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STATE OF CALIFORNIA – CALIFORNIA NATURAL RESOURCES AGENCY **GAVIN NEWSOM**, *Governor*

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TO: All State Water Project Contractors

Water Year 2027 is upon us, and concern runs high – especially along the coast – about strong El Niño conditions. Extraordinarily warm sea surface temperatures in the eastern Pacific Ocean increase the likelihood of destructive waves and heavy precipitation this winter.

A strong El Niño pattern does not guarantee any particular storm or outcome, but the Department of Water Resources (DWR), California Governor's Office of Emergency Services (Cal OES) and other State agencies are prepared for a range of emergencies, including flooding and debris flow. Flood-fight resources are positioned around the state and will be targeted more precisely based on forecasts, typically seven to 10 days before storms arrive. The Governor declared a state of emergency on September 21 to mobilize state resources and streamline procurement in advance of winter storms. DWR is readying State Water Project (SWP) facilities, including prioritizing spillway maintenance work and work to clear out the facilities used to manage runoff crossing the aqueduct.

Water Year 2026 ended as "above normal" in terms of the Sacramento Valley index. It followed an extremely wet year in 2023 and above-normal years in both 2024 and 2025. (SWP allocations starting in 2023 have been 100, 40, 50, and 45%, respectively.) SWP Contractors took advantage of the abundant precipitation to bolster storage above and below ground across service areas. That supply will help buffer the state should storms fail to show this winter, which also is a possibility.

Oroville Dam will help this winter to manage any flood flows on the Feather River, as it has for the last 70 years. The reservoir currently holds 1.6 million acre-feet of water, or 51 percent of capacity. The U.S. Army Corps of Engineers continues to develop its revisions of the water control manual for Oroville and New Bullards Bar dams to reflect improved forecasting, coordinated operations, and operational standards. DWR expects the Corps to release a draft updated manual soon, with a final version in June 2027. DWR continues close coordination with the Corps and interested parties.

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Updates on a variety of other topics of mutual interest follow below.

DWR Promotions

In late June, Governor Newsom appointed DWR Lead Deputy Director Tom Gibson to replace Karla Nemeth as Director. After leading the department for eight years, Karla, in September, assumed the job of Executive Director of the Association of California Water Agencies. Director Gibson's long-time familiarity with DWR operations eased the transition, and he has been working closely with the SWP team, and many of you on the Healthy Rivers and Landscapes program and other priorities.

Also in June, DWR named Andrew Schwarz, the SWP's Long-term Planning, Risk, and Resiliency Officer. In this new, integrated role, Andrew will develop strategies to keep the SWP functioning in the face of evolving risks. Andrew, a civil engineer, moves to the new role from his previous job as SWP Climate Action Manager.

Operational Flexibility and Habitat Expansion

DWR continues to collect data and use science to adjust SWP operations based on real-time conditions. In Water Year 2026, the SWP successfully exercised key amendments to endangered species permits that helped with water supply. They include flexibility in implementing the "fall X2" and "first flush" measures.

In May, DWR submitted an additional amendment application to the California Department of Fish and Wildlife (CDFW) to permanently sunset the Fall X2 action. DWR received a one-year amendment for WY 2026, resulting in 7 additional days of Suisun Marsh Salinity Control Gate actions. DWR continues to provide information to CDFW for their consideration of a permanent off-ramp for the Fall X2 action.

Separately, DWR is working to resolve a 20-year issue tied to the re-licensing of Lake Oroville hydroelectric facilities. In 2007, DWR and Pacific Gas & Electric (PG&E) agreed to select the most promising and cost-effective actions to expand spawning, rearing, and adult holding habitat for spring-run Chinook salmon and steelhead in the Sacramento River Basin. This agreement provided an alternate path to having resource agencies prescribe fish passage at Oroville and at two PG&E projects on the Feather River system.

Under the agreement, DWR submitted an initial proposal in 2010 to the National Marine Fisheries Service (NMFS). Discussions have been underway since and several different projects have been contemplated. DWR recently proposed a project that will meet the required goals and criteria in the agreement. DWR hopes to reach resolution soon with

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NMFS so that we can implement this project, which will increase side-channel Feather River habitat sufficient to support a substantial increase in salmon redds (nests), which in turn could greatly increase the number of juvenile spring-run Chinook salmon in the Feather River. Our goal is to reach agreement and move forward with habitat expansion before the end of Water Year 2027.

Healthy Rivers and Landscapes Program (HRL)

On September 18, DWR submitted comments on the State Water Resources Control Board's (State Water Board) Draft Final Plan for updating the Bay-Delta Water Quality Control Plan. Among other points, DWR's comments addressed the State Water Board's proposed "base flow balancing" provision, with the intent of ensuring that the language does not undermine State and federal Endangered Species Act decisions.

On October 28 and 29, the State Water Board will consider approving the Healthy Rivers and Landscapes Program (HRL) program as an alternative path within an updated Bay-Delta Water Quality Control Plan. State Water Board endorsement of the HRL program would culminate a decade of intense, difficult work by dozens of state, local, and federal partners. The original hope behind the effort was that by building partnerships rooted in science – rather than squaring off in an adversarial system – water users across the Sacramento and San Joaquin watersheds would more quickly and effectively reverse a decline in native fisheries. DWR remains hopeful that the State Water Board will adopt a final plan update that incorporates the HRL program in a way that works for all HRL parties.

River Valve Outlet System (RVOS) Completion

In July, DWR completed and successfully tested the rehabilitated River Valve Outlet System (RVOS) at Oroville Dam. The $235 million project installed a system of two parallel outlet conduits, each with two valves, that have the capacity to draw water from deep in Lake Oroville for release. The RVOS ensures the ability to maintain Feather River flows during drought years, even if reservoir levels drop below Hyatt Powerplant's water intake structures. Critically for salmon, the RVOS also provides the ability to discharge cold water to the Feather River to maintain water temperatures downstream for fish health.

Golden Mussel

First discovered by DWR in a Port of Stockton waterway in October 2024, golden mussels native to Southeast Asia have infested and fouled municipal and industrial

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intakes and other water management equipment from Stockton south to Riverside County.

DWR's response is comprehensive and involves:

- Reducing the risk of golden mussel introduction and spread by strengthening early detection, optimizing response timing, promoting Clean, Drain, Dry practices, and sharing monitoring and detection data across federal, state, and local agencies;
- Maintaining reliable SWP operations and reducing near-term impacts at infested facilities through facility-specific treatment, mitigation, and maintenance strategies that address infrastructure and operational needs while permanent solutions are developed and implemented;
- Improving the effectiveness and timing of golden mussel treatments through research, monitoring, and evaluation of emerging treatment technologies.; and
- Strengthening coordination and information sharing with State Water Contractors, California water agencies, regulatory partners, and the media to advance prevention and mitigation, expedite treatment approvals, recover eligible costs, and incorporate lessons learned.

Long-term, DWR is integrating engineered protections, continuous monitoring, targeted research, ongoing maintenance, and systemwide coordination to minimize operational risk and maintain reliable water delivery.

Financial Management

I share a concern about growing costs across all of our water systems, including the SWP. Many actions across the SWP, from the financial management enhancement project to the implementation of the strategic asset management plan, are intended to ensure that the SWP remains both reliable and affordable.

In 2026, SWP successfully issued the first long-term (30-year) bond to finance the SWP capital improvements costs under the Water Supply Contract Extension Amendment. The success of this bond sale demonstrated investor confidence in the SWP and DWR. DWR also completed its work for the Water System Revenue Bond (WSRB) Debt Service Billing Project, which culminates multiple reconciliation and validation projects that DWR and the SWP contractors mutually agreed to carry out over the last decade, with the ultimate goal of resolving long-standing audit items and billing protests. In March, DWR shared the last of the SWP financial information contractors had requested

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related to the WSRB Debt Service Billing Project. Having shared the information and given contractors time to make sense of it, DWR is anxious to begin earnest discussions about fully implementing the SWP Contract Extension Amendments so that DWR and contractors gain the benefit of that agreement that took effect three years ago.

I also share a concern about growing costs that cannot be billed to SWP contractors but are an essential part of operating the project. Implementing mechanisms to fund these obligations are essential to our ability to plan for and to fulfill unavoidable responsibilities. I look forward to working in partnership with the SWP contractors to quickly identify and implement mechanisms to fund these obligations.

DWR is ready to directly address and resolve long-standing issues so that all of us share a clear understanding of how DWR bills contractors and covers SWP costs, a crucial step toward protecting the project's financial integrity.

Conclusion

As "super" El Niño conditions elevate public attention on water management this fall and winter, thank you for telling the story of your districts' work and the role the SWP plays to protect public health and prosperity. Each new generation of Californians arrives further removed from the deadly floods and post-war economic boom that launched the SWP, and public education is an important part of water management.

In that spirit, it may help to know that DWR recently calculated an estimate of what it would cost to build the SWP today. The figure is over $40 billion, and it does not take into account the cost of land acquisition, environmental permitting, or ongoing operations and maintenance costs. Hopefully that figure helps put into context the cost of maintaining and modernizing the project. Keeping this tremendous asset viable is less expensive than stranding the past investments of previous generations and trying to replace the project's multitude of benefits to all Californians.

Sincerely,

John Yarbrough
SWP Deputy Director