



Topic: **Reservoir Committee Agenda Item 2-2**      **2018 June 21**

Subject: **Prop 1 WSIP application and WIIN Act funding**

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**Requested Action:**

No action requested. Informational item.

**Detailed Description/Background:**

Staff to give a status update on the Sites Project’s Prop 1 WSIP application and the ongoing coordination activities with the California Water Commission and to discuss staff activities to secure federal WIIN Act funding.

**Prior Reservoir Committee Action:**

None.

**Fiscal Impact/Funding Source:**

None.

**Staff Contact:**

Jim Watson

**Attachments:**

Attachment 2-2A – Proposition 1 WSIP Component Scores table

Attachment 2-2B - Water Commission Staff’s June 15 Published Evaluation



**Summary of Water Storage Investment Program Application Preliminary Scores**

Preliminary Component Scores					Preliminary Expected Return for Public Investment Score (Maximum 100)
Project	Public Benefit Ratio and Non-Monetized Benefit (Maximum 33)	Relative Environmental Value (Maximum 27)	Resiliency (Maximum 25)	Implementation Risk (Maximum 15)	
Chino Basin Conjunctive Use Program	23	24	12	10	69
Kern Fan Groundwater Storage Project	12	13	12	11	48
Los Vaqueros Reservoir Expansion Project	23	17	22	14	76
Pacheco Reservoir Expansion Project	27	21	23	11	82
Sites Project	13	15	21	12	61
South County Ag Program	12	27	20	15	74
Temperance Flat Reservoir Project	33	10	19	9	71
Willow Springs Water Bank	12	17	14	10	53

The Preliminary Expected Return for Public Investment Score is the sum of all component scores.

Example component score calculations are provided in the Component Score Calculation Excel workbook.



## Water Storage Investment Program Commission Determinations and Additional Eligibility Requirement

### Sites Reservoir Project

#### Sites Project Authority

The Sites Project Authority is proposing a surface storage project, the Sites Reservoir Project. The Sites Reservoir Project would be a 1.81 million acre-foot offstream surface storage reservoir located in the Sacramento Valley west of the town of Maxwell. The proposed reservoir's conveyance facilities would include the use of existing Tehama Colusa Canal and Glenn-Colusa Irrigation District Canal diversion and conveyance facilities, plus a proposed new diversion and discharge pipeline. Sources of water would be Funks Creek and Stone Coral Creek, which would be impounded by the proposed reservoir and the Sacramento River. Operation of the proposed reservoir would be in cooperation with the operations of existing Central Valley Project (CVP) and State Water Project (SWP) system facilities.

The California Water Commission (Commission) accepted the following monetized public benefits for this project:

- Ecosystem Improvement—Refuge water supply
- Ecosystem Improvement—Yolo Bypass flows
- Recreation
- Flood Control

Emergency Response and Recreation were considered by the Department of Water Resources as non-monetized benefits.

#### Introduction

This document addresses the following components of the Commission's Water Storage Investment Program (WSIP) project evaluation process:

- **Determinations:** The Commission must make nine (9) determinations by before assigning a maximum conditional eligibility amount.
- **Additional Eligibility Requirement:** The Commission must consider the eligibility requirement related to wild and scenic rivers.

#### Part 1: Discussion of Commission Determinations

Regulation section 6011(c) states that before the Commission assigns a maximum conditional eligibility amount to a project, the Commission shall make all nine determinations based on the technical review and appeal information. The determinations are the following items:

- The proposed project is cost effective;
- The proposed project improves the operations of the State water system;
- The proposed project provides a net improvement in ecosystem and water quality conditions;

- The proposed project provides measurable improvements to the Delta ecosystem or to the tributaries to the Delta;
- The Program cost share is less than or equal to 50 percent of the proposed project’s total capital costs, with the exception of conjunctive use projects and reservoir reoperation projects;
- The Program funded ecosystem improvement benefits make up at least 50 percent of the total public benefits funded by the Program;
- The proposed project appears to be feasible;
- The proposed project will advance the long-term objectives of restoring ecological health and improving water management for beneficial uses of the Delta; and
- The proposed project is consistent with all applicable laws and regulations.

If, for a project, the Commission cannot make any single determination then a maximum conditional eligibility determination (MCED) cannot be made for that project.

*Relationship Between Determinations and Eligibility*

These determinations are made before projects have completed all project formulation efforts. Regulations section 6013(c) states that additional requirements (such as completed feasibility studies, final environmental documents, contracts for the non-WSIP cost share, contracts for administration of public benefits, and permits) must be obtained by applicants after the MCEDs are made, but before the Commission makes a final award to the project. Those additional requirements may result in changes to the project that was proposed to the Commission in the August 2017 Application. Such changes may positively or negatively affect project eligibility and in turn one or more of the Commission’s determinations. The Commission will consider such changes in determining a project’s final award (section 6013(f)(3-5)). Additionally, regulations section 6013(f)(2) sets January 1, 2022, as the deadline for completing feasibility documents.

Table 1 presents Staff’s assessment of whether each of the nine determinations conditions has been met. This assessment is based on the technical review and the appeal.

Table 1 - Staff Recommendations – Commission Determinations	
1. The proposed project is cost effective.	--
<p>The quantified costs and benefits may have changed since the submission of the application in August 2017 and the February 2018 appeal. <b>Staff recommends the Commission discuss with the applicant, consistent with the requirements of the Bagley-Keene Act, any changes that relate to cost effectiveness.</b> The Commission may determine the project to be cost-effective based on the following factors:</p> <ul style="list-style-type: none"> <li>• Monetized and non-monetized benefits and costs as described in the application</li> <li>• A discussion with the applicant, consistent with the requirements of the Bagley-Keene Act, about any changes in benefits and costs related to cost effectiveness (Regulations section 6004(a)(4)(E)) that may have arisen since the submission of the application</li> </ul> <p>Any changes that arise from such a discussion would need to be documented and supported as part of the ongoing WSIP regulatory process.</p>	
2. The proposed project improves the operations of the state water system.	YES

Table 1 - Staff Recommendations – Commission Determinations	
<p>The applicant described how the project would be integrated into the local, regional, state, or federal systems that provide water resources benefits within California. Such integration would improve the operations of the state water system. The proposed Sites Reservoir Project operations would be coordinated and integrated with the state and federal systems as well as regional and local water agencies. The proposed project would provide additional storage and system flexibility to the system. The additional storage in the SWP and CVP reservoirs resulting from the proposed project would provide greater flexibility in operating the overall water system.</p>	
<p>3. The proposed project provides a net improvement in ecosystem and water quality conditions.</p>	<p>YES</p>
<p>The ecosystem public benefits accepted by the Commission for this project are:</p> <ul style="list-style-type: none"> <li>• Ecosystem Improvement—Refuge water supply</li> <li>• Ecosystem Improvement—Yolo Bypass flows</li> </ul> <p>The California Department of Fish and Wildlife (CDFW) found that the monetized ecosystem benefits, as described in the application, meet the requirements of Chapter 8, as related to matters within its purview. The proposed project would deliver water to the Yolo Bypass as a smelt benefit and to deliver Incremental Level 4 refuge water to National Wildlife Refuges, State Wildlife Areas, and privately managed wetlands to improve wetland habitat and provide benefits to species utilizing these habitats. Although CDFW reserved its concerns regarding the impacts to salmon that could result from the operations of the proposed project, it found that pulse flows to the Yolo Bypass are a substantiated ecosystem benefit which is consistent with the Delta Smelt Resiliency Strategy and that the refuge water constitutes an ecosystem improvement. This project also appears to contribute to ecosystem-related water quality improvements by enhancing wetlands and providing additional seasonal flows.</p> <p>Staff conclude that the proposed project appears to contribute to the restoration of aquatic ecosystems and native fish and wildlife, including those ecosystems and fish and wildlife in the Delta (Water Code section 79753(a)(1)).</p>	
<p>4. The proposed project provides measurable improvement to the Delta ecosystem or to the tributaries to the Delta.</p>	<p>YES</p>
<p>The ecosystem public benefits accepted by the Commission for this project are::</p> <ul style="list-style-type: none"> <li>• Ecosystem Improvement—Refuge water supply</li> <li>• Ecosystem Improvement—Yolo Bypass flows</li> </ul> <p>Based on CDFW’s finding that the monetized ecosystem benefits meet the requirements of Chapter 8 Staff conclude that the project will provide measurable improvements to the Delta ecosystem or to the tributaries to the Delta.</p> <p>These ecosystem public benefits will likely provide changes in the physical, chemical, or biological conditions that provide public benefits which can be quantified at a specific location and time (Water Code section 79752; Regulations section 6001(a)(48)).</p>	

Table 1 - Staff Recommendations – Commission Determinations	
5. The proposed project’s program <b>cost share is less than or equal to 50 percent</b> of the proposed project’s total capital costs, with the exception of conjunctive use projects and reservoir reoperation projects.	YES
Based on the Commission’s decision on May 3, 2018 and consistent with California Water Code section 79756(a), the project’s WSIP cost share is less than or equal to 50 percent of the project’s total capital costs. The Commission’s May decision determined the maximum eligibility amount for each project, which necessarily included consideration of the project’s WSIP cost share. The maximum eligibility amount for this project is \$1,008.28 million and the project’s total capital cost is \$4,397.10 million.	
6. The proposed project’s program-funded <b>ecosystem improvement benefits make up at least 50 percent</b> of the total public benefits funded by WSIP.	YES
The Commission’s decision on May 3, 2018 determined the public benefit amount for each project, which necessarily included consideration and determination of the project’s ecosystem benefits. Based on that decision, the project’s public benefits consist of at least 50 percent ecosystem improvements, as required by Water Code section 79756(b).	
7. The proposed <b>project appears to be feasible.</b>	YES
Notwithstanding the implementation risks documented in the Technical Review, on whole the project appears to be feasible. The applicant demonstrated that the project can be constructed with existing technology and available construction materials, work force, and equipment. The applicant also demonstrated that the project is technically feasible consistent with the preliminary operations plan.	
8. The proposed project will advance the long-term objectives of <b>restoring ecological health</b> and improving water management <b>for beneficial uses of the Delta.</b>	YES
<p>Section 6001(a)(7) of the Regulations defines “beneficial uses of the Delta” as those:</p> <p><i>“...identified in the State Water Board’s ‘Water Quality Control Plan for the San Francisco/Sacramento-San Joaquin Delta Estuary’ (December 2006).”</i></p> <p>CDFW found that the that the monetized ecosystem benefits, as described in the application, meet the requirements of Chapter 8, as related to matters within its purview. Although CDFW reserved its concerns regarding the impacts to salmon that could result from the operations of the proposed project, it found that pulse flows to the Yolo Bypass are a substantiated ecosystem benefit which is consistent with the Delta Smelt Resiliency Strategy and that the refuge water constitutes an ecosystem improvement.</p> <p>The identified public benefits appear to advance ecological beneficial uses of the Delta, including: Cold Freshwater Habitat; Wildlife Habitat; and, Rare, Threatened, or Endangered Species. The advancement of beneficial uses resulting from the project would aid in restoring healthy wildlife corridors, and ecologically diverse habitats that support the Delta ecosystem complex.</p>	
9. The proposed project is consistent with all <b>applicable laws and regulations</b>	YES
The applicant stated in the application that the project will comply with all applicable laws and regulations. Such compliance is a requirement for WSIP funding.	

## Part 2: Additional Eligibility Requirement

### Wild and Scenic Rivers

Regulations section 6006(c)(2) identifies six additional eligibility items that require the Commission's consideration as part of the technical review. Five of the additional eligibility items are included in the determinations discussed above. One additional eligibility item (Wild and Scenic Rivers) is not included in the determinations. Water Code sections 79711(e) and 79751(a) prohibit the use of WSIP funds by any project that could have an adverse effect on the values upon which a Wild and Scenic River or any other river is afforded protections pursuant to the California Wild and Scenic Rivers Act or the federal Wild and Scenic Rivers Act.

The Sites Reservoir Project is unlikely to adversely affect a Wild and Scenic River, including its free-flowing character. The Black Butte River, which is located approximately 35 miles northwest of the proposed project area, is the nearest designated Wild and Scenic River, and the project does not propose a hydrologic connection to this watershed. The proposed project is an off-stream reservoir within the Corral Creeks watershed, which does not include any designated Wild and Scenic Rivers. The project proposes to divert water from, and release water to the Sacramento River watershed; and, there are currently no designated Wild and Scenic Rivers in this area of the watershed.