

MEMO

To: Tom Gohring, Greg Young, Ron Ott, Tom Cannon, Bruce Herbold
From: David Fullerton
Subject: Ideas on linkage between efficiency and EWA
Date: February 1, 2002

I wanted to share some ideas on linking CALFED's efficiency program to the EWA. I would like your comments on this idea before I send it out to the larger DNCT lists.

The CALFED program is faced with two serious problems:

1. CALFED expenditures for water efficiency dwarf every other category. Expenditures for reclamation alone are estimated at \$2 billion. Yet CALFED has not explicitly linked this large expenditure of public funds to a broad public benefit. Clearly there is some truth to the idea that reduced urban draw on the state's water supplies will lead to less fish entrainment and greater Delta outflows. Yet the relationship is by no means 1:1. In fact, due to the way contracts are set up within the CVP and SWP, much of the water generated by reclamation and conservation will not go to the environment, but to other water users – e.g., to Kern County Water Agency. This transfer of benefits will be particularly acute during wet years. If this is so, CALFED will be forced to justify why it should fund very expensive conservation and reclamation projects when the main beneficiaries may not be the public, but certain agricultural contractors with an ability to soak up extra water.
2. The greatest need for EWA water probably arises in wet years. This is because entrainment problems appear frequently during wet years, but project pumping levels are high and surplus capacity is low. Moreover, surface storage tends to fill (pushing out EWA water). Thus, the EWA is forced to expend large amounts of water to protect fish, but has little ability to recoup its losses through additional pumping. The problem of reduced pumping to protect Delta smelt this year is a good example. The EWA cannot work if we cannot give it enough resources to do get through these wet year problems.

I believe that we can help solve these two problems simultaneously by linking public funding for efficiency to EWA assets. Here is my thinking:

- Public investments in efficiency should be tied to broad public benefits.
- Investments in efficiency are valuable to water users during drier years when they can be used to reduce shortages or withdrawals from storage.
- Investments in efficiency are less valuable to water users in wetter years when enough water may be available even without the efficiency savings.
- The EWA has a particular need for water in the export area during wetter years.
- The EWA provides broad public benefits.

Based on this logic, I suggest that there is a perfect fit between the CALFED efficiency incentive program and the EWA.

Here is how it could work:

- The public pays x% of the cost of an efficiency project.
- The participating agency receives water from the efficiency project during dry, critical, and below normal years.
- The participating agency commits, through a contract, to transfer the amount of water produced by the efficiency project to the EWA during above normal and wet years. This is effectively a water purchase by a trustee for the public (the EWA).

This arrangement would have the following benefits:

- Participating urban and agricultural agencies would reap nearly the same level of benefits they would have received if they had funded the efficiency project entirely by themselves. But their costs will be substantially reduced due to the public contribution.
- The public will be assured of significant public (environmental) benefit by the dedication of water for export reduction at times when the fish need the water most.

I assume that this kind of arrangement could be used to generate hundreds of thousands of acre-feet of annual water supplies for use by the economy and the environment.