The Nature Conservancy
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California Water Commission
Water Storage Investment Program
Via email to: jbirkhoff@ccp.csus.edu, Rachel.Ballanti@water.ca.gov, Jennifer.Marr@water.ca.gov

Re: Comments to inform the California Water Commission's Meeting on May 19-20

To Whom It May Concern:

The Nature Conservancy is participating in the Stakeholder Advisory Committee (SAC) for the California Water Commission's (CWC's) Water Storage Investment Program (WSIP) to ensure that the ecosystem benefits intended under Proposition 1 are maximized. We appreciate the opportunity to be part of the process.

During the SAC meeting on 4 May 2015, we were asked to provide feedback ahead of the CWC meeting on 19-20 May. Here is our feedback:

On the proposed timeline for SAC activities:

- The timeline for SAC activities is overly ambitious and we recommend extending the process to enable the rich dialog that will undoubtedly ensue. Based on the first two SAC meetings, we are still getting our legs under us and will need time to learn, discuss and formulate helpful feedback.

On general discussion items that occurred at the meeting:

- Staff shared that the CWC currently plans to do only one solicitation to commit the full $2.7 billion available for storage projects under the Water Bond. The Conservancy strongly feels that a single solicitation is problematic for the following reasons. Instead, we suggest at least two solicitations.
    - A single solicitation in 2017 favors projects that already have planning underway that will therefore be in a better position to compete in the near-term. This places newer projects that could be provide a higher return on public investment at a disadvantage, simply because they do not have the ability to meet the 2017 deadline.
    - A single solicitation in 2017 undermines the ability of project proponents to fully incorporate the multiple benefits that Proposition 1 intends. With a limited time frame to develop projects and proposals, the public investment will be under-leveraged. Additional solicitations would provide more time for projects to explore innovative means to deliver the multiple benefits that the people of California expect.

    - A single solicitation will not allow for application process improvements responding to lessons-learned from a first process. An improved second process could result in a better selection of projects and therefore wiser investments of public funds.
    - At minimum, we would suggest that Commission conduct a pre-proposal screening of projects that enables stakeholders and public agencies to gain a better understanding of the kinds of projects – and corresponding valuation of ecological benefit – could be considered, evaluated and compared.
- Staff explained that the application process will be iterative, with back-and-forth between agencies, project proponents and stakeholders. To ensure all those involved in this process make good use of our collective time and resources, please encourage project proponents to define their ecosystem improvements early and to involve stakeholders, including landowners, conservation organizations and scientists during project development. This will help project proponents meet the requirement that 50% of public benefits be dedicated to ecosystem benefits, while winnowing out those projects unable to do so. Further, there may be projects in which environmental benefit may comprise a much larger share of the public benefits and it would be important to be able to evaluate the basis for a larger proportion of public investment dedicated for environmental purposes.

On the proposed process provided in the "How Technical Work and Analysis Fits into Application Development and Review" document:

- Given the requirements of Proposition 1 to award and allocate funds based on maximizing public benefits, we encourage the Commission to develop guidance to ensure that applications provide information that can be examined on as close to an apples-to-apples basis as possible, while providing some degree of flexibility so that projects proposing unique and innovative solutions are not buried by the evaluation.
- To approach an apples-to-apples comparison, applicants should be required to follow specific methodologies and valuations for quantifying public benefits, and DWR should provide more specific guidance for quantifying project costs. Exceptions could be granted upon request if the project proponent makes a compelling case for an alternate methodology.
    - In sum, it would greatly benefit a public discussion about public benefits before the Water Commission if DWR would **require** applicants to use *a standard methodology for quantifying public benefits*. Because the public benefits required under Proposition 1 have only recently been outlined, most project proponents should be beginning this effort to quantify benefits anew. This is an opportunity to ensure that all projects follow the same methodology.
        - The process will be much more transparent – with corresponding confidence in the decision-making of the Water Commission – because all stakeholders will be able compare projects side-by-side using similar methodologies and valuations.
        - A standard methodology creates a level playing field. Absent standards, the incentive is to inflate the valuation of public benefits to access more funding, encouraging project proponents to justify methodologies that may lack rigor and merit. While a panel of experts could be help identify these poor methodologies, it would be better to remove the incentive.
    - As required under Proposition 1, this methodology should include specifics on the relative value of particular public benefits, especially ecosystem improvements.

- On the cost side, acknowledging that project proponents may have already gone to extensive lengths to quantify costs, we recommend that DWR *provide detailed guidance on allowable and required cost categories* and considerations. This would enable applicants to largely use existing cost assessments modified to address particular required cost considerations that may be absent from their analyses.
    - One cost, for example, that should be required is the cost related to the loss of flows resulting from the storage project. The timing and extent of these losses should be assessed and counted as a cost that must be netted out by the improvements.

- We would like additional information on the activities, timeline and individuals involved in the activities identified in the green box. This green box seems to encapsulate the project evaluation and ranking recommendations, and is therefore a critical part of the process that we would like to better understand.
- Additionally, we are interested in alternative approaches that could be developed as part of conventional storage projects that may, for example, provide a basis for "conjunctive use" projects that would enable strategies to both re-operate existing water storage facilities and provide for groundwater recharge and storage.
- To ensure that the wide range of public benefits are evaluated and represented, we would like to see the SAC develop recommendations on the experts and organizations that comprise the Independent Review Panel.

On Definitions of Public Benefits

- Only benefits to native fish and wildlife and their habitats should be included. Benefits to non-native species, which frequently prey upon native species and disrupt ecosystem processes, should not be included as ecosystem benefits.
- Benefits should be counted net of any adverse impacts that might arise as a result of construction or operation of the facility. Benefits should not include activities from mitigation that would be required to address impacts from construction or operation.
- With 95% of California's historic wetlands destroyed and the Central Valley's crucial role as the linchpin of the Pacific Flyway, benefits that support restoration or seasonal provision of wetlands should be included as ecosystem benefits.
- Water supply benefits for refuges should be counted as ecosystem benefits.
- The definition of refuges should include federal refuges and state wildlife areas, as well as privately managed wetlands where seasonal flooding or restoration can be guaranteed into the future.

We appreciate the opportunity to help ensure that Proposition 1's $2.7 billion for storage is invested to maximize public benefits.

Sincerely,

Sandi Matsumoto
Associate Director, California Water Program