AGENDA

SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT
380 E. Vanderbilt Way, San Bernardino, CA 92408

BOARD OF DIRECTORS' SPECIAL MEETING - POLICY/ADMINISTRATION WORKSHOP
2:00 PM Thursday, July 2, 2026

ZOOM INFORMATION
Online: https://sbvmwd.zoom/us/j/88452499078
Telephone: (877) 853-5247 US Toll-free

Meeting ID: 884 5249 9078
PASSCODE: 3802026

If you are unable to participate online or by telephone, you may submit your comments and questions in writing for Board consideration by emailing comments@sbvmwd.com with the subject line Public Comment Item # (insert the agenda item number relevant to your comment) or Public Comment Non-Agenda Item. Submit your written comments no later than 6 p.m. the day prior to the meeting. All public comments will be provided to the Board President and may be read into the record or compiled as part of the record.

IMPORTANT PRIVACY NOTE: Online participants MUST log in with a Zoom account. The Zoom app is a free download. Please keep in mind: (1) This is a public meeting; as such, the virtual meeting information is published on the World Wide Web and available to everyone. (2) Should you participate remotely via telephone, your telephone number will be your identifier during the meeting and available to all meeting participants; there is no way to protect your privacy if you elect to call in to the meeting.

CALL TO ORDER

1) **INTRODUCTIONS**

2) **PUBLIC COMMENT**
Members of the public may address the Board regarding any item within the subject matter jurisdiction of the Board; however, no action may be taken on off-agenda items except as authorized by law. Each speaker is limited to a maximum of three (3) minutes.

3) **DISCUSSION AND POSSIBLE ACTION ITEMS**

3.1 State Legislative Update (15 min) - Page 3
Staff Memo -State Legislative Update

3.2 Consider the Second Amendment to the Asset Purchase Agreement with Southern California Edison for the Hydroelectric Facilities, Including the Generator Interconnection and Distribution Service Agreements (45 min) - Page 5

Staff Memo - Consider the Second Amendment to the Asset Purchase Agreement with Southern California Edison for the Hydroelectric Facilities, Including the Generator Interconnection and Distribution Service Agreements

4) <u>FUTURE BUSINESS</u>

5) <u>CLOSED SESSION</u>

5.1 CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION: Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Government Code section 54956.9 (one potential case)

6) <u>ADJOURNMENT</u>

SAN BERNARDINO VALLEY | A REGIONAL WATER AGENCY SINCE 1954

DATE: July 2, 2026

TO: Board of Directors' Special Meeting – Policy/ Administration Workshop

FROM: Kelly Malloy, Strategic Communications Manager

SUBJECT: State Legislative Update

Staff Recommendation

Receive and file.

Summary

The Agency continues monitoring legislative activities through Federal lobbyists, Innovative Federal Strategies, Inc. and State lobbyist firm, The Gualco Group. Both efforts include legislation tracking, participating in various industry association discussions, facilitating meetings with legislative and regulatory elected officials and staff, and other activities. Representatives from The Gualco Group will participate in the workshop virtually and provide updates on current significant State activities.

Background

The Gualco Group, Inc., is the Agency's State lobbyist in Sacramento. Innovative Federal Strategies, Inc. is the Agency's Federal lobbyist in Washington, D.C. Given the different cyclical timing, State and Federal legislative advocates will alternate giving bi-monthly presentations at the Policy/Administration workshop via Zoom to provide an update on current, significant legislative activity.

State activities include monitoring proposed legislation (bills), 2026 legislative and administrative elections, and the 2026/27 Budget.

Agency Strategic Plan Application

The Agency's Federal and State legislation program aligns with the Agency's mission of *working collaboratively to provide a reliable and sustainable water supply to support the changing needs of our region's people and environmen*t. By staying active and engaged in legislative issues, the Agency can establish a presence and build relationships with our Federal and State legislators which helps the Agency achieve its goal to *Establish San Bernardino Valley as an industry leader, recognized locally by the public and our peers for the leadership and positive impact we have within our region and the state*.

Fiscal Impact

There is no fiscal impact related to this update.

DATE: July 2, 2026

TO: Board of Directors' Special Meeting - Policy/Administration Workshop

FROM: Leo Ferrando, Assistant Chief Engineer

SUBJECT: Consider the Second Amendment to the Asset Purchase Agreement with Southern California Edison for the Hydroelectric Facilities, Including the Generator Interconnection and Distribution Service Agreements

Staff Recommendation

Staff recommends that the Board of Directors (Board) consider and approve the Second Amendment to the Asset Purchase Agreement (APA) with Southern California Edison (SCE) for the acquisition of the hydroelectric facilities, together with the associated Generator Interconnection Agreements (GIAs) and Distribution Service Agreements (DSAs), and authorize the CEO/General Manager to execute the Agreements, subject to any minor, technical, or non-substantive revisions deemed necessary and approved by House Counsel.

Summary

The Second Amendment to the APA updates the original APA between San Bernardino Valley and SCE to reflect the transaction's final structure as it approaches closing of escrow in mid-July. It incorporates the associated interconnection agreements for all seven hydroelectric facilities. The Second Amendment conforms the agreement to SCE's FERC Wholesale Distribution Access Tariff (WDAT) instead of the previous CPUC Rule 21 framework; and, instead of the variable Interconnection Facilities Charge and Distribution Upgrades Charge under each GIA, establishes a fixed monthly payment of $1,000 (the "Fixed Monthly GIA Payment"), described in detail below. It also attaches the updated forms of the GIAs and the revised interconnection facilities schedule. Through the proposed interconnection agreements, each plant's GIA is assigned to San Bernardino Valley and amended (Amendment No. 2, or Amendment No. 1 for Santa Ana River No. 3) so that San Bernardino Valley replaces SCE's Generation Department as the Interconnection Customer at closing, and each plant enters into a DSA under which SCE carries the plant's generation across its distribution system. All seven facilities are expected to carry Full Capacity Deliverability Status with the California Independent System Operator (CAISO). The agreements are based on SCE's FERC pro forma forms, which allow limited deviation and remain subject to FERC acceptance, and closing remains subject to execution of these Agreements. Legal counsel has approved the proposed agreements being considered by the Board. Staff will provide a presentation at the meeting outlining the Second Amendment and the associated interconnection agreements.

Background

On March 5, 2024, the Board authorized the CEO/General Manager to execute the APA for the East End Hydropower Plant Divestiture with SCE, reflecting a negative Final Transfer Price of ($34,173,700) for the acquisition of seven (7) hydroelectric plants and associated facilities and appurtenances. The APA was subsequently finalized and executed on June 24, 2024. The BOD approved the First Amendment to the APA on April 7, 2026. The First Amendment updated certain terms of the original agreement, revising the outside closing date and further allocating responsibility for specified interconnection facilities and related post-closing work.

The planned divestiture includes the Mill Creek, Santa Ana River, and San Antonio Creek hydroelectric facilities and is intended to support greater local control of the assets, improve the reliability of surface water deliveries, and create opportunities for long-term operational and infrastructure improvements. Since the execution of the APA, Staff has continued coordinating with SCE and participating agencies on regulatory approvals, transaction implementation, operational planning, and related property and facility matters associated with the transfer, achieving two of the transaction's most significant milestones which are approval by the California Public Utilities Commission (CPUC) in October 2025 and approval of the FERC license transfer from SCE to San Bernardino Valley in April 2026.

The proposed action authorizes two related sets of documents: the Second Amendment to the APA, which carries the transaction to closing (currently estimated to be July 9, 2026), and the interconnection agreements that place each plant's electrical connection and distribution service in San Bernardino Valley’s name. There are four types of agreements summarized below. The complete body of documents totals over 1,500 pages therefore they are available via hyperlink to a ShareFile for each facility. A plant-by-plant summary is provided as an attachment.

1. **Second Amendment to the APA**. The Second Amendment to the APA replaces the previously contemplated variable costs for interconnection work with a Fixed Monthly GIA Payment of $1,000 per month, per facility for 20 years ($84,000 per year for a total of $1,680,000). The original APA terms estimated costs for interconnection work to be approximately $3.5 million. Therefore, the new arrangement included in this amendment provides significant financial savings plus cost assurances. This is the Second Amendment to the APA and follows the First Amendment approved by the Board on April 7, 2026.

2. **Assignment and Assumption of the GIA.** There is one GIA for each powerhouse. Each powerhouse's GIA is the agreement that, under SCE's FERC Wholesale Distribution Access Tariff (WDAT), physically interconnects the generating hydropower facility to SCE's distribution system. This transfers each existing GIA from SCE's Generation Department to San Bernardino Valley at closing, with San Bernardino Valley becoming the Interconnection Customer, so that interconnection continues without interruption. Assigning the GIAs was addressed in the original APA, included as an exhibit, and is therefore a continuation of the original transaction.

3. **Amendment to the GIA (Amendment No. 2; Amendment No. 1 for Santa Ana River No. 3)**. There is one Amendment to the GIA for each powerhouse. Following the assignment, each GIA is amended to name San Bernardino Valley as the Interconnection Customer in place of SCE's Generation Department and to update certain standard terms, such as the income tax component of contribution security, tax treatment, and insurance. These amendments are new and result from SCE's conversion of the plants from the CPUC Rule 21 interconnection form to the FERC WDAT form during the escrow period. Santa Ana River No. 3 was established directly in WDAT form and therefore requires only its first amendment.

4. **Distribution Service Agreement**. There is one Agreement for each powerhouse. Under the WDAT framework, a separate service agreement is required in addition to the interconnection agreement. The DSA is the agreement under which SCE carries the plant's generation across its distribution system and under which San Bernardino Valley agrees to take and pay for that service. These agreements are new; they did not exist under the prior Rule 21 arrangement and are a direct result of moving the plants onto the WDAT framework.

Full Text of Individual Amendments and Agreements via ShareFile:

1) Second Amendment to the Asset Purchase Agreement (APA)
2) Amendment No. 2 to the Generator Interconnection Agreement and Distribution Service Agreement for Mill Creek No.1
3) Amendment No. 2 to the Generator Interconnection Agreement and Distribution Service Agreement for Mill Creek No.3
4) Amendment No. 2 to the Generator Interconnection Agreement and Distribution Service Agreement for Santa Ana River No.1
5) Amendment No. 1 to the Generator Interconnection Agreement and Distribution Service Agreement for Santa Ana River No.3
6) Amendment No. 2 to the Generator Interconnection Agreement and Distribution Service Agreement for Ontario No.1

7) Amendment No. 2 to the Generator Interconnection Agreement and Distribution Service Agreement for Ontario No.2
8) Amendment No. 2 to the Generator Interconnection Agreement and Distribution Service Agreement for Sierra

As stated above, under the new arrangement, SCE is responsible for the cost of the interconnection facilities work associated with these agreements. In place of the otherwise-variable Interconnection Facilities Charge and Distribution Upgrades Charge, if approved, San Bernardino Valley's interconnection cost would be the Fixed Monthly GIA Payment of $1,000 per month per GIA ($7,000/month for 20 years) or $1,680,000, which is established under new Section 5.6.5 of the APA. All seven facilities are expected to carry Full Capacity Deliverability Status with the California Independent System Operator (CAISO). Staff will provide a presentation at the meeting outlining the agreements and San Bernardino Valley's transition to ownership and initial operations.

District Strategic Plan Application

These efforts support San Bernardino Valley's mission, vision, values, and strategic objectives by promoting regional collaboration among water agencies to address the region's long-term water supply reliability needs.

Fiscal Impact

The fiscal impact of the acquisition is ($34,173,700), resulting in a negative transfer payment to San Bernardino Valley associated with the purchase of the seven (7) hydroelectric plants and related facilities. San Bernardino Valley will initially fund transition-related costs which will be reimbursed by the Santa Ana Watershed Hydropower Authority following the close of the SCE transaction and receipt of the final transfer proceeds. Once the transfer of facilities to the JPA is complete, annual costs will be paid from the JPA operating funds and separate bank account.