



July 17, 2013

Attention: Imported Water Committee

Provide guidance on proposed staff analysis for Bay-Delta Conservation Plan and Alternatives. (Information)

Background

The Sacramento-San Joaquin Bay-Delta (Delta) is an important water supply source for Southern California. Approximately 20 percent of San Diego County's annual water supply comes from the Delta. Due to the value of this water source to our region, the Water Authority continues to be a strong advocate for a sustainable Delta solution – that is “right-sized” and supported by a broad range of stakeholders in order to reduce challenges to implementation.

Over the years, the Delta habitat has deteriorated, increasing concerns over ecosystem viability. Measures to protect threatened and endangered species have significantly impacted water suppliers' ability to export water through the Delta. The efforts to resolve these water supply and ecosystem conflicts in the Delta have a long history in California water policy. During the 1990s, Governor Pete Wilson and President Bill Clinton initiated an unprecedented collaboration of state and federal agencies, as well as urban, agricultural, and environmental groups, to develop a long-term solution that would restore the Delta as both a reliable water supply and a healthy habitat for fish and wildlife. This collaborative body became known as the CalFed Bay-Delta Program (CalFed). In 2000, CalFed completed a comprehensive management plan, which was embodied in a Record of Decision approved by state and federal agencies. In the decade since CalFed released its plan, there has been continued intense disagreement on how to resolve long-standing conflicts in the Delta. The State Legislature created the California Bay-Delta Authority (Authority) to implement the CalFed plan; however, several years after the Authority undertook its efforts, an independent report was issued by the Little Hoover Commission that found CalFed's plan to be “costly, underperforming, unfocused, and unaccountable.” Soon after the Little Hoover Commission report was issued, the State Legislature dissolved the Authority and moved all delta-related funding to the Office of the Secretary of Resources (now the California Natural Resources Agency).

During the entire CalFed and post-CalFed period of time, the population of sensitive species in the Delta continued to decline. The species decline led to more aggressive restrictions on water pumping from the Delta. Exacerbating the challenges, a federal district judge invalidated the biological opinions that governed the operations of the State Water Project and the Central Valley Project. The judge's decisions and subsequent new biological opinions limited the availability of water that may be exported from the two projects. Later, the same judge decreed that the new biological opinions did not adequately explain the linkage between project operations and the decline of the species and, further, failed to consider the impacts of export restrictions on employment and production. As a result, restrictions on project exports are still in place, but not as stringent, and the efforts to re-craft the remanded biological opinions are still under way.

In 2006, stakeholders commenced discussions related to addressing Delta conflicts through alternative water conveyance, and in 2008, the California Natural Resources Agency initiated preparation of the Bay-Delta Conservation Plan (BDCP) as a collaboration of state, federal, and local water agencies; state and federal fish and wildlife agencies; environmental organizations; agricultural organizations; and other entities. The BDCP is being developed as a multi-species Habitat Conservation Plan (HCP) and a Natural Communities Conservation Plan (NCCP) under the federal and state Endangered Species acts. By providing a plan that seeks to recover and protect listed species, state and federal water management agencies would be able to obtain the permits necessary to build infrastructure in the Delta, including the construction and operation of a new water conveyance system over a 50-year timeframe.

As part of a comprehensive package of Delta-related legislation, the State Legislature created the Delta Reform Act of 2009 that established the co-equal goals of providing a more reliable water supply for California and protecting, restoring, and enhancing the Delta ecosystem. Another outcome of the Act was the establishment of the Delta Stewardship Council, tasked with developing and implementing a comprehensive Delta Plan. Additionally, the Act provided that the BDCP be integrated into the Delta Stewardship Council's Delta Plan as long as it met the requirements of an HCP/NCCP.

In 2012, Governor Jerry Brown, joined by U.S. Secretary of the Interior Ken Salazar, outlined a framework for the proposed BDCP, intended to achieve the dual goals that supports the State's economy. Rather than proposing a Peripheral Canal (such as was proposed and ultimately defeated by voters in a 1982 referendum), this plan proposes the construction of two large tunnels under the Sacramento-San Joaquin Delta. It is anticipated that the BDCP and the Environmental Impact Report and Environmental Impact Statement (EIR/EIS) will be made available for public comment on October 1, 2013. The California Natural Resources Agency (Resources Agency) has indicated that it anticipates a Record of Decision to be adopted by April 2014. This is an ambitious schedule, particularly given the fact that it will be challenging to digest the EIR/EIS, which is approximately 20,000 pages long – with the table of contents alone running 208 pages – in such a short public comment window of 90 days.

The purpose of this memo is to inform the Board of the multidisciplinary approach proposed by Water Authority staff over the next several months in reviewing the BDCP and EIR/EIS. Staff will review a variety of alternatives and concepts being advanced by both the Administration and other interested parties, and evaluate whether or not the options meet the Board's adopted Bay-Delta Principles and reliability and supply diversification goals. This memo is also intended to solicit Board feedback and input on the described approach and ultimately, receive guidance and direction from the Board for engaging in the BDCP's formal public comment and review period.

Discussion

The Natural Resources Agency released the Administrative Draft BDCP to the public in three parts during the first half of 2013 to provide a preview of the BDCP before it is formally available for public comment on October 1, 2013. In addition, the Consultant Administrative Draft EIR/EIS was also released. The BDCP and the EIR/EIS are intended to be the basis for

issuance of endangered species incidental take permits for facility and operational changes to the State Water Project and Central Valley Project.

Bay-Delta Conservation Plan

The BDCP is a process for obtaining permits under the state and federal Endangered Species Acts to allow the construction and operation of a new water conveyance system in the Sacramento-San Joaquin River Delta. Since its inception, the BDCP's stated goal has been to provide *"a comprehensive strategy for the Sacramento-San Joaquin River Delta designed to restore and protect ecosystem health, water supply, and water quality."* In February 2012, the Natural Resources Agency released an administrative draft of the BDCP, which proposed a set of twin tunnels with a combined capacity of 15,000 cfs under the Delta. Following concerns raised by fishery agencies, in July 2012 the Natural Resources Agency reduced the size of the preferred facility to be analyzed to 9,000 cfs. To move the process along, the state and federal agencies have agreed to a "decision tree" process, which would not provide any assurance of the project yield until after it has been built and placed into operation. Although the state and federal water contractors have thus far agreed to fund the BDCP planning phase, how the project will be paid for, and by whom, is still yet to be negotiated. The Delta agricultural and urban water exporters have stated publicly that they intend to pay the costs of constructing new conveyance. However, Chapter 8 of the BDCP administrative draft concedes: *"Details of the financing and repayment...are still being determined through on-going discussions between the state and federal governments and between the government, the state and federal water contractors and other interests."*

The first four chapters of the administrative draft of the BDCP were released on March 14; the next three chapters were released on March 27; and the final five chapters were released on May 29. Also on May 29, the Resources Agency announced that the public draft BDCP and final draft EIR/EIS is expected to be released for public review by October 1, 2013, and a decision on the EIR/EIS is planned for April 2014. Information released by the Natural Resources Agency also identified the total estimated cost of implementing the BDCP over the 50-year permit term at \$24.54 billion, with capital costs alone of approximately \$20 billion.

The following represents the subject matters of each of the 12 chapters of the administrative draft of the BDCP that have been released by the Natural Resources Agency:

- Chapter 1: Introduction of the BDCP Effort
- Chapter 2: Existing Ecological Conditions
- Chapter 3: BDCP Conservation Strategy
- Chapter 4: Covered Activities and Associated Federal Actions
- Chapter 5: Effects Analysis
- Chapter 6: BDCP Plan Implementation
- Chapter 7: Implementation Structure
- Chapter 8: Implementation Costs and Funding Sources
- Chapter 9: Alternatives to Take
- Chapter 10: Integration of Independent Science into BDCP

- Chapter 11: List of Preparers
- Chapter 12: Glossary

Perspectives from Stakeholders

The Water Authority has been a strong advocate for a sustainable Delta solution, actively engaging in Delta issues at the Metropolitan Water District (MWD) Board, the Delta Stewardship Council, within the BDCP process, and in the Legislature. The Water Authority was among the stakeholders involved in advocating for the successful passage of the 2009 comprehensive Bay-Delta bill package. The Water Authority staff has consistently pursued opportunities to bring the most contemporaneous and emerging information to the Board to ensure the Board is fully apprised of the many significant issues presented by the BDCP process. Additionally, the Water Authority staff has endeavored to ensure that the breadth of stakeholder perspectives is clearly available to the Board to help inform the Board's deliberation on BDCP issues.

In the fall of 2011, the Water Authority invited a number of Delta stakeholders to present to the Imported Water Committee to share their perspectives and viewpoints on the proposals to address the co-equal goals of water supply reliability and ecosystem restoration. The following individuals participated in the discussion for the Imported Water Committee:

- Mary Nejedly Piepho, Supervisor, Contra Costa County Board of Supervisors
- Mike Machado, Executive Director, Delta Protection Commission
- Phil Isenberg, Chair, Delta Stewardship Council
- Cynthia Koehler, California Water Legislative Director, Environmental Defense Fund
- Roger Patterson, Assistant General Manager, Metropolitan Water District of Southern California
- Melinda Terry, Manager, North Delta Water Agency
- Byron Buck, Executive Director, State and Federal Water Contractors Agency
- Tom Howard, Executive Director, State Water Resources Control Board
- Jason Peltier, Chief Deputy General Manager, Westlands Water District

Also during 2011, and leading up to the Board's eventual consideration and adoption of Delta Policy Principles in February 2012, a number of urban water agencies and environmental organizations joined together to express concerns over Delta project financing. The group wrote a letter to the Natural Resources Agency Secretary urging an immediate focus on Delta financing, affordability of a Delta conveyance project, and the need for commitments to pay project costs by water end-users (Attachment 1). The signatory organizations to the coalition letter included:

- American Rivers
- Contra Costa Water District
- East Bay Municipal Utility District
- Environmental Water Caucus
- Otay Water District
- City of Hayward
- Defenders of Wildlife
- Environmental Defense Fund
- Natural Resources Defense Council
- Planning and Conservation League

- San Diego County Water Authority
- The Bay Institute
- San Francisco PUC

In January 2013, the Natural Resources Defense Council (NRDC) advanced a proposed alternative concept that would utilize a “portfolio-based” approach to the BDCP. The portfolio alternative includes a smaller export facility, increased local supply development, levee improvements, and south of Delta storage. NRDC urged state and federal officials to study the approach as a stand-alone alternative in the BDCP. Following NRDC’s announcement of the portfolio alternative, several organizations also asked state and federal officials to evaluate the portfolio alternative. The Water Authority was a signatory to a letter that included seven urban water agencies (Attachment 2).

As a continuation of the process of gathering information to fully evaluate BDCP issues of importance to the Water Authority, the Water Authority invited another panel of stakeholders, in March 2013 to share perspectives and viewpoints on the BDCP and the portfolio-based alternative:

- Paul Helliker, California Department of Water Resources
- Barry Nelson, Natural Resources Defense Council
- Mike Wade, California Farm Water Coalition
- Walt Wadlow, Alameda County Water District

On May 23, 2013, Dr. Jerry Meral, Deputy Secretary of the Natural Resources Agency, also addressed the Water Authority Board on elements and benefits of the BDCP. In addition, Dr. Meral described a myriad of other processes that must be undertaken and completed before the BDCP can be implemented, including:

- Secure Record of Decision on the BDCP
- Obtain permits from state and federal fish agencies
- Approval of the BDCP as part of the Delta Stewardship Council’s Delta Plan
- Approval from the State Water Resources Control Board on new points of diversion
- Issuance of 404 and 408 permits from the Army Corps of Engineers

During his presentation to the Board, Dr. Meral indicated that the planned construction phase is expected to begin in the 2015-2016 timeframe and would likely take 10 years to complete.

Water Authority’s Bay-Delta Policy Principles

The Water Authority has long advocated for a “right-size” fix for the Delta, and has advocated that the fix must be supported by a broad range of stakeholders to ensure it is implementable. Additionally, the Water Authority has strongly advocated that the water contractors who will be expected to finance the solution must show firm financial commitment and be willing and capable of financing and maintaining the improvements. A central point of the Water Authority’s advocacy position in determining the “right size” of a Delta solution is that there must be clear commitments to pay through take-or-pay contracts or legal equivalent to pay the

fixed costs of a project; in other words, an agency's "need" for the conveyance facility is defined by its willingness and firm financial commitment to pay.

The estimated costs of the potential facility (currently estimated at nearly \$25 billion over the 50-year permit term of the project) have raised concerns as to how MWD and other water contractors will pay for it. MWD has said it will commit to paying about one-quarter of the cost (assuming SWP and CVP would share the cost equally and MWD would pay the equivalent to its current Table A allocation) of building the facility when the BDCP is completed and approved. Because of the "decision tree" process, the amount of water that may be exported would not be determined until after the project is constructed and put into operation. The Water Authority is concerned with both the uncertainty associated with the amount of water that may be available for export and the MWD's lack of commitments from its member agencies to pay MWD's fixed costs. About 80 percent of MWD's revenues come from variable sources: water rates. If member agencies "roll off" the MWD system by reducing their purchases of MWD's water, the remaining member agencies will have to pay a larger portion of the costs of the project. As MWD's largest and steadiest customer, the Water Authority could end up carrying a disproportionate share of the costs. The Water Authority's delegates to MWD have called for all member agencies to enter into take-or-pay contracts with MWD that commit the member agencies to pay for their proportionate share of MWD's fixed costs.

Furthermore, the Water Authority is concerned that MWD will have to commit to "step up" provisions in the bonds that will finance the BDCP conveyance project. In the event that one or more of the state or federal water contractors paying the bonds should default, the other contractors could be required to "step up" and cover the default. This could result in MWD's share of the cost obligations for the project increasing substantially, and with no option for MWD to avoid those increased cost obligations.

These concerns, plus several other outstanding issues that create uncertainty as to the costs and benefits of the BDCP for the San Diego region, led the Water Authority Board, on February 23, 2012, to adopt a series of Delta Policy Principles (Attachment 3) that have guided, and continue to inform and guide, the staff as they evaluate the BDCP alternatives and other projects and actions relating to the Delta solution. On November 29, 2012, the Board added the Delta Policy Principles to the approved 2013 Legislative Policy Guidelines.

The Board's adopted Delta Policy Principles will be the lens through which the Water Authority staff will evaluate various BDCP alternatives and communicate information for the Board's consideration.

Water Authority's Internal BDCP Review Process

The Water Authority staff proposes a series of briefings and updates for the Board of Directors – through the Imported Water Committee – over the next several months, leading to the Board's consideration of adopting a position on one or more of the BDCP alternatives and consideration of approving an EIR/EIS comment letter on the BDCP environmental document at its November 21, 2013 regular meeting. The proposed schedule outlined below is largely driven by the expectation that there will be only a 90-day comment period for the BDCP EIR/EIS. It is not a

certainty that the comment period will only extend 90 days. While this would be an anticipated comment period length of time, clearly the BDCP is enormously complex and will face challenges from many fronts. There is a possibility that the EIR/EIS comment period will extend beyond 90 days. If the comment period is extended, the Water Authority’s schedule may be extended as well.

Assuming that the comment period expires at the end of 2013, the last opportunity for the Water Authority Board to consider and approve a comment letter on the EIR/EIS and to submit timely comments would be the November 21, 2013 Board meeting.

Given the parameters in scheduling that are currently available and known, the proposed internal review and Board deliberation schedule between now and the end of 2013 is:

BDCP Alternatives Review & Analysis

Tentative Schedule

Meeting	Imported Water Committee/Board Activity
July 25, 2013	Provide input on scope of proposed Water Authority analysis of BDCP alternatives; Provide input on policy questions to be addressed
Aug. 8, 2013 Special Meeting	Overview of Bay-Delta and proposals for Delta fix, including description of alternatives
Aug. 22, 2013	Review of technical analysis – demand assumptions; alternative project yield assumptions; projected costs
Sept. 26, 2013	Review of technical analysis (cont.), including responses to policy questions
Oct. 10, 2013 Special Meeting	Summary of technical analysis: Comparison of alternatives with Delta Policy Principles
Oct. 24 2013	Information: Identify areas of concern; potential CEQA-NEPA comment letter
Nov. 21, 2013	Action: EIR/EIS comment letter; consider adopting position on BDCP alternative(s)

The fundamental purpose and objective of the Water Authority staff analysis of BDCP alternatives is to provide, for the Board’s consideration, an assessment of which BDCP alternative, or combination of alternatives, is most consistent with and best achieves the:

- Water Authority’s Bay-Delta Policy Principles
- Reliability and supply diversification goals in the Water Authority’s 2010 Urban Water Management Plan

Although the BDCP Consultant Administrative Draft of the EIR/EIS identifies 15 different project alternatives for consideration, the Water Authority staff proposes to review four specific

alternatives – two of which are among the 15 alternatives in the BDCP Consultant Administrative Draft, and two which are not – for the Board’s consideration:

- BDCP Preferred Alternative (included in the BDCP administrative draft)
- No Action Alternative (included in the BDCP administrative draft)
- Delta Vision’s BDCP Plus Strategy
- NRDC’s Portfolio Alternative

The staff proposes to present each alternative evaluated and reviewed within a consistent framework of analysis so that the Board can readily quantify and qualify the costs, benefits, and risks associated with each alternative when compared with and contrasted against each other. The analysis framework proposed by the staff contains two parts. The first part includes providing the Board a description of the alternatives based on the analysis framework identified below. The second part includes an evaluation of each of the four alternatives based on a series of proposed policy questions that will frame the analysis from a CEQA and policy perspective.

BDCP Alternatives Analysis Framework

1. Description of alternatives

- Project components
 - Delta export capacity
 - South of Delta storage
 - Local projects
- Operational scenarios
- Project water supply yield
- Demand assumptions
- Habitat restoration
- Environmental impacts and mitigation
- Cost estimates
- Financial impact on Water Authority

2. Analysis of alternatives based on a series of questions that evaluate each alternative from a perspective of how it achieves:

- Consistency with the Board’s Bay-Delta Policy Principles
- Advancing the 2010 UWMP water supply reliability and diversification goals

The policy questions proposed to be utilized in the second part of the framework analysis are identified below.

Water supply reliability:

- Does the alternative:
 - Result in a more predictable and reliable Delta water supply?
 - Provide regulatory certainty and assured quantity of water supplies?
 - Integrate and support development of local water resources?
 - Consider projected demands for the federal and state contractors in sizing of the export facility?
 - Require additional facilities not included in the alternative to achieve reliability goals?
 - Satisfy the co-equal goals of water supply reliability and ecosystem restoration?

Ecosystem restoration:

- Does the alternative have a reasonable prospect of restoring the Delta ecosystem to a point where species can recover and major water quality issues are addressed?
- Does the alternative present durable and reliable permit terms to provide assurances that fish and wildlife issues will not disrupt water supply delivery and reliability over the life of the permit?

Facilities:

- Is the conveyance facility identified in the alternative feasible from an engineering perspective?
- How reasonable are facility cost estimates?
- Is the design and construction schedule realistic?

Risk and benefit:

- What are the comparative risks associated with each alternative?
 - Legal – compliance with statutory requirements
 - Cost
 - Rate base
 - Water supply
- What are the comparative benefits associated with each alternative?
 - Protection against natural disasters
 - Climate change – changing hydrology of the Delta
 - Ease of implementation
 - Diversification of supplies

Financial analysis:

- What are the sources of funding to pay for each alternative?
- What is the cost-benefit analysis for each alternative?
- What are the cost impacts on the Metropolitan Water District?
- What is the range of potential cost allocation?

- What is the impact on Metropolitan Water District rates under each alternative?
- What is the range of rate impacts on the Water Authority based on:
 - Proposition 26 requirements
 - Metropolitan Water District status quo rate structure and cost allocation
- What risk does the Water Authority have under each alternative?

To ensure that the Board has a full range of information available to adequately and appropriately compare and contrast the alternatives, and to eventually have the necessary level of comfort and confidence to approve an EIR/EIS comment letter and to determine the most supportable BDCP alternative, if any, staff is requesting the Board's input in the following areas:

- Is the scope of framework for analysis suitable for yielding information that will be valuable to the Board?
- Are there additional aspects within the staff's scope of review that would be important for the Board's consideration of BDCP alternatives?
- Do the policy questions sufficiently address issues to provide the Board with answers to the key issues and questions that would be necessary to fully evaluate and consider the BDCP alternatives?

Staff intends to engage the Member Agency Managers and seek their input throughout the review period to ensure a broad level of understanding of the alternatives analysis framework and evaluation that will be undertaken by Water Authority staff.

Staff is seeking guidance from the Board to further refine and shape the scope of review and analysis and to augment the series of policy questions that will guide the evaluation of each BDCP alternative in order to achieve a thorough and consistent evaluation product.

Prepared by: Glenn A. Farrel, Government Relations Manager

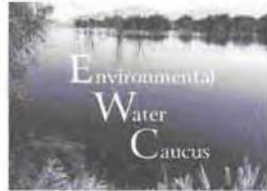
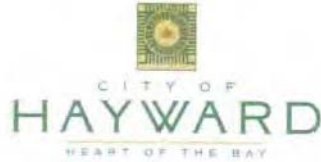
Reviewed by: Amy Chen, Director of the MWD Program

Approved by: Dennis A. Cushman, Assistant General Manager

Attachment 1: Letter dated May 31, 2011, supporting the formation of a BDCP Financing Working Group

Attachment 2: Letter dated January 16, 2013, seeking support to analyze NRDC's portfolio-based approach to BDCP

Attachment 3: Water Authority's Delta Policy Principles



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.

Secretary John Laird
 May 31, 2011
 Page 2 of 3

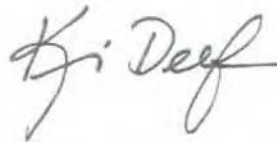
The recently published National Research Council study has provided an important service in underscoring the importance of a full and thorough review of alternative water supply scenarios, including those that would lessen the pressures upon the Delta. None of us would consider signing a contract to 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 Rothert, California Regional Director
 American Rivers



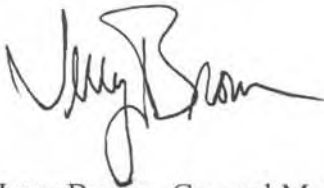
Kim Delfino, California Program Director
 Defenders of Wildlife



Michael Sweeney, Mayor
 City of Hayward



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

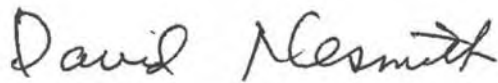


Jerry Brown, General Manager
 Contra Costa Water District

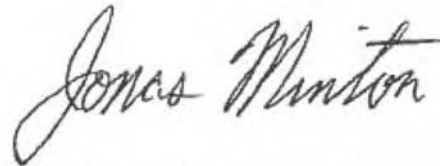


Cynthia Koheler, California Water Legislative
 Director
 Environmental Defense Fund

Secretary John Laird
May 31, 2011
Page 3 of 3



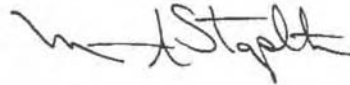
David Nesmith, Facilitator
Environmental Water Caucus



Jonas Minton, Senior Water Policy Advisor
Planning and Conservation League



Barry Nelson, Senior Policy Analyst, Western
Water Program
Natural Resources Defense Council



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

January 16, 2013



The Honorable Ken Salazar
Secretary
U. S. Department of the Interior
1849 C Street, N. W.
Washington, DC 20240

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

Dr. Jerry Meral
Deputy Secretary
California Natural Resources Agency
1416 Ninth Street, Suite 1311
Sacramento, CA 95814

The Honorable Michael L. Connor
Commissioner
U. S. Department of the Interior
1849 C Street, N. W.
Washington, DC 20240

Dear Secretary Salazar, Secretary Laird, Deputy Secretary Meral,
and Commissioner Connor:

We are writing to you in advance of the planned release of the public review draft of the Bay Delta Conservation Plan (BDCP), out of a deep concern over the status of this effort. We are united in a desire for a successful project that can be supported by project proponents, Delta stakeholders, and the public. That chance for success is substantially diminished as a result of the alternatives analysis that we have seen thus far. Up to now, the BDCP process has been strongly focused on advancing a large capacity conveyance which, along with the suite of associated conservation measures, will be burdened with large uncertainties and for which a solid business case has not yet been made. These unquantified risks include impacts on listed species, impacts on the Delta landform, hydrology and water quality, open-ended costs to direct water users and to the public, political controversy, and potentially lengthy litigation.

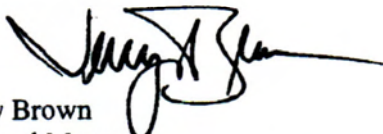
Secretary Salazar, Secretary Laird, Deputy Secretary Meral,
and Commissioner Connor
January 16, 2013
Page 2

Absent so far has been a portfolio-based alternative that features a smaller conveyance facility with additional, complementary investments in local water supply sources, regional coordination, south of Delta storage, levee improvements, and habitat restoration (see attachment) as advanced in the coalition letter sent by other organizations today. We believe that it is critical to evaluate in detail a conveyance as small as 3,000 cfs, as it would provide considerable water supply benefits to the export community while better protecting broader interests in the Delta. Such a facility would also realize significant financial savings in comparison with a larger conveyance facility, face fewer legal and political challenges, and potentially be completed sooner. With accompanying investments in proven, cost-effective regional water strategies, this approach could increase export area water supplies and reduce the vulnerability of water supplies and Delta infrastructure to disruption from earthquakes and other disasters. We urge that this conceptual alternative be seriously considered in the BDCP process, including the required CEQA/NEPA analyses and the Clean Water Act Section 404 alternatives analysis.

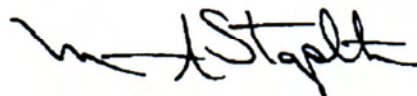
A portfolio approach could produce superior benefits at a similar or lower cost to water users and the public, and at reduced levels of environmental impacts. It has the potential to be consistent with the best available science and, as a result, may be more readily permissible and capable of delivering benefits more rapidly. It would appear that a solid business case can be made for such an alternative; in any event, the business case must be made before any project proceeds.

We fully appreciate the magnitude of the challenges facing the Delta, and urge a comprehensive solution that is both affordable and science-based. We recognize the enormous effort you have undertaken toward this end, and hope that this conceptual alternative will continue to advance the discussion.

Sincerely,



Jerry Brown
General Manager
Contra Costa Water District

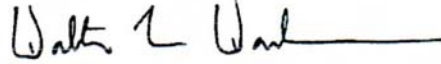


Maureen A. Stapleton
General Manager
San Diego County Water Authority

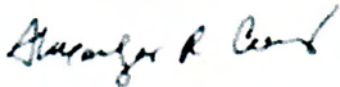
Secretary Salazar, Secretary Laird, Deputy Secretary Meral,
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January 16, 2013
Page 3



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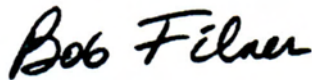
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East Bay Municipal Utility District



Mark Watton
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Attachment

San Diego County Water Authority Delta Policy Principles

The San Diego County Water Authority Board of Directors supports a Bay Delta solution that will meet the co-equal goals and provide San Diego County with a reliable, high-quality supply of affordable, imported water consistent with the Water Authority's Urban Water Management Plan and Regional Facilities Optimization and Master Plan. The adopted policy principles will guide staff in evaluating projects and actions concerning the Bay-Delta.

Water Supply Reliability

- Continue to support the co-equal goals of water supply reliability and environmental restoration embodied in the 2009 Delta bill package.
- Support deliberative processes that are designed to ensure a meaningful dialogue with all stakeholders in order to reduce future conflicts and challenges to implementation of a Bay Delta solution.
- Provide regulatory certainty and predictable supplies to help meet California's water needs in the long-term.
- Encourage a Bay Delta solution that acknowledges, integrates and supports the development of water resources at the local level including water use efficiency, seawater and brackish water desalination, groundwater storage and conjunctive use, and recycled water including direct and indirect potable reuse.
- Improve the ability of water-users to divert water from the Delta during wet periods, when impacts on fish and ecosystem are lower and water quality is higher.
- Encourage the development of a statewide water transfer market that will improve water management.
- Support improved coordination of Central Valley Project and State Water Project (SWP) operations.

Ecosystem Restoration

- Restore the Bay-Delta ecosystem consistent with the requirements established under the state Natural Community Conservation Plan and the federal Habitat Conservation Plan, taking into account all factors that have degraded Bay-Delta habitat and wildlife.
- Work with all stakeholders to ensure a meaningful dialogue and that ecosystem restoration issues are addressed in an open and transparent process.

Finance and Funding

- Encourage and support a Bay Delta solution and facilities that are cost-effective when compared with other water supply development options for meeting Southern California's water needs.
- Require the total cost of any Bay Delta solution be identified before financing and funding decisions are made. The total cost must include the cost of facilities, mitigation and required or negotiated ecosystem restoration.
- Allocate costs of the Bay-Delta solution to stakeholders in proportion to benefits they receive.

- Seek and support independent financial analyses of Bay-Delta solution including the ability of all parties to pay their proportional costs.
- Require a firm commitment and funding stream by all parties to pay for the fixed costs associated with the proportional benefits they will receive from a Bay Delta solution, through take-or-pay contracts or legal equivalent.
- Condition financial support on provisions allowing access to any water conveyance or storage facilities that are included in the Bay Delta solution.
- Support the use of public funds to support specific projects and actions with identified costs that protect and restore the environment and provide broad-based public benefits.
- Oppose water user fees to fund ecosystem restoration and other public purpose, non-water-supply improvements in the Delta that benefit the public at large.

Facilities

- Require independent technical analysis of proposed key elements of the Bay-Delta solution, including forecasting future urban and agricultural demands and size and cost of any proposed conveyance facility, to ensure the solution realistically matches statewide needs.
- Support “right-sized” facilities to match firm commitments to pay for the Bay Delta solution.
- Allow access to all SWP facilities to facilitate water transfers.

Governance

- Support continued state ownership and operation of the SWP as a public resource.
- Support improved efficiency and transparency of all SWP operations.
- Oppose any transfer of operational control of the SWP or any of its facilities to MWD, the State Water Project Contractors, Central Valley Project Contractors, the State and Federal Contractors Water Agency, any entity comprised of MWD or other water project contractors, or any other special interest group.