



Topic: **Reservoir Committee Agenda Item 3.2** **2020 June 18**

Subject: **Final Federal Feasibility**

Requested Action:

Receive status update on draft 2020 Final Federal Feasibility Report.

Detailed Description/Background

The approved 2020-2021 Sites Federal Government Affairs Priorities includes completion of the Final Federal Feasibility Report (2020 FFFR) to qualify for federal funding and serve as a basis for the State's feasibility analysis required for WSIP funding. The draft 2020 FFFR has been drafted and is routing through the ~6-month review process.

The draft 2020 FFFR determines the Sites project to be feasible and there is federal interest for investment. Potential benefits include CVP operational flexibility for north (including the American River watershed) and south of delta, new supplies for incremental level 4 refuges, and improvements for migrating fish in north of delta rivers and streams. Assuming this determination remains, Sites would be qualified to receive a portion of WIIN Act construction funds which under beneficiary pays would require operating and storage capacity obligations that would be covered under future agreements. Conservatively, the VP7 plan of finance does not include WIIN funds but could accommodate federal participation should an agreement be reached.

There are fairly significant differences between the draft 2020 FFFR and VP7 (the Authority's preferred alternative). The 1.5MAF reservoir size in VP7 is not specifically analyzed and the Delevan Pipeline is not eliminated. The range of reservoir sizes encompasses the 1.5MAF in VP7 and the report indicates that other conveyance mechanisms would be feasible. It was not possible to address these discrepancies and still meet WIIN Act deadlines. The Authority is preparing proactive communications on these issues. The draft 2020 FFFR commits to a post report analysis in spring 2021 to coincide with the Authority's engineering advancement of VP7. Feasibility and federal interest are not expected to change materially.

The draft 2020 FFFR is supportive of meeting the State's WSIP feasibility requirements. The project is found to be feasible in all areas of analysis; economic, financial, technical and environmental. The State's requirements align with these same areas, although the State determination will be looking to confirm its investment in the project which is different than potential federal investment. A benefit cost ratio of 1.1 is determined using the rigorous federal standards. A BCR must exceed 1.0 to qualify for federal investment and the many factors are considered among the storage projects competing for WIIN Act funds.

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Notes:				Page:	1	of	2

The draft 2020 FFR puts Sites on track to meet WIIN deadlines and qualify for federal funding. Two key WIIN criteria are a determination of feasibility by December 2020, and initiation of construction by 2022, although what it means to be in construction has not yet been specified. The draft 2020 FFR is going through policy review currently and will be sent to Washington DC in July where it will undergo numerous reviews including by OMB and finally reaching the Secretary of Interior who must submit the final determination to Congress. Authority Staff is on point for keeping our delegation informed and will work cooperatively and expeditiously to address questions or concerns that arise through the review process. The Authority delegation will keep abreast of the report as well. Any significant updates will be brought back to the Reservoir Committee and Authority Board.

Prior Reservoir Committee Action:

April 2020 – The organizational assessment response matrix identified two items being addressed by this report – 1) Create a strategy to have Reclamation to the table to describe what the local investment will do for their contracts. 2) Establish a strategy to get state and federal agencies to be storage investors.

Fiscal Impact/Funding Source:

Federal funds have paid 100% of the cost of the draft 2020 FFR. A portion of the 2019 \$6M Appropriation to the Sites project will pay the remaining costs plus the cost of the post report analysis. The federal expenditures count as non-State match toward WSIP early funding.

Staff Contact:

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Attachments:

None.