

Determination of Rules for the 8.5 kcfs Banks Expansion
& for Excess Pumping Capacity

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Considerations

1. The creation of regulatory prescriptions for operations of the 8.5 kcfs of capacity will be controversial, complex and inefficient. The primary reason for the creation of the EWA was the difficulty in crafting efficient regulatory controls on exports. I strongly recommend that control over the new capacity be limited only by existing regulations and by EWA rights to reduce exports.
2. New water will be generated from the 8.5 kcfs primarily during just a few months. Based on my experience with gaming, I suggest that the months most likely to benefit from the new capacity are December – March. During very wet years, the period of benefit could extend all summer.
3. The period of greatest risk to fish is probably March – June. Perhaps we might extend the period to include February as well.
4. The new use of the 8.5 kcfs during periods when the EWA/ B2 makes export shifts to protect fish will substantially increase the cost of fish protection to the EWA/ B2. The extra cost may be about 4 kaf per day.
5. The use of the 8.5 kcfs will benefit the EWA by speeding up the filling of the SWP portion of SLR. Once the SWP side of SLR is filled, JPOD kicks in and the EWA picks up 50% of the new water pumped. Moreover, faster filling of SLR could reduce export pumping during periods of high fish sensitivity.
6. The use of the 8.5 kcfs may also benefit the b2 account by providing capacity for the CVP to move stored water across the Delta during the summer. During drier than normal years, this pumping will represent delivery of offset water and will be credited to the b2 account.
7. The benefits to the EWA from JPOD, however, may be limited for several reasons:
 - Faster filling of SLR means that SLR loses some of its value to the EWA as a place to store water across years. If alternative storage options are limited, then EWA water may effectively “spill” during many wet years. In such years, the EWA would lose assets just as it entered into a wet spring – a period of very high expenditures.
 - Under current provisional rules, the EWA is limited in the amount of Project storage it can borrow by very strict rules on collateral. The EWA must be able to repay all borrowed water with near certainty before the water is required for deliveries, in the current year or the next. In practice this means that the EWA must be able to guarantee that it will not cause a low point problem in SLR either in the current year or the following year. Therefore, even if the existence of the 8.5 kcfs increases the statistical probability that the EWA will gain new access to JPOD in the following year and be able to pay off debts, higher probability may not translate into new collateral. If so, then the EWA will be forced to pay higher costs to reduce export pumping without a significant increase in its ability to borrow.
8. Sharing of the 8.5 kcfs between the SWP and the EWA could reduce CVP benefits. The CVP would not benefit from the 8.5 kcfs until the SWP share of SLR fills. But if a portion of the 8.5 kcfs is dedicated to the EWA, then the SWP share of SLR will be delayed.
9. The priority for access to the 8.5 kcfs also needs to be determined. If the SWP has absolute rights on all surplus summer and fall capacity, CVP recovery and level 4 refuge needs are less likely to be met.

Strawman

The task, then is to maximize SWP and CVP supplies, while simultaneously giving the EWA sufficient new resources and collateral to deal with the new impacts.

1. The SWP should receive all benefits from the 8.5 kcfs from October – March. This is the period when surplus water is most available. The EWA and CVP will benefit during this period through increased JPOD.
2. The EWA should control the 8.5 kcfs during April – June 15. In most years, exports will be capped during much of this period. By giving the capacity to the EWA, EWA expenditures to reduce pumping will be reduced to manageable levels.
3. The EWA should control Banks pumping from 6.6 kcfs to 7.1 kcfs (that is, should be allowed to pump the first 500 cfs above 6.6 kcfs)) during the June 16 – September 30 period). The SWP should control the rest of the capacity.
4. The EWA should be allowed to add to its calculated collateral, 80% of any projected SWP pumping of surplus water with the 8.5 kcfs during the June 15 – October 31 period. This is not an increase in EWA assets. It will not delay the initiation of JPOD. It simply allows the EWA to borrow water based upon predicted increases in SWP pumping. Such a provision should not place undue risk on the Projects. A year wet enough for high surplus pumping during the summer period is a year in which refill of SLR is not likely to be a problem. The 80% value might be refined through additional analysis to provide adequate collateral without imposing major risks on the Projects.¹
5. In many years, the EWA will not use its 500 cfs from June 16 – September 30 to pump surplus flows. In such years, the EWA should have a right to use up to 500 cfs of Banks capacity from June 16 – September 30 to move stored or purchased water. After the EWA, transfers to support Level 4 refuge supplies should have priority. After Level 4 refuge supplies, the CVP should have priority. After the CVP, the SWP should have priority. After the SWP, other transferors may move water.
6. The SWP should have first priority for all use of excess capacity to move storage, whether Banks pumping is below or above 6.6 kcfs. However, if operational projections indicate that the SWP may structure releases from Oroville to open up space at Banks during the summer without any net loss in SWP exports by December 1, then it should offer to do so.² After the SWP, wheeling for CVP Cross Valley has priority. Then other CVP purposes. Then Level 4 refuge supplies. Then EWA storage. Then non EWA market transfers up to 1 kcfs. Then additional market transfers including the EWA (may require a bidding structure if there are more transfers than capacity).
7. The EWA is not required to compensate any transferror for lost export opportunities caused by the need to reduce exports to reduce entrainment. The EWA is only required to compensate the CVP (including Cross Valley Wheeling) and SWP for export reductions they make compared to projected operational patterns.

¹ As an alternative, we may wish to consider moving away from the concept of strict collateral to the concept of “risk management”. With risk management, we could consider all factors which would impose risk of non payment of EWA debts. Thus, when the hydrology is highly favorable, the EWA may be able to borrow more than the firm collateral it holds. Roughly speaking, this is how the Projects have evaluated their willingness to cooperate in making voluntary export cuts since the Accord – they have made such cuts when favorable hydrology reduced their risk to minimal values.

² That is, the SWP should not shift storage across the Delta until October 1, then scale back. It should pump on a more even schedule).