

November 17, 2020

California Water Commission Members
P.O. Box 942836
Sacramento, California 94236-0001

VIA EMAIL - cwc@water.ca.gov

Subject: Water Storage Investment Program – Options for Available Funding

Dear Commissioners:

On November 18, 2020, the California Water Commission (Commission) will consider an informational item regarding the resolution received from the Temperance Flat Reservoir Authority indicating the project may withdraw from consideration for funding from the Water Storage Investment Program (WSIP) and regarding potential options for redistributing the funds. Valley Water would like to offer some potential options for the Commission's consideration.

In regard to the redistribution of WSIP funding, Valley Water suggests that the Commission query all currently approved project applicants to understand the current need for project funding, including additional eligibility considerations not included with the original applications and increased costs due to circumstances beyond the applicants' control such as construction cost increases or pandemic related costs. Such additional funding would be within the determined values of the public benefits consistent with the regulations and would comply with the statutory limit of not more than 50 percent of the total project costs shall be funded by WSIP.

Valley Water believes the Pacheco Reservoir Expansion Project qualifies for dual designation in more than one funding category, namely a "reservoir reoperation project," in addition to its existing designation as a "surface storage project." As such, the Project would be eligible to receive additional funding, while still remaining within the determined public benefit value.

Valley Water also believes all existing WSIP applicants, regardless of rank, should be given additional consideration for construction cost increases beyond their control. As you are aware, all project costs were calculated in 2015 dollars. Since applications were submitted to the Commission, construction costs have increased significantly due to inflation and other unforeseen construction changes. Should additional WSIP funding become available because one or more currently funded projects fail to meet eligibility deadlines, the Commission should consider increased costs and make the projects eligible for the additional funding.



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Background

On March 20, 2019 Commission staff presented a draft resolution addressing the Commission's priorities if any further WSIP funding becomes available. The Commission discussed the resolution and some of the possibilities the Commission might face in this circumstance. A non-binding resolution was adopted by the Commission that recommends the following.

- Adjust the Maximum Conditional Eligibility Determination (MCED) for Rank 3 projects to the Applicant Request from May 2018.
- Query applicants who requested less than their Commission approved eligible amount from May 2018 to see if additional funding could be utilized and adjust those MCEDs accordingly.
- Since MCEDs followed a rigorous competition, top ranked projects should be given further consideration for additional funds within the limits of the regulations.

Based on current Pacheco Reservoir Expansion Project cost estimates at the time, Valley Water determined that the Pacheco project had received the maximum funding allowable under the 50 percent limit. However, since March 2019, the circumstances regarding the costs of the Pacheco project have changed, and a reconsideration of the project's MCED may be appropriate.

We look forward to the Commission discussion on this issue on November 18 and would welcome the opportunity to discuss this issue with Commission members and staff. If you have any questions, please don't hesitate to contact me at bbroome@valleywater.org or via cell phone at 916-202-0063.

Sincerely,



Bart Broome
Director, State Government Relations

cc: Joseph Yun, Executive Officer, California Water Commission
Holly Stout, Legal Counsel, California Water Commission