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EXHIBIT B

ADDENDUM TO THE INITIAL STUDY AND NEGATIVE DECLARATION
FOR DWR CLIMATE ACTION PLAN PHASE 1: GREENHOUSE GAS EMISSIONS
REDUCTION PLAN
UPDATE 2023

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ADDENDUM
TO THE INITIAL STUDY AND NEGATIVE DECLARATION
FOR CLIMATE ACTION PLAN PHASE 1: GREENHOUSE GAS EMISSIONS REDUCTION PLAN
UPDATE 2023
SCH # 2012032002

This Addendum to the Initial Study and Negative Declaration has been prepared in accordance with the provisions of the California Environmental Quality Act (Cal. Public Resources Code § 21000 *et seq.*) and assesses the potential environmental impacts of implementing an update (Update 2023) to the California Department of Water Resources Climate Action Plan Phase 1: Greenhouse Gas Emissions Reduction Plan.

Lead Agency

California Department of Water Resources

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February ___, 2024

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I. INTRODUCTION

In 2012, the California Department of Water Resources (DWR) developed the Greenhouse Gas Emissions Reduction Plan (2012 Plan) as the first phase of its Climate Action Plan to guide decision-making related to DWR's energy use and greenhouse gas (GHG) emissions, consistent with State climate change laws, policies, and goals at the time, such as Assembly Bill (AB) 32 (2006) and Executive Order S-3-05 (2005). Pursuant to the California Environmental Quality Act (CEQA) (Cal. Public Resources Code § 21000 *et seq.*) and CEQA Guidelines (Cal. Code Regs., tit. 14, § 15000 *et seq.*), DWR prepared an Initial Study and Negative Declaration (IS/ND) for the 2012 Plan, determining that the 2012 Plan would not result in significant impacts on the environment. DWR approved the 2012 Plan and filed a Notice of Determination (NOD) with the State Clearinghouse on June 1, 2012 (SCH # 2012032002). The 2012 Plan was subsequently updated in 2020 (Update 2020). For Update 2020, DWR prepared an addendum to the IS/ND for the 2012 Plan and filed a NOD for the addendum on August 4, 2020.

As it committed to in 2012, DWR prepared Update 2020 to review the 2012 Plan to include its GHG reductions since the 2012 Plan and update strategies for further reductions consistent with legislative and policy changes, including the GHG emissions reduction targets established in Senate Bill (SB) 32 (2016), SB 100 (2018), Executive Order B-18-12 (2012), Executive Order B-30-15 (2015), and Executive Order B-55-18 (2018).

DWR developed the Greenhouse Gas Emissions Reduction Plan Update 2023 (Update 2023) to review its GHG reductions since Update 2020 and to update strategies for further reduction consistent with recent legislative and policy changes, including the GHG emissions reduction targets established in SB 1020 (2022) and SB 1203 (2022). Update 2023 also includes DWR's new role in emergency energy generation. Since the 2012 Plan was adopted, California's wholesale electricity market has also seen a significant increase in renewable resources. To reflect this change and to align with industry practice in emissions reporting, Update 2023 incorporates updated emission factors to determine emissions from unspecified market resources.

California's energy markets have also undergone significant changes since the 2012 Plan was adopted, including expansion of energy efficiency improvements. In all, DWR determined Update 2023 is needed to revise DWR's GHG emissions reduction goals and to review its GHG emissions reduction strategies in the context of recent legislative, regulatory, policy, and market changes.

As the Lead Agency, DWR has prepared this Addendum to the 2012 IS/ND pursuant to CEQA Guidelines Sections 15162 and 15164. The purpose of this Addendum is to evaluate the potential environmental effects associated with the changes to the 2012 Plan reflected in Update 2023. As described in the following sections, substantial

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evidence shows that Update 2023 would not create any new significant environmental impact or a significant increase in the severity of impacts identified in the IS/ND, and therefore no subsequent CEQA review is required. This Addendum does not require circulation for public review but will be included as part of the IS/ND, which is available upon request. This Addendum will be used, in addition to the IS/ND, by the DWR decision-maker approving Update 2023.

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II. Applicability and Use of an Addendum

Pursuant to CEQA, when changes to a project or its circumstances occur or new information becomes available after adoption of a negative declaration, the lead agency shall prepare a subsequent environmental impact report (EIR) if one or more of the conditions specified in CEQA Guidelines § 15162(a) have occurred. (CEQA Guidelines § 15162(b).) Pursuant to CEQA Guidelines § 15162(a), a subsequent EIR is required only when the lead agency determines, based on substantial evidence in the light of the whole record, that: (1) substantial changes to a project or in the circumstances under which the project is undertaken would involve new significant environmental effects or a substantial increase in the severity of previously identified significant effects; or (2) new information of substantial importance, which was not known and could not have been known with reasonable diligence at the time the previous negative declaration was adopted, shows one or more significant effects or more severe significant effects, or feasible mitigation measures or alternatives are available that would substantially reduce the project's significant effects. If none of the conditions warranting a subsequent EIR have occurred, the lead agency shall determine whether to prepare a subsequent negative declaration, an addendum, or no further documentation. (CEQA Guidelines § 15162(b).)

An addendum to a negative declaration is appropriate if minor technical changes or additions are necessary or none of the conditions warranting a preparation of a subsequent EIR or subsequent negative declaration have occurred. (CEQA Guidelines § 15164(b).) An addendum to a negative declaration need not be circulated for public review but can be included in or attached to the adopted negative declaration. (CEQA Guidelines § 15164(c).) The decision-making body shall consider the addendum with the adopted negative declaration prior to making a decision on the project. (CEQA Guidelines § 15164(d).)

As described in the following sections of this Addendum, the environmental analysis and impacts identified in the 2012 IS/ND remain substantially unaffected by the changes reflected in Update 2023. Substantial evidence shows that the changes to DWR's 2012 Plan reflected in Update 2023 would not create any new significant environmental impact or a significant increase in impacts identified in the 2012 IS/ND. None of the conditions warranting preparation of a subsequent EIR or subsequent negative declaration under CEQA Guidelines Section 15162 have occurred. Therefore, an addendum to the 2012 IS/ND is the proper mechanism for CEQA compliance associated with DWR's adoption of Update 2023. This Addendum includes an explanation of the decision not to prepare a subsequent EIR or subsequent negative declaration pursuant to CEQA Guidelines Section 15162.

III. Project Description

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The subject of the current Addendum is implementation of an update (Update 2023) to DWR's Greenhouse Gas Emissions Reduction Plan, which presents DWR's historical, current, and projected future GHG emissions, DWR's goals for reducing GHG emissions, and DWR's GHG emissions reduction measures.

DWR initially adopted its Greenhouse Gas Emissions Reduction Plan in 2012 as the first phase of its Climate Action Plan designed to guide decision-making related to DWR's energy use and GHG emissions. Consistent with the State climate change laws, policies, and goals at the time, the 2012 Plan established the following GHG emissions reduction goals: (1) near-term goal of reducing emissions by 50% below 1990 levels by 2020; and (2) long-term goal of reducing emissions by 80% below 1990 levels by 2050. The 2012 Plan also included 11 specific measures designed to achieve these reduction goals. DWR achieved its near-term goal five years early and received a Climate Leadership Award for this accomplishment in 2018.

Update 2020 included a Mid-term Goal that exceeded the statewide emissions reduction target of 40 percent below the 1990 level by 2030, which was established in Senate Bill 32 (2016). Specifically, Update 2020 established a goal of 60 percent below the 1990 level by 2030, which DWR met nine years early.

In addition to establishing DWR GHG emissions reduction goals and describing strategies for the achievement of these goals, the 2012 Plan is also used to streamline DWR's CEQA analysis for most DWR projects' potential to contribute to the cumulative impact of increased GHG emissions in the atmosphere, pursuant to CEQA Guidelines sections 15064(h)(3), 15064.4(b)(3), 15130(d), and 15183.5.

Update 2023 includes substantive changes to the following three components of the 2012 Plan and Update 2020: (1) GHG emissions reduction goals; (2) GHG quantification; and (3) GHG emissions reduction measures. These substantive changes are described in detail below. Additionally, Update 2023 contains editorial, organizational, and other non-substantive changes to the 2012 Plan and Update 2020. These non-substantive changes have no potential to adversely affect any environmental resource and therefore are not discussed further in this Addendum.

Updated GHG Emissions Reduction Goals

As committed in 2012, DWR has developed Update 2023 to review its GHG reductions since the 2012 Plan and to update strategies for further reduction consistent with legislative, policy, and regulatory changes including the GHG emissions reduction targets established in SB 32 (2016), SB 100 (2018), Executive Order B-18-12 (2012), Executive Order B-30-15 (2015), Executive Order B-55-18 (2018), Senate Bill 1020 (2022), and Senate Bill 1203 (2022). Update 2023 documents DWR's GHG reductions since the 2012 Plan and establishes the following updated GHG emissions reduction goal:

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- Goal: By 2035, supply 100 percent of electricity load with zero-carbon resources and achieve carbon neutrality.

Changes to GHG Quantification Methodology

Since 2007, DWR has been tracking and reporting emissions from its activities to the California Climate Action Registry (CCAR) and to The Climate Registry (TCR), which succeeded CCAR in 2010. The quantification methodologies used in Update 2023 for historical, current, and projected future GHG emissions associated with DWR's operations, construction, maintenance, and business practices activities are generally consistent with the methodologies used in the 2012 Plan and Update 2020. However, since the 2012 Plan was adopted, California's wholesale electricity market has seen a significant increase in renewable resources. To reflect this change and to align with industry practice in emission reporting, Update 2023 incorporates updated emission factors to determine DWR's post-2010 operational emissions associated with purchases of energy from unspecified market resources.

To estimate operational emissions associated with generation from unspecified sources prior to 2010, the 2012 Plan, Update 2020, and Update 2023 use the emission factor from the Mandatory GHG Emissions Reporting Regulation (Cal. Code Regs., tit. 17, § 95111) for energy imports. This emission factor is based on gas-fired generation under the assumption that low or zero carbon resources are not available for sale in the electricity market. However, this emission factor no longer reflects California's wholesale electricity market, which has undergone significant changes since 2012, including increased participation of renewable resources and expansion of energy efficiency improvements. As renewable energy development increased, the GHG emission factor for energy on California's electric grid became substantially lower compared to when DWR adopted the 2012 Plan. In addition, the California Independent Systems Operator (CAISO) started an Energy Imbalance Market in 2014, that is designed to, among other things, bring more renewable energy to the grid by facilitating participation from loads and resources outside of California.

Consequently, to estimate emissions associated with generation from unspecified sources since 2010, Update 2023 uses the U.S. Environmental Protection Agency's (EPA) Emissions & Generation Resource Integrated Database (eGRID) emission factor, which reflects different mix of resources supplying energy to the grid and is consistent with the TCR reporting protocol.

Changes to GHG Emissions Reduction Measures

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The 2012 Plan specified 11 measures designed to achieve DWR's GHG emissions reduction goals and divided them into three distinct categories: specific actions (SA), project level actions (PL), and conditional measures (CM). Measures defined as SA were designed to be implemented as individual projects or a series of stand-alone projects. PL measures are actions that must be incorporated into future projects that will rely on the analysis in the 2012 Plan for streamlining of cumulative impacts analyses of later project-specific environmental documents under CEQA. CM's are actions that may or may not be incorporated into future projects and depend on the characteristics of the specific project and its ability to incorporate the measure. This distinction was made in the 2012 Plan to simplify the determination of whether future projects are consistent with the plan.

The majority of the GHG emissions reduction measures included in the 2012 Plan and Update 2020 have proved effective and therefore have been retained in Update 2023. Nonetheless, historical, current, and projected future emissions associated with implementing these measures have been updated to reflect the updated emission factors and the new data that has become available since the 2012 Plan and Update 2020 were adopted.

Update 2023 retains the following measures that were included in the 2012 Plan and Update 2020, with certain minor modifications, as noted:

- OP-1 Reid Gardner Power Station (SA) – Replace energy from RG4 with less GHG intensive resources

  The 2012 Plan included Measure OP-1 – Reid Gardner Power Termination, which provided for the termination of DWR's ownership interest in the Reid Gardner Power Station Unit #4 (RG4) in Nevada and substituting foregone electrical power with other less GHG intensive electricity supplies. This measure was completed when DWR's contract for generation from RG4 expired in 2013. However, OP-1 has been retained in Update 2023 to reflect historical emissions reductions associated with the implementation of this measure.

- OP-2 Unit Efficiency Improvements (SA) – Increase efficiency of SWP pumps and generators

  This measure is a continuation of the 2012 Plan Measure OP-2 – Energy Efficiency Improvements, which is designed to increase energy efficiency of pumps and turbines throughout the SWP system through design, construction, and refurbishment methods.

- OP-3 Renewable Energy Procurement Plan (SA) – Increase the use of renewable energy to operate the SWP

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This measure is a continuation of the 2012 Plan Measure OP-3 – Renewable Energy Procurement Plan (SA), which is designed to increase the proportion of energy used to run the SWP with energy supplies from renewable sources. OP-3 now also includes what was previously called OP-7 Zero Carbon Energy (SA).

- OP-4 On-Site Renewable Resources (SA) – Develop renewable energy projects on DWR's property

  This measure is a continuation of the 2012 Plan Measure OP-4 – Local Renewable Generation, which provides for exploring ways to develop renewable energy on DWR-owned lands.

- OP-6 Carbon Sequestration (SA) – Sequester carbon through environmental restoration activities

  The 2012 Plan included OP-6 as a CM measure, providing for implementation of environmental restoration activities that have the potential to improve sequestration of carbon by natural processes. Since the 2012 Plan was adopted, several wetland restoration projects have been constructed on DWR-owned lands, and DWR anticipates that wetland restoration activities resulting in carbon sequestration will continue. Therefore, this measure has been retained in Update 2023, but reclassified as a SA measure. Additionally, more studies have been done to quantify emission reductions from sequestration.

- CO-1 Construction BMPs and Regulations (PL) – Implement BMPs and comply with regulations

  This measure combines two PL measures included in the 2012 Plan: CO-1 – Construction BMPs (PL), and CO-2 – Statewide Equipment and Fuel Regulations (PL). DWR has adopted Best Management Practices (BMPs) for construction and maintenance activities and made significant changes to its construction project specifications requirements that have resulted in and will continue leading to important reductions in construction emissions. In addition, improvements in statewide regulations governing construction equipment and fuel standards driven by AB 32 and other initiatives also contribute to reduced emissions from construction activities. Because BMPs are often the result of regulations, they have been combined in Update 2023 in measure CO-1.

- MA-4 DWR Sustainability Initiatives (SA) – Implement business practices to reduce energy consumption

  This measure is a continuation of the 2012 Plan Measure BP-3 – DWR Sustainability Initiatives (SA), which provides for identifying, measuring, and

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implementing specific business practices to reduce consumption of energy and other resources.

In addition to the continuing measures listed above, Update 2023 includes the following measures that either were not included in the 2012 Plan or have been substantively modified:

- MA-1 SF_6 (SA) – Reduce SF_6 emission from switchgear

  This measure is designed to reduce sulfur hexafluoride (SF6) emissions from DWR's gas insulated switchgear. In 2021, CARB passed amendments limiting not only SF6, but any gas used in insulating equipment. The maximum emission limit is 1 percent and will be reduced to 0.95 percent starting in 2035. Additionally, a progressive phase-out of SF6 equipment will begin in 2025 and no SF6 equipment will be available for purchase after 2033. To comply with regulation, DWR is tracking its SF6 inventory, purchases, and transfers; calibrating its weighing scales; inspecting and controlling leaks, if any; maintaining all records required by the regulation; reducing the number of canisters; and training staff. DWR plans to replace its SF6 switchgear with non-SF6 switchgear and maintain all records as required and as technically and economically feasible.

- MA-5 Retail Energy Reduction (SA) – Improve building and equipment energy efficiency

  This measure is designed to improve energy efficiency of DWR's buildings and equipment. In response to Executive Order B-18-12 (2012), which requires state agencies to reduce grid-based retail energy purchases for state-owned buildings by at least 20% by 2018 compared to a 2003 baseline, DWR has implemented several energy efficiency projects that included installation or upgrade of occupancy sensors; high efficiency lighting; electronic ballast; heating, ventilation, and air conditioning (HVAC) system; and cooling towers. DWR also plans to upgrade or replace additional HVAC systems to further reduce grid-based retail energy usage and will quantify the emission savings in future plan updates when project plans are more developed.

  Executive Order B-18-12 also requires State agencies to reduce environmental impacts by taking various measures to achieve Zero Net Energy (ZNE) compliance as follows: (1) 50% of new construction and major renovations by 2020; (2) 100% of new construction and major renovations by 2025; and (3) 50% of the total square footage of existing state-owned buildings by 2025. DWR is working and plans to continue working with the Department of General Services to reduce retail energy usage at its field facilities to meet the required energy efficiency targets for ZNE. Once the energy efficiency targets are met, DWR will,

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consistent with Measure OP-4, pursue measures to develop on-site renewable energy generation at those facilities to achieve ZNE status and will quantify the emissions reductions in future plan updates.

SB1203 requires carbon neutrality by 2035 for all state agencies including retail facilities. DWR is identifying the possibility of electrification of its field division facilities and offices in addition to generating or procuring renewable energy.

If monitoring activities indicate that DWR will not meet its GHG emissions reduction goals, DWR may add additional measures or take other actions. To help keep its plan on track, DWR will continue to report its GHG emissions to TCR.

IV. SUPPLEMENTAL ENVIRONMENTAL ASSESSMENT

Update 2023 provides a broad framework under which future DWR projects will be conceived, designed, and implemented so as to reduce GHG emissions from DWR activities. Update 2023 will not result in the approval, adoption, or funding of any specific project or activity. Even though DWR is not proposing any project that may result in potential adverse environmental effects at this time, this supplemental environmental assessment has been prepared in order to evaluate and fully disclose the potential impacts of possible future activities that implement DWR's Climate Action Plan Phase 1: Greenhouse Gas Emissions Reduction Plan, as revised pursuant to Update 2023.

Greenhouse Gas Emissions

This supplemental environmental analysis specifically focuses on the potential impacts associated with GHG emissions because DWR plans to use Update 2023 to streamline the cumulative impacts analysis of GHG emissions for later DWR projects pursuant to CEQA Guidelines sections 15064(h)(3), 15064.4(b)(3), 15130(d), and 15183.5.

Update 2023 is designed to achieve the following DWR department-wide GHG emissions reduction goal, which is consistent with existing State laws, regulations, and policies:

- Goal: By 2035, supply 100 percent of electricity load with zero-carbon resources and achieve carbon neutrality.

DWR's Update 2023 Goal is consistent with the emissions reduction goals and policies established in Senate Bill 1020 (2022) and Senate Bill 1203 (2022). By achieving carbon neutrality by 2035, DWR will also exceed the statewide goal of reducing emissions by at least 80 percent below the 1990 level by 2050, which was established in Executive Order S-3-05 (2005). A summary of key federal and state statutes,

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regulations, and policies that informed DWR's updated GHG emissions reduction goals and strategies is presented in Section IV and Appendix B of Update 2023.

Achievement of the updated GHG emissions reduction goals by DWR would ensure that future DWR activities that are consistent with Update 2023 would have no impact on the environment with respect to GHG emissions. DWR's emissions reduction goals will be achieved by implementation of the GHG emissions reduction measures described in Section VI of Update 2023. Figure 1 shows the target emissions trajectory based on the 1990 baseline, the 2012 Plan's goal for 2020, and Update 2023's goal. DWR will use this emissions trajectory to gauge progress toward achieving the emissions reduction goals. Emissions may periodically exceed the trajectory line indicating the need for more significant emissions cuts in future years, or they may fall below the trajectory line indicating that larger than expected reductions have occurred.

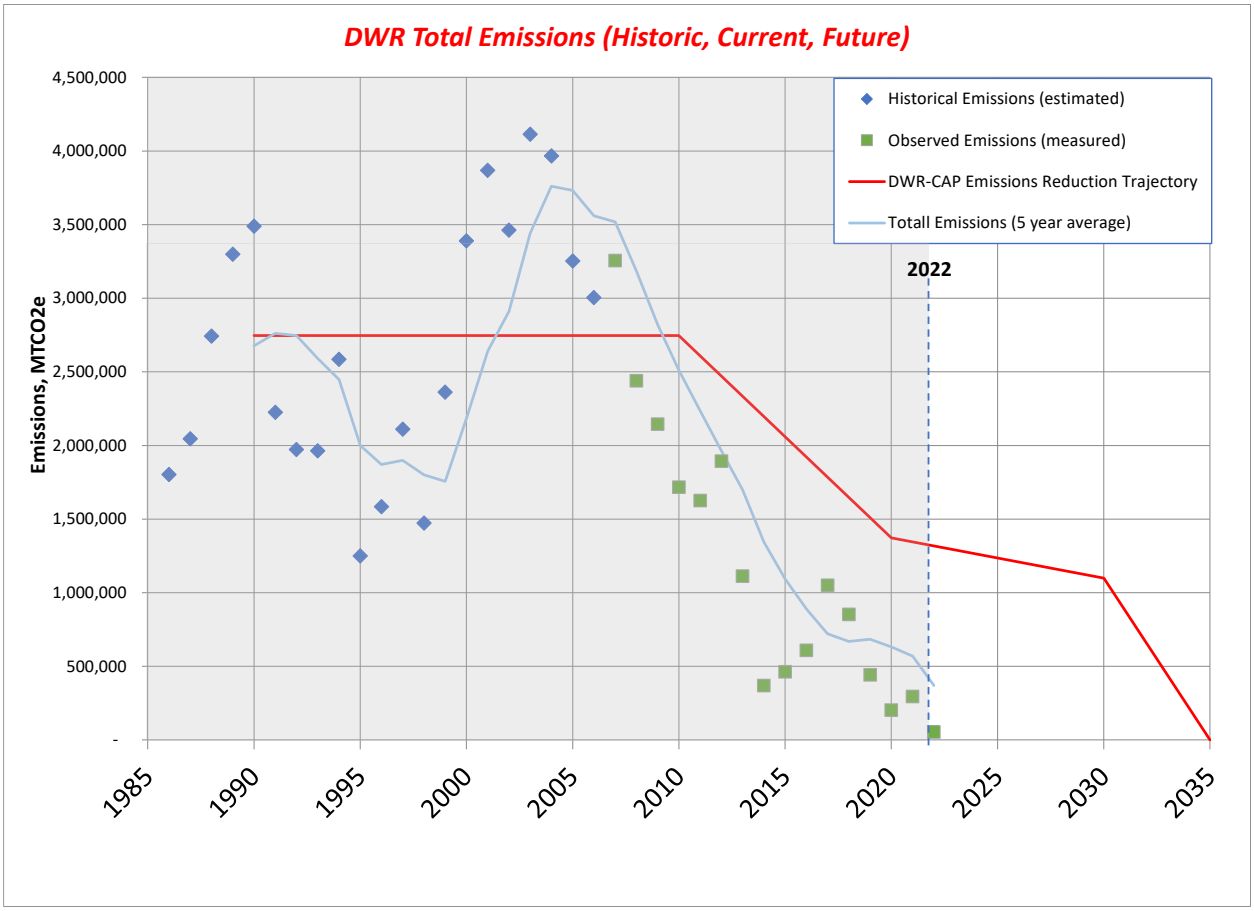

Figure 1. DWR's Historic and Projected Annual Emissions

Update 2023 shows how DWR will achieve a downward GHG emissions trajectory through 2035. It identifies all potential sources of GHG emissions that could contribute to the cumulative impact of climate change and identifies GHG emissions reduction

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measures that will result in sustained and permanent reductions in GHG emissions from the DWR activities analyzed and addressed in Update 2023. Thus, implementing Update 2023 would both directly and indirectly reduce DWR's GHG emissions levels.

Based on the above, Update 2023 (a) would not generate GHG emissions, either directly or indirectly, that may have a significant impact on the environment, and (2) would not conflict with any applicable plan, policy or regulation adopted for the purpose of reducing GHG emissions.

Other Environmental Resources

Update 2023 provides for continuation of the GHG emissions reduction measures identified in the 2012 Plan and Update 2020, including OP-1, OP-2, OP-3, OP-4, OP-5 OP-6, CO-1, MA-1, MA-2, MA-3, MA-4, and MA-5. The environmental effects, if any, associated with continuation of these measures would remain the same as described in the 2012 IS/ND, and therefore no additional environmental analysis is needed with respect to these continuing measures.

It should be noted that OP-7 is now bundled within OP-3. There are no changes to the descriptions and therefore no additional environmental analysis is needed with respect to continuing this measure.

V. FUTURE DWR PROJECTS' USE OF UPDATE 2023 FOR CEQA PURPOSES

DWR uses Phase 1 of its Climate Action Plan to streamline the CEQA cumulative impact analysis of GHG emissions for current and future DWR projects pursuant to CEQA Guidelines sections 15064(h)(3), 15064.4(b)(3), 15130(d), and 15183.5. In late 2018, the California Natural Resources Agency finalized amendments to the CEQA Guidelines, including Section 15064.4, which addresses analysis of GHG emissions in CEQA documents. The amendments became effective on December 28, 2018. Update 2023 incorporates and is consistent with the current regulatory requirements related to the use of GHG emissions reduction plans for cumulative GHG emissions analysis under CEQA. Accordingly, later project-specific environmental documents for DWR projects that are covered by Update 2023 may rely on the analysis and conclusions in Update 2023 for the purposes of cumulative analysis of a project's GHG emissions, as provided in Section X of Update 2023. Any project generating GHG emissions that is not eligible to use Update 2023 for cumulative impacts analyses of later projects would require additional environmental review to analyze the project-specific cumulative GHG emissions impacts.

VI. DETERMINATION

Based on the above analysis, an addendum to the 2012 Initial Study and Negative Declaration is the appropriate CEQA document for DWR's approval of Update 2023 to

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DWR's Climate Action Plan Phase 1: Greenhouse Gas Emissions Reduction Plan. Proposed changes to the 2012 Plan, as reflected in Update 2023, would not result in any new significant impacts or substantially more severe impacts on the environment than those examined in the 2012 Initial Study and Negative Declaration, and therefore neither a subsequent EIR nor a subsequent negative declaration is required.