

FRIANT WATER AUTHORITY

February 4, 2014

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Re: Comments on CWC Regulation and Guidelines for Chapter 8 of SBx7-2

Dear Water Commission:

Member Agencies
Arvin-Edison W.S.D.
Delano-Earlimart I.D.
Exeter I.D.
Fresno I.D.
Ivanhoe I.D.
Kaweah Delta W.C.D.
Kern-Tulare W.D.
Lindmore I.D.
Lindsay-Strathmore I.D.
Lower Tule River I.D.
Madera I.D.
Orange Cove I.D.
Pixley I.D.
Porterville I.D.
Saucelito I.D.
Shafter-Wasco I.D.
Stone Corral I.D.
Tea Pot Dome W.D.
Terra Bella I.D.
Tulare I.D.

The Friant Water Authority (Friant) appreciates the continuing work by the California Water Commission to develop regulations and guidelines related to implementation of Chapter 8 of SBx7-2. This legislation authorizes the use of state funds for specific public benefits provided by new water storage projects, subject to public approval of a bond initiative. A bond initiative that would provide funding for public benefits is currently expected to be on the November 2014 ballot.

Friant has been closely involved in the ongoing CALFED surface water storage studies for several years and has actively participated in the San Joaquin River Basin Storage Investigation, which is considering expanded storage on the San Joaquin River at Temperance Flat. Through this involvement, we understand the challenges faced by the Commission in developing consistent guidelines that would be applicable to a wide variety of project applications. In light of that, we recommend that the guidelines allow the Commission to weigh the benefits of alternative projects based on established evaluation procedures, but also consider other factors they may find relevant. We reviewed the draft regulations and guidelines and offer the following comments, concerns, and questions that we believe must be addressed in the next version of these documents.

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Comments on Draft Regulations:

- (A) • zz.2. Definition (k) “Panel” and zz.7 (b) – Project Evaluation Panel. The Draft Regulations state “The panel shall review the information submitted in support of a proposed project and provide to the Commission an evaluation of how well the information addresses the eligibility and evaluation criteria provided in the solicitation package.” While it may be appropriate for a panel of experts to review applications relative to the solicitation requirements, it is not appropriate for a panel to evaluate the proposals or to score or rank proposed projects. Such a ranking would usurp the authority of the Commission to weigh multiple considerations in their review of funding requests. The regulations do not specify how panelists will be identified and selected, or how the panel would be administered. What process will be used to identify, review, approve, and oversee expert panelists?
- (B) • zz.2. Definition (p) includes the phrase “plus a consideration for non-monetized benefits” which is vague. Because all benefits and costs need to be quantified, it is not clear how this information would be considered in project reviews. Additional clarification should be provided.
- (C) • zz.3 (a)(1) does not mention the Bay-Delta or connected ecosystems.
- (D) • zz.3 (a)(2). Should temperature improvements that result in ecosystem benefits be specifically noted as a water quality benefit? Should the phrase “fish and wildlife in the Delta” be revised to “fish and wildlife whose lifecycle in whole or in part is in the Delta”?
- (E) • zz.3 (a)(3) lists only the monetary benefits of flood damage reduction; however this section addresses quantification of benefits, both monetary and non-monetary. In the case of flood damage reduction, non-monetary benefits can include reduced risk of loss of life or other improvements in public safety. How will non-monetary flood benefits be considered?
- (F) • zz.3 (a)(4) uses the term ‘man-made disasters’ presumably to indicate potential acts of terrorism. Recommend rephrasing this criterion to address water supplies that could be used to address impacts from catastrophic damage to water delivery infrastructure, including Delta levee failures
- (G) • zz.3 (b)(5) states that “monetized benefit corresponding to each public benefit’s physical change must be quantified using avoided cost, alternative cost, or willingness-to-pay information.” No guidance is provided on which method should be used if more than one method is available.
- (H) • zz.3(a)(5). Recreation referenced here is limited to on or adjacent to the project proposed or from stream flow or surface area improvements. What about fish actions that result in recreational fishing outside the immediate area, such as additional salmon as a result of the project’s operation that are caught in the delta or ocean? How does this comport with the Guidelines section V.(C)(3) which is more general and states “for recreation benefits, outdoor

recreation activities associated with natural water bodies such as rivers, streams, lakes, wetlands and the ocean are eligible for funding.”?

- (I) • zz.5(a) contains the sentence “Ecosystem benefits associated with water storage projects prioritized by CDFW should achieve one or more of the following...” Does this mean CDFW will prioritize ecosystem benefits rather than water storage projects? If so, the sentence needs to be reconfigured.
- (J) • zz.5(b) has the same issue as noted in comment above, but for WQ and the role of the SWRCB.
- (K) • zz.5(b)(1). Temperature improvements listed here apply to impaired water bodies. Temperature improvements for ecosystem benefits should be mentioned in appropriate ecosystem sections
- (L) • zz.5(b)(7). How will the public benefits of restored groundwater be differentiated from the non-public benefits that result from additional groundwater supply?
- (M) • zz.5(c.) Last paragraph has sentence “CDFW and the State Water Board are responsible for providing a more detailed list of priorities and relative environmental values.” It is not clear how this would be applied. Are project proponents expected to have that information to assist in valuations while completing feasibility studies? How will feasibility studies completed by federal standards that may not match CDFW/SWRCB valuations/priorities be reconciled? How will “priorities” be established; a project either provides public benefits and certain values or it doesn’t. Where did this “prioritization” concept originate and how would it be administered?
- (N) • zz.7 references a competitive process. The process is not described and leads to many questions. Will there be a definitive timeline for project submittal? If nothing is funded, will extensions be granted? If a deadline is missed, is a project no longer eligible? How many rounds of funding opportunity will be offered? Will all projects need to wait until the last project is submitted before funding decisions can be made?
- (O) • zz.7(c). Rank by magnitude of public benefits noted. Is magnitude different than value? Does it take into account CDFW/SWRCB prioritizes and weighting (discussed later)?
- (P) • zz.7(e) states CWC will submit finding to the state legislature. Should it be made clear that no action is needed by or requested from the state legislature, assuming the continuous appropriations language survives?

Comments on Draft Guidelines:

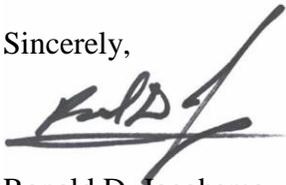
- (1) • I.C. Benefit definition includes the sentence “The net change expressed by monetary benefits does not include project costs but does include any other costs imposed on or paid by Californians.” What does this mean?

- (2) • I.C. Panel definition – same comments as noted above in regulations.
- (3) • D. 2) (Second 2) and second 5) – same comment as noted above in regs zz.3 (a)(2)
- (4) • II.B.2.e has “and” in “restore ecological health AND improve water management for beneficial uses in the Delta.” Should the “and” be “or”?
- (5) • IV. CDFW/SWRCB priority issues comment as noted in regulations above.
- (6) • IV. A. presentation to legislature – same comment as noted in regulations above.
- (7) • IV. C. 1) CDFW/SWRCB environmental values – same comment as noted in regulations and above.
- (8) • IV. D.5) presentation to legislature – same comment as noted above (and why in here again?).
- (9) • V. A. 1). Quantification of public benefits noted, yet no correlation to role of DWR/SWRCB in determining valuation/priority of public benefits.
- (10) • V.A.4)f) references cost benefit analysis with no correlation to role of DWR/SWRCB determinations.
- (11) • V.A.5) has the statement that “public benefits cannot be provided by any other means at a substantially lower cost.” How many options need to be considered and is comparison to be equal or partial as to public benefits? Seems quite exhaustive, potentially.
- (12) • V.C.3) recreation benefits are more broadly defined which seems inconsistent with I.D. second 5).
- (13) • V.C.4)a). Is the reference to “urban water” supposed to be “urban water supply benefit”?
- (14) • V.C.4)b). If a project results in a water quality improvement in a river system connected to the delta, that improvement should still count as water quality benefit even if such benefit is diminished when flows integrate into the delta.
- (15) • V.D.5. has no reference to CDFW/SWRCB determination of public benefit valuation/priority as to determine willingness to pay values.
- (16) • D.Step 1, e). Why is the discount rate set at 6%?
- (17) • D.Step 2, b). Water quality should explicitly include temperature.
- (18) • D.Step 2, c). The phrase “...also saves or enables water supply” is unclear as to what that means relative to ecosystem/WQ improvement.

- (19) • D.Step 3, 4th paragraph – prices accepted as long as these prices reflect cost of service. Cost of service is unclear as to what's included and certainly current water supplies may have a cost different than future water supplies or market pricing.
- (20) • D.Step 5, a) Water quality reference to include temperature?
- (21) • VIII B. scoring concept introduced. Scoring, prioritization, etc. unclear as to how established and why necessary.
- (22) • VIII Step 5, C. 1) and 2) introduce weighting of public benefits – why necessary? Valuation should be considered for what it is, why weights? Or is this for comparative purposes between projects? Who establishes weights – CDFW/SWRCB, Panel, Commission?

We appreciate the opportunity to provide these comments on the Draft Regulations and Guidelines, and look forward to reviewing the next draft of these documents. Please feel free to contact me directly if you have any questions or need further clarification on these comments.

Sincerely,



Ronald D. Jacobsma
General Manager

cc: FWA Member Districts
J. Buckman, Legal Counsel