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October 3, 2016

Mr. Joseph Byrne, Chair California Water Commission
 P.O. Box 942836
 Sacramento, CA 94236

Subject: Comments on Draft Water Storage Investment Program Quantification
 Regulations dated September 2, 2016

Dear Chair Byrne and Commission Members:

The Semitropic Water Storage District is a public agency responsible for providing water service to approximately 154,000 irrigated acres of agricultural lands in the northern portion of Kern County. We appreciate the opportunity to comment on the California Water Commission (Commission) draft Water Storage Investment Program ("WSIP") Regulations dated September 2, 2016 ("draft Regulations").

As a potential project proponent of a south-of-Delta storage and conjunctive use project, Semitropic has a strong interest in the allocation of the \$2.7 billion in Proposition 1, Chapter 8 for the "public benefits associated with water storage projects that improve the operation of the state water system, are cost effective, and provide a net improvement in ecosystem and water quality conditions" (Water Code §79750(b)). As the Commission moves toward timely adoption of all required WSIP regulations, it should focus on the twin objectives of ensuring compliance with the requirements of Chapter 8 and providing an achievable framework for project proponents to utilize when analyzing and presenting the public benefits of their projects for potential WSIP funding. Semitropic appreciates the opportunity to participate in the public comment process and provides our comments below for the Commission's consideration.

- ***Unit Values of Water***

Semitropic disagrees with the Unit Values of Water information provided in Table 5-5 (page 5-16) of the Technical Reference Document (TRD). The values presented by the Commission appear to be much lower than the average market price per acre-foot of water during California's recent drought. In 2014 and 2015 the negotiated price for water transfers in the Sacramento Valley was \$500 to \$600 per acre-foot of consumptive use. During the same period the price of transfer water in the San Joaquin Valley, particularly those areas served by the State Water Project (SWP) and the Central Valley Project (CVP) were \$1,500 to \$2,000 per acre-foot of applied water. Taking into account the decreasing reliability of deliveries from the SWP and CVP, the effect of climate change, and implementation of Sustainable Groundwater

Management Act (SGMA), Semitropic believes the price of water for the 2030 and 2070 planning horizons should be substantially higher than what is provided in the TRD.

The TRD also mentions that the applicant may also use their own unit values if careful explanation and justification are provided. However, this would lead to considerable uncertainty as to how projects estimate their respective benefits and as a result will introduce larger discrepancies between the projects. Semitropic suggests that the TRD should be revised to reflect realistic market value.

- ***Requirements for Climate Change and associated modeling***

Section 6004 of the revised draft Regulations requires the project proponent to use the provided Climate Change data and associated modeling tools. This requires the project proponent to invest significant time, financial resources and expertise to apply these modeling tools to calculate the public benefits of their projects. These requirements appear to be overly prescriptive and add significant cost to preparation of applications. Also, the climate change data is confined to only two data points (2030 and 2070) along the planning horizon for the projects. This fails to capture the major inter-annual variability within climate and hydrologic conditions. As a result, this analysis may not provide any significant benefit in Commission's evaluation of project's resiliency.

Semitropic is also concerned about the level of onerous modeling suggested by the Technical Reference Document for calculation of physical changes and quantification of benefits; specifically the use of Cal-Sim II and DSM2. Appreciating the need for qualitative assessment and in an effort to be responsive, Semitropic may alternately apply a qualitative, or non-modeling quantitative assessment to calculating physical changes and project benefits. Semitropic is of the opinion that quantification of the future conditions and project benefits may be too speculative, since project proponents may have fulfilled WSIP requirements for completing benefits contracts with DWR, CDFW and SWRCB, but ultimately the project applicant will not control the future use of water, physical conditions in the benefit area, or management of the public benefits provided by their project.

- ***Without-Project future conditions information should address additional resource areas***

Semitropic appreciates the development of climate, sea level rise, and hydrologic data and modeling products by Commission staff, for the 2030 and 2070 planning horizons. However, a fair evaluation of all potential projects may only be possible if this type of baseline information is developed for all of the resource areas (land use, economic conditions, infrastructure condition, ecosystem expectations, etc.) which plays a significant role in estimation and monetization of project benefits. Providing comprehensive common assumptions to project proponents will support the

Commission in a fair and timely evaluation of all project applications against the same baseline conditions.

- ***Development of benefits contracts with partner agencies***

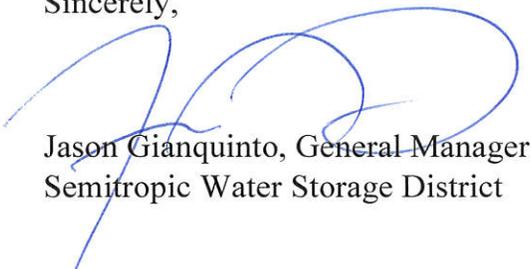
A draft template or outline of a standard agreement, which has been vetted by the partner agencies and includes provisions for future regulatory constraints (such as implementation of Water Fix and Eco Restore), should be provided for the use of all project applicants. This information would aid all applicants in designing their projects in a way that could provide the most relative environmental benefits and streamline communications and development of benefits contracts with partner agencies, within the short timeframe that applicants will have to respond to the finalized regulations and requirements.

- ***Active integration of projects***

It is Semitropic's opinion that the Commission should provide a framework or forum to provide guidance regarding active integration of various projects, as mentioned in the TRD Executive Summary.

We appreciate this opportunity to provide comments on the draft Regulations. In addition to the comments provided above, Semitropic supports the comments and suggested amendments provided by the Association of California Water Agencies (ACWA). If you would like to discuss our comments or have any questions, please do not hesitate to call me at (661) 327-7144.

Sincerely,



Jason Gianquinto, General Manager
Semitropic Water Storage District

Cc: Mr. Joe Yun, California Water Commission