



Water Storage Investment Program

Item 12. Adjustment of Maximum Conditional
Eligibility Determinations

Introduction

Continuation of the Commission's discussion from December regarding adjustment of existing project MCEDs.

- Commission expressed need for additional information; staff MCED adjustments were not passed.
- Commission gave staff direction to advance screening process for new projects.

Introduction, continued

WSIP context

- Commission's intent to deploy funding expeditiously to realize public benefits of storage
 - Long timelines
 - Met statutory deadlines
 - In accordance with statute interim deadlines
- Uniqueness
 - Construction costs for public benefits later
 - Contracts for administration of public benefit
 - MCED as "what's possible"
 - Commission retains discretion over final award



Staff Recommendation Recap and Rationale

Review staff recommendation

Option	Project Impact	Funds
Increase rank 3 MCED to Applicant's Request	Kern Fan Groundwater Storage Project	\$18,122,685
	Willow Springs Water Bank Conjunctive Use	\$27,884,001
	Total	\$46,006,686
Inflation Adjustment – 2.5%	Chino Basin Conjunctive Use Program	\$5,172,500
	Harvest Water Program	\$7,012,500
	Kern Fan Groundwater Storage Project	\$2,141,500
	Los Vaqueros Reservoir Expansion Project	\$11,475,000
	Pacheco Reservoir Expansion Project	\$12,113,750
	Sites Project	\$20,409,442
	Willow Springs Water Bank Conjunctive Use	\$3,082,250
	Total	\$61,406,942
Consider New Projects	Total	\$63,916,372
	Total funds	\$171,330,000

Staff recommendation - background

- Staff recommendation:
 - Utilizes mechanisms that do not reopen applications.
 - Balances existing project needs while creating incentives for new projects.
 - Provides certainty for both existing and new projects.
 - Near term decisions on MCED adjustments could be important signals for local investors, who are bearing the bulk of the costs.

Recap of December meeting outcomes

- Commissioner questions on key items
 - Legal standing for making MCED adjustments
 - Status of projects
 - Effect of Commission decisions

Staff recommendation – legal standing

- The Commission has the authority to continue to administer the WSIP to address changes on a case-by-case basis.



Rank 3 Projects Recommended MCEd Adjustment

Recommended Rank 3 MCED adjustments

- Staff recommends adjusting two Rank 3 Projects to their applicant requested amount.
 - Fully reviewed and eligible for the requested amount.
 - More aligned with Beneficiary Pays principle.
 - State paying for the public benefits identified in the application.
 - More impactful than inflation adjustment for these projects.

Recommended Rank 3 MCED adjustments

- For the applicants:
 - Clear intent from the State to support the project as configured.
 - Reassurance of project parameters – better able to advance needed planning efforts.
 - Reduces efforts needed to resolve funding gap.
 - Without adjustment - funding gap/possible benefit modification.
- Decision within a few months is most helpful.



Inflationary Adjustments Recommended for All Projects

Recommended MCED adjustments for inflation

- Recognizes changes to the value of the dollar.
- Does not consider project-specific scope changes.
- Does not reopen applications.
- Would treat all applicants equally.
- Message State's recognition and support.
- Public benefit expectation does not increase.

Review of project status

- Staff's assessment is that all remaining projects are able to progress within the WSIP.
- Projects do face challenges that they must resolve.
- Milestone year.

Commission decision effects on projects

- If MCED adjustment is made:
 - Message to project teams
 - State as partner
 - Helps funding gaps
- If MCED adjustment is not made:
 - Funding gap harder to close
 - Choices for applicant – find additional funding, modify project
- Timing:
 - Effects vary by applicant
 - Commitment to making an adjustment sooner is better

Inflationary adjustment options

Project	MCED	2%	2.5%	3%	5.1%
Sites	\$816,377,686	\$16,327,554	\$20,409,442	\$24,491,331	\$41,652,928
Chino	\$206,900,000	\$4,138,000	\$5,172,500	\$6,207,000	\$10,556,377
Harvest Water	\$280,500,000	\$5,610,000	\$7,012,500	\$8,415,000	\$14,311,570
Kern Fan	\$85,660,000	\$1,713,200	\$2,141,500	\$2,569,800	\$4,370,514
Los Vaqueros	\$459,000,000	\$9,180,000	\$11,475,000	\$13,770,000	\$23,418,932
Pacheco	\$484,550,000	\$9,691,000	\$12,113,750	\$14,536,500	\$24,722,535
Willow Springs	\$123,290,000	\$2,465,800	\$3,082,250	\$3,698,700	\$6,290,458
Total Inflation Adjustment Available for New Projects		\$49,125,554	\$61,406,942	\$73,688,331	\$125,323,314
		\$76,197,760	\$63,916,372	\$51,634,983	\$0

Staff recommendation is **shown in blue**.

Numbers assume MCED adjustments to Kern Fan and Willow Springs (\$46,006,686) from Rank 3 differences have been made.

Commission decision

- Kern Fan/Willow Springs MCED adjustment.
 - Adjust MCED to applicants' request
 - Delay the decision
 - Do not change the MCEDs
- Adjust MCED for Inflation.
 - Adjust MCEDs by 2.5%
 - Adjust MCEDs by another %
 - Delay the decision
 - Make no inflation adjustment
- Applicants are available for questions.