



July 20, 2011

Attention: Imported Water Committee

Update on Long-Term Bay Delta Actions (Information).

Purpose

This memo provides an expanded Bay-Delta quarterly update on the recent Bay-Delta activities, including Bay Delta Conservation Plan, the Delta Stewardship Council's fourth public draft of the Delta Plan, and issues raised by the Water Authority and its MWD Delegates on financing for the Bay Delta improvements.

Background

Metropolitan Water District (MWD), one of the Water Authority's imported water sources, buys and imports water from Northern California and the Colorado River and then sells and distributes it to its member agencies. The Colorado River water is delivered to MWD's service area via MWD's own Colorado River Aqueduct (CRA), for which the capital component has been paid. MWD purchases water from Northern California through the State's California Aqueduct, by way of a "take-or-pay" State Water Project (SWP) water supply contract that contains a significant amount of capital costs yet to be repaid. Because MWD's Colorado River supplies are less costly, MWD had historically base loaded its CRA to meet demands, and relied on surplus and other states' unused apportioned water to fill the CRA. This strategy worked until 2003, as neighboring states, Arizona and Nevada, increased their water use from the Colorado River, which caused MWD to rely more on its more expensive and hydrologically dependent SWP to meet demands.

While the quantity of SWP available for delivery has always been influenced by both hydrology and operational considerations, the SWP reliability has recently been severely affected by environmental issues brought by litigation involving the Bay Delta estuary. Because the Delta estuary supports many species and is also the transportation hub to move water from Northern California to Southern California, several processes had been established to address the need of the ecosystem and water exporters, upon other things. In 2006, then-Governor Arnold Schwarzenegger established by Executive Order a Delta Vision process. In 2008, the Delta Vision Blue Ribbon Task Force, a group formed as a result of the process, issued a Delta Vision Strategic Plan that provided 12 integrated and linked recommendations for long-term sustainable management of the Bay Delta. The recommendation to restore habitat within the Delta in a way that reliably delivers water throughout California prompted the preparation of the Bay Delta Conservation Plan (BDCP) by a collaboration of state, federal, and local water agencies, state and federal fish and wildlife agencies, environmental organizations, agricultural organizations, and other entities. As part of the evaluation of environmental impacts resulting from the BDCP's goal to advance the restoration of the ecosystem in the Delta and improve the reliability of water supplies, state and federal laws require the development of an Environmental Impact Report (EIR) and an Environmental Impact Statement (EIS), respectively. The BDCP EIR/EIS is being developed by the California Department of Water Resources (DWR) and the Bureau of Reclamation. In a parallel process, DWR formed the Delta Habitat Conservation and

Conveyance Program (DHCCP) to provide engineering and real estate services in support of the environmental review process, which includes completion of a Habitat Conservation Plan (HCP) and a Natural Community Conservation Plan (NCCP). The goal of the HCP/NCCP is to provide for the conservation of species and habitats covered by the Plan. The final EIR/EIS is scheduled for completion by April 2012; the final BDCP is expected to be complete by late 2012 or early 2013, and would be implemented over the following 50 years.

In 2009, the State passed Senate Bill X7-1, known as the Sacramento-San Joaquin Delta Reform Act of 2009 (Delta Reform Act). The legislation also directed that the Bay Delta be managed with dual goals of water supply reliability and ecosystem protection and created two new governmental entities – the Delta Stewardship Council (Council) and the Sacramento-San Joaquin Delta Conservancy (Conservancy). The Conservancy is charged with implementing ecosystem restoration in the Bay Delta, while the Council is directed to adopt and oversee implementation of a comprehensive Bay Delta management plan (Delta Plan) by January 1, 2012. The Council is also statutorily designated as a “responsible agency” regarding the development of the BDCP’s EIR/EIS. In order to be incorporated into the Delta Plan and for public funds to be made available for public restoration benefits, the BDCP must meet the statutory criteria in the Delta Reform Act.

Discussion

Bay Delta Conservation Plan. The BDCP is being developed as a multi-species HCP/NCCP under the federal and state endangered species acts. By providing a plan that seeks to recover listed species, state and federal water management agencies will be able to obtain the permits necessary to build necessary infrastructure in the Delta.

In November 2010, a working draft of the BDCP was released reflecting some progress towards consensus by the various stakeholders on improving water supply and reliability and restoring the Bay Delta ecosystem. The November working draft aims to gain authorization under the federal and state endangered species act for a strategy that consists of a dual water delivery system comprised of new North Delta Diversion facilities and an isolated conveyance system to transport water to the existing SWP and CVP export facilities in the South Delta. The strategy is planned to work in tandem with the existing through-delta conveyance system to allow for greater flexibility in operating the state and federal projects.

In May, the National Research Council (NRC), whose mission includes improving government decision-making and public policy, released a report titled “The Review of the Use of Science and Adaptive Management in California’s Draft Bay Delta Conservation Plan.” The report identified the November draft plan lacked a critical component – the effects analysis – in moving the process forward. The report also pointed out that the BDCP lacked an analysis of water conveyance alternatives. Deputy Secretary for the California Natural Resources Agency Gerald Meral, in addressing the MWD Water Planning and Stewardship Committee, agreed with NRC’s assessment, saying that November draft is a work in progress and will be science-based. Other key issues identified by the NRC and other groups as incomplete but critical included developing the operations criteria and cost-share and funding mechanisms. Today, the “effects analysis,” which the BDCP defines as “a systematic scientific look at the potential impacts of a proposed project on those species and how those species would benefit from conservation actions,” is still

being prepared. The effects analysis, which is expected to be completed in late-2011 or early-2012, would more accurately define the impacts of water project operations; without the analysis, it is hard to evaluate alternative mitigation and conservation actions. Additionally, if the BDCP is to achieve co-equal goals of providing reliable water supply and protecting the Delta ecosystem, then the rational progression is to select alternative projects or develop the operations criteria only after the effects analysis is completed, project costs are better defined, and financial commitments to pay for the project are obtained from water contractors.

While the BDCP Draft Finance Plan for the new conveyance is scheduled for release at the end of this year, the November working draft shows a low and a high estimate of cost to implement the BDCP measures. The mid-point estimate of cost for the Delta pipeline/tunnel conveyance option is about \$13 billion. The mid-point cost to implement ecosystem restoration and to address the effects of other stressors is about \$3.6 billion. Others have placed the conveyance and ecosystem restoration costs at a much higher amount. At this time, the allocation of project costs between the SWP and CVP has yet to be resolved; no agreement has been reached on the apportionment of cost of the various components of the BDCP beyond SWP and CVP contractors' commitment to fund the study for the new conveyance and related mitigation measures. As such, in order to provide a cost estimate for its long-term financial planning purposes, MWD has assumed a cost sharing formula that divided the cost equally between the SWP and CVP contractors; then the SWP share is allocated according to the existing Table A formula, which MWD is responsible for about 50 percent. Accordingly, MWD has stated that it would fund 25 percent or more of the total project cost. While the Finance Plan is vital in the BDCP process, it is unclear whether the BDCP costs may balloon to unmanageable levels for its stakeholders, such as MWD, because agreements with stakeholders to define financial commitments have not been secured. Further, without firm commitments by MWD's own member agencies, MWD may not have the financial resources to undertake a project of this magnitude. And, without MWD as a major financial backer, the success of BDCP is placed in doubt.

To date, approximately \$253.5 million has been estimated to cover development of the BDCP environmental documents and initial costs (the funds are managed by the DWR); \$153.5 million has been authorized via agreements with stakeholders, including MWD; the remaining \$100 million forecasted for future BDCP analysis has not been committed by any agency. MWD staff indicates that it will not execute an agreement until the completion of the effects analysis and details of the benefits it would gain is identified.

Due to the concerns over financing, in May, the Water Authority, along with 12 other water agencies and stakeholders, expressed support in a letter to California Natural Resources Secretary John Laird for the state's renewed effort to place emphasis on the financing of the BDCP (see Attachment 1). MWD plans to return to its board in August to provide an update on the BDCP costs to-date and obtain direction on future costs.

A critical piece to both the SWP and CVP contractors is the preparation of a water supply benefit analysis. A great deal of work must be completed to determine the relative water supply benefit of the BDCP before determining the cost of each contractor to implement the BDCP. Depending on the results of the effects analysis, DWR would determine if any adjustments need to be made

in the conveyance strategy. The November draft illustrates that before the recent regulatory restrictions, the SWP and CVP combined exports totaled about 6.0 million acre-feet (maf) on average. The BDCP takes into consideration climate change conditions and assesses water supply resulting from potential operations criteria of new facilities that could be constructed and operable by 2025. With the continued operations of the existing system under current biological opinion restrictions, the resulting water supply is estimated to be about 4.7 maf of export on average. Based on analysis to-date for dual operations (made up of new North Delta Diversion facilities and the existing system in the South Delta) operational criteria, the potential average annual water supply is forecasted to be 5.9 maf. There are remaining issues still under discussion that may influence the effects analysis, such as conditions related to the Old & Middle River Flow and Fall Outflow (X2) experiment, which could further impact the amount of “gained” export by about 500,000 af.

With the delay of the effects and water supply benefit analyses, the total cost of the BDCP has not been calculated.

Delta Stewardship Council. On June 14, the Council released its fourth staff draft of the Delta Plan. The draft continues to discuss the goals for the state water system, which includes sustainable water use, conveyance and storage, restoring fish and wildlife, improving water quality, flood risk, agriculture, governance, and financing. The following are some of the recommendations included in the fourth draft:

- Continue with long-term planning for larger water storage projects;
- Identify groundwater and surface water projects that could occur in the next five to 10 years;
- Develop groundwater management plans and identify areas of critical groundwater overdraft and prevent overdraft;
- Restore some areas around the Delta to a natural state; and
- Create a sense of place by designating the Delta and Suisun Marsh as a National Heritage Area.

Key concerns expressed by many water exporters, including MWD, consist of the following:

- Need for more emphasis to be placed on the importance of restoring water lost due to regulatory restrictions, as opposed to the Council’s focus on local resources investment;
- Address concerns over the additional layer of regulatory oversight the Council would have on water management issues such as water transfers and management of recycled water and conservation programs;
- Fix ambiguous language pertaining to the BDCP requiring the Council’s approval, specifically, if the BDCP meets the Delta Plan objectives;
- Improve language that is currently in conflict with the State Water Resources Control Board responsibility over the Delta Flow Criteria and water quality objectives; and
- Develop a strategic approach on levee investment, because scientists warn a major earthquake could crumble levees and contaminate the state’s primary freshwater supply with seawater.

The fifth draft of the Delta Plan is scheduled for release in July; after a 45-day comment period, a final draft of the Delta Plan and the draft EIR would be submitted to the Office of Administrative Law. The Final Delta Plan and EIR are slated for completion in December.

Prior to the release of the fourth draft, on June 10, a coalition of water agencies, associations and other organizations, which included the Water Authority, expressed concern that the Delta Plan drafts gave the Council more of a regulatory role than authorized by the Delta Reform Act, such as regulating the conservation practices of water agencies that receive water from the Delta. The water agencies felt that the emphasis on flow restrictions will either reduce or eliminate the benefits of the investments that the agencies are being asked to undertake in an isolated facility. As a result, the coalition submitted an Alternate Delta Plan to the Council requesting its inclusion in the environmental review process (see Attachment 2). The purpose of the Alternate Delta Plan is to stimulate discussion by the Council. This alternative addresses many of the crucial issues that the existing Delta Plan drafts do not, such as:

- Stressing cohesion with the Bay Delta Conservation Plan;
- Suggesting approaches that focus on key actions, rather than emphasizing regulations and other state requirements to improve water use efficiency;
- Addressing the challenges of storage, conveyance and water supply reliability and including the type of detail that has not yet been addressed by the Council, such as calling for studies of ammonia and nutrients in waterways and ending illegal water diversions in the Delta; and
- Putting forth that the finance plan supporting the Delta Plan “must be consistent with the beneficiary pays principle,” which means that if a region wants a new or expanded water delivery system, that region must be prepared to pay for those improvements.

The Water Authority and the coalition felt that the Council’s Delta Plan drafts fall short in addressing pertinent issues and by presenting the information sought in the Alternative Delta Plan, the Council would have a complete range of options in formulating its final Delta Plan.

Financial Issues. Development and improvement of the state’s water infrastructure and ecosystem is expensive. While the BDCP offered some estimates on the potential cost to meet the co-equal goals of water reliability and ecosystem restoration, there is not enough substantive engineering, economic and other financial information needed to develop an estimated total cost of the efforts. Significant details beyond the cost for conveyance are missing, such as environmental restoration beyond specific project mitigation requirements, which is expected to be paid for, in part, through the water bond, and levee protection. In the 2009 comprehensive water legislation package, the legislature placed an \$11.14 billion bond on the November 2012 ballot, which if passed would provide funds for activities specified in the Delta Plan. If the bond does not pass, the Council will need to develop an alternative finance plan as part of an update to the Delta Plan.

At this time, MWD has assumed its estimated cost of the Delta solution involves conveyance fix only, and its share of that cost to be roughly a quarter of the total costs. However, not all existing water contractors have subscribed to this allocation of costs; some support the “beneficiaries pay” principle, and the definition of benefits is sometimes ambiguous. Additionally, if a major water agency “financier” were to drop out, other exporters may need to

bear a greater share of the costs for the new conveyance. In late November 2010, the Westlands Water District and the San Luis and Delta-Mendota Water Authority, two of the water contractors engaged in the development of the BDCP, announced that they would withdraw their participation in funding of the BDCP. Although these agencies have subsequently extended their effective date for withdrawal to permit continued participation through completion of the effects analysis chapter of the BDCP, the implication seems clear. These agencies have stated if the effects analysis result turned out to be not “favorable,” they would not continue their participation.

The Water Authority continues to support a Bay Delta fix; at the same time, due to the lack of a water supply benefit assessment and financing plan, the Water Authority continues to raise concerns over the affordability of a Delta fix and the lack of firm, long-term financial commitments from MWD’s member agencies to back up MWD’s obligations on the SWP. The Water Authority has, for more than a decade, been advocating that MWD secure firm contracts for water purchases by its member agencies to better match MWD’s fixed costs. To date, MWD’s member agencies have refused to do so. In June, 23 of 26 MWD member agencies affirmed their confidence in MWD’s ability “to make a sound decision about proposed investments to fix the Bay Delta and that MWD’s water rate structure will ensure a fair, cost-of-service based allocation of costs” (see Attachment 3). Yet, many of the agencies that signed the letter have plans to significantly reduce their dependence on MWD supplies. With the majority of MWD’s revenues coming from volumetric water rate revenues, the reduction of member agencies’ demands on MWD would have a significant impact on MWD’s water rates. Indeed, one main reason that caused the recent significant rate hikes at MWD is the reduction in MWD sales.

Next steps

The Water Authority supports a realistic and affordable Bay Delta fix and is willing to support the position with a long-term contract to pay for its share of water and facilities. The Water Authority is concerned with the disconnect between decisions made by MWD’s board members to spend money on new water supplies versus its willingness to commit to pay for fixed costs. The delegates will continue to advocate prudent approaches on MWD expenditures on Bay Delta efforts as they are brought up for board approval. Similarly, Water Authority staff will continue to provide updates on MWD actions, including its supply conditions and any impacts that may affect its ability to deliver reliable and quality water.

Prepared by: Debbie Discar-Espe, Senior Water Resources Specialist

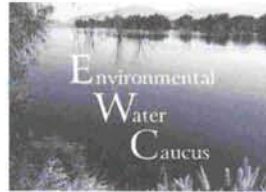
Reviewed by: Jeff Volberg, Government Relations Manager

Reviewed by: Amy Chen, MWD Program Chief

Attachment 1: Letter to Secretary John Laird, dated May 31, 2011.

Attachment 2: Letter to Delta Stewardship Council requesting inclusion as a Project Alternative in the EIR, dated June 10, 2011.

Attachment 3: Letter to MWD on BDCP and MWD’s Delta Action Plan, dated June 21, 2011.



May 31, 2011

John Laird, Secretary
California Natural Resources Agency
1416 Ninth Street, Suite 1311
Sacramento, CA 95814

Dear Secretary Laird:

We wish to congratulate you on renewing the effort to advance the Bay Delta Conservation Plan (BDCP), with an increased emphasis on transparency and broader inclusiveness for stakeholders. Establishing workgroups for the most critical issue areas in the BDCP will provide vital input from various interests, and help develop solutions that are broadly acceptable.

In particular, focusing attention on the plan for financing the implementation of the BDCP is critical, as this issue has received inadequate attention so far. The documents released to date have offered some total cost estimates, but critical details remain to be addressed such as cost allocation, the ability and willingness of prospective end users to pay, as well as the financial commitments from the BDCP applicants to cover not only the infrastructure, but also associated mitigation costs. In addition, there is no consensus on how the ecosystem restoration element of the BDCP will be paid for.

The recently published National Research Council study has provided an important service in underscoring the importance of a full and thorough review of alternative water supply scenarios, including those that would lessen the pressures upon the Delta. None of us would consider signing a contract to purchase a home without first assessing whether we can afford it and determining how we would finance the purchase. Given the huge cost estimates associated with the BDCP, we must approach this program in a similar manner.

For these reasons, we support your decision to form a Financing Working Group. We respectfully recommend that you begin this important work as soon as possible and not delay until the fall as indicated in the work group announcement. The total project cost is intrinsically linked to all aspects of the planning process, and therefore this work should proceed immediately to ensure that cost considerations fully inform the BDCP process. We look forward to working with you and the other stakeholders to ensure that the BDCP has a viable financing plan before any decisions are made to select an alternative.

Thank you for your consideration of our views.



Steve Rotherth, California Regional Director
American Rivers



Kim Delfino, California Program Director
Defenders of Wildlife



Michael Sweeney, Mayor
City of Hayward



Alexander R. Coate, General Manager
East Bay Municipal Utility District



Jerry Brown, General Manager
Contra Costa Water District



Cynthia Koheler, California Water Legislative
Director
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Jonas Minton, Senior Water Policy Advisor
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Barry Nelson, Senior Policy Analyst, Western
Water Program
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Maureen A. Stapleton, General Manager
San Diego County Water Authority



Mark Watton, General Manager
Otay Water District



Michael Carlin, Deputy General Manager
San Francisco Public Utilities Commission



Gary Bobker, Program Director
The Bay Institute

cc: Senators Dianne Feinstein & Barbara Boxer
Members of California Congressional delegation
Kenneth Salazar, Secretary of the Interior
David Hayes, Deputy Secretary of the Interior
Michael Connor, Commissioner, Bureau of Reclamation
Donald Glaser, Director, USBR Mid-Pacific Region
Governor Jerry Brown
Gerald Meral, Deputy Secretary, Natural Resources Agency
Mark Cowin, Acting Director, Department of Water Resources
John McCamman, Acting Director, Department of Fish and Game
Members of the California Legislature
Delta Stewardship Council
State Water Resources Control Board

June 10, 2011

Delta Stewardship Council
980 Ninth Street, Suite 1500
Sacramento, California 95814

Re: Request to Include Alternate Delta Plan as a Project Alternative in the EIR

Dear Chairman Isenberg and Members of the Council:

California water policy is at a turning point. The Delta Stewardship Council is poised to make decisions that will affect California's water supply and economic health and the sustainability of the Delta ecosystem for decades. Those decisions will affect how we collectively address the state's water supply challenges and ensure that future generations have the water supplies they need and the sustainable, thriving Delta they deserve.

The Council has an historic opportunity to craft a forward-looking, long-term vision for the Sacramento-San Joaquin Delta, an ecosystem of national significance. As part of the comprehensive package of water reforms enacted in 2009, the Council has been directed by the California Legislature to develop a Delta Plan that furthers the co-equal goals of improved water supply reliability and Delta ecosystem health in a way that protects and enhances the unique values of the Delta as an evolving place.

This letter lays the foundation for an alternative to the Council's latest staff drafts of the Delta Plan to promote a more robust discussion of the choices at hand and the most effective path to truly accomplish the co-equal goals. A coalition of leading water resources managers throughout the state is presenting an Alternate Delta Plan to promote such a discussion and define a path to success for the Council. This Alternate Delta Plan has the strong support of a large and diverse coalition of business and agricultural interests, all of whom are deeply committed to helping the Council fulfill its charge to develop a plan that furthers achievement of the co-equal goals.

To ensure that the Council has a complete range of options to consider as it formulates the Delta Plan that it will adopt by the January 1, 2012 deadline, we request that the Council include our Alternate Plan as a project alternative in the draft environmental impact report (EIR) for the Delta Plan. Approving this request will not require the Council to choose between our proposal and the staff drafts now, but rather will allow the Council to have a robust discussion this fall about what should be in the Delta Plan the Council ultimately approves.

This task could not come at a more urgent time. Water supply reliability has been in steep decline due to regulatory actions intended to protect species, infrastructure deficiencies and increasingly variable hydrologic conditions. The Delta's ecosystem has undergone fundamental changes, putting key species at risk and intensifying conflicts over water project operations. Delta communities have seen tremendous change and unrelenting pressures related to land use,

water rights, economic sustainability and agricultural viability. Climate change, risk of levee failure and sea level rise also require action.

During the past quarter-century, local and regional water agencies have invested heavily in local water supply resources, urban and agricultural water use efficiency, local surface and groundwater storage projects, water recycling, voluntary water marketing and other water management tools. Collectively, these investments have added operational flexibility and improved our ability to meet demands with existing supplies.

These local efforts have mitigated the impact of droughts and regulatory water shortages, but they cannot – in and of themselves – resolve long-term problems in the Delta that are key to improving statewide water supply reliability. As the Delta Vision Blue Ribbon Task Force has noted, California must also invest in well-managed Delta conveyance facilities, storage, and ecosystem restoration as components of a comprehensive plan to meet the co-equal goals.

Key Questions

To formulate a viable plan, the Council must address core questions and define desired goals. These questions, and the goals defined through answering them, are pivotal to the success of the plan and deserve public discussion. We have previously expressed our concerns that drafts of the Delta Plan have exceeded the Council's authority. Our purpose here is not to restate these issues, but instead to frame questions that must be answered before the Council can make the important decisions under its purview consistent with the Delta Reform Act, other existing law, and the co-equal goals. Key questions can be grouped in the following areas:

General Direction. How will the Delta Plan reconcile what otherwise might be conflicting goals of providing a more reliable water supply for California and protecting, restoring, and enhancing the Delta ecosystem? Inasmuch as the Delta Plan must “promote options for new and improved infrastructure relating to the water conveyance,” will the Council acknowledge the need for conveyance and storage investments as envisioned in the Delta Vision Blue Ribbon Task Force Strategic Plan? Or will it follow a different path that places a much stronger emphasis on flow measures and demand reduction with a necessarily lessened emphasis on other management tools?

Implementation Tools. How will the Council, in the Delta Reform Act's words, “direct efforts across state agencies” to meet the co-equal goals? Should it take a management approach that organizes state and federal agency actions to be complementary in plan implementation? For local agencies that are in the Delta or that propose a covered action in the Delta, will the Council take an approach that focuses on performance-based outcomes, with assurances and other incentives to achieve statutory and regulatory goals within a framework of accountability? Or

will it, assuming it even has such authority, focus on regulatory tools that tell other public entities what to do, with sanctions if they fall short?

Finance Plan. What authority does the Council have to formulate a finance plan? Will it propose a finance plan that will be broadly supported by those asked to pay for it, consistent with the beneficiary pays principle, and capable of adjusting to changing circumstances? Or will it seek the adoption of a financing package that is widely opposed by the entities that might be required to contribute funds?

Bay-Delta Conservation Plan. What is the Council's role relative to the Bay-Delta Conservation Plan? Assuming the BDCP is consistent with the co-equal goals, will the Delta Plan provide a path that allows the BDCP to meet its water supply and ecosystem goals? Or will the Delta Plan contain policy criteria that are obstacles and constraints that make success less likely for the BDCP?

Water Supply Reliability. How will the Delta Plan provide for "meeting the needs for reasonable and beneficial uses of water?" (Water Code section 85302(d)(1).) Is it intended that the Delta Plan will try to meet the co-equal goals by compelling the state to adapt to continued reductions in available water supplies – whether tributary to or exported from the Delta watershed? Inasmuch as it is the state's policy "to reduce reliance on the Delta in meeting California's future water supply needs," (Water Code section 85021) would a Delta Plan that fails to meet existing needs for reasonable and beneficial uses of water be consistent with the Delta legislation?

Comprehensive Ecosystem Solutions. How will the Delta Plan promote a comprehensive approach that, in the context of the co-equal goals, integrates flow with other measures to promote diverse and biologically appropriate habitats and ecosystem processes and reduce threats and stresses on the Delta ecosystem? Is it intended that the Delta Plan will emphasize only flow-related measures?

Agricultural Economy. How will the Delta Plan promote a long-term, viable agricultural economy throughout California? Would a Delta Plan that puts California on a path where many farms' most viable option will be to stop growing food and fiber be consistent with the Delta legislation?

The Delta as a Place. What tools will best protect and enhance the culture and values of the Delta as we cope with physical changes due to rising sea levels and seismic vulnerability?

Water Quality. How will the Delta Plan promote improved water quality for drinking water and the ecosystem? Will it emphasize new approaches to reduce pollution and improve water quality

through Best Management Practices and incentives to reduce pollutant loads? Or will it rely on the current strictly regulatory approach?

The Alternate Delta Plan

We are presenting the Alternate Delta Plan to answer these questions in a straight-forward manner. The following section describes key features of the plan:

Implement a Comprehensive Program. While the Alternate Plan calls for heavy investment in agricultural and urban water use efficiency and local resource development to reduce reliance on the Delta for future water demands, a plan that relies solely on these tools cannot succeed, as the past two decades verify. As the work of Delta Vision concluded, we need storage, Delta conveyance improvements, and ecosystem restoration investments to achieve the co-equal goals.

Use a Performance-Based Management Approach. Accomplishment of the co-equal goals will require unprecedented levels of partnership and collaboration. These complex relationships and successful partnerships cannot be created through regulation. The Alternate Plan places maximum reliance on a business model that provides assurances and other incentives for agencies that meet performance-based goals designed to meet statutory and regulatory requirements.

Assure Accountability. The Delta Plan must be a comprehensive plan with performance goals and measures for agencies and participants and mechanisms to hold them accountable. The Alternate Plan calls for the identification of clear and attainable ecosystem and water supply reliability goals, as well as measurement and monitoring of outcomes. When goals are not being accomplished, the plan allows for changing strategies with a new round of quantification and monitoring.

Provide a Path for a Successful BDCP. The Council can take actions that help ensure the BDCP successfully meets its goals. The Delta Plan should not effectively preclude achievement of the BDCP's purposes. The Alternate Plan is predicated on the success of the BDCP in a manner that promotes the co-equal goals and protects the interests of those who are not at the BDCP table.

Improve Statewide Water Supply Reliability. The Alternate Plan intends to significantly improve water supplies for all areas of the state compared to current available supplies. Such a result is necessary for accomplishment of the co-equal goals. Storage, conveyance and restoration actions must be implemented to solve existing physical problems and protect fisheries. The Alternate Plan calls for a corresponding improvement in the amount of supply available to those paying for the solution. Without improvements in water supply, there is no economic justification to invest in costly conveyance, storage, and additional ecosystem restoration actions.

Pursue All Important Ecosystem Stressors. The Alternate Plan calls for accelerated creation of habitat to continue reversing the loss of wetlands in the system, strong predation and poaching control programs, improved protection of salmon runs, pollution control programs to reverse nutrient imbalances and prevent further degradation of water quality, screening of unscreened diversions, and other actions that are determined to be substantially beneficial to the ecosystem.

Improve Water Quality for the Ecosystem and People. The Alternate Plan sets forth a framework to coordinate regulatory agencies and improve their regulatory approaches. It calls for mechanisms to address the most pressing ecosystem pollutant issues and for establishment of a drinking water policy to ensure water quality for future generations.

Promote A Healthy Economy in the Delta. The Alternate Delta Plan will support a healthy and sustainable Delta economy that protects and enhances the unique values of the Delta consistent with the Delta Reform Act.

Comparing Approaches

The Alternate Delta Plan differs in some key ways from the latest staff drafts of the Delta Plan. Key contrasts are identified below.

Contrasting Visions. The Alternate Delta Plan is consistent with the comprehensive approach outlined in the Delta Vision Blue Ribbon Task Force's Strategic Plan and the 2009 legislative package. Its implementation would lead to improvements in water supply reliability for all areas of the state, improved ecosystem health for the Delta, and protection of the Delta's unique values as an evolving place. In contrast, the latest draft plan appears aimed at reducing water supplies and augmenting flows for fish through an approach that relies on regulations to force reductions in demand, with dire consequences for the state's economy. Such an approach is contrary to the co-equal goals and would eliminate the economic justification for local water agencies to pay for key elements of a comprehensive solution.

Collaborative and Enforceable vs. Regulatory Approach. The Alternate Delta Plan seeks to be enforceable in the same way that general plans of cities and counties are enforceable. Actions covered by the plan must be consistent with the plan itself. An enforceable plan such as this requires sophisticated, collaborative relationships. Assurances and incentives within a regulatory framework are effective tools to achieve such partnerships. As stated above, the latest staff drafts do not contain a plan for the Delta, but rather sets of prescriptive regulatory approaches to reduce Delta water supplies. This path will not lead to collaborative partnerships or incentives to pay for necessary investments. Such a path could be fatal to the BDCP and its critical restoration efforts.

One Dimensional vs. Comprehensive. The Alternate Delta Plan employs an array of management tools including local resources development, conveyance improvements, steps to address Delta stressors and other strategies to achieve the co-equal goals. In sharp contrast, the

latest staff drafts appear to focus on reducing Delta exports from current levels and augmenting flows to attempt to benefit fisheries. The one-dimensional approach that will inevitably result from this strategy ignores lessons learned over the past 20 years from similar policies that have failed to achieve results.

Elements of a Physical Plan. The Alternate Delta Plan recognizes the need for elements such as conveyance improvements, additional groundwater and surface water storage and ecosystem restoration investments through the BDCP to address physical and environmental problems in the Delta and to help restore and protect fisheries. These elements of a comprehensive approach are unlikely to be achieved by the strategy in the latest staff drafts of the Delta Plan because those drafts lack economic justification for such investments.

The Future of Agriculture. The Alternate Draft Plan recognizes the value of sustaining California's agricultural economy, which is particularly vulnerable to the effects of water supply reductions. The long-term result of policies that reduce available water supplies to agricultural regions would negatively affect groundwater basins, communities and the state's economy.

Moment of Decision

The Delta Plan presents a once-only opportunity for the Delta Stewardship Council. The Council can provide much-needed momentum and collaboration to further the achievement of the co-equal goals. Or it can promote discord and delay improvements by driving stakeholders away from the process.

We are presenting our Alternate Delta Plan as an alternative to the staff drafts to frame key choices for the Council and promote further consideration. We request that the Alternate Delta Plan be included as a project alternative for analysis in the draft EIR that the Council must prepare for the Delta Plan, as mandated by the California Environmental Quality Act. Including the Alternate Delta Plan as a project alternative in the draft EIR will provide the Council with an appropriate range of options that we believe reflects a more effective and ultimately successful approach.

Very truly yours,

Signatures on attached pages

cc:

Mr. James M. Humes
Ms. Nancy McFadden
Mr. Ken Alex
Mr. Cliff Rectschaffen
Mr. John Laird

Ms. Karen Ross
Dr. Jerry Meral
Mr. Charles Hoppin
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Timothy Quinn
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David Guy
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Byron Buck
Executive Director
State and Federal Contractors Water Agency



Richard Atwater
Executive Director
Southern California Water Committee



John Kingsbury
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Mountain Counties Water Resources
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Allen Short
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San Joaquin River Group Authority



Terry Erlewine
General Manager
State Water Contractors



Mario Santoyo
Director and Technical Advisor
California Latino Water Coalition



Tom Nassif
President and CEO
Western Growers



Valerie Nera
Policy Advocate
California Chamber of Commerce



Jerry Brown
General Manager
Contra Costa Water District



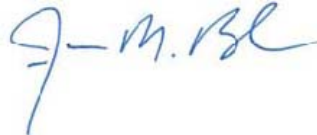
Jim Abercrombie
General Manager
El Dorado Irrigation District



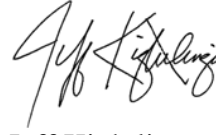
Ronald D. Jacobsma
General Manager
Friant Water Authority



Thaddeus Bettner
General Manager
Glenn-Colusa Irrigation
District



James M. Beck
General Manager
Kern County Water Agency



Jeff Kightlinger
General Manager
Metropolitan Water District
of Southern California



Steve Knell
General Manager
Oakdale Irrigation District



David Breninger
General Manager
Placer County Water
Agency



Mike Hardesty
General Manager
Reclamation District #2068



John Woodling
Executive Director
Regional Water Authority



Maureen Stapleton
General Manager
San Diego County Water
Authority



Dan Nelson
Executive Director
San Luis & Delta-Mendota
Water Authority




Jeff Shields
General Manager
South San Joaquin Irrigation
District



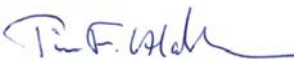
Jeffrey P. Sutton
General Manager
Tehama-Colusa Canal
Authority



William Marble
Chair
Water Resources
Association of Yolo County



Tom Birmingham
General Manager
Westlands Water District



Tim O'Halloran
General Manager
Yolo County Flood Control &
Water Conservation District



Jill Duerig
General Manager
Zone 7 Water Agency

June 21, 2011

Mr. Jeff Kightlinger, General Manager
Metropolitan Water District
of Southern California
P.O. Box 54135
Los Angeles, CA 90054

Dear Mr. Kightlinger:

Bay Delta Conservation Plan, Metropolitan Delta Action Plan

As Member Agency managers of the Metropolitan Water District of Southern California, we wish to reaffirm our support for the ongoing Bay Delta Conservation Plan process as an essential component of long-term water reliability for our six-county region. We also express our confidence in the democratic process of the Metropolitan Board of Directors to ultimately decide whether to invest in long-term BDCP conveyance improvements.

Recent presentations by one Metropolitan member agency to legislators and State officials have raised the issue of whether there is in Southern California a "willingness to pay" for a reliable water conveyance system in the Delta as part of a plan that also restores the estuary. The long-term reliability of the State Water Project supply is at risk without long-term conveyance and ecosystem improvements. We support the on-going BDCP process to review a full array of conveyance alternatives in order to identify a defensible, cost-effective, scientifically based package of water system/ecosystem improvements. We express our complete confidence in the Metropolitan Board's ability to make a sound decision about proposed investments to fix the Bay-Delta and that Metropolitan's water rate structure will ensure a fair, cost-of-service-based allocation of costs among Metropolitan's member agencies.

Over the years we have supported Metropolitan's decisions to construct the Inland Feeder project, which has finished refilling Diamond Valley Lake in a matter of months; a "pay as you go" policy to limit the debt burdens on future ratepayers; and the new long-term Integrated Resources Plan that takes into account local necessary changes while emphasizing water use efficiency/conservation measures and cost-effective local supply development as the primary tools to meet future, increased water demands. These projects and policies have been of benefit to all agencies within Metropolitan's service area.

Through its Board-approved Delta Action Plan, we are confident that Metropolitan is on a path to considering water supply and financial issues relating to BDCP in the tradition it has fairly reviewed and deliberated previous key matters. We urge Metropolitan to continue its constructive engagement with BDCP and to use its Member Agency workgroup process to ensure full discussion, transparency, fairness and adherence to its underlying financial policy principles.

Sincerely,

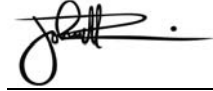
SEE MEMBER AGENCY SIGNATORIES ON 3rd PAGE



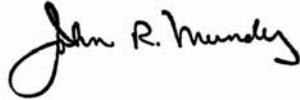
Dave Gustavson
City of Beverly Hills



Richard Hansen
Three Valleys MWD



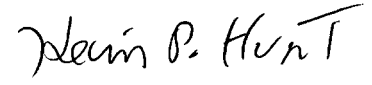
John Rossi
Western MWD



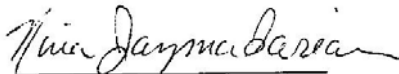
John Mundy
Las Virgenes MWD



Robert Beste
City of Torrance



Kevin Hunt
MWD of Orange County



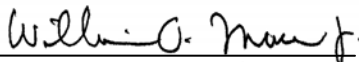
Nina Jazmadarian
Foothill MWD



Rich Nagel
West Basin MWD



A.J. Pack
Eastern MWD



William O. Mace, Jr. P.E.
City of Burbank



Don Calkins
City of Anaheim, Pub. Utilities



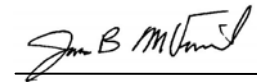
Gil Borboa
City of Santa Monica



David Schickling
City of Fullerton



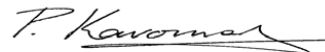
Shane Chapman
Upper San Gabriel Valley MWD



James B. McDaniel
Los Angeles DWP



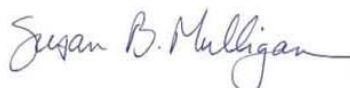
Tom Love
Inland Empire UA



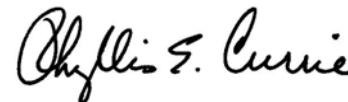
Peter Kavounas
City of Glendale



Raymond L. Burke
City of Santa Ana



Susan Mulligan
Calleguas MWD



Phyllis Currie
City of Pasadena



Matt Ballantyne
City of San Marino



Al Hernandez
City of San Fernando



Kevin Wattier
Long Beach Water Department

cc: Honorable John Laird, California Secretary of Resources
Chairman John V. Foley, Metropolitan Board of Directors