on water stored in Millerton Reservoir, the following goals will be followed:
 - a. If the gap in meeting Exchange Contract Deliveries (after Drought Pool) is less than or equal to 100 TAF
 1. Goal: Avoid releasing water down the SJR to protect cold water for the SJRRP
 2. Actions: Exchange Contractors reduce demands by 20 TAF (compensated); Friant facilitate delivering up to 50 TAF through exchanges and Reclamation consider borrowing and/or purchasing actions to provide up to 30 TAF)
 - b. If the gap in meeting Exchange Contract Deliveries (after Drought Pool) is greater than 100 TAF
 1. Goal: Protect small supply for Friant Contractors and public health and safety
 2. Actions: Exchange Contractors reduce demands by 20 TAF (compensated) and remainder is released down the SJR to meet contract obligations. Timing of releases will be determined in coordination with the SJRRP.
- Accounting of Drought Pool Use and Refill:
 1. South of Delta Contractor Pool is used and refilled by the SLDMWA members.

2. When Parties use Drought Pool water from the Common Pool, it is assumed that each Party will use the water they have contributed first.
 3. Each Party is responsible for refilling their respective pools even in the case when another Party takes delivery of water from their pool.
- Flexible Operation of the Drought Pool:
 1. To provide maximum flexibility and minimize potential “spill” of the Drought Pool water; and to minimize foregone pumping for CVP, each Party is allowed to “borrow from” and “return to” the Drought Pool within said Party’s contract year.
 2. Parties may choose to do exchanges between each other to avoid spill or to support each other for Drought Pool contribution.
 3. Flexible use of the Drought Pool will only occur to avoid foregone pumping, facilitate backstopping for Drought Pool contribution, and shall be within existing CVP contractual terms.
 - Spill:
 1. Drought Pool water stored in San Luis Reservoir is assumed to spill at the same priority as rescheduled water, after non-CVP water as presented in Figure 2.
 2. Spill priority between the South of Delta Contractor Pool and the Common Pool within the Drought Pool will be determined through the Pilot Program(s).

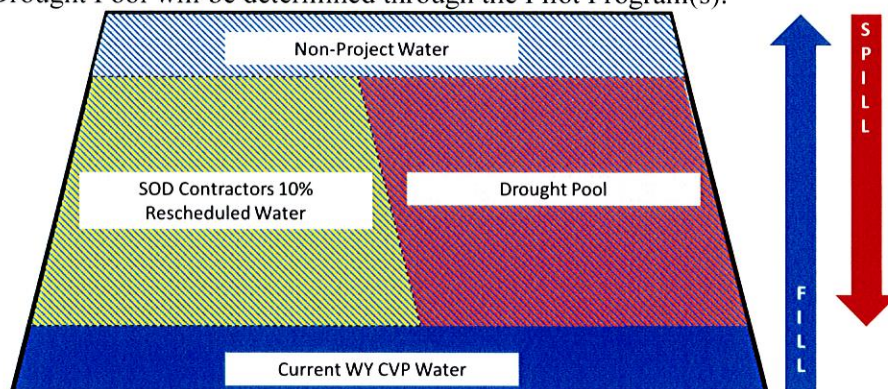


Figure 2. Spill priorities for the Drought Pool.

- Environmental Compliance:
 1. Drought Pool, all of its components, and operations must be in compliance with all applicable laws and regulations, such as NEPA, Endangered Species Act, and all federal laws, including the SJRR Settlement Act.
 2. Reclamation is responsible for environmental compliance for federal actions and each member is responsible for their own environmental compliance.

Outstanding Areas to Refine:

1. Water source for each contributing Party and backstopping each contribution since such contributions are voluntary.
2. Accounting for the Drought Pool contributions.
3. Developing detailed rules on CVP San Luis spill priorities for the Drought Pool which would be in addition to the existing CVP San Luis Rescheduling Guidelines.

4. Funding exchanges and/or reimbursement for contributions to and use of the Drought Pool.
5. Managing risks for the Drought Pool.
6. Timeline of decision making on the use of Drought Pool given forecasting uncertainty and forecast evolution.
7. Timing of Friant releases to avoid impacts on the SJRRP flow and temperature objectives.
8. Improved accounting and tracking of rescheduled water (CVP and non-CVP) in San Luis Reservoir.

Attachment 2: South-of-Delta Drought Plan – Pilot Program

Shared Vision: To increase water supply reliability to Central Valley Project (CVP) water users that rely on Sacramento-San Joaquin River Delta (Delta) exports.

Shared Objectives of the Pilot Program:

Through the Pilot Program, the Parties intend to achieve the following:

- Understand operation of a Drought Pool (puts, takes, spill, losses, etc.) and its use in conjunction with CVP allocations.
- Develop and refine accounting procedures for the Drought Pool.
- Assess benefits and identify potential third-party impacts of the Drought Pool, if any.
- Increase interest and participation for the Drought Plan.
- Understand water cost and compensation related to the Drought Pool operations.
- Develop Drought Pool governance rules.
- Investigate the potential Federal actions and the need for environmental compliance or flexibilities within current environmental coverage of CVP actions.

With information gained from WY2024, Parties intend to update and adjust the operation of the Drought Pool and continue with another Pilot Program until a long-term Program can be put in place.

1. Pilot Program Drought Pool will be comprised of the following accounts (Figure 3):
 - a. Up to 25 TAF of reduced demand (either voluntary reduction in water made available or reduction in consumptive use under the existing Exchange Contractor Long-Term Water Transfer Program which doesn't impact current 80 TAF south of Delta transfer agreement) by the Exchange Contractors in any given non-critical year until a maximum of 25 TAF is accumulated. Once 25 TAF is reached, this remains stored (subject to losses) until needed or spilled (if stored in a reservoir) after which the reduced demands would begin again in the next non-critical year.
 - b. Up to 25 TAF of unused recapture water (or other source) from Friant Contractors in all years except critical-low, when no restoration flows occur, until a maximum of 25 TAF is accumulated. Once 25 TAF is reached, it remains stored (subject to losses) until needed or spilled (if stored in a reservoir) after which the unused recapture would begin again in the next non-critical low year.
 - c. Up to 2.5% of CVP allocation water in two separate accounts: "CVP South of Delta Contractor Pool" and "Common Pool". Common Pool account will include SLDMWA's 25 TAF contribution to the Drought Pool. CVP South of Delta Contractor Pool will be 32.5 TAF and will be managed by SLDMWA for all its members: AG, M&I, and Refuge. When building storage, Common Pool will fill first; and when using Drought Pool, CVP South of Delta Contractor Pool will be used first towards a 2.5% CVP SOD allocation for SLDMWA members.

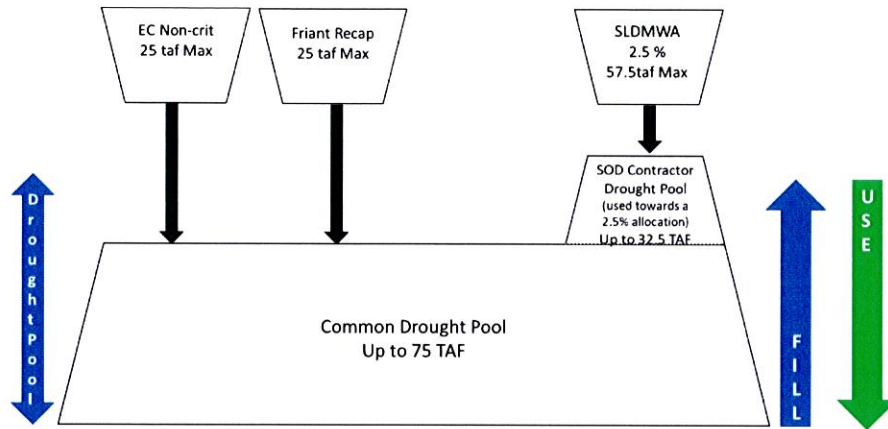


Figure 3. Pilot Program Drought Pool accounts, contributions, fill, take, and spill priorities.

- For the Pilot Program, all Drought Pool water will be stored in CVP San Luis Reservoir and will be subject to spill. CVP water for the current water year has priority. All other water can be stored in CVP San Luis Reservoir as long as there's space available and with Reclamation's discretion subject to spill priority shown below.

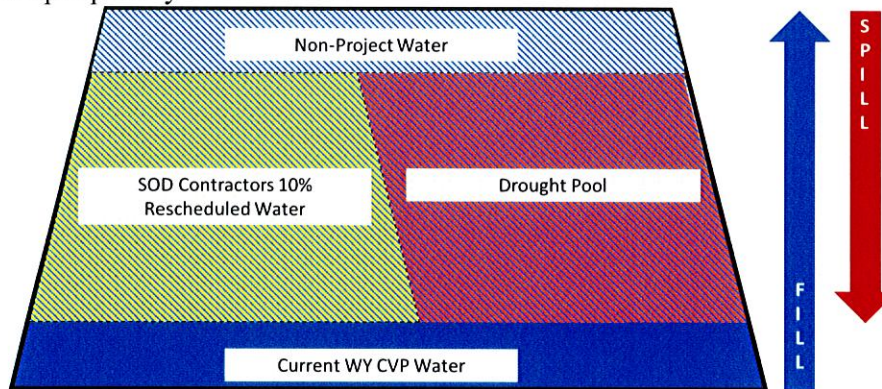


Figure 4. Spill priorities for the Pilot Program Drought Pool.

- Drought Pool will be used in the following manner:

SOD allocation (before Drought Pool)	Exchange Contractor delivery source (before Drought Pool)	Drought Pool use
>2.5%	Delta	Not used – building pool or storing pool
0-2.5%	Delta	Used to increase SOD allocation to 2.5%, remaining is stored and/or building
0%	Delta + San Joaquin (non-surplus)	Used to meet Exchange Contractor demands and provide an allocation 0-2.5%

4. In years when the Drought Pool, in combination with Delta pumping and storage, cannot satisfy the Exchange Contract demands:
 - a. The Common Drought Pool will be divided in thirds: 1/3 will be allocated to SOD and 2/3 will be allocated to the Exchange Contractors. Any remaining water above and beyond EC needs or SOD 2.5% allocation will be made available to the other party to meet the EC demands and/or the 2.5 % CVP SOD allocation.
 - b. Should there be a gap in meeting the Exchange Contractor demands and there is a reliance on water stored in Millerton Reservoir, the following goals will be followed:

Gap in meeting Exchange Contract Deliveries (after Drought Pool)	Goals
<100 TAF	Goal: Avoid releasing water down the SJR to protect cold water for the SJRRP
> 100 TAF	Goal: Protect small supply for Friant Contractors and public health and safety

5. Plan Participation
 - a. Participation is voluntary for members of the Contractors; however, each party will develop a backstop mechanism with minimum pool contributions under certain conditions.
 - b. Water added to the Drought Pool will become unallocated CVP water and subject to applicable CVP rates when delivered.
 - c. Refuge and M&I Participation will be managed by SLDMWA using their share of the Drought Pool benefits.
6. Compensation Plan
 - a. Friant and San Luis Unit Contractors benefitting from Drought Pool water will reimburse for use of other Contractors' Drought Pool supplies based on any up-front incurred costs, such as SOD Contractor conveyance fees once water is delivered. Based on the Pilot Programs operations plan there are no up-front costs associated with the Exchange Contractors' contribution to the 2024/2025 Drought Pool pilot program.
 - b. Cost recovery strategy for water that is carried over multiple years will be developed during the Pilot Program. Reclamation commits to exploring a single pay cost recovery methodology that could include all upfront cost for acquiring water for the Drought Pool.
 - c. Consistent with Reclamation's cost-recovery methodologies and cost recovery methodologies of SLDMWA, costs will be recovered at time of delivery and will be applied to the Friant and San Luis Unit Contractors receiving Drought Pool supplies in that year.
 - d. Reclamation will not charge a Rescheduled water fee as Drought Pool supplies are considered unallocated CVP supplies.
7. Coordination and communication
 - a. Building and disposition of the Drought Pool will be discussed amongst the Drought Plan participants prior to implementing any action under the Pilot Program.
 - b. Ultimate use of the Drought Pool will be decided by Reclamation.