



**FAQ on the Water Storage Investment Program
Maximum Conditional Eligibility Determination and
Early Funding**
July 23, 2018

1. Q: Where are we in the Water Storage Investment Program process and what are the next steps?

A: At the June 2018 Commission meeting, the Commission determined final application scores. Applications were placed into three ranks based on those scores. The Commission will meet on July 24 to make Maximum Conditional Eligibility Determinations (MCED) for eight water storage projects competing for nearly \$2.7 billion in Proposition 1 funding through the Water Storage Investment Program (WSIP). The MCED is the amount the Commission is willing to invest in a project provided the applicant completes all the statutory requirements listed in Proposition 1, Chapter 8. After the July meeting, applicants will begin working on the requirements and must later return to the Commission for a final funding hearing.

Four applicants have also requested early funding for work related to obtaining permits or finishing environmental documents. The Commission will consider an early funding request for a project after assigning the MCEDs. If the Commission awards early funding, staff will negotiate and execute an early funding agreement.

2. Q: What are the ranks and what do they mean?

A: As required by the WSIP regulations (section 6011(d)), staff placed the applications into three ranks (Rank 1, Rank 2, or Rank 3) based on their total return on investment score, as determined at the June Commission meeting. Rank 1 includes applications with scores of 85 up to 100. Rank 2 includes applications with scores from 70 to 84. Rank 3 includes applications with scores below 70. In the competitive process, the ranks form the queue for Commission MCEDs. Rank 1 projects will receive MCEDs prior to Rank 2 projects. Rank 1 and 2 projects must receive MCEDs equal to their eligible requested funding amounts before the Commission may consider assigning MCEDs to any Rank 3 projects.

3. Q: How does the Maximum Conditional Eligibility Determination (MCED) differ from the Eligible funding amount decided in May 2018?

A: At the May 2018 Commission meeting, the Commission determined public benefit values for each project that may have been different than the values submitted in the application. Because Proposition 1, Chapter 8, requires that WSIP investments be based on the value of public benefits, changes to the values of the public benefits also changed the maximum funding amount. The MCEDs to be made at the July meeting represent what the Commission is willing to invest in a project, should the applicant meet all the Proposition 1, Chapter 8 requirements. The MCED gives the applicant some certainty as to the funding they may receive from the program, although it is not a guarantee. If the project's ability to deliver public benefits changes between the MCED and the final funding hearing, the Commission can reduce the final award from the MCED value.

4. Q: What is Early Funding?

A: Proposition 1, Chapter 8 (Water Code Section 79755(c)) and the WSIP regulations (section

6010) allow for a portion of the Commission MCEd to be awarded to help with permits and environmental documents. In the regulations, it is referred to as early funding because it is available prior to the final funding hearing. Four applicants requested early funding in their applications: Sites Project, Los Vaqueros Expansion, Pacheco Reservoir Expansion and Temperance Flat Reservoir. The Commission has the discretion to award as much as five percent of a project's MCEd in early funding.

5. Q. What limits are there on early funding and how does the Commission ensure it is spent for the intended purpose?

A: In addition to the five percent of MCEd maximum per project, there is a program cap on early funding of \$135 million. The Commission has the discretion to determine how much early funding is warranted for a specific project, based on the applicant's demonstrated need. Should early funding be awarded, a funding agreement would specify the scope, schedule and budget. Applicants must match the WSIP funds with at least 50 percent from other sources of funding. WSIP funds will be paid on a reimbursement basis, after applicants incur costs—the Commission cannot provide funds in advance.

6. Q. What happens to early funding if a project cannot obtain all the required permits or meet other requirements?

A: There is always a risk with early funding that a project may not meet all the statutory requirements to continue to the construction phase. The early funding agreements will allow for payment of work performed within the early funding agreement requirements, regardless of whether the project proceeds to construction. If a project receives early funding, but does not proceed to construction, the Commission would need to determine what to do with the funding associated with the remainder of that project's MCEd.

7. Q: Is the process finished with the MCEds in July?

A: The application review process is finished, but the applicant has work to perform before a final funding award can be made. The applicant must meet the requirements specified in Proposition 1, Chapter 8, before returning to the Commission for a final funding hearing. The requirements include final permits, final environmental documents, contracts for non-WSIP funding and contracts with state agencies responsible for the administration of public benefits.

8. Q: How long before projects are built?

A: That depends on the complexity of each project and how quickly applicants can obtain required permits and documents. Each project is responsible for its own implementation schedule. Some projects have indicated that they can construct the project within two years, while other projects will take longer. All WSIP projects will need to submit regular progress reports, and complete their feasibility studies and draft environmental documents by January 1, 2022. If the Commission believes that a project is not progressing efficiently, it can revoke the MCEd and determine what happens to the funding associated with that MCEd.

9. Q: How can I stay up to date with WSIP project progress and Commission decisions?

A: Please visit the website at www.cwc.ca.gov or sign up for the listserv by emailing cwc@water.ca.gov. Project status reports will be available on the Commission website.