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BAY-DELTA
PROGRAM

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Memorandum

Date: May 12, 1999

To: CALFED Policy Group

From: Lester A. Snow LAS

Subject: Overview of Major Changes in *Revised Phase II Report*, June 1999

The *Revised Phase II Report* to be published in June 1999 will be a refinement of the December 1998 version of the report. Much of the information will remain the same, while other parts of the new Phase II Report will describe significant advances in the CALFED Program that have occurred since last December. Areas of major change include:

- Integration of Four Resource Area Strategies
- Water Management Strategy
- Integrated Storage Investigation
- Environmental Water Account
- Multi-species Conservation Strategy
- Governance
- Finance
- Water Transfers
- Water Use Efficiency
- Program Implementation

Here is a summary of the major changes in the June 1999 draft:

Integration of Four Resource Area Strategies

The *Revised Phase II Report* places additional emphasis on a fundamental aspect of the CALFED approach. The Program has developed resource management strategies for four resource areas: ecosystem quality, water quality, levee system integrity, and water supply reliability. These four resource management strategies are integrated through the eight program elements: each resource management strategy relies on actions from several different program elements. Conversely, the eight program elements help satisfy objectives in four different resource areas. Thus, an optimal program to meet the CALFED mission must be a comprehensive, integrated package of actions.

Water Management Strategy

The Water Management Strategy (WMS) framework presented in the June 1999 draft of the *Phase II Report* expands on the concepts presented earlier. The framework is still a work-in-progress with a draft strategy planned for September 1999. The June 1999 *Phase II Report* includes additional refinement and consolidation of the water supply reliability goals and objectives and an expanded menu of water management tools with the addition of the Environmental Water Account, Integrated Storage Investigation, and conveyance to the list. The framework also begins describing the general approach for the economic evaluations and the opportunities, limitations, and interrelation of the water management tools which are the basis of the strategy.

Integrated Storage Investigation

An important part of refining the Water Management Strategy is refining the tools. This is particularly true where actions, such as storage, require a significant initial investment and are less conducive to incremental implementation and adaptive management. The Integrated Storage Investigation (ISI) will evaluate the relationship between various types of storage and the overall role of storage as part of the Water Management Strategy. The ISI will coordinate existing storage investigations by individual CALFED agencies, CALFED-initiated storage evaluations and broader water management strategies and analysis to provide a comprehensive assessment of alternative storage options and their utility to overall water management. Specifically, the ISI will evaluate surface storage, groundwater storage, power facility reoperation and the potential for conjunctive operation of these different types of storage. Additionally, these investigations will provide a comprehensive assessment and prioritization of critical fish migration barriers for modification or removal.

Environmental Water Account

An Environmental Water Account (EWA) is a concept that provides for various water assets to be used to benefit the environment. A portion of the existing and future water supply developed in the Bay-Delta system by the State and federal water projects could be allocated or purchased for use in protecting and enhancing fish and their habitat. Since December 1998 several gaming simulations have been conducted to better understand how an EWA might be operated under different scenarios. These simulations demonstrated that it is possible to make major shifts in Project operations to protect fish and to improve habitat conditions without reducing water supplies to the water users, but only if the EWA has access to storage, and is invested with funding of $30 to 40 million per year. Storage south of the Delta or near the export pumps provided a premium in allowing flexibility in EWA operations. Use of groundwater was limited for the EWA given the low recharge and extraction rates. Sharing water supply generated by new facilities and the risks associated with water supply, along with a flexible management approach like EWA, provided for mutual incentives for long-term benefits for the environment, water quality, and water supply in the future.

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Multi-species Conservation Strategy

Implementing CALFED actions -- even some ecosystem restoration actions -- will have a complex range of effects, including impacts to plants and animals listed under the Federal Endangered Species Act (ESA) and the California Endangered Species Act (CESA) and other sensitive species. This Multi-species Conservation Strategy (MSCS) builds on the Ecosystem Restoration Program to provide a framework for compliance with the ESA, CESA, and a second California law also dealing with listed species, the Natural Community Conservation Planning Act (NCCPA). The goals of the programmatic MSCS are two-fold: first, to assess the CALFED Program as a whole and ensure the program will benefit endangered species; and second, to recommend the types of measures that will likely be required for the "take" authorizations necessary to implement Program actions.

Governance

CALFED is working with agencies and the Governance Workgroup to develop a long-term governance structure for the Bay-Delta Program. The final proposal for long term governance is not expected to be adopted until the ROD, and implementation will likely take up to 2-3 years if legislation is required. In order to begin implementation of the Program at the time of the ROD, CALFED has recognized the need to establish an interim process and governance structure to last until the long term structure is in place. CALFED is proposing an interim structure which relies on existing laws and authorities. Features of the interim structure would include: a stakeholder advisory group; a policy group composed of representatives of state and federal agencies to provide oversight and coordination; and performance of coordination and management functions. A more detailed Governance Plan is included in the *Implementation Plan* appendix to the *Revised Draft EIS/EIR*.

Finance

CALFED is preparing a Financing Plan that lays the foundation for making financing recommendations. Final financing recommendations are not expected until the ROD. In the draft financing plan, benefits and beneficiaries are described for each program to the extent feasible, existing funding programs are listed, potential funding sources are described and evaluated, and a possible Bay-Delta system diversion fee is described. Finally, options for financing each program are described briefly and finance issues are listed. A more detailed Finance Plan is included in the *Implementation Plan* appendix to the *Revised Draft EIS/EIR*.

Water Transfers

In the December 1998 *Phase II Report*, CALFED provided recommendations to resolve several water transfer issues. Some of these described actions or policies require CALFED agency adoption. These will be implemented during Stage 1. However, for other issues, CALFED recommended processes that are intended to resolve continuing disputes. These processes were

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described previously in general terms. Additional refinement of these processes and, in some cases, proposals for implementation, are summarized in the new Water Transfers Program description along with actions and policies previously recommended.

Water Use Efficiency

The overall direction and intent of the Water Use Efficiency (WUE) Program remains consistent with the December 1998 *Phase II Report* and the February 1999 *WUE Program Plan.* The four WUE program elements (Agricultural, Urban, Water Recycling, and Managed Refuges) have been refined over the last four months and will continue to be refined through mid-2000. Each of these elements will have a Technical Assistance component which will begin implementation in early-2000. Partial implementation of the agricultural incentive program will begin in mid-2000. Remaining incentive programs will begin implementation in late-2000. Incentive programs will be designed to award CALFED grant funding for projects that demonstrate potential to provide CALFED water supply reliability, water quality, or ecosystem restoration benefits.

Program Implementation

Since release of the December 1998 *Phase II Report* substantial additional detail has been developed for Stage 1 actions. The effort has focused on developing specific, high priority actions to be considered for funding in FY 2000 and 2001. These are referred to as Stage 1a actions. The actions have been grouped into 7 bundles in an effort to provide balance within geographic and subject area boundaries. Next steps include formulation and documentation of a variety of linkage mechanisms which would serve to assure that implementation proceeds in a balanced manner. Additional detail, including a short description of each Stage 1a action, preliminary cost estimates, and potential implementation entities are contained in the *Implementation Plan* appendix to the *Revised Draft EIS/EIR.*