

Addendum to the Final Statement of Reasons

Necessity supplement:

1st and 2nd 15-day notice changes:

Section 6009(b): Water Code section 79750(c) requires the Commission to use a competitive process to rank projects based on the return on public investment. The use of the word “competitive” implies comparing projects to one another, requiring the Commission to score each project. The Commission interpreted “return on public investment” to be indicated by four criteria categories: public benefit ratio, relative environmental value, resilience, and implementation risk. The specific values for each regulatory project scoring weight and value reflected in Table 5 is necessary to reflect the public priorities, values, and cost benefit analysis of the Commission, in consultation with CDFW, the State Board and DWR with respect to selecting, prioritizing and funding proposed projects.

Section 6013(a)(1)(E): Adding evidence of bilateral considerations is necessary to ensure the projects will be able to operate and provide the public benefits as planned. Projects will need to integrate the operations with other facilities of the State's water system. The integrated operations may impact those facilities. Owners and operators of those facilities need to be aware of the potential impacts and work with the proposed projects to coordinate the operations of their projects to minimize or avoid the impacts. If the owners and operators of those facilities are not willing to integrate the operations of their facilities with the proposed projects, then the proposed projects will not be able to provide the benefits claimed.

Section 6013(f)(2): is necessary to be consistent with provisions of section 79757(a) of the Water Code which requires projects to meet all of the conditions specified in section 79757(a)(1)-(3) by January 1, 2022 to be eligible for funding.

Section 6013(f)(8)(C): This change was necessary to ensure the proper time-boundary for a waiver of sovereign immunity obtained from a project where a tribe was an applicant. Tribes expressed concern that, absent such a time limitation, the waiver could continue in perpetuity. This change clarified the limited waiver of sovereign immunity would only be in place for the duration of the project's planning horizon.

3rd 15-day notice changes:

Section 6003(a)(1)(BB): This additional requirement for applicants to include a description of the with- and without-project current conditions is necessary because the magnitude of ecosystem and water quality improvements must be quantified at current conditions and future conditions.

Section 6004(a)(1)(C): These changes were necessary (“would” was added and “are” was replaced with “would be”) to be more grammatically correct in describing watershed(s) or region(s) that may be affected by the proposed projects.

Section 6004(a)(1)(E): The changes in this section are necessary to clarify and specify which types of projects must use the provided CalSim-II and DSM2 model products to quantify the benefits of their projects. The CalSim-II model is a water resources planning model that simulates the operations of the State Water Project and Central Valley Project, and the geographic scope includes major rivers and streams in the Central Valley and the Delta. The DSM2 model simulates stages, flows, velocities, temperature, and water quality in the Delta.

Section 6004(a)(2): The phrase “for the years 2030 and 2070” is necessary to clarify that applicants are required to define and assess the with-project future conditions at these two reference points and “with the proposed project” was deleted because it is redundant. The words “population”, “laws”, “other characteristics”, and “future” were necessary to be consistent with the without-project conditions description in section 6004(a)(1)(B).

Section 6004(a)(3): It was necessary to replace the words “time period” with “points” because the word “points” is more accurate to describe the years 2030 and 2070 as the reference points.

The words “public and non-public” are necessary to ensure the negative changes or impacts are accounted for in the quantification of both public and non-public benefits.

Section 6004(a)(4): It was necessary to add the words “public and non-public”, “public”, and “and non-public physical” to clarify whether the monetization of physical benefits is for public or non-public benefit or both.

New text was added to allow applicants to use the monetized value per unit of physical benefits derived from the 2030 analysis and apply it to the physical benefits at the 2070 condition. This was necessary to provide applicants with another methodology to monetize the benefits at 2070 without having to come up with assumptions for economic conditions at 2070 which would be more uncertain than those at 2030. For some applicants this may be a valid way to monetize benefits at 2070 and make application preparation the less burdensome and more efficient.

Section 6004(a)(4)(A): Text was added to reference section 5.2 in the Technical Reference that describes the Consumer Price Index for California that can be used to escalate economic benefits estimated prior to 2015 to 2015 values. This was necessary

to provide a specific reference for applicants to calculate economic benefits. Additionally, it was necessary to delete “index CPI U for California” because it is redundant.

Section 6004(a)(4)(B): This section is necessary to limit the quantification of benefits to either the expected life of the project or 100 years, whichever is less. This limitation is necessary because benefits beyond 100 years are extremely uncertain, and with discounting, they contribute little to the present value of the benefits.

Section 6004(a)(4)(G): It was necessary to add this section to require applicants to monetize the project benefits using the avoided cost method if applicable and the minimum of the feasible alternative cost method and the willingness to pay method to ensure that projects are cost-effective.

Section 6004(a)(4)(J): Text was added to clarify that the calculation of present value is for net economic benefits, not physical benefits and that the economic benefits need to be calculated for each year in the planning horizon. This text is necessary to clarify that present value of net economic benefits needs to be calculated.

Additional text was also added to allow applicants to use years in between 2030 and 2070 as intermediate points for interpolation of economic benefits for each year if there are important changes in monetary benefits in those years during the planning horizon. This change is necessary to allow applicants to claim a reasonable value for benefits. For some projects, there may be increases or decreases in monetary value of benefits that may be lost by assuming a linear trend between 2030 and 2070. This text allows applicants to use intermediary points of interpolation to capture, for example, a jump in the value of water at some point in time before 2070. The applicant would need to justify its calculation and choice of point in time, but without the added language applicants would be limited in valuation methodology which may over- or underestimate benefit values. If there are no important changes in monetary benefits in years between 2030 and 2070, they would interpolate the benefits for each year using a linear trend between 2030 and 2070.

Section 6004(a)(8)(A): Changes were made in this section to require applicants to describe how extreme levels of climate change could affect the public benefits of their projects and to reference section 2.12 (Climate Change and Sea Level Rise) of the Technical Reference for the level of change in climate conditions to use in the extreme climate change analysis. These changes were necessary to ensure extreme climate change is included in each applicant’s project analysis.

Section 6004(a)(8)(C): Changes were made in this section to require applicants to describe other potential sources of uncertainty and how the operations of their proposed projects could be adapted to sustain the benefits claimed. The words “public physical”

was added to clarify that applicants are required to analyze how the public physical benefits could be maintained. These changes were necessary to allow applicants to properly describe how their project benefits could be maintained in changing future conditions.

Section 6009(d): The change was necessary to match the total score being used (33) and rounding was implemented to ensure whole numbers are used throughout the scoring process.

Section 6009(e): It was necessary to add Section 6009(e) language regarding the score for quality of analysis to help ensure the public benefits stated will actually be achieved by the project.

Section 6009(i) was edited to be consistent with other changes throughout the regulations and necessary to indicate the component scores are “preliminary” until the Commission approves them.

Section 6011(a) was modified to change the cross reference number, which was necessary because sections 6008 and 6009 were reversed and provided 30 days to the public to consider all of the component scores before the Commission makes a decision on the final score of a project. This change was necessary to respond to comments and concerns that the public would not have adequate time to review scores of the projects to comment at the public meeting where the Commission would finalize the project scores.

Summary and Response to 45-Day Comment 11.8:

Comment 11.8: As some of the Commissioners are aware, Sustainable Conservation has been engaged in an ongoing project to determine the potential of applying flood flows to active agricultural land as a means to increase the amount of groundwater recharge and storage in the San Joaquin Valley. We have identified significant capacity and potential for this form of recharge/storage. We and our partners have done a great deal of work to establish metrics, determine where the most appropriate soils are, and identify growers who would be willing to accept floodwater on their fields. We are hoping to use the opportunity presented by this year’s El Niño rains to place water on a range of demonstration sites. Field experience and monitoring from these sites will allow us to develop needed scientific information about the acceptable timing and duration of water that can be captured on farmland, the amount of water recharged under different cropping systems and soil types, and the potential impacts, both positive and negative, of on-farm recharge on water quality in the underlying aquifers. The project findings will be used to develop decision-support tools to guide irrigation districts and groundwater sustainability agencies in assessing the local viability and suitability of lands and cropping systems for on-farm recharge projects. These highly effective and relatively

inexpensive projects could be in a position to qualify for bond funds, either as part of a groundwater sustainability plan or on their own, well before 2022, but, given the amount of data we and our partners will have to process, combined with the identification of new sites and conveyance infrastructure needs and the completion of the application process, it is highly unlikely that they could meet the currently proposed mid-2017 deadline.

Our on-farm recharge projects are only one of a range of innovative and effective storage concepts that do not fall into the overly limited temporal categories the Commission staff appears to have created for groundwater storage projects. We urge the Commission not to foreclose on the WSIP funding prospects for the very real and valuable storage projects that could come to fruition between 2017 and 2022. The Commission should utilize the full amount of time allotted to it to disburse the \$2.7 billion for storage projects to ensure that the full range of projects approved by the voters can be funded.

Response: See response to comment 4.4.

Summary and Response to 30-day Comment 3.1:

Comment 3.1: The Fresno County Board of Supervisors would like to voice our strong support for the proposal to build Temperance Flat Dam and Reservoir in Fresno and Madera counties. Temperance Flat has been identified as being among the best locations for new multi-objective surface storage in California.

Over the past few years natural drought conditions have been particularly difficult on the central and southern San Joaquin Valley. Regulatory curtailments of water supplies have simply been devastating to valley agriculture and much of our economy. At the same time, this lack of surface water led to understandable overutilization and overdraft of the valley's greatest reserve supply – groundwater. As a consequence, water tables have plummeted; wells by the thousands have dried up and failed, demonstrating repeatedly the absolute necessity of developing additional surface water storage to capture high flows in big storm events and water years, putting the stored water to beneficial use. This includes capturing and storing excess Sierra runoff to enable its use for groundwater recharge in the lengthy process required to convey and percolate water for such purposes.

Current storage at Millerton Lake/Friant Dam has an annual average inflow of about 1.8 million acre-feet (capacity 520,500 acre-feet, but with “active” available storage above “dead pool” of just 385,000 acre-feet) is currently unable to store water in successive years. Temperance Flat would create additional capacity of some 1.3 million acre-feet. It would be managed to provide a broad array of public benefits, including ecosystem

restoration, flood control recreation, water quality, and emergency water supply, in combination with non-public benefits water supply and hydropower benefits.

The Temperance Flat Dam and Storage Project will have deep reverberating impact on the future of not only agriculture in the valley but also on the countless other industries and people that will benefit from the additional water that this project would provide.

The Fresno County Board of Supervisors sees this project as a critical economic development driver for our region. We are proud to join a diverse coalition of organizations and agencies in supporting this project and we ask for your favorable consideration.

Response: Thank you for your comment. The regulations govern how applications will be evaluated. This request is outside the scope of the notice.

Summary and Response to Comment 15.38

Comment 15.38: Section 6015 Confidentiality. (a)(2)(B) Include documents prepared by or for Federal agencies.

(b) Requests for information related to confidential information does not provide adequate time and is too informal to ensure protection of critical infrastructure.

Response: The requested changes were included in the final regulations. Section 6015(a)(2)(B) now provides that federal documents may be included, and section 6015(b) now requires documents to be received within 10 days from the date of telephone contact and email notification.