



January 14, 2021

Teresa Alvarado, Chair
 California Water Commission
 P.O. Box 942836
 Sacramento, CA 94236-0001

Sent via email: Teresa.Alvarado@cwcc.ca.gov

Subject: Water Storage Investment Program (WSIP) Funding and Maximum Conditional Eligibility Determination (MCED) for the Kern Fan Groundwater Storage Project

Dear Chair Alvarado and Members of the Commission:

The purpose of this letter is to provide a brief overview of the Kern Fan Groundwater Storage Project (Kern Fan Project), to describe the challenges and options available to address the current shortfall in WSIP funding for the project, to provide an update on progress in meeting funding requirements and to request that the Commission adjust the MCED for the Kern Fan Project to the eligible requested amount of \$85,660,000. This requested amount is based on the Commission's pre-vetted eligible public benefits of the Kern Fan Project and the additional funding available to the Commission now that the Temperance Flats project has been withdrawn.

Overview of the Project:

The proposed Kern Fan Project will develop a regional water bank in the Kern Fan area to capture, recharge, and store unallocated Article 21 water from the State Water Project (SWP) during wet hydrologic periods that would otherwise be lost to the ocean. The stored water would be extracted when needed to provide ecosystem, emergency supply and water supply benefits.

The Kern Fan Project will develop up to 1,280 acres in the Kern Fan area and construct recharge and recovery facilities as necessary to develop a fully functioning water banking project. In addition, the Applicants will construct a new dedicated turnout and conveyance canal from the California Aqueduct to convey flows from the SWP to the new recharge facilities. The overall project would consist of approximately 500 cubic feet per second (cfs) of canal capacity from the California Aqueduct, 100,000 acre-feet (AF) of storage capacity, up to 100,000 acre-feet per year (AFY) in recharge capacity and up to 70 cfs, or 50,000 AFY, of groundwater recovery capacity. Storage capacity in the project would be allocated to IRWD, Rosedale and the WSIP as shown in the following table:

Kern Fan Project Storage Allocations

Project Participant	Storage (AF)
Irvine Ranch Water District	37,500
Rosedale-Rio Bravo Water Storage District	37,500
WSIP Public Benefits	25,000
TOTAL:	100,000

The project would provide 25,000 AF of unallocated Article 21 in a WSIP account, held for public ecosystem benefits. The water held in this account would be exchanged for Table A water held in Lake Oroville on a 1-for-1 basis. Water could then be released from Lake Oroville as pulse flows to the Feather River supporting the downstream fish population and providing ecosystem public benefits in the Delta.

Application, Review and Conditional Funding Award:

The applicants successfully met all of the WSIP funding deadlines and Commission submittal requirements. Following rigorous technical, financial, and risk reviews the Commission determined that the Project was eligible for up to \$85,660,000 in WSIP funding based on the Project’s public benefits. The Maximum Conditional Eligibility Determination (MCED) awarded to Project was only \$67,537,315 due to a lack of available WSIP funding, resulting in a shortfall of \$18,122,685.

WSIP Funding Shortfall and Public Benefits:

Since the Kern Fan Project received a lower MCED than it was eligible to receive, the associated public benefits will not be equitably funded as compared to other WSIP projects that were funded at the full eligible amount. The WSIP funding shortfalls for the Kern Fan Project will result in eligible public benefits being paid for by the rate-payers of the project sponsors. As a matter of equity to the other fully funded projects, we respectfully request that a portion of the additional funding available to the Commission be awarded to the Kern Fan Project to increase the MCED to the full eligible amount of \$85,660,000. Alternatively, to preserve equity and avoid a burden on our rate payers for benefits to the State of California, the Project could be modified to reduce the scale of the public benefits to a level commensurate with the funding award amount.

Previous Resolution Related to WSIP Funding:

In anticipation that more funding could become available at a later date if any of the Projects were not able to successfully move forward, the Commission approved Resolution 2019-02. The resolution recommended that the first priority would be to adjust the MCED for the Rank 3 Projects, which have already undergone full review and vetting by the Commission, to the full requested eligible amounts. That would result in an adjusted MCED for the Kern Fan Project in the amount of \$85,660,000.

Conclusions:

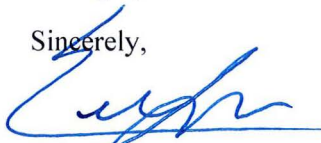
The WSIP storage projects are important to the State’s water resiliency. We have been working diligently and the Kern Fan Project is on track toward meeting the CWC’s schedule for executing the funding agreement no later than early 2022. A summary of the status of Kern Fan Groundwater Storage Project and progress toward meeting the requirements is provided below.

Requirement	Percent Complete	Status
Contracts for Non-Public Cost Share	100%	The Groundwater Banking Authority JPA agreement executed in 2020 includes a provision that IRWD and Rosedale will each fund 50% of the non-grant funded project cost.
Contracts for administration of public benefits.	45%	Applicants are coordinating with CDFW and DWR on the agreements for administration of public benefits.

Completed feasibility studies	75%	Anticipate completing and submitting feasibility study in Spring 2021.
Environmental Documentation	100%	Final EIR certified by the Groundwater Banking Authority December 2020.
Required Federal, State and Local Approvals	50%	Approvals anticipated by December 2021.

Thank you for your consideration of this request. Our shared interest is in getting these projects built and equitably providing the public benefits to the State of California. We remain committed to achieving this goal. Should you have any questions, please do not hesitate to contact me at (661) 589-6045 or Project Manager, Fiona Sanchez at (949) 453-5325.

Sincerely,



Eric Averett
Authority General Manager

cc:

Joe Yun, CWC
Amy Young, CWC
Fiona Sanchez, IRWD
Paul Weghorst, IRWD