

**DRAFT**

**MEETING SUMMARY**

**Stakeholder Advisory Committee (SAC)**

Water Storage Investment Program (WSIP)

California Water Commission (Commission)

May 4, 2015

Prepared by the Center for Collaborative Policy, CSUS

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**Introduction**

Meeting materials can be downloaded from

[https://cwc.ca.gov/Pages/2015/05\\_May/050415SACAgenda.aspx](https://cwc.ca.gov/Pages/2015/05_May/050415SACAgenda.aspx).

The Stakeholder Advisory Committee (SAC) held its second meeting on May 4, 2015. Twenty-eight SAC members or their alternates attended (see attendees list in Appendix A).

The objectives of the meeting were:

- Review charter
- Review proposed definitions
- Understand and comment on application process flow chart
- Introduce how California Department of Fish And Wildlife (CDFW) and State Water Resources Control Board (Water Board) are developing priorities and relative value
- Learn about and discuss framework to quantify public benefits
- Develop next steps and review action items

**Meeting Summary**

**Opening**

Juliana Birkhoff, Senior Mediator/Facilitator, Sacramento State, Center for Collaborative Policy (CCP), opened the meeting by welcoming all SAC members and the public. Rachel Ballanti, Commission Acting Executive Officer welcomed the members on behalf of the Commission. Dr. Birkhoff invited SAC members to introduce themselves and identify their water interests. Members of the public introduced themselves and the agency/organization they were representing. Following introductions, Dr. Birkhoff

reviewed the meeting agenda and explained additional meeting logistics (i.e. bathroom and emergency exit locations).

### Review of Revised SAC Charter

A copy of the revised Charter can be downloaded from [https://cwc.ca.gov/Pages/2015/05\\_May/050415SACAgenda.aspx](https://cwc.ca.gov/Pages/2015/05_May/050415SACAgenda.aspx).

Dr. Birkhoff presented SAC members with an updated charter reflecting their requests to specify in the Charter what constitutes Bagley-Keene Act violation for the SAC and what is therefore allowable in terms of member interaction. Ms. Ballanti advised SAC members that the revised charter was now considered final. SAC members had no comments or questions.

### Definitions

Project Staff has worked to provide the Commission with recommended definitions for the “state water system,” eligible project types, public benefits, the Public Trust Doctrine, and public trust resources. WSIP Project Manager Jennifer Marr presented SAC members with drafts of issue summaries that Project Staff has or plans to present to the Commission. These draft definitions can be downloaded from [https://cwc.ca.gov/Pages/2015/05\\_May/050415SACAgenda.aspx](https://cwc.ca.gov/Pages/2015/05_May/050415SACAgenda.aspx).

Jenny Marr provided SAC members with the Commission’s final draft definition of the “state water system.”

Next, Ms. Marr reviewed the staff draft definitions for eligible project types and public benefits. She requested that SAC members review and provide feedback on these definitions. Project staff will present these proposed definitions to the Commission on May 20, 2015 and welcomes SAC member feedback by May 15, 2015. SAC members had no immediate comments or questions regarding the definitions for eligible projects.

SAC members discussed whether to align state definitions for ecosystem benefits with those of the Federal government. SAC members had three lines of thought about aligning definitions. Some members expressed concern that by not aligning the Commission’s definitions with that of the federal government may potentially undermine the purpose of Chapter 8 (in Proposition 1). They indicated having two definitions might confuse potential funding partners. Other SAC members acknowledged that federal definitions may be informative to the Commission but suggested it was not necessary to have full alignment because the Commission is engaging in a State process with State funding. Similarly, some SAC members suggested alignment was not necessary because Proposition 1 did not require it. Ms. Marr explained that federal agencies are key funding partners and their input is important to the process.

Another member suggested improving the definition to capture ecosystem benefits provided by groundwater projects.

The document presented by Ms. Marr identified the proposed staff definitions for the Public Trust Doctrine and public trust resources. Project staff requested that SAC members review these documents. There was discussion about adding the human right to water as a public trust resource. Some SAC members indicated concern and disappointment that this was not included in the proposed definition. Nathan Weaver, an attorney for the Water Board, explained that the draft definition reflects public trust resources identified in statute and noted that the California courts have not established drinking water

as a public trust resource. He requested SAC members to contact him with any other statutory information that may support the inclusion of water as a human right in the definition. Ms. Marr indicated that the Commission's legal counsel and Water Board staff will further review statute on public trust resources to determine if the water quality implications human right to water statute can be added into the definition of public trust resources.

**Action Item:** The Commission's legal counsel and Water Board staff will review public trust and human right to water information.

**Action Item:** SAC members will review issue summaries on the definitions for eligible storage projects, public benefits, and public trust resources by 5:00 p.m. on May 15, 2015. Members should send comments to Juliana Birkhoff ([jbirkhoff@ccp.csus.edu](mailto:jbirkhoff@ccp.csus.edu)) and to Nicole Scanlan ([nscanlan@ccp.csus.edu](mailto:nscanlan@ccp.csus.edu)).

### Process Flow Chart

After the presentation on the proposed definitions, Ms. Marr presented SAC members with a draft of the WSIP application process flow chart. This document can be downloaded at [https://cwc.ca.gov/Pages/2015/05\\_May/050415SACAgenda.aspx](https://cwc.ca.gov/Pages/2015/05_May/050415SACAgenda.aspx).

The application process flow chart represents the roadmap towards funding potential projects. The first part of the process flow chart involves developing the project application. The Department of Water Resources (DWR) is in the process of developing a recommended economic analysis methodology and suggested economic unit values. Throughout summer 2015, the SAC will review these items and provide feedback. Once finalized, projects are encouraged to use them to develop their applications. They also will have an opportunity to seek technical assistance from Project Staff. A project may choose not to use the recommended methodology or economic unit values but must submit justification for doing so.

The second part of the process flow chart involves the application review process. Ms. Marr explained that the Commission intends to have an interactive review process, where applicants can receive help from Project Staff to complete their applications. Project Staff will conduct the initial review of applications to determine eligibility. If project staff find that a project is ineligible or incomplete, applicants will have an opportunity to resolve their issues. Then an agency technical team will review the applications. Next DWR staff will conduct a DWR integration study. Finally, an independent panel of experts will review the applications. The Commission will use the results of this review process to make funding decisions.

### Member Questions/Comments

SAC members had several questions about the process flow chart.

- One member asked about the resources to fund this administrative process was coming from the bond funding. Ms. Ballanti explained that funding for the process will come from the up to 5% allowed by the statute for administration.
- One SAC member suggested modifying to show that applicants could use their own methods of economic analysis with justification or the recommended methods and values for economic analysis.
- Another SAC member asked whether review teams would be modifying project assumptions for their analyses. Ms. Marr explained that that Project Staff would not likely change the assumptions of a project but may engage project teams in conversations about their assumptions.

- There was also a question about whether this would be the process that will be in effect in 2017. Ms. Marr explained that this would likely be the process. She also indicated that the SAC would be reviewing and providing feedback to the technical teams as they produce the methodology and economic values.
- SAC members also discussed whether DWR's "common without project assumptions" would be updated as conditions change. Ms. Marr stated that the common without project assumptions would be a snapshot in time. If conditions change, Project Staff cannot ask applicants to redo their calculations and applications to meet a new standard.

### **Priorities and Relative Value**

Following discussion of the process flow chart, Scott Cantrell, from DFW, and Gail Linck, from the Water Board presented the SAC with information about their agency's respective draft priorities and relative environmental values. Please view the meeting PowerPoint at [https://cwc.ca.gov/Pages/2015/05\\_May/050415SACAgenda.aspx](https://cwc.ca.gov/Pages/2015/05_May/050415SACAgenda.aspx) for more information. DFW and the Water Board requested that SAC members review their draft priorities and relative environmental values. The agencies will use this feedback to help refine their priorities in an effort to have draft regulations and guidelines by August 2015.

### **Member Questions/Comments**

- A SAC member asked Mr. Cantrell about DFW's spatial priorities (i.e. species, specific watersheds). Mr. Cantrell explained that Proposition 1 seems to direct DFW's priorities to Central Valley and Delta fishes, particularly the native species, and their habitats. DFW would like stakeholder input on how to measure the public benefits to these species.
- One SAC member expressed concern to Ms. Linck over the Water Board's priority of creating water supply south of the Delta. The member encouraged the Water Board to consider adding a priority to increase capacity in the North as well.
- A SAC member asked Mr. Cantrell if the SAC was DFW's primary venue to gain feedback. Mr. Cantrell indicated DFW was not anticipating conducting additional meetings outside the WSIP and the Commission's communication and engagement program.
- One member asked the Commission and Project Staff to define what they consider a tributary to the Delta. Ms. Marr indicated that Project Staff would work with the Commission to clarify this.
- A SAC member asked Ms. Linck about assigning water rights to storage projects. Commission staff clarified that storage projects must have permits and water rights before the Commission could fund them. Ms. Linck is involved to provide priorities and relative value for purposes of funding but a separate process and staff will determine water rights and permitting. Ms. Linck will look into water rights implications to inform her next presentation to the SAC.
- One SAC member suggested to Ms. Linck that the Water Board should refrain from being prescriptive in its priorities.
- Another SAC member asked if there would be agencies with different funding responsibilities would coordinate on funding applications. Members were hoping that applicants would not have to submit multiple applications. Mr. Cantrell and Ms. Marr explained that the agencies are working together. However, funds are available on different timelines. As a result, projects would have to apply for each funding opportunity.
- A SAC member asked Mr. Cantrell whether DFW could explain how applicants should demonstrate benefits for the species they identify. Mr. Cantrell indicated that time constraints may not allow for a description of all metrics. Staff must complete administrative draft

regulations by August. He indicated, however, the draft regulation would be as specific as possible.

**Action Item:** SAC members will review and provide feedback on DWF and Water Board priorities and relative value by the next SAC meeting on June 3, 2015. Comments should be sent to Juliana Birkhoff ([jbirkhoff@ccp.csus.edu](mailto:jbirkhoff@ccp.csus.edu)) and Nicole Scanlan ([nscanlan@ccp.csus.edu](mailto:nscanlan@ccp.csus.edu)). CCP will send this feedback to the Agency team. DFW wants feedback on its organizational framework for defining priorities, species, and priority areas at the next meeting.

**Action Item:** Project Staff will define what constitutes a tributary to the Delta.

**Action Item:** Gail Linck will ask colleagues at the Water Board to clarify the process of assigning water rights to potential storage projects.

### Public Comment

Members of the public made suggestions and asked questions on meeting topics.

- A member of the public recommended Project Staff work to distinguish the difference between Public Trust Doctrine and Public Trust Benefits.
- Another member of the public expressed concern that the process negates benefits provided by tributaries above the Delta. She explained that these provide ecosystem benefits although they are terrestrial.
- Another member of the public expressed concern over developing a highly technical process for value based projects and decisions. She explained that projects would be different from each other based on the strategic needs of the region.

### Overview of Framework to Quantify Public Benefits

Ajay Goyal, Principal Engineer with DWR, Dr. Roger Mann, Independent Economics Consultant, and Dr. Steve Hatchett, from CH2M Hill, presented SAC members with the framework for quantifying public benefits. Mr. Goyal explained that quantification is necessary because at least 50% of public benefits funded by the WSIP must be ecosystem benefits. In addition, the State's cost share paid for public benefits cannot exceed 50% of the total project cost. Monetizing benefits allows for a direct comparison between projects, as they will use the same units in their calculation. This allows for easier ranking and accounting for important differences in timing and location for the same benefit.

Dr. Hatchett reviewed typical benefits quantification methods for water supply projects. He indicated that the goal of benefits analysis is to estimate how much people are willing to pay for a product or service provided by the project. An economic analysis starts with measured physical changes over the life of the project. The physical benefits are then assessed and economic valuation methods are applied to determine the economic benefit of a physical change, such economic methods include prices, avoided costs, alternative costs, and asking how much society would be pay for that physical benefit. Dr. Hatchett presented the SAC with several approaches to calculating economic benefits and reviewed an example of how to apply the framework. Please view the meeting PowerPoint at [http://cwc.ca.gov/Pages/2015/05\\_May/050415SACAgenda.aspx](http://cwc.ca.gov/Pages/2015/05_May/050415SACAgenda.aspx) for more details on Dr. Hatchett's presentation.

Following Dr. Hatchett, Dr. Mann reviewed general principles of cost allocation and how they might be applied to WSIP projects. He described some cost allocation methods and discussed their pros and cons. In addition, Dr. Mann reviewed the relationship between benefit-cost analysis and cost allocation and

provided an example of cost allocation. Please view the meeting PowerPoint at [http://cwc.ca.gov/Pages/2015/05\\_May/050415SACAgenda.aspx](http://cwc.ca.gov/Pages/2015/05_May/050415SACAgenda.aspx) for more details on Dr. Mann's presentation.

### **Discussion of Framework to Quantify Public Benefits**

Dr. Birkhoff facilitated a discussion about the framework to quantify public benefits presented by Mr. Goyal, Dr. Hatchett, and Dr. Mann. SAC members indicated that they were clear on the need to quantify public benefits and understood the process for doing so.

#### ***SAC member's general questions/comments about the framework***

- One member asked whether Project Staff were aware, based on the Scoping Survey, of how many possible applicants would be using the economic methods. Ms. Marr explained that the survey did not ask questions about how projects were measuring benefits. However, she noted that most respondents do not have fully formulated plans or completed environmental documentation; therefore, they may not have developed their methods.
- Another SAC member asked if the Commission would provide project applicants with information to use certain methods.
- One member suggested that the Commission would have to decide whether applicants would have to demonstrate how their projects would behave with and without Delta conveyance.
- Some SAC members expressed concern over calculating benefits without including the impacts associated with creating storage facilities. Commission Legal Counsel Maureen King explained that mitigation for significant impacts should be included in project costs and some funding is available for the mitigation costs associated with the public benefits. Dr. Mann and Dr. Hatchett explained that the economic methods do not exclude anything and noted that a good feasibility study will estimate all costs and benefits to the extent possible. In addition, negative impacts must be addressed in the environmental analysis that must be completed prior to applying for funding from the Commission.
- One member suggested that the economic methods should assess the cost effectiveness and net improvements to the ecosystem. Dr. Mann explained that the application review team would be qualified to assess net effectiveness and improvements. Mr. Goyal explained that DFW and Water Board would be assisting the Project Staff with finding a way to measure net improvement. It will be a physical metric not an economic benefit.

**Action Item:** Project Staff will work on refining the economic method based on SAC member suggestions and present it to the SAC at a future meeting.

#### ***SAC member's questions/comments on quantifying benefits***

- There was a discussion about the quantification of recreation benefits. One member asked Dr. Hatchett and Dr. Mann if they would recommend that the Commission do a regional analysis to determine the net recreation benefits. Some recreation use at the new facility might be a shift from existing facilities. Dr. Mann explained that calculating recreation benefits is complicated because when members of the public leave a recreation facility this may create benefits from having less crowded facilities.
- One member asked how Project Staff would determine the valuation numbers relevant for evaluating economic benefits. Ms. Marr explained that the Commission would provide unit values for projects to use. Projects are able to use different values and methodologies but they must justify their evaluation process.

- One member expressed concerns over using acre-feet of water as a physical unit because it does not quantify the magnitude of the benefit. Mr. Goyal explained that the ranking process would account for the magnitude of benefits.
- Another member expressed concern that using volume metrics is not appropriate if the Commission does not account for differences between similar units. Mr. Goyal explained that Project Staff is attempting to develop different values based on seasons, regions, geography etc. He explained this would allow for comparability.
- There was a brief discussion about using existing models as a requirement, such as models used by the Corps of Engineers for flood analysis. One member encouraged the Project Staff to use such models rather than create new ones. Ms. Marr explained that Project Staff is attempting to accommodate a variety of potential projects and capabilities of project proponents. She also stated that minimum standards are necessary but the process must also allow for variability.
- One member explained that ecosystem benefits could be broken down into narrow categories. She asked whether the Commission intended to lump funding for these benefits into one general "ecosystem" category or will there be quantification that is more detailed. Dr. Mann explained whatever level of detailed quantification can be supported would be best.
- Another member asked how the Commission plans to account for incidental benefits that might be for public or nonpublic beneficiaries. Dr. Hatchett and Ms. Marr explained that Project Staff has recommended the Commission consider incidental benefits fundable. For example, recreation benefits that result from an ecosystem improvement may be accounted for under the ecosystem benefit category. Ms. Marr noted that the Commission has yet to make its final decision on this process.
- In a related vein, another member asked how applicants might count improvements that result in multiple public benefits (i.e. recreation and ecosystem benefits). Dr. Hatchett explained that applicants could only place a benefit in one category to avoid double counting.
- There was also a brief discussion about what possible model a groundwater project could use to quantify public benefits. One member explained that groundwater storage is less easy to imagine and that the timing and flow over time is different to quantify. In addition, the member noted that the areas where there is the greatest groundwater storage potential might not have high economic value.

***SAC member's questions/comments on cost allocation***

- There was discussion about what items are eligible for cost allocation. One member asked whether to allocate reservoir construction costs or all costs including future operations and maintenance costs. Dr. Mann explained that all project costs should be included in the cost allocation. .
- One member asked how project applicants should make considerations for climate change in their evaluation of net present value. Dr. Mann suggested projects engage in a sensitivity analysis.
- One member explained that a common way to allocate cost is by calculating how much can be sold and at what price. This provides information on what the public will pay for. The member indicated the economic analysis for storage projects must demonstrate the feasibility of a project in the real world. Dr. Hatchett agreed and indicated that a technical evaluation of each project will be necessary. Ms. Marr also explained that stakeholders are encouraged to provide feedback on the feasibility of proposed projects.

**Action Item:** Project staff will work to develop examples of project evaluations to present to the SAC.

### ***SAC member's questions/comments the WSIP application process***

- There was a suggestion to the Project Staff to develop a diagram showing how an applicant's move through the application process to obtain funding from the Commission.
- One member asked whether there were any checks in place to ensure that projects deliver on their public benefits. Ms. Marr explained that projects must first meet all minimum eligibility requirements. The Commission would make a soft allocation to projects. DWR would then disburse funds if/when a project secured permits and other clauses in soft allocation letter. Projects that receive funding will be under contract with DWR, DFW, and the Water Board. These contracts will include descriptions of project requirements and the consequences for not complying with those requirements.
- Another member was interested in learning more about the contracts, including how they will be managed and benefits monitored.

### **Public Comment**

- A member of the public said the process was not considering the needs of business and agriculture. The person indicated that they believed the Commission's definition of the state water system to be too broad. Ms. Marr explained that all projects must provide measurable improvements to the Delta and/or its tributaries. She also noted that the definition of the state water system was broadened based on concerns of the SAC.
- With regard to the valuation of water, a member of the public suggested that because the bond specifically describes that funded projects provide water in dry years, it would be better to use the value of water in during consecutive dry years. Mr. Goyal, Dr. Mann, and Dr. Hatchett indicated unit values would be based on various year types.
- In reference to the Independent Technical Review Panel, a member of the public asked for information about the panel membership. Ms. Marr explained that the membership has not yet been determined.

## Appendix A: Meeting Attendees

### Special Guest(s)

Commissioner Paula Daniels

### SAC Members/Alternates

Lauren Noland-Hajik – Agricultural Presidents’ Council

Steve Rothert – American Rivers

Adam Walukiewicz – Association of California Water Agencies

Tony Zampielo – Association of Ground Water Agencies

Valerie Nera – California Chamber of Commerce

Danny Merkley – California Farm Bureau

Danielle Blacet – California Municipal Utilities Association

Nathan Rangel – California Outdoors

Mike Dozier – California Partnership for the San Joaquin Valley

Miriam Gordon – Clean Water Action

Marguerite Patil – Contra Costa Water District

Matt Machado – County Engineers Association, Flood Control, and Water Resources Committee

David Forkel – Delta Wetlands Project

Mark Smith – Ducks Unlimited

Gary Mulcahy – Environmental Justice Coalition for Water

Ronald Stork (alternate) – Environmental Water Caucus

Mario Santoyo – Friant Water Authority

Chris Petersen – Groundwater Resource Association

Tim Parker (alternate) – Groundwater Resource Association

Randall Neudeck – Metropolitan Water District of Southern California

John Kingsbury – Mountain Counties Water Resources Association

Jerry Meral – Natural Heritage Institute

Doug Obegi – Natural Resources Defense Council

Sandi Matsumoto – The Nature Conservancy

Garth Sundberg – Northern California Tribal Chairs Association

Thad Bettner – Sites Joint Powers Authority

Bo Mazetti – Southern California Tribal Chairs Association

Dave Puglia – Western Growers

### California Water Commission Project Staff

Rachel Ballanti, Acting Executive Officer

Jennifer Marr, Project Manager

Maureen King, Legal Counsel

### CSUS Center for Collaborative Policy

Juliana Birkhoff, Senior Mediator/Facilitator

Nicole Scanlan, Assistant Mediator/Facilitator

### Department of Fish and Wildlife

Scott Cantrell, Water Branch Chief

### State Water Resources Control Board

Gail Linck, Environmental Program Manager

Nathan Weaver, Attorney

### Department of Water Resources

Ajay Goyal, Principal Engineer

### CH2M Hill

Steve Hatchett

### Independent Consultant

Roger Mann

