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Here is a redraft of the last section of the Water Management Implementation Framework paper, per our discussion this afternoon. I am not suggesting how we address the other two subjects here at the end - governance and administration, and finance. Still a bit nervous about those issues but I will come to Friday's meeting hopefully with some ideas. I started to write something about financing but got into a box describing what the "beneficiaries pay" principle really means in the real world. The enviros will take the position that there should be NO subsidies, but our modern governmental structure is replete with measures which encourage or discourage behaviors - tax code, subsidies, regulations, etc. The bottom line is the world is not perfect. Witness subsidies for various behaviors that encourage actions deemed good for the environment.

Anyway, draft text follows - it may go beyond where all CALFED agencies want to go, but I think it would result in a productive and necessary discussion on Friday - I also made minor changes to the introduction and bullets:

Assurances

There will be some risk taken by all interests that measures implemented during Stage 1, involving substantial financial and institutional investments, will succeed in meeting objectives. Examples include ecosystem restoration / rehabilitation measures, water quality actions and conveyance improvements. It is clear that the actual success of actions will need to be gauged by the end of Stage 1 in order to provide a practical framework for subsequent implementation programs. Questions that stakeholders will ask include:

- What happens if fish populations do not rebound as a result of ecosystem improvements?
- What happens if there are no substantial water quality improvements during Stage 1?
- What happens if the promises of increased water supply reliability from a number of projects and programs does not come to pass?

Water quality and water supply reliability measures of success are fairly straightforward: quantities of water available for use during different types of years, increased availability of water management facilities to meet needs, measurable improvements in water quality constituents (such as TDS, bromides, dissolved organic materials), etc. Confidence in expected success of water supply and quality measures will be a major contributor in developing an overall balanced CALFED program.

The most significant uncertain factor in the CALFED "equation" is the success of the planned, large-scale ecosystem restoration and rehabilitation program. Up to the present, regulatory agencies have relied almost entirely on water measures to meet fishery needs - increased flows, decreased diversions, other facility restrictions, etc. CALFED brought something entirely new to the table, beginning with creation of the "Category III"

program in the 1994 Bay-Delta Accord - the idea that a substantial commitment to restoring ecosystem processes through development of additional wetlands and shallow water habitat, restoration of historical spawning habitat and other non-water measures would result in increased fishery populations. Many specific ecosystem projects are underway, and the funding for many more has been secured through Proposition 204 and federal appropriations. CALFED and its participant agencies need to develop a means of accounting for expected benefits in developing a final Water Management Program. One option is to place reliance that specific programs will be successful, and reflect such success in operational restrictions and/or allocation of Stage 1 water management benefits. However, such risk would need to be coupled with the possibility that a restrictive regulatory framework would be re-imposed or ecosystem restoration efforts increased/modified if programs do not succeed as expected. This and other options need to be discussed at technical and policy levels.