

Natural Resources
Defense Council



MEMORANDUM

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TO: CALFED Program Staff

FROM: Ronnie Weiner, NRDC
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RE: Water Supply Problem Definition and Objectives; CALFED Mission Statement

DATE: September 15, 1995

The Natural Resources Defense Council, the Environmental Defense Fund, and the Bay Institute offer the following comments on the water supply component of CALFED's August 30, 1995 draft problem definition and objectives, and on the CALFED Mission Statement. Comments on other components of the problem definition and objectives will arrive under separate cover from the Bay Institute.

In general, we feel that the statement of the water supply problem, the list of causes, and the objectives, all downplay the critical role of economics, and particularly water pricing, in determining the interrelationship between water demand and water supply. In fact, the draft virtually ignores the demand side of water supply reliability. Below we describe our specific concerns.

I. Problem Overview

The water supply problem appears to be mischaracterized or oversimplified as one of insufficient supply to meet demand. This reflects an outdated model of water supply planning in which supplies are ever increased until they match forecasted demand. The contemporary approach of integrated resources planning considers both supply and demand, and determines how to best resolve any mismatch, while considering multiple objectives, including water supply reliability, environmental protection, etc.

To reflect this focus, we suggest the inclusion of the following in the overview:

As with any precious commodity, if price is not a factor, demand for water will always exceed supply. For this reason, current and projected Bay-Delta watershed supplies are often out of balance with Bay-Delta beneficial use demands. Efforts to address long-ignored instream needs in conjunction with increasing out-of-stream demands have led to larger and more frequent mismatches both within and across sectors. Absent pricing changes and other

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equilibrating measures, and flexibility needed to respond to future uncertainties, these imbalances could become more acute with time.

II. Water Supply Problem Statements

All of the draft water supply problem statements reflect the bias towards supply-only solutions, as described above. For example, rather than the draft statement that "Bay-Delta water supply quantities and timing do not meet short- and long-term beneficial use needs", we suggest "There is a mismatch between Bay-Delta water supply quantities and current demand patterns." The other problems statements should also be revised accordingly to reflect both demand-side and supply-side components to the problem.

An assumed shortfall between supply and demand contains problematic assumptions about use patterns. A recent study done by the Pacific Institute found that through improvements in water use efficiency, minor shifts in cropping patterns, increased reliance on water transfers, increased water reclamation, and reduction of water subsidies, California's water supply and demand can be reconciled with no additional supplies.¹

EPA has previously suggested to CALFED the inclusion of a variety of statements regarding the economic and pricing components of the water supply problem, as well as the institutional components of the water supply problem. We are disturbed that their suggestions were not incorporated into this draft and strongly encourage their inclusion in the next draft. Specifically, EPA suggested the following:

- Inefficient water pricing has exacerbated both short and long-term water supply problems.
- Institutional constraints have prevented the growth of private, market-oriented mechanisms (futures markets, options markets, etc.) that might be used to cope with uncertainty and risk in water supply.
- Increasing the flexibility of timing of Bay-Delta system water supply is costly
- Decreasing the uncertainty/increasing the reliability of Bay/Delta system water supplies is costly.

We note that problem identification is a key step in the CALFED process. Ultimately, the solutions identified later in this process will in part depend on how the problems are characterized. This is clearly evidenced in the progression from the draft problem definition

¹ Peter Gleick, et al., *California Water 2020: A Sustainable Vision* (Pacific Institute, 1995).

to the draft water supply objectives. Because the problem definition focuses on shortfalls in supply, the objectives focus almost entirely on increasing supplies. We urge you to reword the problems definition to reflect a mismatch between supply and demand, and correspondingly reword the objectives to address the mismatch through both supply-side and demand-side measures.

III. Mission Statement

We generally support the CALFED mission statement, with the following qualifications:

- We feel that it is crucial that the phrase "to restore" ecological health is retained as part of the statement.
- With regard to the water quality mission, we feel that the term "adequate" should be replaced with "optimum."
- With regard to the water supply mission statement, our concerns mirror those stated above with regard to problem definition. The focus of the mission statement should not be limited to supply-side improvements. We suggest the following: "Address imbalances between current and projected water supply and beneficial uses."

We appreciate the opportunity to provide this input and look forward to continued participation in the CALFED process.