



Topic: **Authority Board Agenda Item 7-2**

2018 Feb 26

Subject: **Congressional Committee Hearing**

Requested Action:

No action requested. Informational item.

Detailed Description/Background:

On February 14, 2018, Jim Watson provided testimony during a hearing of the House Water, Power, and Oceans Subcommittee which is a part of the U.S. House of Representatives Committee on Natural Resources. The subject of the hearings was ***Streamlining Federal Permitting Key to Safe, Reliable Water Infrastructure***.

The hearing can be viewed at [Water, Power & Oceans Subcommittee Hearing - February 14, 2018](#)

Prior Authority Board Action:

None.

Fiscal Impact/Funding Source:

None.

Staff Contact:

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Attachments:

Attachment A – Sites Project testimony for the House Water, Power, and Oceans Subcommittee



**Statement of Jim Watson, P.E.
General Manager
Sites Project Authority**

**Before the Committee on Natural Resources
Subcommittee on Water, Power and Oceans
United States House of Representatives**

**Oversight Hearing on
“The State of the Nation’s Water and Power Infrastructure”**

**Washington, D.C.
February 14, 2018**

Chairman Lamborn, Ranking Member Huffman and Members of the Subcommittee, I am Jim Watson, the General Manager of the Sites Project Joint Powers Authority. Thank you for the opportunity to provide the Sites Project Authority (Authority) perspective on “The State of the Nation’s Water and Power Infrastructure.”

The 10 largest federal and state owned reservoirs in the State of California, linchpins of the water system that delivers water daily to 39 million people and supports the nation’s largest farm economy, were all built between 1927 and 1979. The last large reservoir was New Melones, which was completed in 1979. Since that time, California has grown by more than 16.1 million people, a 70 percent increase, and the equivalent of adding more than the current populations of the states of Washington, Oregon, Nevada and Montana to the State of California. Like many other Western States living on the water storage investments of our forefathers, California desperately needs additional water storage. Recent water shortages are harming our state, and we need additional water storage to build more resilient and sustainable urban and rural economies and ensure the health and sustainability of our environment. The two are inextricably linked and new surface water storage projects can help maintain the health of both our economy and the environment.

The Authority was formed on August 26, 2010 when seven regional entities, including local water agencies and Counties in the Sacramento Valley, executed the Joint Exercise of Powers Agreement. The primary purpose of the Authority is to pursue the development and construction of the Sites Reservoir Project, using the beneficiary pays principle to provide water for both the environment and traditional water supplies to build a modern off-stream reservoir in Northern California. The Authority has spent nearly eight years working to advance Sites by engaging the public, including various stakeholders, state and federal agencies and landowners, initiating the required environmental planning process, and conducting feasibility studies, among other efforts. The Authority is governed by a 12-member board of directors that works in close coordination with other groups in the region interested in advancing the construction of the Sites Reservoir Project (Sites).

California needs long-term, smart surface water storage solutions that will help capture and store excess runoff and provide multiple benefits under just about any hydrologic or environmental



conditions. Like other offstream reservoirs, Sites is not prone to spilling, so it will be able to capture surplus supplies for more-reliable use in dry and critical years. Sites will allow other Federal and State reservoirs to hold more water into the summer and fall months. Sites will provide water for fish, fowl, farms, factories, and families. And, Sites will increase local flood management opportunities and can integrate with groundwater recharge and groundwater banks.

Sites will store more water and help stretch existing water supplies in all hydrologic conditions

In 2017, the wettest winter in Northern California on record, Sites would have completely filled in one year, storing 1.8 million acre-feet of water or over 580 billion gallons. In 2016, when we had average rainfall in Northern California and an average snowpack in the Sierra Nevada, an additional 1 million acre-feet of water would have been stored in Sites. And, in 2015, one of the driest years on record in California, the Sites project would have captured and stored an additional 660,000 acre-feet of water from just two storm events – water that simply flowed to the ocean in a dire drought year. But more importantly, water made available from Sites would have provided additional operational flexibility to the existing state and federal reservoirs in Northern California and allowed them to reduce releases, increasing total water storage in Northern California by more than 1.12 million acre-feet, all while meeting the needs of farmers, cities and the environment.

Sites will generate significant benefits for the environment

The Sites Project Authority (Authority) is proposing that 40% of the reservoirs' usable storage capacity (710,000 acre-feet) be managed to provide environmental benefits. Based on current conditions, this capacity would provide approximately 200,000 acre-feet of water in dry and critical years for the protection of native fish species and to provide additional water for wildlife refuges in the central valley. Further, the Authority is proposing this water be managed by state and federal resource agencies. Currently, these resource agencies rely on water for the environment coming from compliance with existing permit conditions - they do not have a supply of water they can adaptively manage on an annual basis to provide additional and targeted benefits. Today, these fishery benefits include increased flows and coldwater for wild salmon populations in the Sacramento River, Feather River, and Lower American River and to provide flows that will pick up vital nutrients to help feed a known population of delta smelt residing in the Cache Slough area. An additional benefit of this proposal is the resource agencies can reprogram this water to meet future environmental priorities that are likely to occur over the next 100-year life of the Sites project.

Sites is being developed as a partnership consistent with today's realities

Sites is being developed as a non-federal project that will be cooperatively integrated into the operations of both the federal Central Valley Project and the California State Water Project. By providing additional and more-reliable storage in Sites, both Projects can factor this water into their annual operating plans. Sites is being developed as a partnership. We have a very strong and close relationships with the Bureau of Reclamation, the State of California, and diverse stakeholders throughout our region. We are blazing new trails, developing a storage project in a way that Reclamation has never done before. And we are going down this path together, in partnership with Reclamation and our partner at the state level, the Department of Water

Resources. We also have 33 regional and statewide partners who have already provided over \$18,000,000 to advance this project. Most of these agencies also have water contracts with either Reclamation and/or the State and they want to use the water produced by Sites to help supplement their current water supplies. Currently, their requests total more than 75% of the estimated annual diversions into Sites, which could enable the Authority to build the smaller 1.3 million acre-foot capacity reservoir assuming there is no federal and/or state investment in water for environmental benefits. The other agencies want to ensure Sites will provide a meaningful amount of water for the environment and would like to see the proposed 40% capacity be increased. Yet, we need to look at creating new processes and tools that can help us and our federal, state and local partners accomplish our goal of successfully building and operating this new large reservoir storage project.

A New Approach to Federal Support for Water Infrastructure

At its core, we believe the Sites Reservoir Project represents a new approach to federal support for much-needed large-scale water infrastructure improvements. The federal government does not have the resources that it once had to build projects like Sites, with an estimated price-tag of more than \$5.2 billion. Going forward, Reclamation must have new authorities in order to efficiently partner with non-federal water users to build projects like Sites.

Rep. Doug LaMalfa’s H.R. 1269, “*Sacramento Valley Water Storage and Restoration Act.*”

— Let me start by thanking our own Congressman, Doug LaMalfa, for his introduction of H.R. 1269, the “Sacramento Valley Water Storage and Restoration Act,” which authorizes Reclamation to fully partner with the Authority in the development of Sites. Like the other bills listed below, it would streamline the environmental review and permitting process, requiring the federal agencies to coordinate their reviews, saving time and money. The bill would also, among other things, specifically authorize Reclamation to enter into a contract to acquire federal benefits from Sites as an alternative to federal ownership, construction and operation of the reservoir. Rep. LaMalfa and Rep. John Garamendi, who also represents our area, have been tireless and persistent in their efforts to advance Sites. We thank them for their unwavering commitment to Sites, and for their support and openness in creating new approaches to developing Sites.

Rep. Tom McClintock’s H.R. 1654, “*Water Supply Permitting Coordination Act.*”

— As noted above, Reclamation needs new authorities like those provided in H.R. 1654 that would streamline permitting and environmental reviews of water infrastructure projects by requiring federal agencies with environmental review and permitting authorities to coordinate their review and permit processes. While delays in the water supply project environmental review and permitting process are due, in part, to the complexities associated with multiple state and federal agencies being involved in the project, unfortunately other delays can be attributed to shifting environmental requirements. We would only ask that any such legislation be amended to insure that the streamlining benefits apply to non-federal and state-led water storage projects as defined in the Water Infrastructure Improvement for the Nation (WIIN) Act, and that such efficiencies and coordination not be limited to only those projects constructed on lands administered by the Department of the Interior or the Department of Agriculture.

Scaled Feasibility Analysis. — In the new paradigm of non-federal construction, ownership and operation of dams and other large water infrastructure, Reclamation should require a

scaled feasibility analysis limited to determining whether or not the level of federal investment is justified in a non-federal water resources project. Sites – to be constructed, owned and operated as a non-federal project – should not require the same level of feasibility analysis that is required to justify a purely federal, Bureau of Reclamation constructed, owned and operated facility. Non-federally constructed, owned and operated Title XVI water reuse projects require a less rigorous analysis of feasibility to justify being deemed eligible for limited cost-shared grant assistance or Federal backing through access to Federally-backed financing than a similarly sized investment in a federally owned water infrastructure improvement project. That same scaled analysis should be applied to non-federal projects like Sites. In the future, it should not take more than \$65 million and 16 years to determine if there is a federal interest in securing benefits from a non-federal project like Sites.

To date, Reclamation has not developed clear guidance on the scaling of requirements to determine whether a Federal investment is warranted or not in a non-traditional, non-Federal water resources project. Without such guidance, the default is to revert to the requirements for a standard Feasibility Study, one that would be used to justify a Federal investment in a wholly constructed, owned and operated Federal water resources project. That subjects projects like Sites to inappropriate requirements that are costly not only to the taxpayers but also to local project sponsors.

Federally-Backed Financing and Storage Account (WIIN Act, Section 4007).—The Sites Project Authority also encourages the Committee to give favorable consideration to proposals like **HR 434, the New Water Available To Every Reclamation State Act (New WATER Act)**, introduced by **Rep. Jeff Denham**.

The New WATER Act would authorize the Bureau of Reclamation to provide non-Federal entities with access to low-cost, long-term financing for much needed water infrastructure investments, including surface water and groundwater storage projects as well as other water management improvement projects. If the New WATER Act were in place today, the program would provide water project sponsors with access to federally-backed loans that could cover up to 49 percent of total project costs, with a repayment period of up to 35 years at a rate of approximately 3.04 percent.

On a project like Sites, which will add as much as 1.8 million acre-feet of off stream surface water storage north of the Sacramento – San Joaquin River Delta, greatly increasing the reliability of statewide water supplies for environmental, agricultural and urban uses, financing from the New WATER Act could drive down the cost of water by 20-25 percent or more.

The New WATER Act provides this critically important assistance at little to no cost to the federal taxpayer, as the risk to the government of default on these types of water infrastructure loans is very, very low. For example, authorizing \$175 million in federal budget authority for the new loan program would support over \$11.4 billion in low-cost, long-term financing, with actual out of pocket costs to the Treasury of less than \$10 million.

Modeled after the successful and popular Transportation Infrastructure Finance and Innovation Act (TIFIA) program, which provides assistance to large-scale transportation projects, and the Water Infrastructure Finance and Innovation Act (WIFIA), enacted in 2014, H.R. 434 and

proposals like it have many other important benefits including: eliminating any requirement to borrow a debt service reserve fund (a savings of \$6 million on every \$100 million financed); deferring the initiation of repayment for up to five years following substantial completion of the project (allows a project to be fully operational, generating revenue, before requiring the initiation of repayment); and, granting non-federal sponsors the authority to refinance existing water infrastructure debt, if doing so will enable greater water infrastructure improvements (old, expensive debt frequently inhibits non-federal entities from making additional water infrastructure improvements).

It is also critically important to projects like the Sites Project that Reclamation have a source of funds to make direct investments in new water storage. **Section 4007 of the Water Infrastructure Improvement for the Nation (WIIN) Act** is just such a source of funds. Section 4007 authorized \$335 million in federal water storage financial assistance, and these funds can be used by Reclamation to acquire federal benefits from a storage project like Sites that equal up to 25 percent of the total costs of the project. Combined with federally-backed financing, this storage account assistance will greatly accelerate work on projects like Sites.

To help address the long-term water supply needs of our region, the State of California and the West, we need Congress to consider these new, taxpayer friendly federal assistance tools to help local agencies like ours to better manage and develop new, more drought resilient water supplies.

That concludes my remarks. Thank you for the opportunity to testify and for your leadership on this important concern. At the appropriate time, I would be happy to answer any questions you may have.