

Where Are California's New Dams?

California voters approved \$2.7 billion in funds for new storage projects after passing a 2014 water bond, but no new dams have been approved yet

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Where are the new dams?

That question has been asked, often quite loudly, by many Californians in the months since voters overwhelmingly approved Proposition 1, the 2014 water bond that authorized \$7.5 billion in funding for various projects and needs, and specifically allocated \$2.7 billion for storage projects.

Some have questioned whether the Brown administration is holding things up by creating a long regulatory process that will guide the California Water Commission's decisions on where and how the \$2.7 billion will be spent.

We have legitimate reasons to criticize the Brown administration these days, but this isn't one of them. Here are two reasons why:

First, the actual text establishing the rules and processes for distribution of water storage funds in the 2014 bond, Proposition 1, is identical to the text the agriculture industry negotiated and applauded in 2009 when then-Governor Schwarzenegger signed SBX 7-2, save for implementation dates and deadlines that had to be changed to reflect the passage of time.

Those rules and processes require that the taxpayers of California will only pay for defined public benefits of a new storage project, and that in any case no more than 50 percent of a storage project's cost can be funded this way. Defined public benefits include improvements to the Delta ecosystem, water quality improvements, flood control, emergency water supply and recreational activities. The remainder of the project must be funded by the private beneficiaries of the storage project, i.e., the water users who will receive new water yield for their own beneficial use.

That 2009/2014 text also creates a regulatory process, overseen by the California Water Commission, to develop the criteria and methods for the evaluation and ranking of storage projects competing for these dollars. The heart of this process is known as the "quantification of public benefits."

Because the ultimate outcome is the allocation of general obligation bond moneys to eligible projects, the Water Commission (with technical assistance from the Department of Water Resources) must essentially monetize the public benefits of each project applying for bond funds. For example, a storage project that will cost \$2 billion to build could receive up to \$1 billion in bond funds, if its public benefits were valued at \$1 billion under the state criteria. Creating the formulas and processes that will determine how to set those values is the focus of the Water Commission's work right now.

The 2014 water bond sets December 15, 2016, as the deadline for this process, and allows for water storage funds to be allocated to qualified projects only after that date, which brings us to the second reason this process shouldn't be rushed: The entities proposing Prop. 1 funding for two new reservoirs – Sites and Temperance Flat – needed this time to perfect their competitive proposals for these dollars.

Proposition 1 – like the 2009 bond before it – makes surface storage projects identified in a previous process, known as “CalFed,” eligible for funding. Other storage benefit projects can also compete for funding, including groundwater storage and contamination prevention and remediation projects that provide storage benefits, conjunctive use and reservoir reoperation projects and local surface storage projects that benefit the state’s system and provide public benefits.

When this text was crafted in 2009, the legislative sponsor, then-state Senator Dave Cogdill (R-Modesto) and Governor Schwarzenegger saw the public benefits requirements as naturally favoring the large surface storage projects. After all, if improving flows into the Delta for habitat and species is a public benefit, it’s hard to see groundwater projects competing with new reservoirs upstream of the Delta. Similarly, it’s tough to imagine how a groundwater project provides public recreation or flood control benefits.

Nonetheless, the water bond text sets up a competitive process to allow the Water Commission to rank each applicant on the public benefits. The joint powers authorities that will make that case to the Water Commission for both Sites and Temperance Flat needed this time to form and establish governance policies, prepare finance and operations plans, and get their best case ready for presentation to the Water Commission. The timeline built into the water bond has helped keep all competitors at the starting line, which has helped those with the biggest and most expensive proposals.

The challenge now is keeping the regulatory process from deviating from the intent of the bond text itself, and more importantly, from the will of the voters. Environmental activist groups have been advocating a twisted interpretation of the bond’s requirements for storage funding that would prevent new dams from being funded.

As the Brown administration completes the regulatory process for storage funding, they would do well to remember that when the voters of California approved Proposition 1 by a margin of more than two-to-one, they were declaring their support for the state to build new surface storage infrastructure. There is much more to Prop. 1 than that, but building new dams was the dominant theme of the campaign, and the voters said, “Yes.” Their will must not be thwarted.