

Workshop with Water Commission on Aug. 15, 2012

Items for Follow-up Discussion, Revisions, or Additions to Documents

The following items have been identified by staff during and following the Commission's workshop on quantification of public benefits, held at its August 15 meeting. The items listed below are framed as questions. Some are requests for further direction or preference of the Commission, but many are posed to frame further discussion of issues and options raised at the August workshop.

Substantive Issues Regarding Quantification, Cost Sharing, Management and Application Requirements

1. Questions about defining and categorizing public benefits
 - a. Do all water quality benefits qualify for funding or only ones that are not allocated to consumptive water users? For example, lower salinity in water exported from the Delta is a benefit to farmers and urban users of the water. Does that quantified water quality benefit qualify for public funding or should it be paid for by the private users that receive the benefit?
 - b. What recreation improvements should qualify for Chapter 8 funding? Reservoir and flow-based recreation directly resulting from the proposed project would qualify, but what about recreation that results from the use of a water supply benefit, like at municipal parks or golf courses? Staff has proposed that the latter do not qualify for public funding - does the Commission agree?
 - c. Can all benefits that result directly from an ecosystem improvement be counted as ecosystem for purposes of meeting the minimum 50% standard? Example: salmon population improves, and as a result recreational catch increases - can the added value to recreational fishermen be counted as an ecosystem benefit?
 - d. The ecosystem benefits must contribute to "restoration of aquatic ecosystems and native fish and wildlife" (79743(1)). For ecosystem benefits, must native fish and wildlife hold a special status in the quantification and ranking?
 - i. One approach would be to require a contribution to "restoration of native fish and wildlife" as a minimum requirement (a yes/no requirement), and beyond that, all relative ranking is based on DFG priorities and relative value.
 - ii. Another approach could be to have one ranking based on DFG priorities and a separate one (e.g., "extra credit") for benefits specifically related to native fish and wildlife.
2. What is the role of federal funding in cost share and benefit calculations?
 - a. How should the overall funding decision consider cost-sharing potentially available from the federal government?
 - b. Should federal funding for public benefits be counted as part of the maximum cost share or the minimum ecosystem benefit share?
 - c. Are benefits that accrue to federal properties (for example flood damage reduction on a national wildlife refuge or military base) eligible for funding by state tax money?
 - d. Even if technically eligible, would it be appropriate to use state tax money for that purpose?
3. How will the commission evaluate a request to fund the completion of environmental documentation and permitting (per section 79745(c))? Given that draft environmental

documentation is required for the application to be eligible for funding (79747(a)(1)), can funding be provided only for finalizing the document? Could funding be provided to reimburse costs for a draft document or an already-completed document?

4. What approaches could be used to manage public benefits? Management of public benefits could include a range of approaches to determine and/or assure that promised benefits are provided. Options include:
 - a. Require project to be operated under a plan that is expected to provide the public benefits
 - b. Require projects to provide specified amounts of public benefits, probably varying by conditions, (i.e., the applicant would commit to a set of outcomes rather than just a set of operations.)
 - c. Require applicant or project operator to post funds in an escrow account to be used for noncompliance penalties if needed;
 - d. Require adaptive management based on monitoring.
 - e. Require a specified arbitration procedure in case of disagreement about the benefits provided.
 - f. Include enforcement provisions and account for enforcement costs.
5. What assurances must be provided by applicants? (Follows from item 4 above)
 - a. Operations plan and commitments
 - b. A list of operational commitments to regulatory/permitting agencies for possible incorporation into permits (in current draft);
 - c. Monitoring plan and commitments (this is what is in the current draft);
 - d. Adaptive management plan and commitments
6. Are the content and level of detail of feasibility studies appropriately defined?
7. Should staff compile a list of permitting information that regulatory agencies (DFG, SWRCB, FERC, COE, other?) typically require for monitoring and compliance of water storage projects?
8. Should the regulation require that applicants demonstrate the following items required in the Chapter 8, or should these be assessments made by staff during the review process?
 - a. Demonstration that the project "provides measurable improvement to the Delta ecosystem or to the tributaries to the Delta." 74742. Applicants would be required to provide at least one physical benefit measure for ecosystem improvement for the Delta or its tributaries.
 - b. Demonstration that proposed projects "improve the operation of the state water system." Is this demonstrated adequately by a positive benefit-cost assessment provided by the feasibility study?
 - c. Demonstration that proposed projects "... provide a net improvement in ecosystem and water quality conditions." 79740(b). Should applicants be required to demonstrate that the project will provide a net improvement in ecosystem and water quality conditions, or can this be left as a recommendation by the evaluation panel, DFG, and the Board, and a decision or finding by the Commission?
 - d. Demonstration that proposed projects are "cost-effective." Does the "cost-effective" language in 79740(b) mean that applicants should identify the least-cost, feasible alternative

that provides the same package of public benefits as the proposed project, or is this demonstrated adequately by a positive benefit-cost assessment provided by the feasibility study? (The current draft of the regulation only says that, for each individual benefit, applicant must identify any feasible alternative but the current draft of the guidelines requires applicants to identify feasible alternative for the package of public benefits as well.)

Review, Evaluation and Ranking Process

1. How should funding be apportioned over time or among categories of projects? For example, should funding be awarded based on a single proposal solicitation; should two or more solicitation rounds be used; could the \$3B be allocated among the four types of storage projects, or split between big vs. small projects?
2. Should availability of federal funding be considered in the ranking process?
3. How will the Commission consider non-monetized benefits in its assessment of "expected return for public investment"?
4. How will the Commission consider "priorities and relative environmental values" relative to "expected return for public investment"?
5. Does the Commission need further clarification or discussion about DFG ecosystem and Board water quality "priorities and relative environmental values"?
6. How should the overall ranking, scoring, and decision process be structured? For example, should there be an overall scoring system that would combine into a single score: monetized benefits, non-monetized benefits, environmental priorities and relative values, and overall return for public investment?
7. Would the Commission find it helpful to hear a description of recent proposal evaluation and scoring processes such as for DWR's IRWM grants?
8. Should the regulation specify more detail on the structure, functioning, and protocols for the proposal review panel?