

**Requested Action:**

Review and comment on the contents and timing for the California Water Commission (CWC) Proposition 1 Water Storage Investment Program (WSIP) Feasibility Report submittal.

**Detailed Description/Background:**

The CWC is required to make a determination that each project conditionally funded under WSIP is feasible (Water Code Section 79755 (a)(5)(B)). Project proponents are required to submit a feasibility report which will serve as a primary source of information for project description, project analyses, and demonstrate that the project continues to be planned to provide public benefits at the levels the CWC used to make the conditional award of \$816M for the Sites Project. A feasibility determination by the CWC is required by January 1, 2022 as part of project eligibility requirement of the WSIP (Water Code Section 79757). The Commission staff plans to bring consideration of feasibility for the Sites Project to the December 17, 2021 meeting.

Staff is in the process of preparing a WSIP Feasibility Report for the Sites Project. The report is being prepared consistent with the WSIP Program requirements (CWC, Technical Reference, 2016, November). This includes specific guidance on the hydrology/climate change assumptions used to evaluate project performance and the use of the separable costs/remaining benefits method for cost allocation; benefit and cost values will be shown in 2021 dollars.

For cost efficiency, the project team will include and rely upon several documents that are being prepared for other project purposes (e.g., RDEIR/SDEIS, feasibility design documents, updated project cost estimate, plan of finance, etc.) as appendices in the WSIP Feasibility Report. The December 2020 Final Federal Feasibility Report, which concluded in the Secretary of Interior making the finding of project feasibility, will be used to demonstrate Federal interest in the project and supports the State making a similar finding, although the State's feasibility requirements are different. The report will address the following items consistent with WSIP requirements:

- Project objectives – identifying the project objectives, including all public and non-public benefits the Sites project is designed to provide.
- Project description – describing the proposed project, including facilities, operations, and relationships with existing facilities and operations.

- Project costs – identifying and describing all project costs, including construction costs, interest during construction, replacement costs, operations and maintenance (O&M) costs consistent with the operations plan, and costs of mitigation for adverse environmental consequences identified in the draft environmental documentation. This section will highlight the continued unfunded O&M cost for the State’s public benefits and reaffirm the proposals made in the application to address as part of ongoing dialogues with the State.
- Project benefits – describing and quantifying all proposed project benefits, consistent with the operations plan.
- Cost allocation – providing a benefits-based cost allocation to determine the costs to be assigned to the project beneficiaries. The federal government’s Separable Costs-Remaining Benefits method is a commonly acceptable method to do a cost allocation.
- Technical feasibility – demonstrating that the project is technically feasible consistent with the operations plan, including a description of data and analytical methods, the hydrologic period, development conditions, hydrologic time step, and water balance analysis showing, for the with- and without-project condition, all flows and water supplies relevant to the benefits analysis.
- Environmental feasibility – demonstrating that the project is environmentally feasible and describing how significant environmental issues will be mitigated or indicate if the Lead Agency has or will file a Statement of Overriding Considerations.
- Economic feasibility – demonstrating that the expected benefits of the project equal or exceed the expected costs, considering all benefits and costs related to or caused by the project.
- Financial feasibility – demonstrating that sufficient funds will be available from public (including the funds requested in the application) and non-public sources to cover the construction and operation and maintenance of the project over the planning horizon. It must also show that beneficiaries of non-public benefits are allocated costs that are consistent with and do not exceed the benefits they receive.
- Constructability – demonstrating that the project can be constructed with existing technology and availability of construction materials, work force, and equipment.

The Draft WSIP Feasibility Report will be completed in July 2021, at which time staff will seek approval from the Reservoir Operations and Engineering Workgroup and the Joint Budget and Finance Committee to initiate review with Commission staff. It is anticipated that Commission staff will require one month to review and provide comments on the Draft Feasibility Report; Commission staff comments will be considered in the preparation of the Final WSIP Feasibility Report. Staff plans to seek approval from the Reservoir Committee and Authority Board at the September 2021 meetings to submit the Final WSIP

Feasibility Report to Commission staff, so that the Commission may consider determination of project feasibility on December 17, 2021.

**Prior Action:**

None.

**Fiscal Impact/Funding Source:**

None.

**Staff Contact:**

Henry Luu

**Attachments:**

None.