

Water Infrastructure

California Continues to Make Progress on Important Water Supply Projects

California faces a multitude of water management challenges, brought on by droughts, floods and other natural disasters. While the state's weather patterns have always been variable, climate change has and will continue to exacerbate the weather whiplash that is intensifying drought and precipitation events. The past decade has been marked by intense swings between wet and dry years, which has underscored the urgency with which California must rethink the way it captures, stores and delivers water throughout the state. Much of California's water supply and flood control infrastructure was built a century ago. As existing infrastructure ages and weather patterns change, substantial new investments are needed to ensure California's water and climate resilience in the decades to come.

Local and state agencies are making generational investments in a holistic set of infrastructure projects, including above and below ground storage, water recycling, desalination, and more. The Newsom administration has played a leading role in two major projects that, if completed, would enhance water supply reliability for much of California.

SITES RESERVOIR

Sites Reservoir is a proposed off-stream water storage facility in California's Sacramento Valley, intended to provide additional water storage capacity for the state. This reservoir would use a mix of new and existing infrastructure to divert water from the Sacramento River during high-flow periods — after all other water rights and regulatory requirements are met — into a



An aerial view of the proposed Sites Reservoir near Maxwell, California on September 5, 2014. Kelly M. Grow/ California Department of Water Resources

large basin for storage. Sites has a planned storage capacity of about 1.5 million acre-feet, making it one of the largest new water storage projects in California in recent decades.

The region of the state where Sites Reservoir would be located receives the majority of California's rainfall. So locating a new reservoir here means that Sites can collect excess winter storm flows from uncontrolled streams below the existing reservoirs in the Sacramento Valley and store that water for use during dry periods. By operating in conjunction with other California reservoirs, Sites Reservoir will substantially increase water supply flexibility, reliability and resiliency in drier years. Additionally, a portion of this water supply will be dedicated to support native fish, migratory birds and their habitats.

As an off-stream reservoir, Sites would avoid many of the

negative environmental impacts associated with on-stream dams. Capturing only excess flows during extreme storm events leaves water in the Sacramento River to support fish and wildlife. Sites will also contribute to the increased freshwater flow into the Delta during drier periods to assist with salinity management.

The estimated cost of Sites Reservoir is approximately \$4 billion. A significant portion of the funding for this project comes from conditional commitments by 30 local agencies from across the state which represent millions of Californians and thousands of acres of food-producing farmland. The California Water Commission also has set aside \$800 million in state bond funds for Sites.

The project is currently in advanced planning and permitting stages. The project completed two major milestones in 2023 with the release of the Final Environmental Impact Report/ Environmental Impact Statement, which is the penultimate step for achieving California Environmental Quality Act (CEQA) and National Environmental Policy Act (NEPA) approval.

Sites also benefitted from a recent legislative effort, championed by Governor Gavin Newsom, to streamline critical infrastructure projects. Specifically, SB 149 (Caballero; D-Merced), passed by the Legislature in 2023, requires courts to decide CEQA challenges within 270 days to the extent feasible. In 2024, this law allowed a lawsuit challenging whether the project complied with CEQA to be resolved in 256 days, with the appellate court ultimately rejecting the challenge.

The process of obtaining water rights for the Sites project is pending before the State Water Resources Control Board's Administrative Hearings Office. A decision is expected in 2025. Additional permits and approvals are expected to be completed in 2025, and construction is expected to begin in 2026.

DELTA CONVEYANCE PROJECT

In addition to capturing and storing more water, the state is seeking to modernize the infrastructure used to move water from north to south. The Delta Conveyance Project (DCP) involves constructing a tunnel system to transport water from the Sacramento River to the southern Delta, where it can be delivered using existing infrastructure that supplies water to areas throughout the state, including Southern California, the Bay Area, and the Central Valley. This essential climate adaptation project will capture and move water during high storm flows, allowing the state to store more water for use during droughts.

The Sacramento-San Joaquin Delta is central to an aging system of dirt levees, aqueducts and pipes that delivers water to

homes, farms and businesses throughout the state. The system is at risk of collapse if there is a major earthquake or flood and salinity caused by sea level rise threatens water quality. The existing infrastructure of the State Water Project lacks the ability to sufficiently capture runoff from intense precipitation events, which are expected to become more common in an age of climate change. If the DCP had been operational in 2024, it could have captured roughly 941,000 acre-feet of water from January to June, enough to supply more than 9.5 million people or more than 3.1 million households for one year.

In May 2024, the California Department of Water Resources (DWR) released a cost-benefits analysis of the DCP, finding the project is a net benefit for Californians. DWR estimates the DCP will provide \$2.20 in benefits for every \$1 spent. While the cost of the project is estimated at \$20.1 billion, “doing nothing” will cost California billions of dollars and jeopardizes the water source for millions of state residents and more than 750,000 acres of farmland, the report stated.

The State Water Board's Administrative Hearings Office is currently reviewing water right change petitions filed by DWR for the project. The permitting and planning phase of the project is expected to be complete by 2030 with hopes of the tunnel being in operation in the 2040s.

DEVELOPING NEW LOCAL WATER SUPPLIES

In addition to these forward-thinking projects designed to improve the state's ability to capture and convey water during and after high-flow weather events, sizable investments are being made in regional water resiliency projects. Regions of California that receive infrequent rainfall depend on imported water supplies to meet the water needs of homes and businesses. As climate change stresses water supplies, however, there is a need for these regions to reduce their reliance on important supplies and find ways to recycle the water being used.

In Southern California, the Metropolitan Water District (MWD) and Los Angeles County Sanitation District are partnering on Pure Water Southern California, a large-scale water recycling facility that would take cleaned wastewater currently sent to the ocean and purify it for high-quality drinking water. The project is expected to produce 150 million gallons of water each day, which would be enough to meet the demands of 1.5 million people, making it one of the largest water recycling projects in the world.

ASSEMBLY SELECT COMMITTEE ON PERMITTING REFORM

While California works to upgrade its water supply and flood

control infrastructure, it is an open question whether these projects can be built at the pace and scale necessary to keep up with a changing climate. As the wets get wetter and dries get drier, our water systems must be prepared to ensure California can continue to thrive. Building water infrastructure for the 21st century requires regulatory frameworks to move quickly to keep up. Although the need for these projects is evident, getting these projects approved and built in a timely manner can be a significant challenge.

In 2024, the California State Assembly formed the Select Committee on Permitting Reform, intended to examine existing permitting processes for housing, energy, water projects, and more. The California Chamber of Commerce joined a coalition of organizations representing water agencies, agricultural producers, and other industry stakeholders in submitting a letter to the select committee that highlighted instances where critical water infrastructure projects can become mired in delays. Even after the CEQA process is complete, the permitting process can be slowed by overlapping jurisdictions of state and federal agencies, confusion over what's required for a completed application, and state agency and project applicant staffing issues.

Local agencies have made, and will continue to make, significant investments in these projects; according to the Public Policy Institute of California (PPIC), local funding accounts

for about 84% of the funding for water supply development projects, with the state and federal investments at 13% and 3% respectively. As delays occur, costs increase and depending on the size of the project, delays ultimately can cost water rate payers and taxpayers tens of millions of dollars. This regulatory gridlock also can lead to worse environmental outcomes and delay projects that will benefit the environment. It is imperative that permitting processes provide the needed protections they are intended to without unduly delaying or preventing these critical investments in California's future.

The select committee held a series of informational hearings over the fall of 2024 and will release a report of its findings and recommendations for permitting reform solutions early in 2025. It is expected that some of these recommendations will materialize as legislation in 2025.

CALCHAMBER POSITION

The CalChamber will continue to support construction of Sites Reservoir and the Delta Conveyance proposal promoting construction of one tunnel to convey water through the Delta.

The CalChamber also supports legislation that seeks to streamline the permitting process for water supply and flood risk reduction projects. Addressing unnecessary delays in the permitting process for critical infrastructure projects will reduce costs borne by ratepayers and better ensure California builds at the pace and scale needed to address climate change.



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