

CALIFORNIA WATER COMMISSION

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Armando Quintero
Chair

April 20, 2018

Carol Baker
Vice-Chair

Jason Gu, Grants Officer

Andrew Ball
Member

Chino Basin Conjunctive Use Environmental Water Storage/Exchange Program
jgu@ieua.org

Joseph Byrne
Member

Subject: Public Benefit Ratio Appeal Response

Daniel Curtin
Member

Dear Mr. Gu,

Joe Del Bosque
Member

Maria Herrera
Member

Catherine Keig
Member

As you know, the Water Storage Investment Program (WSIP) provided an appeal process allowing applicants to respond to staff adjustments made in our February initial Public Benefit Ratio (PBR) review. Many applicants used the opportunity to submit information that helped substantiate their project's anticipated physical benefits and their monetary value to help the Commission make an informed determination of each project's PBR at the upcoming May 1-3 meeting.

Thank you for your engagement, and the work your team put into the appeal process. The enclosed packet includes the WSIP technical review team's response to your appeal regarding the PBR for the Chino Basin Conjunctive Use Environmental Water Storage/Exchange Program.

The response includes the recommendations of the Department of Water Resources, Department of Fish and Wildlife, and State Water Resources Control Board, as appropriate, as well as the Commission staff's updated recommendation for the project's PBR.

The staff recommendations will be presented to the Commission at the May 1-3 meeting. Please note, we are reserving May 4 as a hold-over day in the event extra discussion time is necessary. At the Commission meeting, applicants will have the opportunity to publicly address the Commission and answer questions about their projects. Public comment also will be heard.

Staff from the Commission, the Department of Water Resources, the Department of Fish and Wildlife, and the State Water Resources Control Board look forward to engaging with applicants at the scheduled meetings on April 24 and 25. These public meetings are designed to walk through the staff-response and help identify any remaining issues that may need clarification when the Commission meets in May. The meetings also will help applicants and the public prepare for the May 1-3 meeting.

The California Water Action Plan recognizes the importance of investing in both above- and below-ground storage. The Commission's May 1-3 meeting will mark another key step toward making key investments in new water storage. The Commission remains on track to make early funding and conditional funding awards in July.

Jason Gu, Grants Officer

Chino Basin Conjunctive Use Environmental Water Storage/Exchange Program

April 20, 2018

Page 2

We look forward to your continued engagement in the Water Storage Investment Program.

Sincerely,

A handwritten signature in blue ink, appearing to read "Joe Yun", with a long horizontal flourish extending to the right.

Joe Yun
Executive Officer, California Water Commission

Public Benefit Ratio Appeal Response: Chino Basin Conjunctive Use Environmental Water Storage/Exchange Program

Applicant: Inland Empire Utilities Agency (IEUA)

Introduction

On February 2, 2018, the California Water Commission (Commission) released staff-adjusted Public Benefit Ratios (PBRs) for Water Storage Investment Program (WSIP) applications received in August 2017. WSIP regulations section 6008 describes the appeal process for staff adjustments to a PBR. Applicants had three weeks to submit an appeal of the staff's adjustments to their PBRs. On February 23, 2018, the Commission received appeals from 10 applicants.

This PBR appeal response describes the following:

- Applicant's original PBR as submitted
- Staff adjustments to the PBR review
- Applicant's appeal
- Staff PBR recommendations

The Commission will decide final PBRs at its May 1-3, 2018 meeting.

This PBR response incorporates review of the applicant's appeal, which was conducted by the Commission's economics reviewers and water operations reviewers, the California Department of Fish and Wildlife (CDFW), and the California Department of Water Resources (DWR). The following reviews are attached to this PBR response:

- California Water Commission, Economics Review Appeal Response (Economics Response)
- California Water Commission, Water Operations Review Response to Applicant's Appeal of Public Benefits Ratio (Water Operations Response)
- California Department of Fish and Wildlife, Analysis of Water Storage Investment Program Project Appeals of Revised Public Benefit Ratios (CDFW Response)

Project Overview

The Chino Basin Conjunctive Use Environmental Water Storage/Exchange Program (CBEWP) would construct an advanced water treatment facility (AWTF) and distribution facilities that would store up to 15 thousand acre-feet (TAF) per year of treated wastewater in the Chino Basin Water Bank (CBWB). During the first 25 years of operation of the proposed CBEWP, the CBWB, an existing water bank, would be operated in a way that dedicates blocks of water of up to 50 TAF per each dry and critical year, for up to three consecutive dry and critical years, to enhance instream flows in the Feather River below Lake Oroville. This would require agreements with one or more State Water Project (SWP) partners to forego SWP delivery in exchange for receiving CBWB water, and agreements with DWR and CDFW to re-operate Oroville Dam and manage the water to provide an ecosystem benefit. After the initial 25 years of operation, ecosystem benefits would cease, and the water stored in the CBWB would be extracted for local, non-public water supply.

The applicant describes the following quantified public benefits:

- Ecosystem Improvement—Provide Feather River ecological flow benefits (blocks of 50 TAF increased releases from Lake Oroville) in up to three consecutive dry and critical years. CBEWP would provide up to 100 TAF of storage in the CBWB, and 100 TAF of borrowing capacity from the CBWB, which would provide early environmental benefits ahead of new AWTF storage, potentially as early as 2020.
- Water Quality—Water put into the CBWB would have reduced salt load. The AWTF would remove total dissolved solids (TDS) from treated water that is then stored in the bank.
- Emergency Response—The proposed CBEWP would provide water to local water users during emergencies such as during a fire or during a Delta supply disruption.

Summary

Staff reviewed the information submitted in the appeal, considered the reasonableness of the documentation provided, and made recommendations (Table 1) for adjustment to the applicant's quantified public benefits, funding request or eligible amount, and PBR. Table 1 summarizes how these values changed during the PBR review process.

Through the PBR appeal process, applicants could rebut staff's adjustments to their public benefits, and provide an alternate PBR. If, during the appeal, and in response to a staff adjustment, the applicant chose to change their funding request from the amount in the original August 2017 application, it is also shown in Table 1.

Table 1. Summary of Adjustments to Public Benefit Ratio				
Item	Original Application, August 2017	Staff PBR Review, February 2, 2018	Applicant Appeal, February 23, 2018	Staff Recommendation, April 20, 2018
Value of Public Benefits (\$ millions)	\$587.0	\$241.3	\$522.6	\$341.4
Applicant Funding Request (\$ millions)	\$341.6	--	\$372.0	--
Public Benefit Ratio	1.72	0.71	1.40	0.92
Notes: All values are in 2015 dollars. PBR value is based on the applicant's funding request. Values are rounded to the nearest tenth of a million dollars for display purposes. Underlying calculations reflect the precision provided by the applicant.				

Table 2 summarizes the changes made during the PBR review process to the public physical benefits claimed in the application, and the monetary value of those benefits. The last column shows the staff recommendation for each claimed physical benefit.

Table 2. Summary of Physical Benefits and Economic Issues				
Benefits	Physical/ Monetary	Staff PBR Review, February 2, 2018	Applicant Appeal, February 23, 2018	Staff Recommendation, April 20, 2018
Ecosystem— Increased Emigration of Juvenile Chinook	Physical benefit	CDFW recommended removal	Appealed	Physical benefit accepted. See CDFW Response Page 1.
	Monetary value	Value reduced	Appealed	Monetary value reduced. See Economics Response Page 2.
Ecosystem— Stray Rate Reduction	Physical benefit	CDFW recommended removal	Requested to change to non- monetized benefit	Physical benefit removed. See CDFW Response Page 1.
	Monetary value	N/A	Requested to change to non- monetized benefit	Not monetized
Water Quality— Protection of Groundwater	Physical benefit	No adjustments	N/A	Physical benefit accepted
	Monetary value	Value reduced	Appealed	Monetary value reduced. See Economics Response Page 4.
Emergency Response	Physical benefit	No adjustments	N/A	Physical benefit accepted
	Monetary value	Value increased	Accepted	Monetary value accepted
Note: N/A indicates item is not applicable				

Table 3 summarizes the monetary value of the public benefits claimed by the applicants, as adjusted through the PBR review. It shows the staff recommendation, and how the total value of the claimed benefits changed through the PBR review. If a benefit was removed, the staff recommended monetary value is zero.

Table 3. Monetization of Public Benefits (\$ millions)				
Benefits	Original Application, August 2017	Staff PBR Review, February 2, 2018	Applicant Appeal, February 23, 2018	Staff Recommendation, April 20, 2018
Ecosystem— Increased Emigration of Juvenile Chinook	\$356.9		\$215.8	\$76.9
Ecosystem-Stray Rate Reduction	*	N/A	**	N/A
Water Quality— Protection of Groundwater	\$204.6	\$202.6	\$268.2	\$225.9
Emergency Response	\$25.6	\$38.7	\$38.7	\$38.7
Total Value of Public Benefits	\$587.0	\$241.3	\$522.6	\$341.4
Notes: All values are in 2015 dollars. N/A indicates item is not applicable. * Benefit value included in value shown for Ecosystem – Increased Emigration of Juvenile Chinook. ** In the appeal, benefit value not included in value shown for Ecosystem – Increased Emigration of Juvenile Chinook. Values are rounded to the nearest tenth of a million dollars for display purposes. Numbers may not add up to totals shown due to independent rounding and precision provided by applicant. Underlying calculations reflect the precision provided by the applicant.				

Table 4 shows staff recommendations for the total value of public benefits, ecosystem benefits, and the eligible amount. It also shows the proposed project’s capital costs, and the funding request by the applicant, as provided in the appeal. Adjustments to the value of public benefits may have resulted in changes to the eligible amount, because Water Code section 79752 specifies that projects must have a measurable benefit to the Delta ecosystem or tributaries to the Delta. Water Code section 79756 also specifies that the WSIP can fund no more than one-half of total project costs, and that ecosystem benefits must be at least 50 percent of the eligible amount.

Table 4. Staff Recommendations for Value of Total Public and Ecosystem Benefits and Eligible Amount (\$ millions)	
Benefit/Cost	Amount
Total Public Benefits	\$341.4
Ecosystem Benefits	\$76.9
Total Capital Costs	\$372.0
Total Funding Request as provided in appeal	\$372.0
Maximum Eligible Amount	\$153.7
Notes: All values are in 2015 dollars. Values are rounded to the nearest tenth of a million dollars for display purposes. Underlying calculations reflect the precision provided by the applicant.	