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IN RE THE MEETING OF THE)
BAY-DELTA ADVISORY COUNCIL)
_____)

ORIGINAL

TRANSCRIPT OF PROCEEDINGS
Los Angeles Airport Hilton and Towers
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Thursday, February 15, 1996 at 9:13 a.m.

REPORTED BY: MELINI A. CARREON, CSR NO. 7511

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1 COUNCIL MEMBERS:

2 MICHAEL MADIGAN, Chairman, California Water
3 Commission

4 LESTER SNOW, Executive Director

5 SUNNE WRIGHT McPEAK, Bay Area Economic Forum

6 ERIC HASSELTINE, Contra Costa Council

7 STEPHEN HALL, Association of California Water
8 Agencies

9 JOHN V. (JACK) FOLEY, Metropolitan Water District
10 of Southern California

11 ALEX HILDEBRAND, South Delta Water Agency

12 THOMAS S. MADDOCK, California Chamber of Commerce

13 BOB RAAB, Save San Francisco Bay Association

14 RICHARD IZMIRIAN, California Sportfishing
15 Protection Alliance

16 DON BRANSFORD, Glenn-Colusa Irrigation District

17 ROGER STRELOW, Beveridge & Diamond

18 ROSEMARY C. KAMEI, Santa Clara Valley Water
19 District

20 DAVID J. GUY, California Farm Bureau Federation

21 THOMAS J. GRAFF, Environmental Defense Fund

22 JUDITH REDMOND, Community Alliance with Family
23 Farmers

24 PIETRO PARRAVANO, Pacific Coast Federation of
25 Fishermen's Associations

1 COUNCIL MEMBERS: (cont'd)

2 ROGER THOMAS, Golden Gate Fishermen's
3 Association

4 HARRISON (HAP) DUNNING, Bay Institute

5 ROBERTA BORGONOVO, League of Women Voters

6 PAT McCARTY, Delta Protection Commission

7 TIB BELZA, Northern California Water Association

8 MARY L. SELKIRK, East Bay Municipal Utility
9 District

10 MICHAEL W. McDONALD, Northern California Power
11 Agency

12 MARCIA SABLAN, Mayor of Firebaugh

13 RAY REMY, Los Angeles Chamber of Commerce

14 MICHAEL STEARNS, San Luis Delta Mendota Water
15 Authority

16 DAVID COTTINGHAM, Department of Interior

17 STUART T. PYLE, Kern County Water Agency

18 HOWARD R. FRICK, Arvin Edison Water Storage
19 District

20 ANN NOTTOFF, Natural Resources Defense Council

21 MICHAEL MANTEL, Designated State Official

22

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1 (All parties present, the following proceedings were had at
2 9:13 a.m.)
3

4 CHAIRMAN MADIGAN: We have a fairly full
5 agenda today, so we need to get started, and we need to
6 move right along. There are a couple of questions that --
7 as I understand it, that have yet to be perhaps clarified
8 here, and I'd like to take them up early, with your
9 permission, and Lester and Sunne and I have talked about
10 them a little bit, and they have to do with questions of
11 how things get on the agenda and perhaps what some of the
12 fundamental expectations are for the role of the BDAC, and
13 I'd like to go through them and get them out of the way.

14 But before I do there are at least a couple of
15 introductions, or perhaps an introduction and a
16 reintroduction, that I would like to make to all of you,
17 and the first of those is to welcome our newest member of
18 the BDAC, Mike Stearns. Mike replaces Jean Sagouspe, who
19 wasn't able to make any of the other meetings. Mike's the
20 General Manager at Hammond Ranch and, as probably most of
21 you know, is the President of the Reclamation Board the
22 last couple of years. He has been involved in the Panoche
23 and Firebaugh Canal Water Districts and has been involved
24 in a lot of water activities in the San Joaquin County, and
25 I am pleased that he is joining us, and I'm looking forward

1 you in the audience who aren't on the workshop mailing list
2 or who would like to get this material right away, there
3 are some copies available to you.

4 And also at the registration table is a public
5 input form for those of you who wish to speak, and it would
6 be very helpful to us if you take a moment to fill out
7 those registration public input forms so that we have names
8 and addresses and things like that.

9 Again, lunch will be provided to the BDAC
10 members. It's our intention not to release anybody from
11 this activity until we're done. There are restaurants here
12 at the Hilton and the coffee shop for those of you in the
13 audience who also want to hang around for the afternoon
14 session.

15 Before we go on, I would like to take those two
16 issues that I mentioned earlier, and I'm going to start off
17 by asking Lester to address the question of additions to
18 the agenda. As I understand, that came up yesterday.

19 EXECUTIVE DIRECTOR SNOW: Yeah, this has
20 come up on a number of occasions where a couple of days
21 prior to a meeting we may get interest in being able to
22 discuss a specific issue not on the agenda, and we really
23 can't do that in any great depth. I mean we can --
24 somebody can bring it up at the meeting, and we can mention
25 that this is significant and needs to appear on a

1 to his active and valued participation.
2 Mike, welcome aboard.

3 MR. STEARNS: Thank you very much.

4 CHAIRMAN MADIGAN: And I think everybody
5 also knows David Cottingham, but perhaps, on the
6 possibility that somebody doesn't, let me acknowledge
7 David's presence here today representing the Department of
8 Interior and the Federal Government.

9 David, thanks for joining us.

10 Everybody who took time to participate over the
11 holidays in the actions and the action categories provided,
12 thank you very much for doing that. I understand that
13 Sharon's going to give us an overview of all that during
14 the core action section.

15 Let's see here. You all have copies in front
16 of you of today's material, I trust, but you do not have
17 copies of the overheads. The overheads can be -- copies of
18 the overheads can be delivered to you, if you wish them.

19 For members of the public who are in
20 attendance, the information that we have is available to
21 you out at the registration table, also, as a part of your
22 package, the Draft Alternatives package which was just
23 released today. The material is being sent to all workshop
24 participation -- participants, rather, in preparation for
25 the February workshop in Sacramento. Again, for those of

1 subsequent agenda, but for proper public noticing we need
2 to make sure we get issues noticed, and if it's of interest
3 to them, they can show up. If we end up discussing a
4 significant item without it on the agenda, then the public
5 has no ability to participate and to observe what the
6 discussion is.

7 And one of the issues that's important, has
8 been important, is that we received a letter yesterday. I
9 believe it is being or has been distributed to each of you.
10 It is a specific request about CVPIA and doing some
11 analysis on the proposed CVPRA and how it might affect
12 CALFED and where it fits in and that sort of thing.

13 I'm certain that's a legitimate request, and we
14 should do that, and what I would suggest is that you simply
15 agendize into the March meeting and have it clearly
16 indicated that we're going to discuss the nuances of CVPIA
17 and CVPRA and what that can mean to particularly the
18 environmental actions that we may or may not take within
19 the CALFED program.

20 What we would request in the future is that if
21 you have an item that you believe needs to be discussed and
22 discussed as soon as possible at a BDAC meeting -- I'm
23 going to have to call on Mary to help me with this -- I
24 believe we need to publish a notification at a minimum of
25 ten days prior to the meeting.

1 Is that correct?
 2 MS. SELKIRK: Yes.
 3 EXECUTIVE DIRECTOR SNOW: So we would need
 4 it ahead of that, so roughly at least a minimum of two days
 5 ahead of time we would need to know of a special item that
 6 is not already planned to be on the agenda, and then we can
 7 consider and perhaps modify the agenda to accommodate.
 8 CHAIRMAN MADIGAN: Let me ask, Mary. I
 9 know that in local government there are procedures under
 10 exceptional circumstances related to additions to agendas.
 11 Under the rules under which we operate, is that a
 12 possibility, and what would those circumstances be, and how
 13 would we do it if that were to present itself?
 14 MS. SELKIRK: The opportunities for
 15 exceptions from the State Open Meeting Act, which is the
 16 act that applies to this body, as well as the Federal
 17 Advisory Committee Act, are fairly limited. As Lester
 18 said, if someone raises an issue that is not on the agenda,
 19 particularly as part of the public comment section, it's
 20 appropriate for this group to consider that agenda item.
 21 It is, however, inappropriate to discuss it in any detail
 22 or take any official action on it without some kind of
 23 prior notice. Emergency exceptions are very limited and
 24 very difficult, and it would be tough to imagine, at this
 25 point, any of the issues that have come up so far meeting

1 MS. SCOONOVER: -- court reporter. The
 2 summaries are provided purely for ease, to aid council
 3 members and others who are trying to get a short version of
 4 what happened at the prior meeting.
 5 CHAIRMAN MADIGAN: Let me go back, Thomas.
 6 Is the point that the summaries tend to be
 7 viewed as what happened at the last meeting, and therefore,
 8 we should all be in agreement that they are a reasonable
 9 reflection of what happened, despite the fact that there is
 10 this legal record?
 11 MR. GRAFF: Yeah, I mean just to be
 12 specific about my concern about the last meeting, there's a
 13 very abbreviated comment on what I thought was a quite
 14 spirited discussion on the Colorado River as how it bears
 15 on this process, and I guess for the future I'd like to see
 16 a more detailed description of some of --
 17 CHAIRMAN MADIGAN: Okay. Well --
 18 MR. GRAFF: -- the discussions such as
 19 that.
 20 CHAIRMAN MADIGAN: -- it is certainly
 21 appropriate to take those summaries and expand on items
 22 within them, and I certainly don't have any heartburn with
 23 that, and I don't imagine that that's a problem, since
 24 there's nothing that's a legal description of what has to
 25 be in a summary, I suppose, in terms of its limits or its

1 the criteria as emergency issues.
 2 CHAIRMAN MADIGAN: Okay. Let me open it
 3 up to questions by members of the BDAC.
 4 Mary, are there -- yeah, go ahead, Tom.
 5 MR. GRAFF: Mike, I don't know if these
 6 are directly related, but I did have a question about the
 7 meeting summary and the extent to which that's -- like
 8 minutes of a prior meeting, are those subject to approval
 9 of this body or commented by this body?
 10 How are we going to deal with those?
 11 CHAIRMAN MADIGAN: Could we take 20
 12 seconds here?
 13 (Off the record discussion between
 14 Chairman Madigan and Executive Director Snow.)
 15 CHAIRMAN MADIGAN: well, yeah, I guess the
 16 answer is we haven't set it up as an action item. We do
 17 have a summary, and then there are verbatim minutes,
 18 obviously, taken of these activities, and, Mary, I'm going
 19 to, I guess, look to you again, both in terms of is there a
 20 legal mandate one way or another, and then we could talk
 21 about whether or not there's a policy purpose in handling
 22 them one way or the other.
 23 MS. SCOONOVER: The official record of
 24 these proceedings is the record that's recorded by the --
 25 CHAIRMAN MADIGAN: Correct.

1 scope, and if you'd like to see something expanded on in a
 2 summary, heck, I think that's just a perfectly reasonable
 3 request.
 4 MR. GRAFF: Okay. I apologize for not
 5 having reviewed it until just before this meeting, or I
 6 would have contacted you in advance.
 7 CHAIRMAN MADIGAN: well, why don't we
 8 simply pass that on to Lester as a request for that
 9 particular item, and then as we have those kinds of
 10 requests, I think that's fine, because I think most people
 11 will look at the summaries as something approximating the
 12 record of the last meeting anyway.
 13 MR. GRAFF: Thanks.
 14 CHAIRMAN MADIGAN: Okay. So we'll send
 15 that one over.
 16 Let's see here. And the second item was -- oh,
 17 yeah. As I gathered from last night -- and I apologize for
 18 not being here. Sunne, no doubt, A, did it a lot better
 19 than I would have anyway and, B, I understand, made an
 20 apology for me, which I hope you will accept -- that there
 21 is still some discussion about what the proper role of this
 22 organization is, and since it's something as complicated as
 23 this process, it's my belief that clarity is a virtue. I
 24 would like to make sure that we are all as clear as
 25 possible about what it is that we're doing and what it is

1 that the CALFED program staff is doing and our relation to
 2 the staff and the process and our role in terms of advice
 3 to the State of California and the Government of the
 4 United States, and I think I'd like to ask Lester to review
 5 that again and then to open it up for conversation, if
 6 there's any differing interpretation of those roles.

7 EXECUTIVE DIRECTOR SNOW: Thank you, Mike.
 8 Maybe the way that I would start this
 9 discussion would be to play off of an issue that came up
 10 last night, in the sense of who takes action and when and
 11 how broad is the action, and so perhaps I could start
 12 there, in the context that if we are successful and we're
 13 able to get to summer of '98 and we have a preferred
 14 alternative, the action that would be taken is -- there's
 15 two actions under the environmental law. One would be that
 16 that preferred alternative would be certified under CEQA,
 17 and there would be a record of decision entered under NEPA,
 18 and the entities that would do that would be the CALFED
 19 entities, and in fact, the CALFED agencies have executed a
 20 memorandum of agreement on the Federal side and, on the
 21 State side, have decided how the State agencies will
 22 interact, and then there's an agreement between the State
 23 and Federal agencies, and so those agencies are on the line
 24 to make the decision about which is the preferred
 25 alternative that moves forward.

1 the package needs to hold together.
 2 Now, to back up from there, how do these CALFED
 3 agencies know that that's the right alternative, other than
 4 the technical analysis that may support it, and in my mind,
 5 that's the key role of BDAC.

6 Along with, you know, outreach efforts and
 7 workshops and public input, BDAC is the -- I'll call it the
 8 fail-safe to make sure that the alternatives are meeting
 9 the solution principals that we've outlined, that it's
 10 equitable, implementable, affordable, as those basic
 11 things, that this is a very diverse group that is the
 12 monitor to make sure that reasonableness is coming forth.
 13 It's not a bunch of technical analysis that looks good but
 14 won't work, and I think we all need to be comfortable
 15 moving forward with that.

16 And I guess some of the -- I guess call it
 17 different expectations is the level of detail that BDAC
 18 would get into of analyzing specific location of a fish
 19 screen versus a policy on how we get fish screens put in
 20 place, and so it's those kinds of issues that I think we
 21 need to make sure that we have clarity on, as Mike has
 22 referred to, because if we move too far down the road with
 23 different expectations about what BDAC will be doing, we'll
 24 undoubtedly end up with some conflict somewhere along the
 25 road.

1 And to follow that a little bit, I think it's
 2 clear, from where we are at this point in the process, that
 3 a preferred alternative is not going to be one or two
 4 neatly packaged actions. It's going to be a wide array of
 5 actions that will be necessary to move forward, and I
 6 certainly can envision within those actions, there may be
 7 things that are recommended that would end up being
 8 implemented through a simple administrative action on the
 9 part of a Federal agency, where they simply change a
 10 procedure, and perhaps the Bureau of Reclamation would
 11 change the way they operate a specific dam, and no
 12 additional authority is necessary to do so.

13 There may be an action that would require
 14 Federal legislation, such as tighter controls on ballast
 15 water exchanges to prevent the introduction of
 16 non-indigenous species into the Bay, and there would have
 17 to be legislation to do that.

18 There may need to be Federal funding that would
 19 require legislation. On the State side you would find the
 20 same thing, some actions where there's existing authority
 21 to implement and proceed with the alternative and other
 22 components or other actions that would require additional
 23 legislation or authorization.

24 So after the certification by the CALFED
 25 agencies, I can see pieces of it kind of breaking up, but

1 Maybe I could turn it back to Mike and
 2 just see what kinds of concerns or expectations BDAC
 3 members have on this issue.

4 CHAIRMAN MADIGAN: Yeah. Let's just open
 5 it up and see if anybody has any questions or if that seems
 6 to be an accurate reflection of -- it could have been a
 7 non-event.

8 Roberta.

9 MS. BORGONOVO: I think we've talked about
 10 the role of BDAC, but I guess it's not clear to any of us
 11 what happens if you don't have a sense of consensus within
 12 BDAC and then you have preferred alternatives going
 13 forward.

14 EXECUTIVE DIRECTOR SNOW: That's a very
 15 good question. I'll give an answer, and perhaps
 16 David Cottingham might want to kind of add in on that as
 17 the Federal rep, but to me our success really is anchored
 18 in our ability to produce that consensus, and we'll turn it
 19 over to Michael, too, on this issue, but --

20 CHAIRMAN MADIGAN: Michael, nice timing.
 21 EXECUTIVE DIRECTOR SNOW: -- having been
 22 around water issues for quite a while in the west, it's
 23 beyond me to think that we would get down to the end; three
 24 or four stakeholder groups don't like any of the
 25 alternatives and particularly the preferred alternative and

1 somebody would go ahead and try to certify it as a
 2 preferred alternative.
 3 EXECUTIVE DIRECTOR SNOW: In my mind, the
 4 technical analysis is great. The financial analysis is
 5 great and is necessary, but more important than that is a
 6 broadly supportable alternative, and if we think down to
 7 the summer of '98 and we're ready to announce a preferred
 8 alternative and half of BDAC holds a press conference and
 9 says, "We don't like it," then I can't imagine that
 10 alternative going very far.

11 CHAIRMAN MADIGAN: Yeah, Sunne. Go ahead.

12 VICE-CHAIRMAN MCPPEAK: In part, the
 13 discussion that Mike, you, and Lester are having turns on a
 14 question related to SB 900 that was raised last night.

15 The so-called trigger mechanism has the last
 16 one-third of the proposes today as it's in your packet.
 17 The last one-third of the bond proceeds would not be
 18 released until a comprehensive Bay-Delta solution is
 19 authorized by the CALFED program.

20 Now, in theory, I think we all understand what
 21 the intent of that was. Some questions turned around,
 22 well, what is the CALFED program? What does it mean to
 23 have a comprehensive Bay-Delta solution authorized by the
 24 program? Does that mean all the permits by every one of
 25 the agencies, all the actions related to it?

1 And I think that's why, Lester, there was some
 2 probing of exactly what actions, by whom, at what point,
 3 more than the certification and the filing on the EIS that
 4 may be intended here or, if not intended, could be
 5 construed in the future to require additional actions,
 6 because the CALFED program is obviously, yes, BDAC, and
 7 this is where we're supposed to reach consensus, and we
 8 expect that in the world of rational politics that there
 9 wouldn't be actions by anyone else, if you didn't have
 10 consensus here, although you can see that it's possible to
 11 have total consensus here and at some point a change in the
 12 State or Federal agencies in the future years to come, who
 13 are supposed to, in some manner, take action, who do not.

14 So that's the issue, and I think you and
 15 Senator Costa, and when Linda Adams addresses it, realize
 16 that there's still some ambiguity in this section to be
 17 worked out, but that's what I think the questions last
 18 night started to uncover.

19 CHAIRMAN MADIGAN: David.

20 MR. GUY: Yeah. Let me just add that,
 21 Roberta, I think that's a very valid question, and as
 22 Lester and others, as we, from the Federal prospective,
 23 have worked with the State to try to set this up, following
 24 the December 15th accord was the hope that this group,
 25 particularly, would be able to provide the level of input

1 that would -- would guide these decisions.
 2 I am not so naive as to think that there will be
 3 consensus about these things, but I think if it's -- you
 4 know, if it's -- what are there? 32 members or something?
 5 If there are one or two out-liers and -- we need to work
 6 within this process to see how well we can come to closure,
 7 but at some stage, Federal and State agencies will have to
 8 start making decisions with regard to how they are going to
 9 do their administrative actions and their -- within their
 10 authorities or seek additional legislation or get the
 11 permits and things that are required to do a lot of the
 12 restoration work. I mean a lot of that's going to require
 13 a sort of Corps of Engineers kind
 14 of for our core permits and that sort of thing.

15 Michael and I have not discussed this.

16 Michael, do you want to add anything?

17 MR. MANTEL: Coming in late, I --

18 CHAIRMAN MADIGAN: Sure.

19 MR. MANTEL: -- I apologize for that.

20 The decisions rest with the Federal and State
 21 agencies on these matters, but the hope and the idea is
 22 that there will be sufficient consensus brought forward by
 23 this group, particularly, to allow those decisions to be
 24 made in a way that they are widely acceptable and, frankly,
 25 greatly influenced by what this group comes up with, and

1 it's much like how things worked leading up to
 2 December 15th, where stakeholders were very much at the
 3 table, very much influencing the outcomes, that the
 4 decision-makers then were allowed to proceed.

5 There can't be -- everyone wants leadership.
 6 There can't be good leadership without followship --
 7 followership and understanding and support, and that's a
 8 large part of the role that this group is going to be asked
 9 to play.

10 CHAIRMAN MADIGAN: Boy, that's tough.

11 This isn't much of a group of followers,
 12 looking around. I was doing pretty well, up to that point,
 13 Michael.

14 Alex.

15 MR. HILDEBRAND: Go back a moment to
 16 Lester's comment that BDAC can't expect to decide which
 17 screens to go in and which shouldn't go in and that sort of
 18 thing, but I think it would be a lot easier to reach a
 19 consensus on the subject of screening, to use that example,
 20 if we are to say that in determining whether a given screen
 21 should be adopted, we have some idea of what the process
 22 would be in making that determination.

23 If you say everything must be screened, a lot
 24 of us are going to disagree. If you say nothing should be
 25 screened, a lot of us are going to disagree, but if you

1 say, well, you screen under certain kinds of circumstances
2 and you have the methodology as to how you're going to do
3 that, then I think we could reach agreement rather readily
4 on it, and you have to consider whether it's really going
5 to be screen or it's going to be sonic devices from other
6 behavioral control.

7 So I think we can minimize our disagreements on
8 a lot of these if we get a little more in-depth on how you
9 make the determinations, rather than what the
10 determinations are.

11 CHAIRMAN MADIGAN: Okay. Anybody else?

12 An important question.

13 All right. Very good. Thank you, Lester.

14 Thanks, all, for your comments in that regard.

15 Again, we have quite a bit to do today, but I
16 want to go over a few of the ground rules with everybody
17 here. The way we will do this is that as each of these
18 individual items come up, that the BDAC is going to have an
19 opportunity to deliberate on the issue and discuss the
20 issue and come to grips with it in whatever fashion it
21 deems appropriate. There will also be an opportunity for
22 members of the public to comment on each of those
23 individual items as they come up.

24 In addition to that, there will be an
25 opportunity at the end of the agenda for the members of the

1 context where this process of BDAC will address
2 successively different issues concluding with looking at
3 financing, and he characterized that as the fifth step
4 among five that we would go through, or series of different
5 groupings of issues, and that Senate Bill 900, authored by
6 Senator Jim Costa and supported by Secretary of State
7 Bill Jones and endorsed by many organizations, including
8 those, a lot, represented around this table, is intended to
9 support and facilitate the momentum of consensus.

10 Linda Adams is here and is available to address
11 this subject, and also we have it on our agenda, so without
12 reviewing the content of Senator Costa's presentation, I
13 think we'd like to just share, for whose of who weren't
14 present last night, that Senator Costa committed to working
15 with the Bay-Delta process with the CALFED agencies, with
16 BDAC, offered to return to meet with us. The bill has gone
17 through the Senate, will be taken up in the assembly
18 after -- well, in March, and so, as it's going through the
19 assembly, there will also be the primary elections, and
20 that could impact the dollar amount that goes into the
21 bill, and there needs to be, I think, a lot of back and
22 forth.

23 Democracy is not a neat process, and there's a
24 lot of discussion and dialogue going on, and we're not sure
25 we can answer all the questions that, you know, just were

1 public to comment on the general activities of this
2 operation and on any items that weren't otherwise discussed
3 around here, but please, again, fill out those speaker
4 slips. That's just very, very helpful to us, because we
5 anticipate that there will be a fair amount of public
6 comment today. You can sign up, again, right outside.

7 The next BDAC meeting is scheduled for
8 March 21st. We're going to be back in Sacramento at the
9 Beverly Garland Hotel. The April meeting is scheduled for
10 April 25th and will also be held in Sacramento. Apparently
11 the most likely venue is at the Convention Center.

12 Those of you on this panel who have comments on
13 various items, again, you would be encouraged by Lester and
14 the CALFED staff to submit those comments in writing, as
15 well as your participation here. There has been some
16 amount of that already done by several of you, and that's
17 good, but it is important that you document your concerns,
18 and we've already kind of heard a couple of those here
19 today, and so you would be encouraged to do that.

20 Sunne, would you maybe review what took place
21 last night, for those of us who weren't at the meeting?

22 VICE-CHAIRMAN MCPPEAK: Mr. Chairman, most
23 of the people around the table were at the session, and we
24 agreed to have some continuing dialogue this morning on
25 Senate Bill 900, but in a nutshell, Zach McReynolds put in

1 implied in the previous discussion about taking action and
2 reaching consensus, and so I think this is just another
3 dimension and dynamic to that, but I think underlying all
4 of the dialogue and presentation last night was a
5 commitment by the authors and the supporters of SB 900 to
6 work in good faith with CALFED process and BDAC.

7 CHAIRMAN MADIGAN: Thank you.

8 Anybody else have any comments on last night?

9 All right. Excellent.

10 Those of you who received an early agenda will
11 notice that in the agenda you have received more recently
12 the first two items on the agenda, under number two, that
13 is program overview and financial strategy discussion, have
14 been swapped, as the financial strategy discussion seems
15 logically to follow the program overview, so we're going to
16 start off with that program overview.

17 And, Lester, it's all yours.

18 EXECUTIVE DIRECTOR SNOW: Thank you, Mike.

19 A couple of introductory kinds of comments, and
20 then I want to give a very brief overview, as I've done at
21 each meeting, and obviously as we move on, it's more for
22 members of the audience that haven't been here than it is
23 for BDAC.

24 The first thing I want to indicate, though, is
25 just to make sure you get a copy of the workshop packet.

1 In many respects this is what we have been striving for, in
2 order to make sure we can sharpen the public focus and the
3 public debate about how we can proceed with developing a
4 solution to the Bay-Delta Program.

5 We're trying to move -- or we think we've moved
6 to sufficient detail where we can get some meaningful
7 exchanges with people, and we're not any longer talking
8 about goals and objectives and approaches and the more
9 nebulous stuff, and we're getting it down to a level where
10 I think a lot of the public can engage and discuss this and
11 then, of course, still not at the level where a lot of
12 people that really have a high technical understanding of
13 this system are completely happy.

14 I guess the reaction that we would like to see
15 to this, from people in general, is that there are some
16 good things and some bad things in here. I think if we ran
17 into a member of the public or a stakeholder that says,
18 "Boy, I like every one of them," that probably indicates to
19 us that they have no stakeholder interest in the Bay-Delta
20 system and are not focusing on what's in here. Likewise,
21 if somebody were to say, "I hate everything that's in this
22 package," then, again, I think they're not looking at it.

23 We think we have covered the bases, but that's
24 also what we want to hear from you.

25 Do we have a reasonable range of alternatives,

1 players --

2 CHAIRMAN MADIGAN: -- card shows.

3 EXECUTIVE DIRECTOR SNOW: -- can do it,

4 then --

5 CHAIRMAN MADIGAN: Absolutely.

6 EXECUTIVE DIRECTOR SNOW: Is this on?

7 Okay. I want to -- our sound man just lost his
8 head. I want to hit some real basics here again, primarily
9 for those of you in the audience who may not be totally
10 familiar with CALFED. This is just to indicate -- that's a
11 lot of feedback -- who is in CALFED, who are the ten State
12 and Federal entities that are involved in this.

13 On the California side is the Resources
14 Agencies, Department of Water Resources, Department of Fish
15 and Game, CAL EPA, and the State Water Resources Control
16 Board.

17 On the Federal side, Department of Interior,
18 U.S. Bureau of Reclamation, U.S. Fish and Wildlife Service,
19 Environmental Protection Agency, and National Marine
20 Fisheries Service.

21 CALFED, you know, basically came together in
22 '93 and worked out a framework agreement in '94, leading to
23 the accord. It really has three basic functions, and this
24 is important to remind all of yourselves of, because often
25 we start using the word CALFED, and we use it to refer to

1 and in that context, "reasonable" means to engage the
2 public in discussion and start moving forward and refining
3 and recombining and deleting as necessary.

4 So, again, you know, I hope this packet helps
5 us move forward. It's not a final product, by any stretch
6 of the imagination, but should sharpen the public debate.

7 We understand that there was an article this
8 morning in the Sacramento Bee kind of anticipating a lot of
9 what was happening. I think we're getting copies of that
10 made, so you can see what happened in the Bee this morning.

11 CHAIRMAN MADIGAN: well, then we should
12 follow what it says carefully.

13 EXECUTIVE DIRECTOR SNOW: That's right.

14 MR. STEARNS: Absolutely.

15 EXECUTIVE DIRECTOR SNOW: what I'd like to
16 do, kind of back by popular request, is go through some of
17 the kind of basics of CALFED and who we are and use some of
18 these standard overheads that are becoming collectors'
19 items, and you, too, can sign up for an original.

20 MS. BORGONOVO: will you autograph it?

21 VICE-CHAIRMAN MCPEAK: A new revenue
22 source.

23 EXECUTIVE DIRECTOR SNOW: Yeah. If --

24 CHAIRMAN MADIGAN: Baseball --

25 EXECUTIVE DIRECTOR SNOW: If baseball

1 the Bay-Delta Program, and it's really important to
2 remember that there's two other extremely important
3 functions, most notably the water quality standards effort
4 to protect the estuary and move forward with standards and
5 implementation standards, which is largely in the court of
6 the State Water Resources Control Board right now, but also
7 on a monthly basis there's the ops group, to coordinate
8 operation of the two projects, to comply with the standards
9 and to comply with ESA issues and then, of course, our
10 program, the Bay-Delta program, the basic structure and
11 where BDAC fits into it.

12 CALFED is accountable to the Governor of
13 California and the Secretary of Interior. Comprised of
14 those agencies and the heads of those agencies is the Board
15 of Directors, and we have the CALFED Bay-Delta Program and
16 then BDAC functioning to provide advice directly into the
17 program and ultimately to make a recommendation on the
18 preferred alternative, and also BDAC is kind of one of our
19 means to make sure we're getting the proper kind of public
20 input and the proper spectrum of public input, as well as
21 getting public input through workshops and public meetings
22 directly into the program, using a variety of consultants
23 and staff from the different agencies.

24 As we have laid out the program, we have a
25 three-phased effort to do the technical work. We have also

1 determined, as we've discussed several times, we need to
2 develop a financial strategy, even before we know what the
3 alternative will be, and we need to maintain a public
4 outreach effort, to make sure we've got the public engaged
5 in the program.

6 Very briefly, the three phases. Phase one is
7 kind of the planning and coordination phase, identify the
8 problems, and develop a short list of alternatives which
9 will go into a program level EIR/EIS starting in roughly
10 June. That's when we need to have the short list complete.
11 Roughly a two-year process to get to a certification record
12 of decision on a preferred alternative, and then the
13 different studies that will be needed for specific permits
14 for specific aspects of the solution.

15 Phase one was a six-step process, is still a
16 six-step process: Defining the problem, setting goals and
17 objectives, identifying actions, developing the strategies
18 to put alternatives together, forming preliminary
19 alternatives, and starting to refine them. This is really
20 what we're going to talk about today and what the workshop
21 packet is all about, with the intended outcome of a short
22 list by the end of May.

23 The four basic problem categories that we have
24 identified and these alternatives are formed to resolve is
25 the issue of habitat restoration and management in the

1 hundred preliminary alternatives, incomplete approaches.
2 Where we are now is: We have taken those
3 combined three or four together or refined one, and we have
4 generated 20 alternatives, and so this is where we really
5 start public scrutiny, evaluation of how they work, what
6 needs to be improved, what needs to be deleted, and our
7 next step is to narrow that down, and the narrowing might
8 be deleting an alternative, but it might be combining
9 several, to having 8 to 12, go through a formal public
10 scoping process, and hopefully end up with 3 to 5 that we
11 take into the formal environmental process.

12 So that's kind of where we are, processwise,
13 and unless there's any questions, we can kind of go on and
14 get into some of the financial strategy.

15 MR. REMY: Yeah.

16 Could you help me a little bit on how we,
17 the BDAC group, made the decisions relative to combining
18 alternatives, supporting alternatives, modifying
19 alternatives?

20 Is this going to be a process by which
21 people would make a motion to vote or to express an opinion
22 and staff would translate that opinion in terms of their
23 interpretation on how it might best be accomplished?

24 EXECUTIVE DIRECTOR SNOW: Of those kind of
25 choices, I think it's the latter, to express concerns about

1 system, water supply reliability, natural disaster
2 vulnerability, and water quality issues in the system.

3 Again, just to kind of the -- the process
4 issues of identifying the problems, setting objectives,
5 evaluating the causes of problems, generating actions,
6 starting to develop alternatives, and in fact, now we're in
7 the phase here of looking at how well they perform, what
8 kind of impacts. Do they simply transfer an impact to
9 another location? And this ends up being the refinement
10 process that we're just now moving into.

11 This is the image that we've been trying to
12 use, that we're trying to put together a puzzle to solve
13 the problems in the system and address all of these issues,
14 not simply address water quality and make habitat issues
15 worse, and so we're trying to find a balanced approach, and
16 I think you'll see, as we get in particularly the afternoon
17 discussion, that's the challenge, to determine what proper
18 balance is and what equity is, when you start looking at
19 these different actions.

20 And finally, just kind of a way to look at how
21 this alternative development process is kind of fitting
22 together, you may recall the last time we talked about
23 having 32 starting points, and I'll remind you a little bit
24 later about what that was and how it worked, and we took
25 these starting points and literally generated over a

1 an alternative, both in some detail -- I mean, for example,
2 Alex has sent us a letter expressing some very specific
3 technical concerns that we already have the consultants
4 looking at to see how we can deal with those issues.

5 CHAIRMAN MADIGAN: As each of you speak,
6 if I don't remember to call your name, identify yourself,
7 because we are keeping a formal record here.

8 Ray.

9 MR. REMY: I tried --

10 CHAIRMAN MADIGAN: Thank you.

11 MR. REMY: -- to be incognito. We're in
12 Southern California. We don't want people to know who we
13 are.

14 EXECUTIVE DIRECTOR SNOW: So Ray has
15 identified himself as Alex, and now he will --

16 MR. REMY: Now I really insulted Alex.

17 EXECUTIVE DIRECTOR SNOW: But what we --
18 and we'll start seeing this this afternoon, whereas we give
19 you some detailed presentations on the three examples,
20 which are included in this set, we'll start getting
21 comments from you about things that appear to work and not
22 work, and we will take that and try to work through those
23 issues, take some of those issues into the workshop, which
24 is a -- is it six hours, a seven-hour session on the 26th,
25 where we get into more technical issues, and we try to then

1 take all those, recognize what's been expressed, and try to
 2 analyze it, and see which things need to be combined, and
 3 which things need to be pushed back or have no hope of
 4 moving forward, and then bring that back as a draft,
 5 "Here's how we integrated the comments we received from
 6 you, the comments we received from the public and the
 7 workshop, and here's our best attempt at integrating
 8 those."

9 So that's kind of the track that we're on right
 10 now.

11 MR. REMY: With just one follow-up, would
 12 you then identify those things that had been deleted by
 13 that process?

14 EXECUTIVE DIRECTOR SNOW: Yes. Yes.

15 And I think you will see, with the breadth of
 16 the different alternatives, it will be real clear when
 17 something gets deleted. I mean there are some things in
 18 there that have been talked about for 50 years, like
 19 east-side foothills canal, and if that one disappears in
 20 the next level, it would be pretty obvious that it
 21 disappeared.

22 CHAIRMAN MADIGAN: Ann.

23 MS. NOTTOFF: Well, just to follow up on
 24 that a little bit, I think when you were developing the
 25 mission statement, it was useful. You didn't, you know,

1 reaction to certain components this afternoon, during the
 2 presentation of the example alternatives that we have.
 3 Some of you undoubtedly will attend the
 4 workshop, as many of you have in the past, and you'll be
 5 able to do two things: One, observe what other
 6 stakeholders are saying about the alternatives, as well as
 7 provide your input in that forum and then, also, any
 8 written comments that you could provide.

9 And so those three mechanisms would help us
 10 greatly, the oral comments we would get today, your
 11 participation in the workshop on the 26th, and any written
 12 comments that you would make, and then we would bring back,
 13 at the March meeting, a draft public report on what
 14 happened to these 20 and what do we think they mean in
 15 terms of refined alternatives.

16 Okay. Thank you.

17 CHAIRMAN MADIGAN: Thanks, Lester.

18 Zach, are you on next?

19 MR. MCREYNOLDS: Yes.

20 CHAIRMAN MADIGAN: All right. Take us
 21 through.

22 MR. MCREYNOLDS: Good morning.

23 The first thing I'd like to do, because I think
 24 it's something that deserves some definition, is to talk
 25 about what we mean, or what I mean, when I say, "financial

1 just strike out and highlight where you had changes. I
 2 think that would assist in analysis, to see how we're
 3 moving from one stage to the other.

4 EXECUTIVE DIRECTOR SNOW: Right.

5 MS. NOTTOFF: Then the other question I
 6 have is given that we just received these 20 alternatives
 7 today or last night, how is BDAC -- are you expecting BDAC
 8 members to communicate with you in writing between now and
 9 the next BDAC meeting, because we're going to -- we'll be
 10 down to five by March, and how is BDAC going to feed into
 11 that winnowing-down process?

12 EXECUTIVE DIRECTOR SNOW: Actually, for
 13 your next meeting, which is March 22nd --

14 VICE-CHAIRMAN MCPPEAK: 21.

15 EXECUTIVE DIRECTOR SNOW: -- 21st, what we
 16 would have for you to look at would be kind of a draft
 17 report that talked about the kind of comments that we've
 18 gotten in various sectors on the 20 and what we think it
 19 means in terms of the 8 to 12, and so at that point, you'd
 20 be looking at how we have synthesized some of these, how we
 21 have combined and refined, and then that would be, I guess,
 22 a draft of the public report we would go out with, that we
 23 would then take into a scoping process.

24 But in terms of specific input we would hope
 25 three different things, that we would actually get some

1 strategy." It can be a vague term, I think, and I guess
 2 what -- the overriding financial strategy that I see for
 3 the CALFED Bay-Delta Program is one of the things that
 4 makes this program different from some of the other
 5 programs of similar scale around the country, and that is
 6 that while the technical work is going on to try to
 7 determine what to do, that some of the financial work will
 8 be going on to determine how to do it, as opposed to
 9 waiting until the final list is there and then saying,
 10 "Okay. Now how do we pay for this?"

11 We've all been struggling some with that
 12 concept as a strategy, because up until today, really, when
 13 these first alternatives have been released, a lot of the
 14 work has been in the abstract, and it's very hard to talk
 15 about financial tools in the abstract. It's hard for me,
 16 and it's hard for everybody else who has been involved.

17 In terms of what we have been doing, though,
 18 you'll recall, to give you some background and recollection
 19 of what's transpired to date, we started out with a report
 20 that was issued late last summer, early last fall, that
 21 listed a whole bunch of, essentially, revenue tools that
 22 could be used, and the -- with the idea in mind, you'll
 23 probably recall, the next step was to hook up those revenue
 24 tools to specific types of things that would be done, to
 25 the specific actions or specific programs.

1 However, while this was going on, there were
 2 other people doing other things, and we were coordinating
 3 with those group of people, that -- those other things
 4 being the SB 900 process that was talked about a moment
 5 ago, some -- there's been a number of meetings going on
 6 with the stakeholder group, and there have also been a
 7 separate track effort by the California Business
 8 Roundtable, and in trying to incorporate some of the best
 9 ideas of these other groups into what I was doing, it
 10 became clear that the issue of allocating the benefits and
 11 doing that part was probably equally important to coming up
 12 with a list of revenue tools and hooking those up to
 13 appropriate -- to appropriate types of actions.

14 However, the work that the Business Roundtable
 15 in particular came up with was helpful in identifying three
 16 concepts that we struggled with at the last BDAC meeting,
 17 which we are actually going to talk about a little later,
 18 and those were the concepts of dividing the types of things
 19 that we're going to do, in terms of benefits, into public,
 20 private, and common benefits.

21 That concept, I saw who benefits. The first is
 22 that it gave people sort of a head up that it isn't all
 23 going to be dumped on the taxpayers or the water users,
 24 that there's going to be different sort of classes of
 25 people that are going to end up paying for parts of the

1 read the paper, and if not, when you get there -- you'll
 2 probably, as you think of specific actions, realize that
 3 some of them are really hard to classify, and I think
 4 that's just a function of the type of complicated issue
 5 we're dealing with.

6 As I see it, that's where we've come to date,
 7 and the -- as I have been doing that, the purpose of the
 8 financial work in phase one, where we really haven't had
 9 enough real hard, fast financial information to say, "This
 10 is how much something costs, and this is who's going to pay
 11 for it, and this is how much it's going to cost them," that
 12 information is just not there.

13 So you can ask yourself, "Well, so what's the
 14 point of the financial work during phase one?"

15 And I think there's a couple of things that
 16 we're trying to do in phase one. The first thing, I
 17 think -- and these are not in order of importance, but the
 18 first thing is to try to come up with a process for how we
 19 will eventually be allocating costs to people, so the
 20 people will have a chance to think through it and look for
 21 the weak spots and try to determine how it could affect
 22 them and their interests down the road. As we develop the
 23 alternatives, you can sort of do these things in your mind
 24 or -- or generally speaking, and see where things might be
 25 going, so you just don't get hit by surprise at the end of

1 solution, and I think it was useful, just to sort of get
 2 that idea out there.

3 The second use of that particular concept was
 4 that it really did help in the process of connecting those
 5 specific revenue tools that have been identified with some
 6 of the ultimate uses, because it became pretty clear that
 7 you could use those three definitions as a means of linking
 8 a revenue tool to a type of action, because they are
 9 consistent about the tools that worked for the different
 10 types of benefits.

11 So that's really where we've come today, and
 12 then you'll recall at the last BDAC meeting there was some
 13 confusion about what do these three terms mean. I tried to
 14 address some of that in the paper that was distributed by
 15 using some probably too technical economic terms to give
 16 more specifics as to how you would categorize things that
 17 we might be doing into these three different pots, but I
 18 recognize that even with these definitions, and maybe
 19 partially because of these definitions, because they are
 20 unusual words, that that's still not going to be crystal
 21 clear, if you take a particular action for some actions,
 22 which group it's going to fall into, and that's just the
 23 way it's going to be, because these are not hard-and-fast
 24 categories. There are shades of gray in between these.

25 And I think that you'll probably, if you've

1 the process.

2 So one of the things that's valuable to do in
 3 the phase one process is to come up with sort of, "This is
 4 how we're going to do it. We may not be done with it in
 5 phase one, but this is kind of the way we're looking at
 6 doing it."

7 The second thing that's been really important,
 8 that we'll talk about in more detail I think later this
 9 afternoon, is that we want to make sure that the solution
 10 principals that relate to finance are incorporated in the
 11 phase one work, and this was also mentioned briefly in the
 12 paper that was sent out.

13 There are a couple of the solution principals
 14 that probably are more directly affected by the way you do
 15 the financing than others, and the ones I've identified are
 16 the principal of equity, the principal of affordability --
 17 that's sort of an obvious one -- and the principal of
 18 durability, which may be slightly less obviously, but
 19 actually provides some real opportunities for using the
 20 financial tools to create the kinds of durability that
 21 people may be looking for.

22 As I said, I think we're going to talk more
 23 about the solution principals later this afternoon, so I'm
 24 not going to go into a great amount of detail on that now,
 25 so the real point of this presentation is to talk about

1 some of the other thing that -- other thing that the
2 finance work contributes to in phase one, which is devising
3 the long-term process for how these costs would be
4 allocated.

5 I should say there's one other thing, before I
6 get into that, that I think we will be able to deliver as
7 part of the phase one process, and that is, at least at a
8 rough level, at least at an order of magnitude level, we'll
9 be able to talk about some dollar amounts by the end of
10 phase one. We'll have a -- those are -- the relative costs
11 of some of these alternatives are being developed now.
12 They need to be part of the development process, in order
13 to use the solution principals, and I think by the end of
14 phase one we'll have some rough order of magnitude cost
15 numbers that can, in a fashion, be run through this process
16 by the end of phase one.

17 We won't know specifically what costs are going
18 to be allocated to which groups, but we'll have a clearer
19 idea, and we'll actually have, I think, some specific or at
20 least some ranges of dollar amounts to work with.

21 Now, the bulk of the paper that was sent out
22 talked about what I'm going to talk about next, which is
23 this process for how to -- really, how to allocate costs.

24 I'd like to preface this by saying a couple of
25 things that are pretty obvious. One is: This is a really

1 are benefiting from something we're doing, that those
2 people should be contributing to the cost of it, and I --
3 there -- I think you'll recognize, if you've had a chance
4 to read the paper that was sent out, that the paper really
5 took, I think, at this point, after talking about it for
6 the last several weeks, really too extreme a position in
7 that regard.

8 It's pretty clear that you can't take this
9 particular concept of benefits to the extreme, because it
10 would lead you to some illogical conclusions. It doesn't
11 work in every instance, and so that's one of the reasons
12 that -- that's one of the reasons that the paper said
13 "draft" on it, frankly, is that as this got circulated and
14 people started coming back with responses and comments, the
15 process, I think, has improved some of the thinking behind
16 this. But that was one of the initial financial principals
17 that was circulated, was that the beneficiaries are going
18 to be responsible for part of the payment.

19 The second thing is the point that I mentioned
20 a moment ago, which is that the financial structure should
21 contribute to the durability of the solution. I think at
22 this point that's the -- there were a couple of ideas
23 presented in the paper on how that might work, but that
24 particular principle is almost more of a truism. It's like
25 well, of course, if you can think of ways that the

1 tough issue, and if there's going to be anything that
2 people are going to be arguing about until the last dot is
3 on the last "i," it's money and who's going to pay for how
4 how much, and for a lot of these issues there's no right
5 answer. There's no clear-cut, objective, scientific way to
6 say, "You should pay this much, and you should pay this
7 much, and that's the facts," and that's going to be with
8 us.

9 A lot of the eventual answer of how the costs
10 are going to be allocated, what kinds of revenue tools are
11 going to be used, and how much different groups are going
12 to be hit with is going to be a matter of negotiation and
13 value judgments and really subjective things, so the best
14 that I think we're going to be able to do with any of these
15 cost allocation methodologies is use them as a starting
16 point and use them as guidelines for how the cost
17 allocations might be made if you believe in this method or
18 this other method, but I think that's important to
19 recognize that we're not saying that this is going to be
20 the right answer by the time we're done. Okay.

21 I think you may recall from the first paper
22 that was sent out that there were a couple of -- there were
23 two financial principals that underlie this process or the
24 cost allocation processes. The first one was that, to the
25 extent that you can identify people or groups of people who

1 financial structure can contribute to durability you ought
2 to use them.

3 So the way that I laid out this cost allocation
4 process then, as Sunne mentioned a moment ago, was that it
5 would have -- where is the focuser? Is it me, or is that
6 in focus?

7 MR. McDONALD: Yes.

8 MR. McREYNOLDS: Okay. It would have five
9 steps.

10 This is not rocket science. This is actually
11 probably common sense. At least I hope it's common sense.

12 The first part, developing alternatives, well,
13 that's what we have been doing since May. I mean that's
14 the result, this big thick book that you got, the 20
15 alternatives. That's really step one, and I should
16 describe that this is more of a logical process, as opposed
17 to a strict time line, chronological series of events. A
18 lot of these things go on iteratively, and you sort of loop
19 around, but that's the first step, is to develop some
20 alternatives.

21 The second step would then be to assign the
22 benefits of those alternatives to various groups.

23 The third would be -- and you could do this --
24 you could do step three as a part of step one or
25 separately, which -- I mean it's basically to determine how

1 much money you're talking about, both in terms of up-front
2 costs and in terms of annual costs over a period of time,
3 basically what you need to make the thing fly.

4 Then you need to allocate those costs to the
5 various groups of beneficiaries, and finally, you need to
6 figure out how you're going to collect the costs that you
7 allocated to those people, what kinds of revenue tools
8 you're going to use.

9 Now I've outlined, in the paper I sent out, one
10 way to do that, which is probably best described as a
11 relative contributions to benefit approach.

12 In some of our discussions we've had in the
13 last few weeks since this paper came out in draft form,
14 it's clear to me that there are other ways that you can do
15 cost allocations that are equally as valid and perhaps more
16 valid in certain circumstances than this approach. For
17 instance, when the State Water Project was in its
18 development stages, there were two cost allocation
19 methodologies that were endorsed.

20 One was for the water supply-type facilities,
21 that there would be a proportional-use concept used,
22 meaning, I think -- translated into English in the simplest
23 form -- you pay for however much of the project you're
24 going to use.

25 The second, for joint-use facilities, was the

1 CHAIRMAN MADIGAN: Don't --

2 MR. MCREYNOLDS: -- useful.

3 CHAIRMAN MADIGAN: Don't let Zach move too
4 fast here now. I mean do any people have questions?

5 This would be a good -- you know, the old
6 saying is that there are three kinds of people in this
7 world: People who add and people who can't.

8 And if you have a question here, be sure to ask
9 it.

10 Alex.

11 MR. MCREYNOLDS: Yes.

12 MR. HILDEBRAND: To me that has to be a
13 somewhat iterative process, and it didn't appear it me, as
14 winnowed down from 20 alternatives to 6 this next month,
15 how either the staff or the BDAC members are going to
16 determine how to winnow it if we don't know what the
17 relative costs and the cost-benefit ratios are for the
18 different alternatives, because that's one of the reasons
19 why you choose one over another, and at this point, we, as
20 BDAC members, don't have anything from you as to what these
21 relative costs benefits are, cost-benefit ratios, even
22 though they must be on a simplified relative basis. I
23 don't know just how we contribute to this winnowing if we
24 don't have some information on that, and we're not in a
25 very good position to make those estimates for ourselves.

1 separable costs remaining benefits approach to cost
2 allocation.

3 For some of the things that we're going to do,
4 one or the other of those may end up being real easy to use
5 and real appropriate and give some real good answers. If
6 that's the case, then there's no need to turn to this type
7 of a process to allocate those kinds of costs.

8 I think what I'd like to do at this point is
9 give you a -- I don't have an example on the proportional
10 use. I hope that one -- maybe I'm wrong, but I hope that
11 one is enough of a sort of a simple concept that people can
12 get a hold of that without pictures. It's essentially --
13 if you're talking, for instance, a pipeline, it's however
14 much percentage of the pipeline you're using, and that's
15 obviously probably a simplification, because there's always
16 some operational issues that come into that, but that
17 concept is not as complicated as some of the others.

18 But for those of you who don't know what the
19 separable costs remaining benefit method is, I've come up
20 with what I hope is a simple, and I hope an accurate,
21 example of the use of this technique, and then I'll show
22 you why I think this technique may cause problems with some
23 of the things we're talking about and why this other, this
24 thing that's gone -- why this other technique that I'm
25 going to present later may be --

1 EXECUTIVE DIRECTOR SNOW: Part of the
2 issue that you're raising is the refinement issue versus
3 the financial strategy, and Steve and I were planning on,
4 later today, talking about the refinement process that
5 does, in fact, need to include some even course level
6 assessment of costs, not in the classic BC ratio approach
7 to things, because of the significant habitat issues that
8 are not easily quantified in those terms, but cost plays a
9 component, and as you move over time, including through
10 phase two, cost becomes more and more important, and so
11 that, in fact, is part of the refinement process, and we're
12 not at a point where we have uniform cost numbers to the
13 point where we've got those out on the street, at this
14 point, but that's in our future, and what Zach is dealing
15 with, though, is that whichever alternative you end up with
16 and however you get there, it's going to be a complicated
17 package, and it will not be a, you know, one revenue stream
18 fits all.

19 MR. HILDEBRAND: Well, I realize that this
20 is a little peripheral to what Zach is discussing, but I
21 hope, in the course of the day, it's going to become clear
22 to us how this winnowing down of alternatives is going to
23 occur without more information than we have seen and how
24 we, as BDAC members, can contribute to the winnowing if we
25 don't see some of these numbers, just as we also need to

1 have some engineering assessments in some cases of the
 2 feasibility of some of things that are in the alternatives.
 3 MS. BORGONOVO: I wondered if you --
 4 CHAIRMAN MADIGAN: Roberta.
 5 MS. BORGONOVO: I wondered if what you
 6 were trying to get at is that the way in which you go
 7 through and decide benefits to determine costs, whatever,
 8 it will be the same for all of the alternatives, and so
 9 what we're discussing is the methodology that we're going
 10 to use, so that however that's done they are all done in
 11 the same way.
 12 MR. MCREYNOLDS: I think it's probably
 13 accurate to say that we'll use the same tools in each of
 14 them, but if the alternatives have, and they will have,
 15 very different components that you may make more use of one
 16 of these allocation techniques in one alternative than you
 17 do in another.
 18 The point I would like to get to is that we
 19 understand, generally, what kinds of cost allocation
 20 techniques are going to be used generally for what kinds of
 21 pieces, and that we deal with some of the difficult
 22 questions and figure out how to deal with some of the
 23 difficult questions that Lester just alluded to in talking
 24 about the difficulty with coming up with a monetized
 25 cost-benefit ratio for things like habitat.

1 questions about what this costs, I -- maybe I'm just
 2 missing the point -- I thought would follow looking at the
 3 degree to which each of those 20 alternatives, core actions
 4 plus the 20 alternatives, meets the four objectives. I
 5 mean isn't the first step, rather than focusing on is it
 6 the Honda or the Cadillac, although I always appreciate
 7 Ray's humor in all of this, is to look at whether or not
 8 the Honda or the Cadillac is going to get us to the
 9 destination, and that is not yet evaluated in the
 10 alternatives or quantified in the alternatives, and it's
 11 not also a perfect science. That's why you go through an
 12 EIR and an EIS. I realize that a lot of this depends on
 13 iterations of information and analysis.
 14 However, in order -- I really would urge us not
 15 to focus first on cost but, rather, effectiveness of the
 16 solutions against objectives. Having done that, we then
 17 have to get realistic about costs, and perhaps there will
 18 be a trade-off.
 19 If, in fact, you get a great improvement at a
 20 smaller increment of a Honda over a Taurus, then you'd buy
 21 the Taurus. This metaphor is going to get out of hand, I
 22 know.
 23 CHAIRMAN MADIGAN: Yeah. We'll get a
 24 little screwed up here.
 25 VICE-CHAIRMAN McPEAK: But if you can't --

1 CHAIRMAN MADIGAN: Okay. Go on to Ray and
 2 then Ann.
 3 MR. REMY: I guess it's the same sort of
 4 question that Alex has, and that's how to pay for a
 5 Mercedes, if I can only afford a Honda?
 6 I'm going to have to drive a Honda.
 7 And I don't get a comfortable feeling that
 8 between now and March 21st I'm going to know whether any of
 9 the alternatives are Mercedes or whether they're Hondas,
 10 and secondly, I'm happy to drive the Mercedes if Alex will
 11 pay for it, and so my concerns, even on the recent court
 12 case -- I'd be curious, Zach, if you looked at that, on the
 13 Gardena decision. Does that mean that everything that is a
 14 user charge is going to have to be subject to the vote of
 15 the people, because that's what I understand now for all
 16 cities and counties, and I assume it extends to districts.
 17 That suggests that a user charge or any increase of those
 18 sorts of things are going to be relied on, are going to be
 19 harder to come by rather than easier.
 20 So I think we need that sort of information,
 21 and we need at least some outlines of it by the 21st of
 22 March if we're going to make any sort of rational
 23 observations about alternatives.
 24 CHAIRMAN MADIGAN: Sunne.
 25 VICE-CHAIRMAN McPEAK: I'm wondering, the

1 the point is you really need to look at cost effectiveness,
 2 but we haven't seen the evaluation of the impacts of these
 3 20 alternatives to the objectives and not get into -- too
 4 hung up yet on the dollars.
 5 EXECUTIVE DIRECTOR SNOW: If I could add
 6 on to Sunne's comment, which I totally agree with, what we
 7 may find, as we move forward, we find an alternative that
 8 is high-performing and high-performing in a number of
 9 respects, that it meets the objectives but also has a lot
 10 of stakeholder support, and in the first cut of cost
 11 analysis it's determined that it's too expensive. We have
 12 a lot of alternatives at that point to maintain that
 13 solution, and that is to look at staging.
 14 If it's too expensive in total, is there a way
 15 to do the first page of it, and everybody gets benefit out
 16 of that, and you spread the whole project over 20 years,
 17 and so -- I mean I strongly encourage us to look at
 18 alternatives from the standpoint of what works, and then I
 19 think we can make the necessary judgment -- adjustments to
 20 fit into our affordability criteria.
 21 CHAIRMAN MADIGAN: Ann and then David.
 22 MS. NOTTOFF: The last slide that was up
 23 there, you know, the five steps, it would help me in
 24 analyzing some of these proposals that are coming before us
 25 if there were some dates attached to those. I mean one of

1 the problems I have conceptually with SB 900, for example,
 2 is that I don't see that we're going to get to determining
 3 revenue tools until -- you know, for over a year away from
 4 now, yet we're lock -- if SB 900 goes forward, we would be
 5 locking in a certain revenue tool now before we know what
 6 the full range -- what we all need. So looking at -- it
 7 would help me, anyway. I don't know if you have an idea
 8 about dates and needs and where we'll be, but that would be
 9 useful.

10 VICE-CHAIRMAN McPEAK: Lester has dates.
 11 Lester.

12 EXECUTIVE DIRECTOR SNOW: I mean I think
 13 in terms of the specific issues that you raised about, you
 14 know, when do we really look at the exact revenue
 15 structures that are needed to implement the preferred
 16 alternative, that probably is not fully on the table until
 17 late '97.

18 MS. NOTTOFF: That's what I was --

19 EXECUTIVE DIRECTOR SNOW: It's mid '97
 20 that we have a draft EIR/EIS out, and it's probably during
 21 review of the draft that we're trying to fine tune a
 22 financial strategy, so when we go final in early '98, we
 23 have a pretty well defined financial strategy with that,
 24 but again, this is the issue with SB 900, where SB 900 can
 25 come in and provide funding for things that go forward

1 too, would have a piece of the solution appropriate form
 2 general obligation bonds plus a mixture of everything else.
 3 So have you precluded a higher priority action that would
 4 be a candidate for general obligation bonds by, you know,
 5 doing some things up front?

6 So I think we've got to get into it, and I hope
 7 today, if you can discuss it, because I now have heard Ann
 8 raise the question last night, again today, wants to
 9 discuss it.

10 Are we talking about, in SB 900, and what's
 11 being proposed in Zach's paper, which we are going to try
 12 to adopt and get some position on before '97, I hope --
 13 Zach's moving so fast we can't see him move, you know --
 14 where we can continue to come back to the five steps, and
 15 we're not really sure what the paper is saying, and can you
 16 address the questions of: Are the G.O. bond proceeds
 17 appropriate uses for the things proposed in SB 900, and is
 18 there a merging consensus around what are good candidates
 19 for G.O. bond funding?

20 EXECUTIVE DIRECTOR SNOW: (Nods head.)

21 VICE-CHAIRMAN McPEAK: You can address
 22 that, right?

23 If you can -- if the answer is yes, would you
 24 comment?

25 CHAIRMAN MADIGAN: You'd like something

1 regardless of what the preferred alternative is, that they
 2 are just all good things and they need to be done.

3 VICE-CHAIRMAN McPEAK: Mike, I think
 4 there's -- the next item on the agenda is SB 900, and I
 5 think we need to have some more discussion about it as to
 6 what items are committed to go forward, Lester, via the
 7 agreement, and the December 15th accord, and whether or not
 8 there is a merging consensus that if you were to use
 9 general obligation bonds would those be -- would that
 10 source of revenue be the most appropriate for category
 11 three. I think that becomes part of the sorting out, to
 12 what extent is there complementary efforts with SB 900 to
 13 the Bay-Delta process, without it being premature, and in
 14 most of the work that I'm seeing, that the Farm Bureau and
 15 Roundtable and Manufacturers Association and State Chambers
 16 reports, are gravitating towards the notion that the kinds
 17 of improvements and environmental enhancements in category
 18 three are appropriate for general obligation bucks.

19 Some of the other beneficiaries or projects
 20 that would also benefit from the G.O. bond proceeds and
 21 SB 900 are also -- there's growing consensus around, yeah,
 22 that would be appropriate, by definition, for general
 23 obligation bonds.

24 I think the concern comes in that there will be
 25 other more expensive components in these alternatives that,

1 more than just a vague nodding over here? Okay.

2 VICE-CHAIRMAN McPEAK: That's right.

3 EXECUTIVE DIRECTOR SNOW: Yes, maybe.

4 CHAIRMAN MADIGAN: That's right.

5 EXECUTIVE DIRECTOR SNOW: I mean I think
 6 there is some emerging consensus.

7 Is it complete? No.

8 I think there is, unfortunately, significant
 9 confusion about SB 900 and its relationship to the
 10 preferred alternative that we would select, and it does
 11 not, in it's current draft form, provide funding to the
 12 CALFED preferred alternative that would be selected in --

13 VICE-CHAIRMAN McPEAK: Correct.

14 EXECUTIVE DIRECTOR SNOW: -- in '98.

15 VICE-CHAIRMAN McPEAK: Correct.

16 EXECUTIVE DIRECTOR SNOW: What we are
 17 seeing, and there's a number of people around the table
 18 here that have commented on SB 900 and have some interests
 19 in it, there are quite a number of things in SB 900 that
 20 appear to be of interest to a broad group of stakeholders
 21 ranging from the category three monies, that everybody
 22 wants to see moved forward; State CVPIA match, which has
 23 distinct environmental benefits to it, as well as the ag
 24 drainage management and ag land retirement for drainage
 25 purposes, funding that's also in the bill.

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1 So it seems to be a package of things that
 2 there's stakeholder interest in and contribute to the
 3 CALFED objectives, and that's really the linkage with the
 4 CALFED problem.
 5 VICE-CHAIRMAN McPEAK: A simpler question,
 6 when do you envision that we would come to conclusion here
 7 around the policy paper that Zach's been developing?
 8 EXECUTIVE DIRECTOR SNOW: I think on the
 9 basic approach of how we would try to allocate costs would
 10 be on the same time line as phase one, where there would be
 11 a phase one financial strategy paper that would move
 12 forward at the same time we do the short-list report.
 13 VICE-CHAIRMAN McPEAK: Okay.
 14 CHAIRMAN MADIGAN: David.
 15 MR. COTTINGHAM: I think this issue has
 16 been done justice. I'll save it for later.
 17 CHAIRMAN MADIGAN: Okay. Back to you,
 18 Zach.
 19 MR. PYLE: Mike.
 20 CHAIRMAN MADIGAN: Oh, I'm sorry. Yes,
 21 Stu.
 22 MR. PYLE: Stu Pyle.
 23 Just a comment on Zach's program -- I'm going
 24 to wait until Zach's listening.
 25 Zach.

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1 MR. McREYNOLDS: Yeah. I'm sorry.
 2 MR. PYLE: On your case studies, I wonder
 3 if you considered Suisun Marsh agreement or if you would be
 4 able to consider Suisun Marsh agreement and if that
 5 embodies some of the principals that you're talking about
 6 here and particularly the one of combining Federal and
 7 State funds with private funds, and you might also look
 8 into the difficulty of having actual performance on the
 9 Federal fund site.
 10 MR. McREYNOLDS: Okay. Yeah, probably
 11 right under our nose, so I was looking at Florida and
 12 Netherlands and things like that and may have missed
 13 something right under our nose, but I'll look into that.
 14 CHAIRMAN MADIGAN: Okay. Go ahead, Zach.
 15 MR. McREYNOLDS: I didn't mean to be
 16 ignoring you, but the boss was talking, so I figured --
 17 MR. PYLE: I understand priorities.
 18 MR. McREYNOLDS: Yes.
 19 Let me go to the example of the methodology,
 20 the process that was outlined in the paper I sent out, and
 21 take, for example, a -- something you can't read -- a new
 22 off-stream storage project upstream of the Delta, and look
 23 at how that particular type of action contributes to some
 24 of our objectives, and I don't know if you can read these,
 25 so I'll read them if you can't. Habitat, species, water

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1 supply, water reliability, drinking water quality, and
 2 agricultural water quality.
 3 Now this graph isn't meant to imply that these
 4 are all the objectives, but for purposes of this analysis,
 5 this is the only objective -- these are the only objectives
 6 that this particular action applied to, so it came up with
 7 essentially -- it may have come up with a zero score on
 8 some of the other ones, so I've left them -- the zero
 9 scores aren't on the graph. So if your objective isn't up
 10 there, don't think your objective has been thrown off the
 11 map. It's just this action doesn't help me much.
 12 What this shows is that of the benefit that is
 13 accrued, created, for each of these objectives, this is how
 14 much this action contributed. So the white box, the white
 15 boxes here, that's all the other actions that were involved
 16 in that particular group of alternatives. They are
 17 responsible for the rest of this, and what this tells you
 18 really is that this particular action in this analysis is
 19 that this action has a bigger -- it contributes more to the
 20 water supply objective, to the water reliability objective,
 21 and to the species objectives than it does to these others,
 22 and this is -- well, this is just within that objective.
 23 There are other -- other actions contributed the remaining
 24 portions.
 25 VICE-CHAIRMAN McPEAK: Zach, I --

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1 MR. McREYNOLDS: Yes.
 2 VICE-CHAIRMAN McPEAK: I think I'm just
 3 lost on what is the definition now of objective?
 4 Where are those objectives?
 5 Are they off --
 6 MR. McREYNOLDS: These objectives, you
 7 start with the four --
 8 VICE-CHAIRMAN McPEAK: The four --
 9 MR. McREYNOLDS: -- major areas.
 10 VICE-CHAIRMAN McPEAK: -- in here then.
 11 MR. McREYNOLDS: And then those break down
 12 to 14 subtle objectives. We don't have that chart, but
 13 those have been around for quite a few months, and they may
 14 even be in this blue book. I suspect they probably are.
 15 VICE-CHAIRMAN McPEAK: I think they are
 16 also in what we had before.
 17 MR. McREYNOLDS: Yeah.
 18 VICE-CHAIRMAN McPEAK: So then the 14.
 19 MR. McREYNOLDS: If you took 14 and you
 20 assume -- there's only 6 shown here, so you're assuming
 21 that there's others that this didn't have any affect on for
 22 this example.
 23 VICE-CHAIRMAN McPEAK: Okay.
 24 MR. McREYNOLDS: So that's where those
 25 come is you start with our 4 and then you go to 14.

1 VICE-CHAIRMAN McPEAK: Then what's the --
 2 MR. McREYNOLDS: Some objectives.
 3 VICE-CHAIRMAN McPEAK: -- universe for a
 4 hundred percent. That's what I'm trying to -- I'm trying
 5 to understand --
 6 MR. McREYNOLDS: Okay.
 7 VICE-CHAIRMAN McPEAK: -- action.
 8 MR. McREYNOLDS: The universe for a
 9 hundred percent would be -- take this as an alternative.
 10 An alternative creates -- whatever benefit it creates for
 11 agricultural water quality, that is a hundred percent.
 12 Whatever benefit that alternative creates for drinking
 13 water quality, that's a hundred percent. So it means that
 14 this action -- in this alternative, this action was only
 15 responsible here for about 25 percent of the overall
 16 benefits that accrued in the water supply objective. Other
 17 things that were done as part of the alternative account
 18 for 75 percent of the benefit that that alternative created
 19 for that objective.
 20 MR. HALL: Zach, just a point of
 21 clarification.
 22 CHAIRMAN MADIGAN: Steve.
 23 MR. HALL: Does that mean then that if you
 24 chose another alternative this particular action would
 25 contribute more to more -- a higher percentage --

1 Right?
 2 MR. McREYNOLDS: Yeah.
 3 VICE-CHAIRMAN McPEAK: Okay. What I'm
 4 trying to understand is the hundred percent number that
 5 you've got on the vertical axis, where is that quantified?
 6 CHAIRMAN MADIGAN: And is that number
 7 consistent among the alternatives?
 8 VICE-CHAIRMAN McPEAK: And is that number
 9 consistent among the alternatives, the hundred percent?
 10 Is it still a qualitative evaluation on your
 11 part, or should I -- could I go somewhere to find the
 12 listing of what constitutes a hundred percent for the 14
 13 objectives, for you to evaluate the impact of an
 14 alternative, and where do we find the methodology for the
 15 analysis?
 16 MR. McREYNOLDS: Well, I think there's a
 17 couple of answers to that. One is that it is still
 18 qualitative, and it is -- I think that it's a matter of
 19 professional judgment among the people involved, as to the
 20 contributions of these actions to the objectives, and these
 21 alternatives to the objectives, and I think it will always
 22 be, at some level, qualitative, because it's -- you
 23 can't -- there's no scientific way to say that -- well,
 24 there's no scientific way, for a lot of these things, to
 25 say absolutely this action is going to create this benefit,

1 MR. McREYNOLDS: It could --
 2 MR. HALL: -- within that --
 3 MR. McREYNOLDS: -- or lower it.
 4 MR. HALL: -- within that alternative?
 5 MR. McREYNOLDS: It could change, yeah.
 6 The same action could contribute -- well, for instance,
 7 simple example, maybe the extreme example, if this is the
 8 only thing you did, then all these bars would equal a
 9 hundred, because --
 10 MR. HALL: Right.
 11 MR. McREYNOLDS: -- this action would have
 12 accounted for a hundred percent of the benefits in every
 13 area. So depending on the mix that you have of actions in
 14 an alternative, these relative ratios are going to be
 15 different. And when I'm done with this, I'll tell you why
 16 we're taking this approach and what this helps do, but it
 17 essentially addresses the cost-benefit-ratio problem that
 18 we talked about a moment ago.
 19 Yes.
 20 CHAIRMAN MADIGAN: Sunne and then Eric.
 21 VICE-CHAIRMAN McPEAK: I certainly
 22 understand it conceptually, and I think this is very
 23 helpful. This is great to be able to measure an
 24 alternative against our -- the 14 objectives, and there are
 25 8 not showing here.

1 and even if it does create that benefit, to say that it
 2 creates a certain percentage benefit relative to other
 3 things is going to be a qualitative judgment type response.
 4 VICE-CHAIRMAN McPEAK: Okay. That I
 5 understand.
 6 This is -- this reflects your professional
 7 judgment?
 8 Whose professional judgment?
 9 MR. McREYNOLDS: The large group of
 10 people -- so far, what it reflects is the large group of
 11 people who are working on developing the alternatives and
 12 trying to balance them.
 13 VICE-CHAIRMAN McPEAK: Okay. Still, how
 14 do we see your professional thinking?
 15 Where is that documented, or how will you
 16 document and record the process of reaching that
 17 professional assessment?
 18 MR. McREYNOLDS: Well, I think part of
 19 that's included in the book that you have. There's a --
 20 there's an analysis with each of the alternatives of what
 21 kinds of things these alternatives do with respect to the
 22 objectives, and that's --
 23 VICE-CHAIRMAN McPEAK: Okay. I know, and
 24 I'm not trying to -- I'm not trying to be difficult. I do
 25 see that. It's laid out very well, if we're talking about

1 the statement of benefits --
 2 MR. McREYNOLDS: Uh-huh.
 3 VICE-CHAIRMAN McPEAK: -- in the
 4 alternatives book. It's not quantitative, and I still
 5 don't know where to go for the hundred -- for the vertical
 6 axis to understand what a hundred percent is.
 7 CHAIRMAN MADIGAN: Lester.
 8 EXECUTIVE DIRECTOR SNOW: The numbers, as
 9 are presented here, are for illustrative purposes only, and
 10 so it implies more detail than exists at this point. We
 11 are in a qualitative process of trying to develop
 12 performance measures and how well they comply with the
 13 secondary objectives, the 14 objectives. That increases in
 14 detail as the alternatives increase in detail, so it will
 15 start moving from a qualitative to a quantitative as we
 16 move on not only to the short list, but then on through the
 17 process, and so at some point we will have this kind of
 18 breakdown, and so by the end of the process, if we use this
 19 methodology allocating costs, we'll have the details and
 20 all the supporting information, but at this point, we're
 21 still on a kind of qualitative evaluation of them, and so
 22 what Zach has done is kind of take that qualitative and
 23 pretend for a moment that it's absolutely quantified, and
 24 if it were so, here's how we would use it to allocate cost.
 25 VICE-CHAIRMAN McPEAK: So the hundred

1 just a method of saying, "Yes, it meets the water supply;
 2 most of the benefit is for the water supply," when you look
 3 at that, but there are other benefits in there, and they're
 4 in this proportion.
 5 EXECUTIVE DIRECTOR SNOW: Right. To
 6 digress a moment, because Zach is showing this kind of
 7 thought process, how it will be used once you have
 8 sufficient data to quantify, this kind of performance
 9 process actually is used to refine alternatives, as opposed
 10 to screen. You would look at one, and for some reason it's
 11 got zero on habitat, and you didn't exact that, and so
 12 you'd go back in and say, "What did we do wrong," rather
 13 than screen out something, and so dealing with
 14 alternatives, it's used to figure out your shortcomings in
 15 some of them, but as we move down the road and we get
 16 better at seeing how well we're doing at hitting the
 17 objectives, you then can use that as a methodology for
 18 determining how you allocate costs.
 19 CHAIRMAN MADIGAN: Mary.
 20 MS. SELKIRK: Well, that helps, Lester.
 21 That half answers my question.
 22 My question is: As performance measures are
 23 developed, which is moving into the area of
 24 quantifiability, will some of that work be happening over
 25 the next few months as the alternatives are refined?

1 percent is theoretical now. It's whatever -- it's
 2 theoretically what would be the completion of that
 3 objective or the attainment of that objective.
 4 EXECUTIVE DIRECTOR SNOW: Right. Yeah,
 5 but for example on the habitat one, which is quite
 6 difficult to quantify, you would look at the hundred
 7 percent and say, "That's what needs to be done to have the
 8 healthy ecosystem." You have met --
 9 VICE-CHAIRMAN McPEAK: Okay. Okay.
 10 EXECUTIVE DIRECTOR SNOW: -- totally where
 11 you are headed, and you have combined 10, 15 actions of
 12 different type of habitat restoration that incrementally
 13 move you up that percentage scale, and so you may have an
 14 alternative that gets you 80 percent of the way there and
 15 another that, you know, gets you a different distance up
 16 that particular objective.
 17 CHAIRMAN MADIGAN: Roberta and then Mary.
 18 MS. BORGONOVO: I was just following up on
 19 Sunne's questions, but maybe Lester just clarified it.
 20 So a hundred percent -- say if you looked at
 21 that chart and water supply were a hundred percent
 22 reliability, would that imply that there were no benefits
 23 to any of the other objectives, or is it trying to
 24 quantitate it to get to a hundred percent, which is what
 25 you said, and so you start off with this, and so this is

1 I understand that we don't necessarily want to
 2 look strictly at a cost-benefit --
 3 EXECUTIVE DIRECTOR SNOW: Right.
 4 MS. SELKIRK: -- analysis methodology.
 5 However, it would be helpful, I think, if we have some
 6 ongoing understanding as different performance measures are
 7 developed how that translates into achievement of benefit
 8 and potential cost and that kind of stuff.
 9 EXECUTIVE DIRECTOR SNOW: Yeah, I think
 10 probably at the next meeting we need to talk through these
 11 kinds of performance issues, and it's particularly
 12 important in the habitat area, because that is so
 13 subjective, and it's a professional judgment type of thing,
 14 because I mean what is a healthy ecosystem in the Bay-Delta
 15 system?
 16 It's been so long since we've had one that you
 17 say, "That's exactly what it was," and so you have to
 18 develop a body of professional opinion about that, to get
 19 an agreement on it, which is very different, for example,
 20 from levee stability issues, where there's a lot of
 21 analytical work to show the very discreet levels of
 22 protection that you can provide on levees.
 23 CHAIRMAN MADIGAN: Sunne.
 24 VICE-CHAIRMAN McPEAK: And, Lester, I
 25 think we do understand there are some of these objectives

1 that are very hard to quantify. I think I've finally got
 2 it. I'm sorry to be so thick, but the hundred percent is
 3 conceptual. If we were to achieve this objective and we
 4 agreed upon how to quantify it, that would be a hundred
 5 percent, so we're conceptual at a hundred percent.

6 When I ask what the methodology is and how
 7 you're documenting that to even make the professional
 8 assessment, without questioning your professional
 9 assessment, it would be, you know, acceptable to me that 10
 10 people rated it on a scale of -- you know, on a scale, and
 11 the composite is reflected here. I'm not trying to
 12 question the fact you have to make a professional judgment.
 13 I just think we need to at least understand and have
 14 documented some -- the process that you've done, even if
 15 it's difficult to quantify, so that we get a sense of how
 16 you did evaluate and come up with a number to put on the
 17 bars.

18 EXECUTIVE DIRECTOR SNOW: Yeah. We're in
 19 the process of pulling that together, because you're
 20 absolutely right. Part of the defensibility of this whole
 21 thing is to show how you made judgments when you had to
 22 make judgments and to let people know that we didn't just
 23 put this up to a vote at the Iowa caucuses earlier in the
 24 week.

25 CHAIRMAN MADIGAN: Interesting choice.

1 probably helps explain --

2 MR. FOLEY: It seems to me --

3 MR. MCREYNOLDS: -- what the picture's
 4 trying to show.

5 MR. FOLEY: -- that's the mental process
 6 each and every one of us is going to have to go through.
 7 I'm just saying graphically maybe that's how you portray
 8 it.

9 MR. MCREYNOLDS: Yeah. I think that
 10 graphic image will be helpful to explain the concept behind
 11 what I'm dealing with here. I wish I had thought of that.

12 The simple point that's trying to be made by
 13 this graph is that an action can be more important to one
 14 objective than it is to another and that you can use that
 15 eventually as a way of allocating costs, and the concept
 16 behind that is really the next slide, which if you thought
 17 a hundred percent on this graph was confusing wait until
 18 you see this one.

19 Now all I've really done here is take the prior
 20 graph and stack those bars up on top of each other, and
 21 let's -- if you took these bars -- remember this one was
 22 roughly 25 percent and these were real small?

23 If you took these up, these are necessarily --
 24 if you just take the raw numbers, take the percentages from
 25 the prior graph and stack them up -- ignore this for right

1 EXECUTIVE DIRECTOR SNOW: Yeah.

2 CHAIRMAN MADIGAN: Jack.

3 VICE-CHAIRMAN MCPEAK: But you prefer the
 4 most conservative objectives here. I think it meets the
 5 Iowa test.

6 CHAIRMAN MADIGAN: Okay.

7 MR. FOLEY: Zach, it seems to me what
 8 you're trying to display up there is a thought process
 9 graphically, and maybe this notion, you can help me if I
 10 understand it. If you took an alternative and this happens
 11 to be one action within an alternative storage and you
 12 assessed where that storage benefited each of the
 13 categories you've displayed on the lower axis, it seems to
 14 me that it would be very helpful. The next logical
 15 process, I think, is to take the next action, whatever it
 16 may be, and superimpose it on that same chart, and it would
 17 show a varying qualitative impact in those areas, and then
 18 the next action, and then we finally end up with a complete
 19 picture of that alternative that shows everything is a
 20 hundred percent fine or everything is not a hundred percent
 21 fine.

22 Is that the way you're heading?

23 MR. MCREYNOLDS: That can certainly be
 24 done using this methodology. It's not exactly where I'm
 25 heading, but it -- I think that that kind of a concept

1 now. I'll stand in front of it so you can't see it.

2 VICE-CHAIRMAN MCPEAK: Right, because
 3 that -- you shouldn't have --

4 MR. MCREYNOLDS: Yeah.

5 VICE-CHAIRMAN MCPEAK: -- that there.

6 CHAIRMAN MADIGAN: If you're going to --

7 MR. MCREYNOLDS: I have to have it there,
 8 because it's the next step, but it's the next step. Right
 9 now all this is is a stack of these bars. These don't add
 10 up to a hundred right now, because -- well, it would only
 11 be a coincidence if they did, because it's really the
 12 relative scores from each of the objectives that are added
 13 up here.

14 However, once you add them all up -- the reason
 15 I've done this is because once you add them all up, then if
 16 you translate them into a hundred percent of the height of
 17 this bar, it can give you a measure of the relative level
 18 of satisfaction, the relative importance of this action to
 19 the different objectives.

20 EXECUTIVE DIRECTOR SNOW: For an
 21 allocation of cost.

22 MR. MCREYNOLDS: Yeah, for an allocation
 23 of costs.

24 So this adds up to 37. If this adds up to 3.7,
 25 then this is going to come up to be 10 percent down here.

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1 MS. BORGONOVO: This is your way of --

2 MR. McREYNOLDS: I'm right about that one.

3 CHAIRMAN MADIGAN: Remember people who can

4 add and --

5 MS. BORGONOVO: But as part of your

6 weighting, that's what you're getting to, is the way in

7 which you weighted the costs.

8 MR. McREYNOLDS: Yeah. The tough issue

9 here is it's difficult enough to say how much an action

10 contributes to an objective, but it's even more difficult

11 to then say, "Well, what is accomplishing that level with

12 respect to that objective mean compared to accomplishing

13 this level with respect to this objective," because that's

14 one of the tough parts.

15 If you're allocating costs, you've got to come

16 up with a balance between the objectives, as well as within

17 the objective. So this is trying to be a way to go across

18 objectives, instead of within an objective.

19 CHAIRMAN MADIGAN: Eric.

20 MR. HASSELTINE: The problem in taking

21 them in a linear relationship like that for allocation of

22 costs means that all objectives are equally desirable.

23 MR. McREYNOLDS: Yeah, I think that's an

24 underlying assumption.

25 MR. HASSELTINE: If all aren't, then you

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1 shouldn't allocate costs like this.

2 MR. McREYNOLDS: Unless you can come up

3 with a way to weight these to reflect those value --

4 MR. HASSELTINE: Right.

5 MR. McREYNOLDS: -- judgments --

6 MR. HASSELTINE: Right.

7 MR. McREYNOLDS: -- and then that changes

8 the relative sizes of the pieces, but it does force you --

9 one of the things that's useful about this, in addition to

10 having bright colors on the screen is it does tend to

11 confine debate into something where -- we all recognize,

12 and we said at the outset, this is a subjective process.

13 There's no right answer here.

14 What this really can help do is confine the

15 debate into attempting eventually to quantify something, so

16 that you can reach a consensus on it, hopefully, or move

17 towards a consensus on something that's really, at its

18 route, not really very quantifiable. That's the purpose of

19 this, to try to come up with a starting point, a guideline

20 of how you might do something that's really a subjective

21 process.

22 Anyway, it's a lot easier to think about this

23 if you jump from this chart to this one, which is nothing

24 more than sort of a re -- it's a different format for the

25 same chart. You're much more familiar with this kind of a

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1 look.

2 This is the same -- this is the same bar chart

3 you just saw turned into a pie chart, because now you can

4 see real closely that the water supply here in this example

5 was 46 percent of that vertical bar. Its raw score, if

6 you'll remember back to the beginning, was only 25 percent.

7 It only contributed 25 percent towards the water supply

8 objective, but since it was more important to that

9 objective than it was to any of the others, it ends up

10 having 46 percent weight of total accomplishment, relative

11 objective accomplishment.

12 So this is the cost allocation place that you

13 would end up, if you took this kind of a methodology.

14 And you might ask, "Why would you do this?"

15 This is" -- I mean --

16 CHAIRMAN MADIGAN: Actually, seven or

17 eight people around here --

18 MR. McREYNOLDS: Yeah.

19 CHAIRMAN MADIGAN: -- are asking that,

20 Zach.

21 MR. McREYNOLDS: why would you do this?

22 Well, the reason that I -- the reason that we

23 came up with this is because if you use some of the other

24 allocation -- cost allocation methodologies, you end up in

25 a place where, at some point, you have to assign a dollar

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1 value to some of the habitat benefits, and this way you

2 don't.

3 This isn't the right answer, but this is a way

4 that you can get to a guideline about cost allocation

5 without forcing yourself to come up with a dollar value for

6 some of the things that are really hard to put a dollar

7 value on.

8 EXECUTIVE DIRECTOR SNOW: Could I -- I

9 have question.

10 CHAIRMAN MADIGAN: Sure, Lester.

11 EXECUTIVE DIRECTOR SNOW: And let me add

12 on then the very simplistic way that you would use this.

13 If this ended up being not just one action but

14 an alternative, then this would say 24 percent of the cost

15 you may want to look at G.O. bonds.

16 MR. McREYNOLDS: Wait. I'm not at that

17 slide yet.

18 EXECUTIVE DIRECTOR SNOW: But -- I

19 understand.

20 And then you can say the rest of that is all

21 related to some water user or water issues and needs to be

22 paid for through water revenues of some sort, and I'm

23 oversimplifying, but that's kind of where it starts getting

24 you, as you look at how you would break down benefits.

25 CHAIRMAN MADIGAN: Actually, I'm not sure

1 you are oversimplifying it, because I don't think we can
 2 come up with a revenue structure that will replicate all of
 3 these various subtleties anyway, you know.
 4 EXECUTIVE DIRECTOR SNOW: Maybe to add on
 5 an issue I know some of you around here are already
 6 sensitive to, and one of the things I intended to mention
 7 at the beginning is we go around and talk to different
 8 people all around the State. The gratifying thing is we're
 9 seeing an awful lot of interest in people that want to
 10 solve this problem.

11 The nervousness is we want these things done.
 12 We're not sure that we want to pay, and it's kind of like
 13 the way Ray was joking with Alex. Ray wants it done, but
 14 he wants Alex to pay for it, and so we know, as we move
 15 forward with this, there's going to be great scrutiny as to
 16 why am I being asked to pay for some component of this, and
 17 so people are really going to get into what are the
 18 benefits.

19 You're building a reservoir up in
 20 Northern California, which is what this particular action
 21 is. Shouldn't all these Northern California people pay for
 22 it?

23 And the issue is: It's not that simple. You
 24 can get all kinds of benefits that come out of that
 25 facility, and so how do we allocate costs based on the

1 to three is one-third, and two to three is two-thirds, so
 2 it's just a way -- it's a way of coming up with a
 3 percentage proportion for the total size of that bar.
 4 MS. SELKIRK: Okay. Okay.
 5 CHAIRMAN MADIGAN: Okay. Repetition is
 6 probably going to be a virtue in this instance, and we will
 7 no doubt hear this one again, Zach.

8 Why don't we go ahead and move forward a little
 9 bit?

10 MR. MCREYNOLDS: So, let's say, for
 11 example, that you ever got through that process and you got
 12 to step five and no matter what methodology you used here
 13 to get through steps two, three, and four, you got to step
 14 five, and you've allocated the costs to various groups.
 15 That's when you go into what Lester just mentioned about
 16 what types of revenue tools you might use to fund different
 17 types of things, and that's where we come back to this
 18 concept of public, common, private.

19 Now this one threw us for a loop last time, and
 20 I think it's probably, because its importance was
 21 overestimated. This isn't somehow driving the boat. This
 22 is -- I think the most useful thing that this can do in
 23 this context is this just gives you an idea of the types of
 24 tools that are appropriate to those types of benefits.

25 So, as Lester just said, if you take this one,

1 benefits that accrue from it.

2 CHAIRMAN MADIGAN: Mary.
 3 MS. SELKIRK: I just had a technical
 4 question on the prior slide, the bar graph slide. You said
 5 that the total column added to -- maybe I'm just visually
 6 oriented, color oriented -- okay. This total vertical bar
 7 translated to what? 37 percent.

8 MR. MCREYNOLDS: I made it up. It went
 9 something like that.

10 MS. SELKIRK: Oh, you did. You made it
 11 up.

12 MR. MCREYNOLDS: I made it up.

13 MS. SELKIRK: Okay.

14 MR. MCREYNOLDS: Because I could think --

15 MS. SELKIRK: And how did you --

16 MR. MCREYNOLDS: -- that 3.7 was 10
 17 percent of 37.

18 MS. SELKIRK: All right. So how did you
 19 get to the percentages on the following slide --

20 MR. MCREYNOLDS: Well --

21 MS. SELKIRK: -- on the pie slide?

22 MR. MCREYNOLDS: I'll try to simplify the
 23 example. Let's say that one of these was equal to one, and
 24 the next one was equal to two. Well, then the total height
 25 of the bar is three, so that's a hundred percent, and one

1 and let's take the yellow section, and let's say that's the
 2 species -- you've identified that as the species benefit.
 3 If you define the species -- and there seems to be a lot of
 4 discussion going that way, if you define the species
 5 benefit as something that ought to have really widespread
 6 funding, it creates broad public benefit and so the payment
 7 should be as broad as possible, there's a couple different
 8 ways that you can get broad -- broad-based funding for
 9 something that has that kind of broad-based benefit. One
 10 way is Federal funding. Another way may be State G.O.
 11 bonds, the SB 900-type thing. Another way may be the
 12 example that I think you may recall from the Business
 13 Roundtable presentation about a -- I think the example
 14 there -- I'm not sure if it's still in your paper, but the
 15 example at the time was a statewide retail -- they said
 16 some sort of retail -- I think they call it an excise tax,
 17 like the California Energy Commission uses.

18 I don't think it was a utility tax
 19 specifically, because that really implies, I think, the
 20 vote more than what they were talking about. What they
 21 initially had in there, they weren't talking about
 22 something that required a vote, but that's the general
 23 idea, is that you cast the net very wide, for these types
 24 of benefits, and I don't know if we have the full list of
 25 what kinds of things we could be talking about here, under

1 the category of other statewide funding, but it's important
2 to note that it's not just Federal, and it's not just State
3 G.O. bonds, that there are other options.

4 For instance, what if SB -- what if the voters
5 say no to SB 900 and there's no Federal money?

6 Does that mean that suddenly you're going to
7 dump all the costs for this thing on another group of
8 people?

9 Well, you certainly hope not. What you hope is
10 that you can come up with other mechanisms for revenue
11 collection that address that broad group that you want to
12 address, so that you can get the matching between the
13 broad-based benefit and the broad-based revenue collection.

14 By contrast, if you take -- go back to this
15 chart, this pie, and take the water supply benefits, which
16 you might throw into the private-benefits category, then
17 you might see the money to pay for those types of benefits
18 collected either through water charges or through some
19 other market-based revenue, and I put a broad category here
20 of market-based revenue, because I think there are a number
21 of ways that you can finance these type of things that go
22 beyond just water charges.

23 I think a lot of our -- maybe some of our more
24 innovative or alternative financing sources, to the extent
25 that we've had -- you'll recall, from the paper on revenue

1 kind of approach, is that it gives you a forum to talk
2 about those value judgments, because you're going to be
3 thrown back unavoidably into the point that Sunne made.
4 When you see something like this, your immediate response
5 is to try to go back to the numbers and say, "How did you
6 get this, you know, how did you get there," and that gives
7 you -- in talking about how did you get there, what are the
8 relative numbers, how did you weight these things, that
9 gives you a context to talk about the relative value
10 weightings and makes some sense of the kinds of value
11 judgments that you have to make to eventually allocate
12 these costs.

13 Next steps, I think, as Lester said, we're
14 going to be applying solution principals to the
15 alternatives in the coming months and eventually come up
16 with some rough cost estimates. That's what you should see
17 the remainder of phase one, and I think -- to respond
18 directly to the question about timing, I think that the
19 financial concepts that have been put in the papers you've
20 seen will end up as either an additional paper or as part
21 of our report, our phase one report. That's the concept,
22 is that these things will end up in the -- as part of the
23 phase one deliverables, the lump of paper you get.

24 That's it.

25 CHAIRMAN MADIGAN: Thank you, Zach.

1 sources, there were some discussions of potentially public
2 private partnerships or privatization aspects. That would
3 probably fall in here, under the market-based revenue. If
4 you had pricing incentives, that would probably fall under
5 here, under market-based revenue, so there's a number of
6 things that you could use, tools that you could use here to
7 make sure that the things that you classified as private
8 benefits got funded.

9 Okay. That's the considerations that I wanted
10 to point out to leave a sort of an afterthought to some of
11 these examples.

12 I just want to reiterate. This is never going
13 to be any better than guidance towards the right answer,
14 and it's going to be a starting place for people to try to
15 come up with an eventual cost allocation, and it's very
16 important that when you go across objectives that the --
17 the point that was made about the value weighting is
18 critical.

19 This process only works in the simple example I
20 gave here if you have objectives that are of equal
21 importance and that you've satisfied them at equal levels,
22 and to the extent that you've departed from that, then you
23 need to make adjustments for your cost allocations, and
24 those value judgments are going to be critical.

25 The benefit, I think, as I mentioned of this

1 Let me ask if there are members of the public
2 who wish to speak on this particular item.

3 Seeing no such request, it's my intention to
4 take about a ten-minute break and then to ask Linda Adams
5 to give us an update on SB 900 when we reconvene.

6 It's 11:00 o'clock. Let's try to be back here
7 about ten after.

8 (A break was taken from
9 11:00 a.m. to 11:17 a.m.)

10 CHAIRMAN MADIGAN: Okay. We're underway.
11 That was a lengthy but worthwhile review, I think.

12 There was a suggestion made by Ann at the break
13 that we ought to consider the idea of pulling together
14 subcommittees on an ad hoc basis who would look at issues
15 like this and would give the staff, among other things,
16 sort of a group to bounce these things off of and see what
17 some of the bulk of the questions are and the responses,
18 and maybe there are some things that could be clarified or
19 made more simple or something like that, by the time they
20 got here, and as long as that ad hoc committee was a
21 reasonable reflection of the makeup of the larger group
22 here that we could try that, and that notion sort of
23 appeals to me, and I think we will use the financial
24 strategy discussion, perhaps, as a trial for that, and
25 Sunne and I will get back to several of you and ask you if

1 you might consider serving on that particular ad hoc
2 committee with the notion that there may be others to
3 follow, and see if we can't help the process along a little
4 bit.

5 Some of you are pretty familiar with what's
6 going on with SB 900 these days, but as a fundamental part
7 of this process, I think that it's always worth our taking
8 some time to review it. I was going to ask Zach to make a
9 few initial comments, but I think maybe what I'll do is ask
10 Linda Adams to tell us all of what's going on, and then
11 Zach, as you and Lester need to provide additional
12 information, that would be appropriate.

13 Linda, thanks for joining us again. Nice to
14 see you.

15 MS. ADAMS: Thank you very much, Mr.
16 Chairman, members of the committee.

17 Senator Costa was here last night, and he sends
18 his apologies. He had to return to the business of the
19 Senate today, but he felt it very important that he be
20 represented here today to reiterate his commitment to the
21 CALFED process and to talk a little bit about Senate
22 Bill 900.

23 The bill was introduced about one year ago, and
24 it was very much in a spot bill form. It was very broad in
25 concept and shallow in detail, and that was very

1 We also have a clean water component that is
2 very important. It would put money into the State
3 revolving fund to meet Federal Clean Water Act
4 Requirements, and that component is very important in that
5 it brings in a great deal of federal money. We tried to
6 craft the bill as much as possible to leverage Federal
7 funding. For every \$1 of State funds we put into the State
8 revolving fund, the Federal Government will contribute \$5,
9 so if you look at a 500 million dollar G.O. bond with
10 100 million dollars into the State revolving fund, you're
11 looking at essentially at a one billion dollar source of
12 revenue.

13 We have a water resources program that would
14 look at -- provide funding for feasibility studies for
15 off-stream storage north of the Delta, for conjunctive-use
16 programs, you know, all programs that are very much being
17 discussed in this process.

18 I think one way to look at -- a couple of ways
19 to look at SB 900 is that it would fund some core actions
20 being looked at by CALFED. It would fund projects that are
21 probably common to all the alternatives that you're looking
22 at right now.

23 One of the key provisions of the bill is what
24 we call the trigger mechanism, and the Senator's intent
25 with this trigger is to create an insensitive for some

1 purposeful. What Jim wanted to do was travel around the
2 State and meet with as many interest groups as possible and
3 hold hearings of his committee to receive input on the
4 needs of the various regions and interests on how to meet
5 our -- address our water supply needs to the year 2020.

6 Right now Senate Bill 900 is proposed to be a
7 general obligation bond measure, hopefully to appear on the
8 November ballot this year. It was drafted upon conclusion
9 of four interim hearings held around the State, which many
10 of you participated in.

11 What we heard at these hearings, over and over,
12 constant theme was to make Senate Bill 900 as a priority to
13 address problems in the Delta, but also to try to look to
14 the long-term water supply needs of the State.

15 We believe that we have drafted a bill that
16 very much complements the CALFED process. If you look at
17 the programs in Senate Bill 900 that would be funded, they
18 would relate, either directly or indirectly, to the Delta
19 and efforts being undertaken by CALFED right now.

20 For example, the Delta restoration program
21 proposes to finance the State match required under the
22 Central Valley Project Improvement Act. It proposes to
23 fund the State share of the category three projects called
24 for in the December '94 Bay-Delta accord, proposes to
25 continue the Delta levee subvention program.

1 conclusion to the CALFED process. It's a pretty tough
2 trigger, as was discussed earlier, and he's pretty much
3 willing to consider any kind of trigger that would
4 encourage some conclusion to the process, and this bill is
5 very much a work in progress, and we have until the end of
6 June to craft it in its final form.

7 We had a tough deadline to meet recently.
8 January 31 was the deadline to pass the State Senate. The
9 bill was in print only a very short time before we had to
10 have two committee hearings and one floor vote. It was a
11 two-thirds vote bill, and we were very happy with a vote of
12 28 to 3 on the Senate floor. The bill will move to the
13 assembly. It is in the assembly now. It has not yet been
14 assigned to committee, but we're assuming it will be
15 assigned to the Water Parks and Wildlife Committee, and we
16 hope to move through the assembly by the end of March.

17 And pursuant to a leadership agreement, water
18 is one of the major issues that will be tackled by the
19 Governor and the legislature this year, and Senate Bill 900
20 will be placed in a conference committee, as will some
21 other major issues that the State is dealing with. So we
22 hope to do a lot of the final work in a two-house
23 conference committee.

24 You'll see, when you look at the bill, the
25 dollar amounts are blank, and we were not necessarily happy

1 about the deletion of the total dollars, because the bill,
 2 in its prior form, contained close to 500 million dollars,
 3 and that very much closely matched the Governor's proposed
 4 budget. So we had kind of a benchmark just to say this
 5 matches the Governor's budget. Now we have no dollars, so
 6 that's kind of difficult to explain. So we're hoping those
 7 dollars will go back -- will go back in close to that
 8 500 million dollar amount.

9 The reason the dollars were deleted is that the
 10 leadership wants to make a decision later in the year about
 11 the total amount of general obligation bonds to go on the
 12 ballot in November. They want to look at how much should
 13 go towards education, how much should go towards prisons,
 14 how much should go towards seismic retrofit, if those
 15 measures fail in March and end up on the November ballot.
 16 So we need to fight for our share of the general obligation
 17 bond dollars, and we feel that water is of equal or more
 18 importance than those issues.

19 We're hoping that, as CALFED narrows their
 20 alternatives later in the year, that Senate Bill 900 can
 21 further be crafted to shift emphasis, if necessary, to
 22 programs that CALFED is looking at to further complement
 23 the CALFED process.

24 One final note about the trigger, I got a lot
 25 of phone calls when folks saw that trigger, and they were

1 there be some arbiter of decisions to say, "Is this really
 2 going to be a public benefit?"

3 Reading through the bills I noticed some things
 4 that could arguably be called private or common benefits.

5 MS. ADAMS: I think we probably depend a
 6 lot on CALFED to help us make those kinds of decisions.

7 MR. IZIMIRIAN: And how will that work?

8 MS. ADAMS: Well, we'll be working
 9 constantly with CALFED, and Lester Snow will be forming a
 10 drafting committee that will make up some members of
 11 CALFED. The stakeholders have a committee headed by
 12 Randy Kanouse with East Bay Mud that will participate in
 13 the drafting of Senate Bill 900.

14 MR. IZIMIRIAN: So that mechanism will be
 15 explicit in the bill, in the final version of the bill.
 16 Okay.

17 VICE-CHAIRMAN McPEAK: Actually, Richard,
 18 can I ask -- so we can talk about this in some of the
 19 specifics -- which of the items in SB 900 do you think
 20 would be subject to private funding or a mechanism other
 21 than G.O. bond?

22 MR. IZIMIRIAN: I wish I had reviewed it
 23 last night. Sorry.

24 One thing that comes to mind immediately is --

25 VICE-CHAIRMAN McPEAK: Go ahead.

1 all -- all the comments were along the lines of, "You don't
 2 really mean that money -- that trigger to apply to our
 3 money, do you?"

4 And the response is: Yes, we intend that
 5 trigger to apply to everyone's money, because you all have
 6 a stake in seeing some conclusion to the process.

7 CHAIRMAN MADIGAN: Thank you.

8 Let me ask if there are questions on the BDAC.

9 Yeah, Richard.

10 MR. IZIMIRIAN: Can you put SB 900 -- can
 11 you discuss it in the context of what Zach put up there, in
 12 terms of public, private, and common benefits and what
 13 mechanisms are in there or can be built-in to implement
 14 that benefit allocation?

15 MS. ADAMS: This is essentially the public
 16 benefit portion. That's another way to look at how Senate
 17 Bill 900 relates to this process. This would be the public
 18 benefit portion of the ultimate solution.

19 The Delta restoration program I think as very
 20 clearly can be tagged as a public benefit. Most of the
 21 other programs in the bill have traditionally been funded
 22 through general obligation bonds, so there is a history in
 23 the State of financing, you know, virtually all of these
 24 other programs through G.O. bonds.

25 MR. IZIMIRIAN: Okay. Well, then will

1 MR. IZIMIRIAN: -- is some of the steps
 2 relating to the Hill bill, and maybe that language is going
 3 to be refined a little bit, but it states in the bill that
 4 all of the water rights that would be purchased by the
 5 SB 900 funds would stay in the District and couldn't be
 6 used for environmental water, for instance. That seems to
 7 me that it would be probably a common benefit and not a
 8 public benefit.

9 MS. ADAMS: Richard and I talked about
 10 this a little bit last night, and there's no intent. We
 11 recognize that that provision of the bill does need quite a
 12 bit of work, but there's no intent to preclude that portion
 13 of the water under the Hill program that was intended for
 14 environmental purposes. There's no intention to preclude
 15 that use for environmental purposes.

16 I think the concern among the folks in the
 17 San Joaquin Valley is that the Valley has tremendous growth
 18 needs and tremendous water needs, and they would like to
 19 see any water marketed actually stay in the region to
 20 accommodate growth in the region and to address
 21 environmental needs in the region, such as groundwater
 22 overdraft, and some of the amendments were actually put in
 23 the bill by the committee and not by the author. So it
 24 doesn't necessarily fit real well with the Hill program.

25 VICE-CHAIRMAN McPEAK: May I ask just a

1 follow-up question?
 2 I had assumed, and I'm not sure it is the case,
 3 that the continuation on the levee restoration, the
 4 proceeds from the G.O. bonds that would go to that program
 5 would be matching other revenues, including local dollars
 6 that would not be G.O. funding.
 7 Is that still what this would do is continue a
 8 program of cost sharing on levee maintenance?
 9 MS. ADAMS: Yes. This would be the State
 10 share of the --
 11 VICE-CHAIRMAN MCPEAK: Okay.
 12 MS. ADAMS: -- the State's subvention
 13 portion.
 14 CHAIRMAN MADIGAN: Ray. Roberta.
 15 MR. REMY: Is it correct that there is no
 16 penalty if any of the triggers are not triggered and there
 17 is no time frame by which the trigger mechanism expires?
 18 It could be there forever?
 19 MS. ADAMS: It could be if there's not
 20 conclusion to the process, and that's --
 21 MR. REMY: And there's no linkage --
 22 MS. ADAMS: -- that's one of the problems.
 23 The money could sit there, and the bonds would never be
 24 issued.
 25 MR. REMY: There's no linkages three to

1 MS. ADAMS: Right.
 2 VICE-CHAIRMAN MCPEAK: -- habitat
 3 restoration?
 4 MS. ADAMS: The way we drafted the bill
 5 none of these programs would be fully funded. They would
 6 be considered the State's share, so it assumes that the
 7 Federal Government would contribute, and potentially users
 8 would contribute.
 9 VICE-CHAIRMAN MCPEAK: I think that
 10 that -- now is that actually -- I thought that was your
 11 intent.
 12 Is that --
 13 MS. ADAMS: It's not --
 14 VICE-CHAIRMAN MCPEAK: -- explicit here
 15 to --
 16 MS. ADAMS: It's not explicit. There's --
 17 VICE-CHAIRMAN MCPEAK: That would help.
 18 MS. ADAMS: -- reference to seeking
 19 Federal dollars --
 20 VICE-CHAIRMAN MCPEAK: Right.
 21 MS. ADAMS: -- but I think the fact that
 22 we've only funded what would be a portion, a State portion,
 23 assumes that there would be contributions.
 24 VICE-CHAIRMAN MCPEAK: I think it's Tom
 25 and then Ann.

1 one, two to three; in other words, if you don't move on
 2 three within a period of time --
 3 MS. ADAMS: Right.
 4 MR. REMY: -- it would jeopardize one.
 5 MS. ADAMS: Right.
 6 CHAIRMAN MADIGAN: Roberta.
 7 MS. BORGONOVO: This may not be important
 8 for SB 900, but in talking about cost allocations, I guess
 9 part of my problem with the assumption that habitat
 10 restoration is a public good sort of assumes that there's
 11 no obligation then on users to contribute to that, so if we
 12 see the SB 900 as part of the State's share to try to move
 13 that forward and then there's the assumption that those
 14 other funds are going to come in, specifically the CVPIA
 15 restoration money and the category three, that's sort of a
 16 different take on it, but when we get to our discussion of
 17 funding, those are some of the concerns that some of us
 18 have.
 19 VICE-CHAIRMAN MCPEAK: Linda, do you want
 20 to address that?
 21 The issue of -- obviously, the dollars in the
 22 G.O. bond would flow to habitat restoration category three.
 23 How do you take into account the fact that
 24 there might be nonpublic responsibility, i.e., private user
 25 responsibility also to contribute to --

1 CHAIRMAN MADIGAN: Okay. Tom and then
 2 Ann.
 3 Thank you.
 4 MR. GRAFF: Yeah, in terms of pitching
 5 this to the voters, how do you respond to the critique that
 6 the trigger mechanism would -- that arises because of the
 7 trigger mechanism, that you would be going to the voters
 8 and you'd say -- be saying, "Please authorize us to sell
 9 half a billion dollars worth of bonds," but the actual
 10 issuance of those bonds will depend upon a program whose
 11 results the voters don't know.
 12 MS. ADAMS: I think that's probably why
 13 the trigger needs some work, some thought.
 14 We phased money in prior bonds, for example,
 15 the Park Bonds, just because we don't want the money to be
 16 used up all in one fiscal year. So we've just instead --
 17 you know, instead of this kind of a trigger, we've said
 18 this portion will be spent over these fiscal years, and
 19 then the remainder over these fiscal years, so there's
 20 probably lots of ways to craft a trigger.
 21 CHAIRMAN MADIGAN: Ann.
 22 MS. NOTTOFF: Do you have some kind of
 23 a -- I know you don't have the dollar numbers in there
 24 right now, but it would be useful, I think, to have
 25 CALFED's staff, and maybe you can help do this, figure out

1 what percentage of the State's portion of these public
 2 commitments would SB 900 go towards. I mean --
 3 MS. ADAMS: That's the issue that we could
 4 address in the drafting committee and try to be a little
 5 more specific with language --
 6 MS. NOTTOFF: I mean you --
 7 MS. ADAMS: -- in the bill.
 8 MS. NOTTOFF: You acknowledge that it's
 9 not going to do the whole -- it's not going to be able --
 10 MS. ADAMS: Right.
 11 MS. NOTTOFF: It's just going to be a
 12 piece, right?
 13 MS. ADAMS: Right.
 14 MS. NOTTOFF: And then a long-term
 15 strategy is going to have to come back and look at a
 16 bigger --
 17 MS. ADAMS: But, for example, the --
 18 MS. NOTTOFF: -- bigger --
 19 MS. ADAMS: -- it's my understanding that
 20 in the December 15th accord it was implied that there would
 21 be cost sharing for category three, but there's nothing in
 22 the accord that specifically specifies who will pay for how
 23 much of category three, so that that issue is certainly
 24 something that we could address, try to address.
 25 MS. NOTTOFF: So just to follow up, when

1 evaluate that dynamic?
 2 MS. ADAMS: -- lot of work to do in the
 3 assembly. With so many new members, they are probably not
 4 well-informed on the Delta, so we have a -- all of us have
 5 a lot of work to do, I think, to educate members of the
 6 assembly. So I think it's going to take visits by a number
 7 of people, the interest groups, Lester, Senator Costa, so
 8 it's not a --
 9 VICE-CHAIRMAN MCPPEAK: I don't --
 10 MS. ADAMS: -- not an easy task ahead
 11 getting through the assembly.
 12 VICE-CHAIRMAN MCPPEAK: Jim mentioned last
 13 night that he was personally committed to visiting all of
 14 his like-registered colleagues and Secretary Jones
 15 registered -- visiting all of those in his party, so that's
 16 very helpful.
 17 I have wondered if the members of the assembly
 18 who may be new and new to the water policy debate view this
 19 as aligned with or just affiliated with or not associated
 20 with the CALFED process and how they would characterize
 21 that.
 22 MS. ADAMS: I doubt that this bill is even
 23 on their radar screens --
 24 VICE-CHAIRMAN MCPPEAK: Okay.
 25 MS. ADAMS: -- at this point.

1 you said earlier that everybody -- all monies would be
 2 included in each one of the triggers or each one of the
 3 phases, funding for restoration fund, category three, which
 4 presumably are actually due now, as opposed to upon
 5 completion of some other process, those would be -- you'd
 6 have just portions of that paid in each one of the
 7 triggers. You wouldn't have --
 8 MS. ADAMS: A trigger applies --
 9 MS. NOTTOFF: -- a plus --
 10 MS. ADAMS: -- equally through --
 11 MS. NOTTOFF: -- and you're not propose --
 12 MS. ADAMS: -- to every program,
 13 one-third of each program.
 14 MS. NOTTOFF: That's a problem.
 15 CHAIRMAN MADIGAN: Sunne.
 16 VICE-CHAIRMAN MCPPEAK: Could you perhaps
 17 discuss the anticipated debate in the assembly -- yeah, I
 18 know that may sort of be asking a little much, but the
 19 debate there and how they -- what understanding you
 20 perceive they have of the CALFED process, what's at stake
 21 if this should not go out of the assembly or be placed on
 22 the ballot and not passed?
 23 How -- how could you --
 24 MS. ADAMS: I think we have a --
 25 VICE-CHAIRMAN MCPPEAK: How would you

1 CHAIRMAN MADIGAN: Okay. Thank you very
 2 much, as always. Please tell the Senator that we
 3 appreciate his continued leadership. It makes a big
 4 difference.
 5 MS. ADAMS: Thank you.
 6 CHAIRMAN MADIGAN: Thank you.
 7 Next item up on the agenda, under current
 8 program activities, Lester is going to take us through some
 9 issues related to the alternative development process.
 10 Lester.
 11 EXECUTIVE DIRECTOR SNOW: In a number of
 12 discussions that we have had, and then also as we went
 13 through alternative formation, there were -- is this on?
 14 There are a number of issues that came up with
 15 respect to a couple of topics: Demand management, habitat
 16 restoration, and then flows in the system. And I think
 17 this agenda item kind of falls under that category that
 18 Mike referred to earlier in the day that if there's a
 19 chance to get clarification among us, then let's do that,
 20 because I think there's some misunderstanding or even
 21 apprehension about those three topics, and they are
 22 actually interrelated.
 23 And one of the issues that we even debated here
 24 at sometime and I see it come up in other places is the
 25 role and function of demand management in Bay-Delta

1 strategy, and it's been kind of diverse, and at different
 2 times we saw people kind of advocate that all it takes to
 3 solve the Bay-Delta problems is aggressive demand
 4 management, and on the other hand, at times we saw people
 5 saying demand management should be no part of a CALFED
 6 approach.

7 And so what you will see in the alternatives,
 8 when we get to them, is that demand management is not only
 9 a core action, but it appears in very different levels in
 10 different alternatives, and so I wanted to talk a little
 11 bit about how we're seeing demand management, where it fits
 12 into the program, and then also move on and talk about
 13 habitat restoration and how that fits in and has multiple
 14 benefits other than directly to ecosystem, and then try to
 15 tie that together by what's going on with the hydrograph,
 16 what's going on with the flows that we kind of brought up
 17 at our last dinner meeting.

18 Well, let me jump into demand management and
 19 kind of start with this, not that you need to focus on any
 20 of these numbers, because it's not focused, but other than
 21 that -- is that better, in the back of the room?

22 The only thing that's relevant here, and I
 23 think we used this the last time when we had our dinner
 24 session, is that, you know, there's a lot of flows, and
 25 water comes off in different places in the system, and so

1 that kind of relationship we need to make sure we
 2 understand how we're fine tuning this.
 3 And let me give you just one antidotal piece of
 4 information, and this is kind of significant, because it
 5 was so close to each other in time. '92 is a
 6 critically-dry year, and you turn around and '93 is an
 7 above-normal year, and so a couple of things kind of
 8 happened in San Joaquin, in terms of agricultural water
 9 use.

10 You had a total reduction, and you had ag land
 11 that was out of production in that particular year, because
 12 what would happen -- and this was kind of common in west
 13 lands, where a farmer would decide not to grow his annual
 14 crop, so he could move his water from his annual crop onto
 15 his orchard crop, and so you saw some of that kind of thing
 16 going on, but also you saw a movement to groundwater, and
 17 so you had a significant reduction in the amount of water
 18 coming out of the Bay-Delta system, in terms of the State
 19 project and Federal project.

20 And so the question, and I've got another
 21 graphic to kind of help on this, is when we overlay
 22 conservation on this kind of normal demand, what kind of
 23 result does it produce when we want flow in the Bay-Delta
 24 system during a critically-dry year, and the point here is
 25 that you've got, in this case, 5.7 million acre feet, but

1 there's been a lot of interest in demand management,
 2 particularly south of the Delta, and how demand management,
 3 in theory, then produces a Delta benefit, and so I just
 4 want people to have in mind that you have the exports out
 5 of the system, and then you have other water supplies, and
 6 so there's a real mix of surface water, local groundwater,
 7 other surface water supplies, inter-basin transfers, in the
 8 case of the Colorado River, and so there's quite a mix of
 9 water uses, and so when you overlay some demand-management
 10 concepts on this, your impacts on the Delta are not as
 11 direct as you might want them to be or expect them to be.

12 And the other problem that we've run into, as
 13 we try to conceptualize about the Delta, is this is the way
 14 that a lot of us tend to think about the Delta situation
 15 and the Bay-Delta system, and these are all average-year
 16 numbers, and so we get used to thinking about the Bay-Delta
 17 system, in terms of what happens in an average year, and
 18 probably, technically, there's never been an average year.
 19 The flows are all over the place. They are low. They are
 20 high, but this is how we tend to conceptualize it.

21 And so when we talk about certain kinds of
 22 demand management, whether it's M and I or agriculture, if
 23 a million acre feet is saved, the important thing here is
 24 to understand that it does not necessarily mean a million
 25 acre feet less comes out of the Bay-Delta system, and it's

1 without the extra conservation on this, this already drops
 2 down to 3 million acre feet in the critically-dry year,
 3 which is when you want to produce the flow in the system to
 4 get the other benefits.

5 So the issue, and this is conceptual, notice no
 6 numbers on the axis here.

7 VICE-CHAIRMAN McPEAK: You erased them
 8 during the break.

9 EXECUTIVE DIRECTOR SNOW: No numbers.
 10 That's right.

11 The phenomenon we're trying to deal with here
 12 is that you've got normal-year-type of demand, and then you
 13 can kind of look at it without conservation and with
 14 aggressive conservation, and so we're looking at those
 15 kinds of issues in the context of the Bay-Delta system, but
 16 in a critical year, your unconserved demand already goes
 17 way down, because people implement different kinds of
 18 measures, whether it's drought ordinances in urban areas or
 19 certain kinds of fallowing programs in ag areas, and so the
 20 differential that you achieve in the critically-dry year is
 21 not as significant as we conceptualize when we think in
 22 terms of average year.

23 Now I don't know as I want to move on unless
 24 we've got kind of this established, that typically what we
 25 want to do in the Bay-Delta system, when we're looking at

1 integrating the four resources areas, is that you have the
 2 greatest conflict in dry and critically-dry years, and so
 3 if we're implementing a measure to produce flows and it's
 4 not producing much in the way of flows in a critically-dry
 5 year, we need to evaluate that against other kinds of
 6 alternatives.

7 And so typically what you'd want to do, in
 8 order to have demand management produce some flows for you
 9 in a critically-dry year, you probably need to achieve the
 10 savings in normal years and have a storage facility of some
 11 sort, so you have to start linking things together. Demand
 12 management does not necessarily produce a specific benefit
 13 for specific fisheries during critically-dry years, unless
 14 you have other mechanisms.

15 CHAIRMAN MADIGAN: Insurance policy.
 16 Yeah.

17 Let me ask if there are questions on that
 18 notion.

19 Sunne.

20 VICE-CHAIRMAN MCPPEAK: There is, I think,
 21 also an exacerbation of the problem in successive,
 22 sustained dry or critically-dry years, and are you
 23 looking -- that probably is what's caused major impacts on
 24 the ecosystem was having several years.

25 EXECUTIVE DIRECTOR SNOW: Right.

1 VICE-CHAIRMAN MCPPEAK: Are you looking at
 2 that as it affects the magnitude of storage, because I
 3 actually -- I agree obviously with your conclusion that you
 4 can't deal with appropriate flows in dry, critically-dry
 5 years just through demand management, without having
 6 additional capacity for storage, when you can save the
 7 water, but the question of sizing, since you've got
 8 various --

9 EXECUTIVE DIRECTOR SNOW: Right.

10 VICE-CHAIRMAN MCPPEAK: -- alternatives
 11 here, comes back to, I think, looking at what is the impact
 12 of several dry years in a row, and you get increasingly
 13 harmful conditions on the fisheries and habitat.

14 EXECUTIVE DIRECTOR SNOW: Yeah. I think
 15 as we move onto -- as we have storage as a component in a
 16 number of these alternatives, when we move on to more
 17 analysis, you start refining kind of the cost benefit of
 18 providing more storage versus accepting the risk or having
 19 other mechanisms, such as transfers and -- well,
 20 conjunctive management is a portion of storage that can
 21 help that out, and so I think -- and actually, to fully
 22 answer your question, what I want to get into on the flow
 23 patterns and where you think we can get water to store, to
 24 then actually boost the critically -- the dry and
 25 critically-dry-year flows to make a significant impact on

1 fisheries.

2 CHAIRMAN MADIGAN: Roberta and then Mary.

3 MS. BORGONOVO: I see what you mean about
 4 the demand-side management within the narrow context of the
 5 Bay-Delta, which, of course, is why we're all here, but
 6 what strikes me is that in both SB 900 there are a number
 7 of assumptions that are part of the findings, and the
 8 findings go to the supply needed many years out, and so the
 9 assumption is that demand-side management isn't going to
 10 get you that much water for the Bay and Delta, but it
 11 makes -- it can make a huge difference in the overall
 12 supply, which then feeds right back into that water
 13 reliability water supply that is part of the equation.

14 So I do begin to see how some of us, in
 15 thinking about demand-side management, are thinking in this
 16 broader context, so I hope there's some way to address
 17 that.

18 EXECUTIVE DIRECTOR SNOW: Yeah, and you
 19 raised the excellent counterpoint, because I was kind of
 20 addressing the narrow issue of trying to take demand
 21 management and have it produce a specific fish benefit very
 22 quickly, and it really does not perform well in that
 23 regard.

24 The issue you raised is kind of the bigger
 25 picture long-term, and it's really why you see demand

1 management not only in the core actions that we have, but
 2 basically it's in every single alternative, some at very
 3 aggressive levels, and some at more moderate levels, and
 4 it -- I mean there's a couple of things there.

5 One is that, in a general sense, the issue of
 6 conservation and demand management has been determined to
 7 be good by our society and needs to be done and can be cost
 8 effective in the long run.

9 The other, and I think we mentioned this in the
 10 issue paper, that the future is uncertain. Every time we
 11 do a projection it's wrong, but we generally know that
 12 demand for water grows over time, and so demand management
 13 has to be an effective part of our whole strategy in the
 14 State to blunt the impacts of those demand pressures in the
 15 future, so it has to be there.

16 The interesting thing, where there's an inner
 17 connection is between that demand-management philosophy and
 18 then also transfers, where transfers not only provide a way
 19 for people to deal with their future water supplies, but
 20 then actually give other users an incentive to conserve so
 21 they can maintain their economic activity, but to make some
 22 water available for transfers.

23 MS. BORGONOVO: I think that's right. I
 24 think that when I say demand-side management, I mean the
 25 very broad view which includes transfers, but just to go

1 back to this again, I have a real interesting, at least one
 2 of the alternatives looking at what you can do
 3 nonstructurally, because every time you look at the
 4 alternatives, you know that when you add a new facility or
 5 even a new off-stream storage, you, again, don't really
 6 address this issue of how you're going to preserve habitat
 7 over the next 30 years, and so that's where that thinking
 8 comes from.

9 EXECUTIVE DIRECTOR SNOW: Okay. The last
 10 thing I would say about demand management -- oh, I'm sorry,
 11 Stewart.

12 CHAIRMAN MADIGAN: Let me get Mary first,
 13 and then Stu.

14 MS. SELKIRK: I just wanted to follow on
 15 what Roberta said, too. I think that ultimately in the
 16 bigger picture, beyond a specific, for example, short-term
 17 fisheries mitigation over the next five, ten years, when we
 18 look at demand management as a means, rather than as an
 19 ends -- I mean it's both an ends and a means somehow at the
 20 same time -- certainly on the urban side, for example, we
 21 have to address the issue of what kinds of projective
 22 supply needs different urban districts are going to have
 23 across the State, in terms projecting their own abilities
 24 to conserve and to make contributions in critically-dry
 25 years, and I think those kinds of -- you know, those kinds

1 We're up to reducing the conflict in this
 2 system, so these different benefits can fit together and
 3 work together and kind of create opportunities for
 4 transfers, for conjunctive use, for storage, and a lot of
 5 things, but we're not really defining an obligation that
 6 whatever you do, whatever is left over, has to come out --
 7 in terms of demand, has to come out of the Bay-Delta
 8 system. So a lot of what we're trying to do is resolve the
 9 conflicts and create opportunities for the different
 10 benefit groups to resolve their needs.

11 VICE-CHAIRMAN McPEAK: Wait. Can I ask a
 12 question?

13 Mary, can you describe a concept you have of
 14 the framework for -- you mentioned a framework for looking
 15 at demand management.

16 Do you have a concept or an idea that would
 17 help us here?

18 MS. SELKIRK: Well, let's say we use the
 19 BMP, the urban MOU as a baseline. Okay. Well --

20 VICE-CHAIRMAN McPEAK: We thought that was
 21 a good idea at one point, too.

22 MS. SELKIRK: Yeah. Obviously as each
 23 urban district begins to look at how their -- you know, if
 24 they're a signatory to the MOU, how, in fact, they are
 25 going to achieve some critical mass of those BMPs in their

1 of assumptions need to be worked out, whether -- what
 2 levels of reliability can we all realistically expect and
 3 attempt to achieve over the 30 years, from year to year,
 4 for example.

5 I think those kind of issues -- I don't know if
 6 we -- the CALFED solution is going to be that detailed, but
 7 I think it's certainly -- it's incumbent on us to have some
 8 kind of a framework in place for how folks, both on the
 9 urban and on the ag side are going to develop their
 10 assumptions about demand management.

11 EXECUTIVE DIRECTOR SNOW: Yeah. What
 12 occurs to me, related to the issues that you've brought up,
 13 is -- and we've had some discussion about this -- we can't
 14 have the situation where it's perceived that either CALFED
 15 specifically in the case of what we're up to or the
 16 Bay-Delta system in general is the source that then meets
 17 everybody's needs. I mean we --

18 MS. SELKIRK: Right.

19 EXECUTIVE DIRECTOR SNOW: -- we cannot
 20 have the situation -- I'll be specific, because we've
 21 discussed this, but we're not trying to deal with this
 22 system so that if Southern California can't solve its
 23 problem on the Colorado River and they only have half an
 24 aqueduct, all the rest comes out of the Bay-Delta system.
 25 That's not what we're up to.

1 long-term planning over the next 30 years. That's going to
 2 have to entail, it seems to me --

3 VICE-CHAIRMAN McPEAK: Okay.

4 MS. SELKIRK: -- you know, some specifics
 5 about well, what can we project, you know, what are our
 6 needs, what are our supply needs, what kinds of reliability
 7 percentages do we want to achieve for our repairs, along
 8 with what levels of conservation can we look at in drought
 9 years, as well as normal years, those kinds of things, and
 10 I think there is not unanimity certainly across urban
 11 agencies in the State on those kinds of questions.

12 I think we have lots of forums to begin to
 13 address those in ways towards developing some kinds of
 14 common language for --

15 VICE-CHAIRMAN McPEAK: Okay.

16 MS. SELKIRK: -- for urban districts, for
 17 example.

18 VICE-CHAIRMAN McPEAK: Okay.

19 MS. SELKIRK: I don't know if that helps
 20 you.

21 VICE-CHAIRMAN McPEAK: Yeah, it does.
 22 Okay. I understand now.

23 CHAIRMAN MADIGAN: Stu.

24 VICE-CHAIRMAN McPEAK: I better understand
 25 the framework, what you meant by framework.

1 MR. PYLE: I've expressed my concerns in
 2 the workshops about including demand management as a CALFED
 3 Bay-Delta alternative, and I'm sure you don't want me to
 4 use up all the time and express all of those again right
 5 now, but I hope everybody understands that I strongly
 6 support demand management, increased efficiency. I think
 7 that should be a part of every district's operation, and in
 8 fact, I've been working with many people on the efficient
 9 agricultural water practices, and we hope to get that into
 10 practice before very long, but my problem is having
 11 somebody explain to me how you can relate the
 12 demand-management actions that go on in water districts,
 13 taking agricultural.

14 Those go on either by demand on the land, the
 15 farmer who is actually doing the work, or by the districts
 16 who are delivering the water, and each level there is
 17 expending large amounts of money on achieving these
 18 savings, and for one thing, this work has been going on for
 19 many, many years, and those savings have brought water
 20 efficiency levels, particularly in agricultural, up to a
 21 level of let's about say 70 percent, as is now used in the
 22 San Joaquin Valley.

23 So when you represent a graph that you just
 24 showed there, with a large projected future increase in
 25 water to come from demand management, I think that's

1 demand-management programs are working with a total demand,
 2 and if they achieve a few hundred thousand acre feet over
 3 this total demand, how then, in fact, are you going to
 4 reduce that to an amount assignable to reduce the six
 5 million acre feet coming out of the Delta on the average?

6 And on the other hand, if those people are
 7 spending their own resources and their own money, how then
 8 do you credit that expenditure back to a CALFED function?

9 So I can say that I think that it's a given
 10 that every water district and every water user has to be
 11 committed to what Don Maughn called the "California
 12 water-guilty," that we have to assume that high
 13 conservation is -- high levels of conservation are going to
 14 be the norm and are going to be practiced, and we give
 15 that, and I think you'll find that the reduction that's
 16 achieved there is going to relate to the three million acre
 17 feet that's going to be needed in the State within the next
 18 20 to 25 years, rather than to the operation of the Delta
 19 to achieve the results of the Delta accord.

20 So I think we are just not -- when you get down
 21 to assessing these alternatives, I think more thought has
 22 to go into the source of action, the sources of funding,
 23 before you can determine what the water flow or water
 24 saving amounts go back to the Delta, and if you would like
 25 me to write this and explain it in more detail, I'd be more

1 misleading, that you don't have the evidence to show that
 2 there is a large amount of water to come from demand
 3 management.

4 I think, on the other hand, if you look at it,
 5 you'll find it's more in the range of a few hundred
 6 thousand acre feet. That is possible.

7 These are not, you know, big amounts of water
 8 that are going to create the salvation for the California
 9 water problem, so that's one thing, the amount of water
 10 that's here.

11 The other thing is: How can you assign the
 12 credit for these actions that take place by individuals who
 13 are using water and by water districts and achieve a
 14 saving? How can you assign that credit to the Bay-Delta
 15 CALFED function?

16 Because each one of those water districts has a
 17 supply of water, as your table showed, where the export
 18 from the Bay is apportioned. It's a supplemental supply to
 19 almost all of these other contractors, where you've got 1.7
 20 million acre feet headed south. I think that's headed
 21 south into something like 28 million acre feet of demand or
 22 something like that, and my number may not be right, but
 23 just to illustrate that that's only a fraction of the total
 24 demand.

25 So the people who are functioning on

1 than happy to participate.

2 CHAIRMAN MADIGAN: Comments in writing are
 3 always appreciated.
 4 Sunne.

5 VICE-CHAIRMAN McPEAK: What Mary and Stu
 6 just raised causes me to ask why do we not have demand
 7 management in the core actions?

8 MR. PYLE: Why do we not?

9 I thought he said that he has it as a --

10 EXECUTIVE DIRECTOR SNOW: We have demand
 11 management in core.

12 VICE-CHAIRMAN McPEAK: Okay. So what's
 13 different in the alternative one from the core?

14 EXECUTIVE DIRECTOR SNOW: Significantly
 15 more aggressive demand management and some of the
 16 alternatives, like alternative one, which I think is
 17 labeled "aggressive demand management," or something like
 18 that --

19 VICE-CHAIRMAN McPEAK: Right.

20 EXECUTIVE DIRECTOR SNOW: -- that has not
 21 only aggressive conservation but also large scale
 22 reclamation projects and I believe even some expanded
 23 desal, if I remember correctly. I can't remember.

24 Ron, do we still have desal in alternative one?

25 Well, people will have to flip through that,

1 but it's very aggressive. I mean it's probably billions of
 2 dollars of demand management going on in --
 3 VICE-CHAIRMAN MCPEAK: Okay.
 4 EXECUTIVE DIRECTOR SNOW: -- that
 5 alternative.

6 CHAIRMAN MADIGAN: Mr. Yaeger.
 7 MR. YAEGER: I think the distinction on
 8 the core actions, the demand-management actions that occur
 9 there are the base BMPs for urban and more uniform
 10 implementation of those and the efficient water management
 11 practices for the ag side of the picture.

12 Now in alternative one -- let me just sort
 13 through here and see if I can find exactly what's included.
 14 We have included inclining block rates for urban, water
 15 pricing structures to encourage the fish and water use in
 16 the ag side, waste-water reclamation, possible use for
 17 investigation of the use of gray water for urban landscape,
 18 reclaimed water used for agricultural purposes, retirement
 19 of marginal ag lands from willing sellers, and temporary
 20 land fouling during drought periods, as well as water
 21 transfers. So it's a very aggressive demand-management
 22 alternative, as opposed to the core actions.

23 In other alternatives you'll find a little more
 24 moderate approach to demand management that includes some
 25 of these options that are included in alternative one and

1 was submitted to the State Water Resources Control Board,
 2 we quantified how much seemed feasible in urban
 3 conservation, which is about, over ten years, a million
 4 acre feet. We quantified what was possible on
 5 approximately an 18-year basis for reclamation, and the
 6 approach that then the State Water Resources Control Board
 7 had Chairman Mon had was to take that into account in water
 8 rights proceedings, to look at whether or not, in fact, the
 9 demand-management potential had been exhausted by a given
 10 agency.

11 What is the relationship, do you see now, with
 12 the water rights proceedings and demand management that
 13 will come out of this document?

14 EXECUTIVE DIRECTOR SNOW: I don't see a
 15 specific relationship between the two. I mean they have
 16 their water rights proceeding, and then we're trying to
 17 proceed with a longer term view of the resource issues in
 18 the system. They may get some information out of what
 19 we're doing, but there's not a direct linkage.

20 CHAIRMAN MADIGAN: Howard.

21 MR. FRICK: Howard Frick.

22 You just mentioned 70 percent efficiency. I
 23 hope you realize most of the ag production overlies usable
 24 groundwater, and efficiency, if you do it in terms of
 25 losing any water is more like probably 95 percent maybe on

1 implementation at some level between the core level and the
 2 aggressive level that you see in alternative one.

3 VICE-CHAIRMAN MCPEAK: Right. I would
 4 actually just ask, do you envision then, Lester, if there's
 5 any room for looking at what you now have in the core
 6 actions in demand management, and what are some of the --
 7 some of the features in alternative one being moved into
 8 core?

9 EXECUTIVE DIRECTOR SNOW: Oh, sure. If we
 10 get comments and there's interest. I mean we have some
 11 currently, and we wanted to discuss this with BDAC,
 12 criteria for what goes into core.

13 VICE-CHAIRMAN MCPEAK: Right.

14 EXECUTIVE DIRECTOR SNOW: And one of the
 15 key criteria is broad-base of stakeholder acceptance that
 16 that's a core activity.

17 VICE-CHAIRMAN MCPEAK: Right. Okay.

18 The other -- may I ask one more question, Mike,
 19 please?

20 CHAIRMAN MADIGAN: Yeah. Sure.

21 VICE-CHAIRMAN MCPEAK: When Mary mentioned
 22 the approach on framework, it reminded me that, of course,
 23 there's the water rights proceedings that accompanied this
 24 process, and originally when the urban MOU and then the
 25 work on reclamation and conserve -- reclamation recycling

1 transportation losses, if any more than evaporation, but
 2 you really are talking about any reduction in use is less
 3 crops, is land out of production. You really don't
 4 generate any savings out of that.

5 CHAIRMAN MADIGAN: Alex.

6 MR. HILDEBRAND: My comment relates to
 7 what Stu and Howard have said here, in that if you talk
 8 about discouraging water use south of the Delta by
 9 agricultural, by making the price beyond what they can
 10 afford, I don't know how you'd do that without exacerbating
 11 the already unsustainable overdraft of groundwater. These
 12 people down there rarely have as much water as they need
 13 already. So if you further deplete their water supply by
 14 pricing them out of the water, they're just going to pump
 15 more well water to stay in business while they can, and
 16 that's going to reduce the length of time that you can
 17 continue to operate, because we're already overdrafting
 18 groundwater.

19 CHAIRMAN MADIGAN: Okay. Thank you.

20 Lester.

21 I'm sorry. Sunne.

22 VICE-CHAIRMAN MCPEAK: Well, the same
 23 thing holds for water transfer, water marketing plant, if
 24 there's not attention paid to groundwater management as
 25 well.

1 MR. HILDEBRAND: That's right.
 2 VICE-CHAIRMAN MCPPEAK: That's exactly what
 3 will go on, which is what we've said for a long, long time.
 4 You had to couple the two, and it would be mis-water policy
 5 not to pay attention to that.
 6 MR. HILDEBRAND: Right.
 7 CHAIRMAN MADIGAN: Lester.
 8 EXECUTIVE DIRECTOR SNOW: I guess there's
 9 just one last thing I want to say on this, then maybe I
 10 should move on, but there was a point that Stu made that I
 11 was trying to make and he made it better, and I want to
 12 make sure that it's on the table, in terms of producing
 13 some of these specific benefits that we're talking about in
 14 the Bay-Delta system, and that is with all these multiple
 15 sources that like an ag district would have, when they
 16 institute a conservation program of some sort or some sort
 17 of demand reduction, it does not necessarily produce a
 18 benefit in the Delta, because they can put that water in
 19 the groundwater basin; they can manage their local supplies
 20 differently.
 21 MR. PYLE: To reduce overdraft.
 22 EXECUTIVE DIRECTOR SNOW: Right, to reduce
 23 overdraft.
 24 And so it just gets a lot more complicated, and
 25 sometimes we think in average-year conditions, an acre foot

1 The idea that we should require urban and
 2 agricultural water managers to meet a certain standard of
 3 water management and not do the same for environmental
 4 managers to me is just shortsighted.
 5 It has nothing to do with the value of the use.
 6 We all acknowledge water use for environmental purposes has
 7 real value, for all of us. It's just a question of whether
 8 we're going to apply the same sorts of principals, and we
 9 should do that, and we should talk about it, so that we all
 10 understand what's expected of those people who manage
 11 refuges and other environmental water-use facilities.
 12 CHAIRMAN MADIGAN: Thank you.
 13 EXECUTIVE DIRECTOR SNOW: Actually that's
 14 a reasonably good lead-in to both the habitat issue and the
 15 flow issue, and let me make a statement about the flow
 16 issue, and I think this is part of what Steve is getting
 17 at, and again, it's a problem of thinking of the system in
 18 average numbers only, and when we think of average numbers,
 19 there's the feeling that an acre foot of additional
 20 in-stream flow is good for the fish, and that's just kind
 21 of how we approach it, and the reality is that over
 22 different kinds of years and different times during the
 23 year the value of an acre foot to fisheries is
 24 significantly different, orders of magnitude different.
 25 And just as an example, you know, 500 CSF of

1 saved is an acre foot less diverted, and that's the kind of
 2 simple thinking that kind of helps you with concepts but
 3 gets you into trouble when you're looking for performance
 4 out of an alterative, and I just -- and we'll try to make
 5 sure we get all these kinds of issues so that we're dealing
 6 with demand management in the right perspective.
 7 I'll try to be quick here. I know people are
 8 getting hungry, so this is when I slide by some really
 9 sensitive stuff.
 10 CHAIRMAN MADIGAN: We're doing the really
 11 critical stuff here, Steve, is that because you're hungry?
 12 MR. HALL: I am hungry, but are we leaving
 13 demand management?
 14 EXECUTIVE DIRECTOR SNOW: Yes, we are.
 15 MR. HALL: Well, let me, before we do,
 16 repeat a comment that I made several months ago when we
 17 were in a meeting in the Bay area, and that is: We are
 18 talking about demand management, as we should, for urban
 19 and agricultural sectors. We use a lot of water in the
 20 environment, and that's fine, but nowhere in this
 21 discussion have I heard or read a concerted effort to bring
 22 demand management, ethics, and practices to the management
 23 of environmental water, and we need to. We need to, to
 24 make the most of the resource, and we need to, to make sure
 25 that we have a balanced approach that is unassailable.

1 flow in a critically-dry year during the springtime is very
 2 valuable to the fisheries. 500 CSF of additional flow in
 3 the Sacramento River today probably has no benefit
 4 whatsoever to fisheries. We need to start understanding
 5 that better, and I think that gets at some of what Steve's
 6 bringing up, to understand when the fish really need it,
 7 and then make a commitment that we get the water to them
 8 when they need it.
 9 And let me hit the habitat issue here just a
 10 little bit, and I'll try to be quick on this.
 11 When we started off on this program and quickly
 12 got into the issue that what we need to accomplish is some
 13 habitat restoration in the system, it wasn't clear to a lot
 14 of people how that worked and does it have benefits and
 15 does it have benefits that accrue to other areas, and so I
 16 want to hit a couple of things here in terms of habitat
 17 components.
 18 There's three basic components that biologists
 19 talk about, the physical aspects of habitat, which includes
 20 kind of the condos where the creatures live. It's the
 21 trees and tule marshes and all of that. A physical
 22 component is also flow, how much water is there. Chemical
 23 components include the water quality, any kind of toxic
 24 stuff, and what's needed for the fisheries, as well as
 25 temperature, and then the biological issues, which is the

1 food issues.
 2 And all of those are at issue in the Delta
 3 system, and they all need to be addressed, and so when they
 4 talk about moving forward with the habitat program, it
 5 really includes all of these, although you'll find, when we
 6 talk about habitat restoration, a lot of focus ends up
 7 being on this, kind of, you know, the physical, structural
 8 component of it.

9 And when we talk about restoration we have an
 10 eye on all of these things, and so this is an example of
 11 how you get joint benefit out of a water quality-control
 12 program that's geared to making water supplies better for
 13 urban drinkers. It can also produce, then, a habitat
 14 benefit, because you're improving it for the fisheries.

15 In a very general sense, when we do habitat
 16 restoration, you clearly are doing good things for the
 17 health of the ecosystem, but a lot of the philosophy here
 18 underlying this is that when you have a healthy ecosystem
 19 you have more and healthier fish and, therefore, probably
 20 reduce the impacts of diversions on those fisheries, and in
 21 turn, presumably the fish are causing the water users less
 22 problems, because there's more and they are healthier, and
 23 so that's a lot of the premise here.

24 Another kind of a side benefit is that it's
 25 pretty well-documented that riparian and wetlands habitat

1 issue is out there, and we need to kind of consider that as
 2 we move through these 20, and I want to kind of hit three
 3 quick scenarios of how things can kind of fit together
 4 positively.

5 To make sure we understand, now this takes, as
 6 a base, the new standards in the system, the Bay-Delta
 7 accord, and that prescribes certain flows, and so the
 8 premise is the Bay-Delta accord flow, plus additional
 9 physical habitat or structural habitat, equals a healthier
 10 ecosystem. Generally everybody agrees with that, that you
 11 go out and you have more wetlands and more riparian areas
 12 when the flow is provided by the standards, you've got a
 13 better system.

14 And then people -- certainly biologists agree
 15 with this: You have the accord. You provide some
 16 additional spring flows that are most important to the
 17 system, particularly this really is critical in dry years,
 18 and you have the structural habitat restoration. You
 19 clearly have a healthier ecosystem.

20 Now here's the issue where the mutual benefit
 21 can happen, and there's general agreement that this is
 22 possible, but show me more details, and in this scenario
 23 you've got the Bay-Delta standards. You have additional
 24 string outflow from the standards for dry and critical
 25 years. You have increased winter diversions, like right

1 provides some pretty specific water quality benefits, and
 2 so you see that pop up in our program, where we've got a
 3 habitat strategy out there, and we're showing water supply
 4 benefits and water quality benefits from it.

5 One of the issues that we will continue to
 6 grapple with is kind of in this form. Generally where we
 7 change the system, we do habitat restoration. We're lining
 8 up the flows in an efficient fashion. You're doing these
 9 fish screens to make the situation better, and again, in
 10 theory, we're moving to more fish, healthier fish. You've
 11 got a better system, and you probably then have less
 12 constraints at the diversions, because you've got a better
 13 system.

14 One of the things that keeps popping up is how
 15 long does it take you to do this and exactly how quick is
 16 the improvement curb, and so where this manifests itself in
 17 our alternatives is on some of these very heavy ecosystem
 18 restoration alternatives, and essentially what we're saying
 19 to the water users or the water supply people is, "This can
 20 work," but they're asking, "How long does it take, and how
 21 much should we spend before we know whether this kind of
 22 thing works," and so the uncertainty issue comes up, and it
 23 will be part of the debate.

24 And so I want to make sure that we kind of
 25 understand this basic premise, understand this uncertainty

1 now, in this kind of year, during wet and above-normal
 2 years, plus the structural restoration equals a healthier
 3 ecosystem.

4 It's this kind of situation where you can have
 5 the win-win through habitat restoration and water supply,
 6 and so this gets into looking at how does the system
 7 function, how can you take advantage of making these kinds
 8 of improvements so you're getting at water supply as well
 9 ecosystem.

10 VICE-CHAIRMAN MCPEAK: Still leaving that
 11 up, may I ask, Steve, based on this diagram and approach,
 12 is there -- how would your question and issue differ from
 13 what's conceptually laid out here, or what proposal would
 14 you have us consider along one of these that you don't
 15 think is now being addressed?

16 MR. HALL: Well, there are two components.
 17 One -- and Lester addressed this. One is the issue of
 18 uncertainty. How much additional water does the ecosystem
 19 need to be healthy, and what degree of certainty do we have
 20 that when we dedicate additional flows we'll get
 21 commensurate benefits?

22 That's a very difficult question. The
 23 stakeholders and CALFED have both been wrestling with that,
 24 and while a lot of progress has been made, I don't think
 25 we're there yet, and I guess the only recommendation that I

1 would make is that we need to continue to keep that as a
 2 focus.
 3 But that goes primarily to in-stream
 4 environmental purposes, and there are some -- there is
 5 water diverted from the stream for environmental purposes.
 6 Wetlands is probably the best example that I can come up
 7 with immediately, and the question in my mind is: Do we
 8 have a standard, such as we do in ag and urban sectors --
 9 in urban we have best management practices. In agriculture
 10 we have efficient water use, water management practices.
 11 Do we have a corresponding standard of water
 12 management for diverted water for environmental purposes?
 13 If we do, I haven't seen it. If we don't, we
 14 ought to have one.
 15 VICE-CHAIRMAN MCPPEAK: And how would you
 16 approach quantifying the wetlands habitat contribution to
 17 the ecosystem?
 18 EXECUTIVE DIRECTOR SNOW: Well, I haven't
 19 thought about it exactly in the terms that Steve has raised
 20 it here, where it's a diversion. I guess that would apply
 21 to grasslands and in the San Joaquin --
 22 VICE-CHAIRMAN MCPPEAK: And maybe Suisun.
 23 EXECUTIVE DIRECTOR SNOW: Well, you're
 24 not -- actually Suisun is kind of in-stream flow, though.
 25 That's not a diversion, right?

1 wetland. You can use more water than the wetland needs to
 2 accomplish the environmental purpose, and that's lost to
 3 the system, in some cases, and we ought to require
 4 ourselves to manage water in the environment the way we are
 5 managing water and strive to manage better in agricultural
 6 and urban sectors. That's all I'm saying. It doesn't seem
 7 that controversial to me.
 8 CHAIRMAN MADIGAN: Roberta and then Stu.
 9 MS. BORGONOVO: I think that there will be
 10 work coming out of the habitat restoration that I hope we
 11 agree on, because there are some principals in there, but I
 12 think that when you talk about water for the environment,
 13 it's already under real constraints, real demand-side
 14 constraints, because so much has been diverted, and so I
 15 think that you have to go back to the values that we all
 16 agreed on.
 17 I don't want to get into this debate, because
 18 we've all had these debates in the many arenas in which
 19 we've had the discussion, but I think you have to go back
 20 and try to focus on the goals, and if one of the goals is a
 21 healthy ecosystem and what you're trying to do is return it
 22 to natural purposes as much as possible, that's what you
 23 have to focus on.
 24 CHAIRMAN MADIGAN: Stu.
 25 MR. PYLE: Yep. My comment is on the

1 Well, some of it is. That's right.
 2 MR. HALL: Yeah, it is.
 3 VICE-CHAIRMAN MCPPEAK: Some of it is
 4 diversion.
 5 EXECUTIVE DIRECTOR SNOW: That's right.
 6 MR. HALL: And there --
 7 VICE-CHAIRMAN MCPPEAK: And it's not
 8 outflow to the --
 9 MR. HALL: There's a fair amount of --
 10 VICE-CHAIRMAN MCPPEAK: -- to the estuary.
 11 MR. HALL: -- in the alternatives
 12 discussion about diverted water --
 13 EXECUTIVE DIRECTOR SNOW: Yeah.
 14 MR. HALL: -- which is all and
 15 appropriate, and we ought to discuss it.
 16 And Ann just asked me a question that I need to
 17 respond to, and she says, "Are you assuming that the
 18 environment wastes water," and the answer is, "No," but
 19 people do.
 20 A wetlands does not waste water any more than a
 21 growing crop or a lawn. The lawn and the growing crop take
 22 what they need, but you can still waste water growing those
 23 things. We've established that.
 24 Similarly, a wetland will only take what it
 25 needs, but you can sure waste water trying to manage that

1 uncertainty thing, and it seems to me that you ought to
 2 adopt some type of an underlying approach to at least the
 3 ecosystem restoration and management programs and maybe
 4 other things, and I think it goes to one of your actions
 5 that you list in here, that I think got good support, which
 6 is for realtime monitoring and actions and response with
 7 realtime monitoring, but I think all of these proposals
 8 that are in here as alternatives need to be developed on a
 9 pragmatic basis, that you need a "try and see if it works"
 10 and you monitor and readjust, and you have to look at these
 11 as long-term programs, things that we haven't done in the
 12 past.
 13 I don't think you can have a group of
 14 biologists sit around a table and decide that we're going
 15 to do something and it's going to work, because biologists
 16 sitting around a table never agree on what to do or whether
 17 it will work or not, but I think, rather, you need to turn
 18 it over, let's say, to the engineers, just to get the
 19 biologists out of there --
 20 MS. BORGONOVO: No. No. No.
 21 MR. PYLE: -- and start doing these things
 22 and measuring them and see what is effective and what is
 23 not effective, but assume that you've got a long-term
 24 program, not that you have actual actions, but you embark
 25 on a program, and you keep monitoring and adjusting it and

1 revising it as you move into the future.
 2 CHAIRMAN MADIGAN: Alex.
 3 MR. HILDEBRAND: I'd just like to speak to
 4 some part of what Steve has said.
 5 The grasslands in the San Joaquin Valley are
 6 farmers. The people you normally think as farmers are
 7 growing food for people, and the grassland people are
 8 farming food for ducks, and the same kinds of
 9 inefficiencies and water-use demands can apply to raising
 10 food for ducks as it does for raising food for people, and
 11 I don't see that we are approaching it in that manner.
 12 CHAIRMAN MADIGAN: Thank you.
 13 Lester, how much longer are we going to go
 14 here, because people are starting to get hungry.
 15 EXECUTIVE DIRECTOR SNOW: I probably need
 16 another five minutes, but Tom Graff has some.
 17 CHAIRMAN MADIGAN: Tom.
 18 MR. GRAFF: I mean I've been listening to
 19 this and trying to figure out what I think, and I guess at
 20 some level I would agree with Steve and Alex, and I'm
 21 surprised they didn't bring the Trinity River into it,
 22 because it also, by not -- you know, it's donating 80
 23 percent of its flow on an annual basis to this system, and
 24 they're fighting to get a little bit of that back, and that
 25 would reduce the amount of water available for all the uses

1 critically-dry years, everybody is hurting in the system.
 2 There's no question about that. Here's where we have the
 3 greatest conflict between water users and the environment
 4 and not so much up here. Here's where you've got conflict
 5 with landowners who are being flooded out, that type of
 6 thing.
 7 And so a lot of being able to make this balance
 8 plays off of this fact, and then, basically, looking at the
 9 value of water in different years, the top line indicates
 10 what the unimpaired flow would be if you hadn't developed
 11 the system and you have the dams and the diversions, and
 12 then this indicates what ends up as the outflow.
 13 So this is what happens in a dry year. This is
 14 what happens in an average year, and again, it's the top
 15 line that kind of shows what's going on, and you can see
 16 the impact that we've had on spring flows, and so a lot of
 17 the idea on the habitat side is you need to get in here and
 18 boost particularly the spring period, and you get a lot of
 19 environmental benefits from that.
 20 And so one of the questions then becomes --
 21 this is the wet year -- can you take some of these flows
 22 somewhere here, combine it with conjunctive management,
 23 with storage, and produce dual benefits in the
 24 critically-dry years, so you've got increased outflow as
 25 well as more reliable water supplies?

1 that are represented at this table, and I do have a strong
 2 interest in making sure, I think contrary to what Lester
 3 said earlier, that Southern California's water supply is a
 4 major part of what comes out of this process.
 5 So I don't know that I can intellectually
 6 defend a position that says, "No, we shouldn't look at
 7 refuges, and we shouldn't look at the Trinity River," if
 8 I'm saying we've got to look aggressively at
 9 Southern California. I think there are plenty of people,
 10 unfortunately not at this table, who could well defend the
 11 Trinity River getting extra water beyond what it's been
 12 getting over the last, whatever, a couple of decades
 13 anyway, and, for that matter, the refuges.
 14 So I guess I would say we've got to look
 15 aggressively at all those demands for water.
 16 CHAIRMAN MADIGAN: Okay. Lester.
 17 EXECUTIVE DIRECTOR SNOW: Okay. I'll be
 18 real quick here, to kind of tie it into some previous
 19 concepts we had at our last dinner meeting.
 20 If you accept this as possible -- nobody has to
 21 buy into this yet, but it seems like we've got biologists
 22 saying this is possible. It depends on how you do it.
 23 This all plays off of this fact, this is how
 24 the system works, that the amount of water in the system is
 25 significantly different. When you're down here in

1 That's a lot of what this equation is about
 2 that we're trying to resolve. This gets into some of the
 3 operational issues, and valuing water by when you need it
 4 and when it produces the most benefit.
 5 So that's a lot of concept that's in here. I
 6 want to make sure that that's clear, because this is
 7 something that's going to be developed a lot over the next
 8 year.
 9 CHAIRMAN MADIGAN: Okay. You have all
 10 been very patient, but this has been really important
 11 stuff, and thank you for your attention and your questions
 12 and your interests.
 13 Where's Sharon?
 14 MS. GROSS: Yeah.
 15 CHAIRMAN MADIGAN: Where's lunch?
 16 MS. GROSS: Around the corner, back on
 17 that side. It's called "The Century Room."
 18 CHAIRMAN MADIGAN: Around the corner, back
 19 on that side, and it's called "The Century Room."
 20 MS. GROSS: Yeah, just make a series of
 21 rights.
 22 CHAIRMAN MADIGAN: It is 12:25. Let's try
 23 to be back in 45 minutes, which would put us at ten minutes
 24 after 1:00.
 25 Thank you.

1 (A lunch break was taken from
 2 12:25 p.m. to 1:16 p.m.)
 3 CHAIRMAN MADIGAN: All right. We're going
 4 to get started again.
 5 We are back in session, and instead of dealing
 6 immediately with item 3b, Actions, action categories and
 7 core actions, we're going to go to 3c, Alternative
 8 Development, and then pick up on actions, action categories
 9 and core actions, and Lester is going to take us through
 10 it, as he did this morning.
 11 Mr. Snow.
 12 EXECUTIVE DIRECTOR SNOW: Since we're
 13 really moving into a new phase of the program, I think it's
 14 real important that we give you a feel for the alternatives
 15 we passed out, and then there's going to be a lot of
 16 opportunities to talk about this, and so I want to do a
 17 couple of things.
 18 I want to talk to you about the process that
 19 got us to these 20, and then we've got Steve, Rick Soehren,
 20 and Sharon. They are going to walk through, in a little
 21 more detail, the three examples that we sent out to you
 22 that are, in fact, in these alternatives, to give you a
 23 better feel of how they work, how the different components
 24 come together, and then kind of, I guess, go from there,
 25 and see some of your interests, and we may be able to

1 You may recall, at our last meeting, that
 2 the -- the famous graphics that we had, the super nova that
 3 we talked about and all had a lot of fun about, but we --
 4 to get started on alternative formation, we set up the four
 5 basic conflicts. So you may recall the one at the top was
 6 the fisheries diversion. I mean that's kind of the classic
 7 conflict.
 8 And then we had a strategy for, you know,
 9 emphasizing one side or the other and then combining the
 10 other conflicts to generate 32 starting points; not
 11 alternatives, but basic approaches. You start from each
 12 one of these different combinations that you could make.
 13 And then what we indicated the last time was
 14 that, as we start assembling, we'd take these starting
 15 points; we'd look at all the different categories of
 16 actions, all the specific actions; we'd look at the
 17 solution principals, and we'd start putting together
 18 preliminary alternatives, and essentially we went through
 19 that process.
 20 And that process, again, with these 32 starting
 21 points, generated over a hundred preliminary alternatives,
 22 and these preliminary alternatives were incomplete. I mean
 23 they basically were pieces of alternatives. You know, one
 24 of these might be just an approach to fixing some of the
 25 diversions, and maybe you would stabilize some levees, and

1 describe a little bit more how these work.
 2 Again, in a general sense, the first thing
 3 we're looking for from BDAC and from the public, in
 4 general, is: Does that kind of represent the universe
 5 that's out there, these 20 alternatives?
 6 Whether you -- you may think that some of them
 7 just aren't going to pencil out, don't work very well,
 8 transfer too many impacts, but in terms of the public
 9 discussion, so that we can turn around, you know, two years
 10 from now and say to the public, "We were thorough and we
 11 looked at all the options." I mean that's kind of one
 12 test.
 13 And then where we're headed is looking at
 14 strengths and weaknesses of specifics, things that you
 15 would change from your perspective. All that starts
 16 helping us do away with some, combining several together,
 17 or modifying existing ones.
 18 But let me start with how we got where we are,
 19 and everything ties back into this basic graphic, and we're
 20 down at the end here, basically both in step five and in
 21 step six, mostly in five right now. We have assembled some
 22 draft alternatives, 20, and we are looking at those and
 23 evaluating, to start a refinement process, which, again,
 24 will move us to an 8 to 12 range and then through to a
 25 short list.

1 it just did not move far in terms of solution principals.
 2 And essentially the process we went through was
 3 looking at these, starting to combine elements of these,
 4 refining them, and coming up with this list of 20,
 5 and I want to describe that a little bit here.
 6 Essentially those hundred preliminary
 7 alternatives were like the puzzle pieces that we have, to
 8 start putting together to try to come up with the big
 9 solution, and so those were the basic building blocks that
 10 we had.
 11 We put together work teams, consultant and
 12 staff work teams, from each of the specific areas, and so
 13 we had an ecosystem work team, and they sat there with
 14 basically the hundred different components of alternatives
 15 and tried to piece something together, and basically what
 16 they produced would be -- conceptually, the ecosystem team
 17 would produce an alternative that covered some of the
 18 areas.
 19 I don't know. Does that show up? Not very
 20 well.
 21 But they would piece together a puzzle piece
 22 that dealt with ecosystem, had some water supply
 23 vulnerability kinds of issues, but it was incomplete.
 24 We took them and combined key people from each
 25 of these teams to form an overall balancing team, and

1 essentially the job of the balancing team was to try to
 2 fill in -- not turn it into a black box, as this would
 3 appear, but rather to kind of fill in the basic solution,
 4 and so they came back and then added pieces to start
 5 balancing out, so we're getting all the resource areas.
 6 And this kind of represents one --
 7 conceptually, one of the 20 that you have. Notice it's not
 8 complete. There's still things missing from it. It's not
 9 totally balanced.
 10 But this is the process that basically got us
 11 to the 20 that we have now, closely -- you know, it's as
 12 close as we could get in the time frame that we had to
 13 balance, but we acknowledge right up front we do not have
 14 each of the 20 balanced, in the way that they address the
 15 resource areas.
 16 Another way of looking at this, again from each
 17 of the main resource areas, there's different levels of
 18 activities. You could have -- in terms of system
 19 vulnerability, levee stability issues, you could have a low
 20 level, moderate, high level of program. We basically drew
 21 together different approaches that you would have in each
 22 of these areas, developed a draft alternative, and then,
 23 with, you know, the basic input about how these things fit
 24 together, what needs to be added, we get from BDAC, from
 25 the workshop, looking at linkages in it, refining solution

1 You build facilities all over the place. You can take
 2 another approach, where you try to reoperate what you have.
 3 Essentially what we've defined is kind of an
 4 area where heavy emphasis on reoperation, but some type of
 5 construction, like fish screens, but also down here, large,
 6 isolated facilities, but also some reoperation going on.
 7 The examples that we have provided you and will
 8 discuss, example one and two tend to be up in this area and
 9 example three kind of in the middle, as a mixture.
 10 Well, maybe one more kind of brief cut at this.
 11 Again, these are the alternatives that tend to
 12 emphasize reoperating of the system. It's not an exclusive
 13 approach, but you see a lot more emphasis or a lot less
 14 emphasis, as you can see here, on major types of isolated
 15 approaches, but you still have, even in this, some use of
 16 additional storage in the system.
 17 And then the middle category is the mix.
 18 You're reoperating a great deal, and you're bringing in
 19 some of the smaller kinds of facilities, so you're kind of
 20 doing both, and that last, smaller category, a lot of
 21 emphasis on large modificating, you know, large, isolated
 22 facilities, and probably more emphasis on storage in the
 23 system, on larger storage.
 24 But there's themes that run through all of
 25 these. I mean there's habitat restoration and all of them,

1 principals and then seeing how they perform, we start
 2 forming a tighter, more interrelated alternative.
 3 Now, this is in your workshop packet, so you
 4 don't need to look at it up here, but this is kind of then
 5 a quick reference of the basic broad categories of actions
 6 and how they line up in the different alternatives. So as
 7 a quick reference, if you want to see where we have
 8 included a small, isolated conveyance, then you can kind of
 9 look across and see that it's in five -- some version of a
 10 small, isolated conveyance is in five different
 11 alternatives, and so you start getting a feel for how these
 12 things balance.
 13 The other thing, and I'll describe this in just
 14 a moment, we looked at a way of trying to describe the
 15 continuum that these represent, and they ended up kind of
 16 following along the lines of actions that, or alternatives,
 17 that tend to reoperate the existing system and then
 18 alternatives that emphasize restructuring the system, and
 19 then in the middle it's kind of a group of alternatives
 20 that mix. They do some restructuring the system and some
 21 reoperation of the system.
 22 To kind of further explore that, you could
 23 solve a lot of the problems in the system -- recognize that
 24 it's a highly altered system to begin with -- by simply
 25 redesigning it, and you modify the way the system works.

1 demand management and all of them, and improvements to
 2 levee stabilities and all of them, so there's a lot of
 3 themes, but we look for a way to try to characterize, you
 4 know, where do these basically fall, in some sort of
 5 continuum. This was the best we were able to come up with.
 6 So unless there's kind of questions about
 7 process, probably the best thing we could do is get into
 8 trying to describe the examples that we sent out to you.
 9 CHAIRMAN MADIGAN: Okay. Let's take a
 10 moment and see if there are questions on the process.
 11 Anybody?
 12 Okay. Go ahead, Lester.
 13 EXECUTIVE DIRECTOR SNOW: Okay. Steve is
 14 going to present what was example one in the packet, which
 15 ends up corresponding to alternative two --
 16 CHAIRMAN MADIGAN: Sure.
 17 EXECUTIVE DIRECTOR SNOW: -- in the
 18 workshop mailer.
 19 CHAIRMAN MADIGAN: Mr. Yaeger.
 20 MR. YAEGER: Well, I want to just hit a
 21 few of the highlights of alternative two, and Beth's going
 22 to help me out here using the overheads.
 23 I am going to present alternative two, and then
 24 Rick's going to give us the highlights of our example two,
 25 which is alternative six in your blue book, and then Sharon

1 is going to follow with example three, and that's
 2 alternative ten out of your blue book.
 3 But what -- the purpose, I think, of the
 4 presentation on the alternatives is first to give you a
 5 feel for the elements that are included. I think that will
 6 be a good lead-in to the discussion we're going to have
 7 subsequently about how these are going to be refined and
 8 modified as we move through the process.
 9 The three example alternatives we've picked
 10 were picked to try to demonstrate the range of
 11 possibilities that Lester just described to you out of the
 12 matrixes from an alternative that emphasizes reoperation of
 13 existing facilities through an alternative that then uses a
 14 mix of reoperation in some new facilities and all the way
 15 to the end of the spectrum, where we're relying completely
 16 on new facilities. I shouldn't say "completely," but it
 17 emphasizes, at least, large new facilities.
 18 Another thing I think that you will see in --
 19 in the presentations we're going to make are that there are
 20 elements in each one of these example alternatives that you
 21 will see that not only in the other example alternatives,
 22 but throughout the alternatives that you find in your blue
 23 book. These are common elements dealing with habitat,
 24 dealing with levees, dealing with water management
 25 strategies that, again, are bundled in different ways, in

1 elements are the most effective in reaching the objectives,
 2 to serve as a starting point for discussions on how we can
 3 alter them, how we can modify them, how we can combine them
 4 to produce much better performing alternatives.
 5 So with those kind of background items, I'll
 6 kind of walk you through our example one in the BDAC mail
 7 out, and that's, again, alternative two in your blue book.
 8 I'm going to talk a little bit about some of the components
 9 of the alternative and then talk about what we see as the
 10 benefits of this particular alternative, the constraints,
 11 and then finally the linkages between the elements of the
 12 alternative and the benefits that we see accrue and the way
 13 that they address the objectives that we've set for the
 14 program.
 15 The overhead is a map of the Central Valley. I
 16 tried to -- it attempts to depict, I guess, the major
 17 features of the alternative. Again, you'll see from the
 18 map that it includes drought conjunctive-use programs. It
 19 includes long-term drought water bank. It includes habitat
 20 restoration in the Delta, and it includes some Delta
 21 storage and also some inland groundwater banking in the
 22 San Joaquin Valley.
 23 Beth, can we get the next slide?
 24 I think that will give us a little more detail
 25 about some of the structural components of the alternative.

1 the full 20 alternatives you have, and are implemented
 2 perhaps at different levels, ranging from a low level of
 3 implementation, or a basic level, clear up to a large scale
 4 implementation.
 5 So we wanted you to kind of walk through, to
 6 see some of those elements. We can field questions about
 7 what some of those elements mean and hopefully foster
 8 better understanding of the 20 alternatives that you'll be
 9 looking at in the blue material -- blue-covered material
 10 that we handed out today.
 11 I wanted to give just a little bit of context
 12 to not only the example alternatives that we were going to
 13 present to you, but also the full 20 alternatives that you
 14 see. You need to keep in mind, again, that these are
 15 preliminary alternatives.
 16 We've pulled together bundles of actions, based
 17 on the professional judgment of the biologists and the
 18 engineers and water quality experts that we have working on
 19 the team. We've done some analysis, some modification,
 20 some refining in the 20 alternatives that you have, but
 21 they do need much more refinement as we move through the
 22 modification and refinement and cost performance analysis
 23 that we're going to describe a little bit later.
 24 So just -- we'd like you to view these as a
 25 platform to begin the discussions about alternatives, what

1 And, again, to reiterate, this is the
 2 alternative that's on the end of the spectrum, which deals
 3 mainly with reoperation of the existing system, new
 4 management programs, and de-emphasizes structural
 5 approaches.
 6 The physical and structural components of the
 7 alternative are a basic level of levee improvements; that
 8 is focusing on some critical levees in the western Delta
 9 islands that protect major infrastructures, such as
 10 Highway 160 and Highway 12 and some of the habitat features
 11 of the New Hope Tract.
 12 The habitat restoration, again, is a fairly
 13 basic level. It includes riparian, shaded riverine,
 14 shallow-water habitat in both the Delta and the
 15 Sacramento River between Collinsville and Sacramento. It
 16 includes protection of the existing channel islands and the
 17 habitat that we see on the channel islands, and it includes
 18 some modification and enhancement of tidal wetlands.
 19 The storage component is proposed as about
 20 100,000 acre feet of island storage within the Delta, and
 21 this would be mainly dedicated to environmental uses. Now
 22 what we have -- the way we have used the term
 23 "environmental uses" for storage, in this particular
 24 alternative, is that this storage would be dedicated to be
 25 used to transport fish out the system and into the Bay

1 system, during times in which the transport is required,
2 and it would also be available, once those functions are
3 completed, to also serve as offsets for curtailed pumping
4 at the southern pumping plants when there are fish in the
5 vicinity of the intakes.

6 An additional physical component is the
7 proposal to move forward with implementing fish screens on
8 the high-priority diversions within the Delta and the lower
9 reach of the Sacramento River, and that is the agricultural
10 diversions within the Delta and the river, not focusing on
11 the project plants.

12 Next slide, Beth.

13 What I'd like to do is just step through a
14 couple more slides here that have the -- has the components
15 of the alternative, and then if you have any questions
16 about any of those components, we can deal with those
17 before we start moving into looking into benefits and so
18 forth.

19 The operational-management components include
20 long-term drought water bank, incentives and facilitating
21 conjunctive use in the Sacramento Valley, groundwater
22 banking in the San Joaquin Valley, and this would be a
23 program that would tie all three of those together into a
24 coordinated program to use all those tools to deal with
25 drought supply shortages.

1 establish a -- what we call a subsidence buffer zone along
2 the land side of the levees, and this is a zone of varying
3 width in which other practices, such as wetlands in that
4 zone would be implemented in order to control subsidence
5 within the levee system.

6 Another component we have is measures to
7 facilitate drought water bank transfers. What we
8 anticipate here is a coordinated effort through CALFED to
9 try to cut down some of the obstacles and barriers to
10 drought water transfers to facilitate permitting and to
11 facilitate environmental review, and all the institutional
12 functions need to go forward to facilitate transfers.

13 We have a management program for introducing
14 species, and what is proposed here is a team and funding
15 for a program, through CALFED, that would be focused on
16 responding quickly to introduced species problems and to
17 move forward with eradicating those problems and
18 controlling them where possible.

19 The final component is protection of levee and
20 ag land habitat areas, and this would be an incentive
21 program to work with the agricultural interests within the
22 Delta. We're encouraging them to preserve existing
23 habitat, mainly on the land side of the levees. The intent
24 there is to try to work with the farmers to come up with
25 programs in which maintenance activities could be rotated

1 In addition, there's a management component
2 that proposes to increase the productivity of salmon
3 hatcheries; that's existing salmon hatcheries in the
4 system, and do some additional marking of hatchery fish so
5 that they can be identified as part of the commercial and
6 recreational catch.

7 There would also be a realtime-monitoring
8 component, whose purpose is to reduce entrainment of fish
9 at the -- within the Central Delta and also at the project
10 pumping plants, and there would be a major
11 demand-management component, which would include a
12 conservation, reclamation, and drought-following program
13 and price incentives for both urban and agricultural
14 conservation components.

15 Beth.

16 The third area of components we have are what
17 we term "institutional and policy components," and in this
18 alternative we have levee maintenance and stabilization,
19 both a program to continue the funding for those
20 activities, and this would be at a basic level of
21 stabilization. It would be in addition to that levee
22 stabilization that we talked about in the first slide that
23 would be focused on the high-priority islands, where
24 there's a lot of infrastructure.

25 It also proposes a program of incentives to

1 on an annual basis so that we're not wiping out all habitat
2 every year in an effort to make sure that the vegetation on
3 the land side of the levees doesn't mask problems with
4 stability of the levees.

5 Next slide.

6 Now, that completes the discussion of the
7 components of the alternative, and if I can field any
8 questions at this point, if there are questions about
9 particular parts of the alternative, or we can move on to
10 benefits, whatever.

11 CHAIRMAN MADIGAN: Okay. Pop quiz time.
12 Here we go.

13 What was the third bullet, under institutional
14 and policy components, Tib?

15 MR. BELIZA: To protect the channel
16 islands from erosion?

17 CHAIRMAN MADIGAN: All right. He's my
18 man.

19 Are there any questions?

20 Okay.

21 MR. YAEGER: The benefits that we see
22 accruing from this particular alternative are that the
23 components that are proposed would improve ecosystem health
24 through restoration of habitat, through reduced fish
25 entrainment, and from reduced dependence on Delta exports.

1 There would be improved water supply
 2 predictability during dry years, as a result of the drought
 3 water bank and conjunctive-use programs. There would be
 4 some improved system vulnerability; that is more stable
 5 levees in some of the critical islands and provided through
 6 a more surer funding program, and there would be some basic
 7 water quality improvement that would be provided by the
 8 cool air water quality actions.

9 Some of the constraints that still remain
 10 within the system, even though this alternative does make
 11 some advances, is that system vulnerability would still
 12 remain a concern, since there's only a basic level of
 13 emphasis on especially the western Delta islands, and there
 14 remains some concerns about the diversions remaining within
 15 critical smelt habitat; that is the big project pumps as
 16 well as the agricultural diversions, some of the impacts
 17 that that would have on Delta smelt and splittail.

18 There still remains a vulnerability of the fish
 19 larvae to entrainment, since we have not provided different
 20 diversion spots, nor additional screening on the main
 21 project pumps, and there would be some additional diversion
 22 constraints that would continue at the project pumps, as a
 23 result of some of the endangered species concerns. This
 24 alternative doesn't address the diversion problem
 25 completely.

1 And there would only be a basic improvement in
 2 water quality, since it only proposes to move forward on
 3 the basic level or the core level, on water quality
 4 concerns.

5 The linkages that we've identified, that is the
 6 cross benefits you have between resource areas, are that
 7 the habitat restoration we propose would not only provide
 8 more stability in fisheries' populations, but it would
 9 increase water supply reliability by taking some of the
 10 pressure off of the fisheries. It would improve the
 11 ecosystem health in general, and you'd have improved
 12 in-Delta water quality as a result of many of the wetlands
 13 and riparian area, areas that we're going to be developing.

14 The levee improvements that we propose would
 15 provide an opportunity for restoring habitat along the
 16 levees, as part of the levee stabilization process, and
 17 there would be a level of assurance for water supply
 18 in-Delta and export water quality provided by the
 19 stabilization that's done in the western Delta islands.

20 Additional linkages are that we believe that
 21 the water management elements that were proposed, the
 22 drought water bank and the conjunctive-use programs, would
 23 reduce demand on Delta water supplies, thus resulting in
 24 increased ecosystem health, and there would be increased
 25 water supply reliability as a result of the water

1 management elements.

2 The new in-Delta storage, as 100,000 acre feet
 3 in one of the Delta islands, we believe provides enhanced
 4 protection for fisheries and less pressure for diversion
 5 cutbacks in critical periods, since some of that water
 6 would be available to offset curtailments in pumping at the
 7 project plants during critical fish periods.

8 We would be able to incorporate fish and
 9 wildlife habitat restoration features as part of the
 10 development of that island storage; that is shallow-water
 11 habitat on the water side of the levees of the storage
 12 feature and some habitat features on the land side. I
 13 wouldn't say "land side," but the inside of the storage
 14 facility.

15 And that new storage facility would provide
 16 additional flexibility to meet all the water needs, since
 17 it is located in a critical spot in the Delta and would
 18 allow you to respond both to fishery and water and water
 19 quality needs.

20 And I think that was about all I had on that
 21 alternative.

22 If there are other questions, I'd be glad to --

23 VICE-CHAIRMAN MCPEAK: Eric.

24 MR. HASSELTINE: Steve, I'm following up
 25 on some of the conversations we had with Zach this morning.

1 I assume where we're going from here now would
 2 be to -- on each of these 20 alternatives, to evaluate the
 3 effectiveness and then the costs of each of them to sort of
 4 start to see how they rank next to each other, but the
 5 effectiveness is really the ability of the alternative to
 6 satisfy the 14 program objectives --

7 MR. YAEGER: That's right.

8 MR. HASSELTINE: -- and to the greatest
 9 extent possible on each one, I guess, and to try to
 10 optimize the combination, but in putting these together,
 11 picking the actions that you're going to put into any
 12 alternative, you must have already done some of that, in a
 13 preliminary sense. You must have looked at ways in which
 14 you could incorporate into each of these alternatives the
 15 ability to address each of the program objectives, so --

16 MR. YAEGER: Yes. Yes, we did. And I
 17 think Lester described it generally in the introduction,
 18 but essentially we had all 14 objectives in mind posted on
 19 the wall, as the team started putting these actions
 20 together to look for actions from each of the resource
 21 areas that provided cross benefits, where there was ability
 22 to reduce costs by incorporating the linkages between the
 23 facilities and the management programs, but that was done
 24 on a -- I wouldn't say an informal basis, but using a lot
 25 of professional judgment of the experts on the team putting

1 those together.
 2 We're going to be moving into a more formal
 3 performance analysis in the next few weeks, and I think
 4 next on the agenda, after these presentations, we're going
 5 to walk you through in a lot more detail the performance
 6 analysis that's going to be done and the cost analysis and
 7 those --
 8 MR. HASSELTINE: But you must have --
 9 MR. YAEGER: -- those parts of the
 10 program.
 11 MR. HASSELTINE: You must already have
 12 some idea then of where the obstacles are to obtaining, you
 13 know, sort of optimum performance out of any one
 14 alternative.
 15 MR. YAEGER: Well, we have a general idea,
 16 yes, but we're going to be getting into a lot more detail
 17 on that analysis over the next few weeks, and we expect to
 18 be able to come back to you at your next meeting with some
 19 of these results from the performance analysis and cost
 20 analysis to kind of lead you through our thought process in
 21 trying to refine and modify the alternatives.
 22 CHAIRMAN MADIGAN: Ray?
 23 MR. REMY: Yes.
 24 Steve, I just want to make sure I have the
 25 process in mind, too.

1 back for some additional analysis and formulate more formal
 2 recommendations on those that we would then put forth in
 3 our draft report.
 4 VICE-CHAIRMAN MCPEAK: Other questions?
 5 MR. YAEGER: okay. I guess Rick --
 6 VICE-CHAIRMAN MCPEAK: Okay.
 7 MR. YAEGER: -- Rick's up next.
 8 MR. SOEHREN: The alternative that I'm
 9 going to talk about is example two in your BDAC packet, and
 10 if you look in the big blue book, it's alternative number
 11 six. If you compare the two side by side, example two
 12 versus alternative six, they are the same alternative, but
 13 there are a few changes in wording, that sort of thing, on
 14 improvements, editorial changes that were made between the
 15 time the BDAC packet went out to you and the time that the
 16 big blue book came out yesterday, so they are not
 17 completely identical.
 18 And I should also mention that probably
 19 Dick Daniel would have been making this presentation today,
 20 since he's our Assistant Director for Habitat Restoration,
 21 but Dick is in Hawaii examining habitat there, so I'm doing
 22 this instead.
 23 The emphasis of this alternative, as the title
 24 suggests, is extensive habitat restoration, and the
 25 philosophy is that if we increase fish populations through

1 This in -- these 20 alternatives will be
 2 presented to the workshop later this month, and based upon
 3 input you get from here and from written input and from the
 4 workshop, in our next meeting we will have six to eight
 5 alternatives that have been winnowed down with some
 6 additional information, and we'll also receive what things
 7 have dropped out of the system from this meeting to that
 8 meeting.
 9 MR. YAEGER: Well, I think our intent is
 10 to come back to you with detailed information and
 11 performance analysis and cost analysis on the full 20.
 12 MR. REMY: All 20.
 13 MR. YAEGER: It's our hope that we'll be
 14 able to also, at that time, give you some of our thoughts
 15 about how the list might or ought to be winnowed to a more
 16 reasonable number, but there will be a major emphasis on
 17 developing that additional detail on the 20 over the next
 18 several weeks before your next meeting.
 19 MR. REMY: So you would expect, out of the
 20 March meeting, coming out of that meeting, that this group
 21 would then agree on six or eight that would be the group
 22 that would go forward.
 23 MR. YAEGER: I think that we would be
 24 looking for your input on our proposed eight to ten or six
 25 to ten at that time, and we would then need to take that

1 natural production, through reducing entrainment, we can
 2 increase those populations to such an extent that fish-take
 3 at the diversions is no longer a significant effect on fish
 4 populations, and that makes for a better ecosystem. We
 5 have more fish in the system, and it improves water supply
 6 reliability as well, because those ESA restraints are no
 7 longer saddling the system.
 8 To talk about some of the major features in the
 9 alternative, first some of the physical and structural
 10 components. There is extensive habitat restoration
 11 throughout the system. Everywhere that anadromous or
 12 native fish breed or live or hide or rear, there would be
 13 habitat improvements. So going very far upstream in the
 14 system, there might be habitat improvements along the
 15 Sacramento River, perhaps meander belts, restoration of
 16 riparian habitat.
 17 Moving downstream in this system into the
 18 Delta, a lot of physical habitat restoration on levees, on
 19 restored wetland habitat, and moving downstream from there
 20 into Suisun Bay, probably an increase in tidal wetland
 21 there, either through conversion of diked wetlands to tidal
 22 wetlands or using dredge material to create new wetland
 23 areas in that area.
 24 The next point is storage in the Delta,
 25 primarily for environmental purposes. This is the same

1 sort of storage that Steve talked about, but more of it.
 2 In this alternative, it is up to three to four hundred
 3 thousand acre feet of storage. Used in the same ways,
 4 releases could be made to move fish out of the south Delta
 5 so that they do not become entrained.
 6 Releases might be made from the southern end of
 7 that kind of reservoir, so that the water being pumped at
 8 export facilities was, in essence, coming out of that Delta
 9 storage, rather than being drawn out of the Sacramento
 10 River through Georgiana Slough and through the Delta cross
 11 channel, so that if there were salmon moving downstream in
 12 the Sacramento River, you might be able to continue pumping
 13 without having entrainment impacts on those salmon, ideas
 14 like that.
 15 This is a new idea. It's not something that
 16 has been around for 50 years, like some of the other ideas,
 17 so certainly it needs more study. It needs modeling to see
 18 all the ways that we could use this water most efficiently
 19 and to see what additional constraints there might be on
 20 this kind of an operation.
 21 There's a high level of levee improvements in
 22 this alternative, and those can be leveraged, because at
 23 the same time you're improving levees, you can be improving
 24 habitat. Levee improvements are important for this
 25 alternative, because we are restoring a lot of habitat in

1 First of all, there's approximately 100,000
 2 acre feet of San Joaquin River system water that would be
 3 purchased from willing sellers, that could be used
 4 basically for environmental management, either to move fish
 5 down through that system past the pumps, so that
 6 entrainment was not a problem; perhaps releases to improve
 7 water quality in the south Delta, and of course this water
 8 would be operated in conjunction with that storage in the
 9 Delta.
 10 Earlier Steve Hall talked about a
 11 demand-management ethic and methods for the environment,
 12 and an action like this might be one of those. The
 13 San Joaquin system is certainly oversubscribed.
 14 In our alternative, we have 100,000 acre feet
 15 of water to help fish, to improve reliability on the
 16 San Joaquin. Some of the specialists in the resource
 17 agencies looked at that and said, "Well 100,000 acre feet
 18 is not enough to do any good."
 19 Others said, "Well, that's a good start.
 20 That's going to be make some incremental improvements."
 21 It's a way to use a relatively small increment
 22 of water, compared to the full drainage of the system, to
 23 sort of fool the system into thinking it has more water for
 24 fish, to provide pulse flows, thing like that, so I think
 25 that might be sort of an efficient way to use water in an

1 the Delta, and we want to protect that habitat. We are
 2 still moving water through the Delta for export operations,
 3 and that would need to be protected, and we would want to
 4 protect in-Delta uses of that water as well, so a high
 5 level of improvement in the levee area.
 6 Finally, there are screens in this alternative,
 7 as there are in all the alternatives, and really that's a
 8 matter of degree.
 9 In the core actions that we'll talk about
 10 later, there is an action to screen the highest priority
 11 diversions, and by diversions here, I don't mean the
 12 State Water Project export facilities in the Central Valley
 13 project, but the smaller diversions that exist throughout
 14 the system up in the Sacramento River all the way through
 15 the Delta.
 16 So those are in the core. You'll see screening
 17 in, I think, every single one of our alternatives.
 18 In this alternative, where we're placing a very
 19 strong emphasis on restoring fish populations as a way to
 20 improve water supply reliability, we'd be screening the
 21 high-priority diversions and going down to moderate
 22 priority diversions as well, to provide as much protection
 23 to fish as is feasible.
 24 The next overhead describes some of the
 25 operational and management features of this alternative.

1 environmental way.
 2 Incidentally, I should mention that we've
 3 already gotten a comment on this particular action, that it
 4 could return summer flows from the San Joaquin system that
 5 would otherwise be available for riparian users and public
 6 trust protection.
 7 So, once again, this is a relatively new idea
 8 that we're going to have to think about and look very
 9 carefully at the constraints.
 10 This alternative also includes extensive source
 11 control for pollutants in the system. Once again, this is
 12 an action that's a matter of degree. When we talk about
 13 core actions, you'll see that there are source controls
 14 there, usually through incentives. In just about all of
 15 our alternatives we have source controls of some kind.
 16 They would be pursued to a higher degree in this
 17 alternative.
 18 In keeping with the emphasis of increasing fish
 19 populations, we would have realtime monitoring, so that we
 20 can operate the system. We can divert water, use it for
 21 other beneficial uses as efficiently as possible, avoiding
 22 those fish when they are in the system, or using our
 23 in-Delta storage and our San Joaquin River water to help
 24 move those fish out of the way or manage the system a
 25 little differently to avoid impacts on those fish.

1 Other fisheries management actions, Steve
 2 mentioned marking of hatchery salmon in the previous
 3 alternative. It appears here, too.
 4 Also, to protect recreational fishery, this
 5 alternative includes a program to rear striped bass.
 6 Right now the projects gather small striped
 7 bass at the pumping plants, release them back into the
 8 estuary. Some of them are pretty dazed when they are
 9 released, and they immediately become fish food for their
 10 larger cousins.
 11 This program would give those collected bass
 12 that show up at the pumps, that are screened out, would
 13 give them a better start on life, by rearing them up until
 14 they are bigger, stronger, healthier, better able to make
 15 it on their own in the system and then release them, to
 16 help protect the recreational fishery.
 17 The next overhead describes some of the
 18 institutional and policy aspects of this alternative.
 19 As you'll see in all the alternatives, there's
 20 funding for levee improvements and subsidence management.
 21 Once again, this is an action that's sort of a matter of
 22 degrees. There is an extensive amount of levee improvement
 23 and subsidence management in this alternative.
 24 And finally another institutional point is
 25 reevaluation of export/inflow ratios. These ratios are

1 natural bio-filtering performance of wetlands.
 2 Other linkages, there's storage. There's some
 3 different water uses on the San Joaquin system in this
 4 alternative. Those are intended to help fish, but they are
 5 intended to help fish stay away from diversions, move out
 6 of the system when they want to, avoid the hazards of life
 7 in the Delta. So that's also an increase in water supply
 8 reliability.
 9 Those San Joaquin flows can be used to improve
 10 water quality in the south Delta. That improves habitat
 11 for fish and improves water quality for other beneficial
 12 uses in the south Delta.
 13 And finally the source control, the water
 14 quality management aspects of this alternative, improve
 15 water quality in the Delta for all beneficial uses, and
 16 these actions are also going to improve habitat,
 17 reinforcing the emphasis in the alternative by improving
 18 water quality aspects of habitat throughout the Bay-Delta
 19 system.
 20 There are some very significant concerns about
 21 this alternative. Some of these Lester talked about
 22 earlier today. There's uncertainty about the reduction in
 23 diversion constraints.
 24 Whenever we're working with biological systems,
 25 one thing we know for certain is that we don't know

1 currently set in the water quality standards. The emphasis
 2 of this alternative is to increase the numbers, increase
 3 the population health of fish, so that export operations
 4 and diversions are no longer a significant threat to their
 5 populations, and as this occurs with the improvements that
 6 are made in the system, we would want to reevaluate those
 7 export/inflow ratios to do all we can to provide
 8 reliability in the system, while protecting those
 9 fisheries.
 10 This alternative relies very strongly on
 11 linkages, taking actions that provide benefits in more than
 12 one of our four resource areas.
 13 When we make physical habitat restoration
 14 improvements, obviously those are intended to help the
 15 fish, help the wildlife, help waterfowl, but those have
 16 other benefits as well. By increasing those fish
 17 populations, we increase water supply reliability. We
 18 reduce the impacts that the Endangered Species Act has on
 19 the operation of water systems. We can reduce system
 20 vulnerability at the same time we're doing things like
 21 creating riparian habitat and shallow-water habitat. If
 22 you're going to go in and rework a levee, it makes a lot of
 23 sense to rework it once for two different benefits.
 24 And finally, we're improving water quality
 25 through those habitat restoration actions, through the

1 everything. To the best of our understanding, we can
 2 improve various elements of the habitat, and fishery
 3 populations will respond.
 4 This alternative depends on that, and there is
 5 a certain amount of uncertainty about the degree to which
 6 that will happen, the degree to which the system will
 7 respond, and also uncertainty about the time needed to
 8 respond.
 9 We know that if we build a house, as soon as
 10 the contractor is done, we can move in and live there. If
 11 we're building a house for fish, such as a wetland, after
 12 we've done all the physical things, it's the right
 13 elevation, it has the right drainage, we've provided water
 14 of the right salinity and quality, that wetland is going to
 15 need time to develop and become a healthy functioning
 16 wetland before fish are happy being there. So there's some
 17 uncertainty over the timing.
 18 And finally, this alternative relies on
 19 continued transfer of water across the Delta, and with that
 20 are some of the constraints about that type of operation
 21 that we're all very familiar with. We'll continue to have
 22 fish entrainment in the Delta. We're pulling fish off from
 23 the paths they most like to take and into Delta areas where
 24 it takes longer to get to the ocean; there's more
 25 predation, where there are pumps, and also there are water

1 quality concerns. There's organic carbon in the Delta, and
2 that water for other uses, drinking water, would still be
3 picking up that organic carbon. So those are some concerns
4 with this alternative.

5 I've just touched the high point. I haven't
6 mentioned every single action in this alternative, but I
7 think our summary is pretty good and helps you look through
8 at a glance and see every point.

9 I'd be happy to answer any questions about this
10 alternative.

11 Alex.

12 CHAIRMAN MADIGAN: Alex.

13 MR. HILDEBRAND: I'm not critical of the
14 main thrust of this thing, but there are a number of
15 features that are included in it that I'd like to comment
16 on, particularly since they recur in many of the other
17 alternatives.

18 First, there's the proposed salmon bypass at
19 Old River, which is alleged to lower fish mortality.

20 Hydraulically, I don't understand how that will
21 accomplish what's intended here, and even if it did, I
22 think it would be less expensive and more manageable to put
23 in an operable barrier at the head of Old River which could
24 accomplish the same objective.

25 Secondly, none of these alternatives, I

1 to buy agricultural water and let it down for fish in the
2 spring. The consequence of that is that when that water is
3 applied for agricultural, the return flows on the east side
4 are still high quality water, and that's what we rely on
5 for our riparian diversions in the San Joaquin River and to
6 help control the salinity, although it's not adequate to do
7 it.

8 So if you buy that water and shift its time and
9 place and purpose of use, you destroy these return flows,
10 and you create an enormous problem for the summer flows,
11 both for agriculture and for the public trust needs at that
12 time of the year.

13 A much better way to -- or there are two better
14 ways to get that water. One is to purchase it from the
15 export water users, instead of from the tributaries, and
16 take the water that they would have used and discharge it
17 instead from the canal into the river, to get that flow.

18 The other way, and longer term, is that if you
19 raise Friant Dam, which is very small compared to the
20 tributary and compared to the dams on the other
21 tributaries, you can capture the flood flows that now have
22 occurred in the last 12 -- 12 years out of the last 26 and
23 which drown a lot of us when they occur, and you can get a
24 yield of the order of 150 to 180,000 acre feet a year out
25 of that, and use that water to -- which then comes into the

1 believe -- at least I haven't detected it -- make any
2 reference to the tidal barriers in the south Delta, which
3 are to be put in in settlement of a lawsuit from the south
4 Delta against the State and Federal projects for making the
5 water depths in some of our channels such that we can't
6 divert and to restore circulation in some of those reaches
7 where we can't control quality, and they have a further
8 function relative to salinity, in that we have a situation
9 now where we send down the Delta-Mendota Canal to the

10 west-side service area about a million tons a year of salt
11 that's entrained in that water, and I'm only talking about
12 the amount of that salt that is deposited on the portions
13 of the service area that then drain into the river through
14 salt and mud sloughs, bring in an enormous salt load that
15 enters the river at about 3,000 to 5,000 parts per million.

16 That salt load then comes down the river and is
17 sucked back through Old River, right back to the Federal
18 pumps and reshipped down the Delta-Mendota Canal again.

19 And if you put in these tidal barriers, you
20 reduce that recycling of salt load by more than half, and
21 that improves the quality of the water in the Delta-Mendota
22 Canal, reduces the salt load then, which leeches into the
23 river and keeps running around the merry-go-round.

24 Next is this business of buying 100,000 acre
25 feet of water in the tributaries. What's proposed there is

1 river way at the southern end, instead of at the mouth of
2 the Stanislaus, as the present dilution of water does, and
3 you get a benefit for fishery and for water quality all the
4 way down the river.

5 Now, granted that's a longer term, but there
6 are very few projects of enlarging dams or building new
7 dams that can compare to this alternative in terms of the
8 multiple benefits you get out of it.

9 You get a big flood control benefit. You get
10 increased power. You get a big fishery benefit. You get a
11 big water quality benefit, and you get a water supply
12 benefit. So I think it should be on the horizon here.

13 Lastly, it refers to restoring a deeper and
14 cooler flow on the San Joaquin River by confining the
15 channel. What's -- the objective there is all right, but
16 the means is wrong.

17 If you confine the -- what's happened is that
18 the channel proper in the floodway between the levees, and
19 the levees in many places are far apart, the channel proper
20 has not been maintained, and consequently it's all silted
21 up, so that the water wanders around in the whole floodway,
22 and it's very shallow and gets quite warm.

23 Now, what you need to do is to remove that
24 aggregation and restore the narrower channel that you had
25 historically in the -- in the river channel proper.

1 If would you move the levees in, to try to do
 2 it that way, then what do you do when you have a flood?
 3 The floodway isn't big enough, as it is now, to
 4 handle the water.
 5 So that's a little bit long, but those are my
 6 comments.
 7 CHAIRMAN MADIGAN: Sunne.
 8 VICE-CHAIRMAN MCPEAK: It sounds to me
 9 like that is another alternative or something to be added.
 10 You were asking, Lester, if we thought all 20 captured
 11 everything, and --
 12 EXECUTIVE DIRECTOR SNOW: Right.
 13 VICE-CHAIRMAN MCPEAK: -- clearly Alex has
 14 added to that.
 15 CHAIRMAN MADIGAN: Anybody else?
 16 Roger.
 17 MR. STRELOW: Just a question.
 18 I had a little opportunity to discuss it at
 19 lunch, but I think this is almost the reverse side. You've
 20 given a number of specific alternative suggestions to some
 21 fairly specific things proposed, and I have been trying to
 22 get a better handle on one category that's very generally
 23 described, that's very logically there, but I think it's
 24 hard to comment on until you have a lot more specifics, and
 25 that's some of the water quality improvements.

1 MR. STRELOW: Okay.
 2 CHAIRMAN MADIGAN: Okay. Great. Thank
 3 you very much.
 4 Where's Sharon?
 5 And here she comes now. Okay.
 6 MS. GROSS: Is this on?
 7 Oh, sure it is. I have to leave the little
 8 antenna up?
 9 Okay. I get to do example three, which is also
 10 alternative ten, and it is the isolated conveyance
 11 facility -- or I'm sorry -- the small east-side conveyance
 12 facility.
 13 VICE-CHAIRMAN MCPEAK: It is isolated.
 14 MS. GROSS: Yes, it is.
 15 CHAIRMAN MADIGAN: It's all isolated, east
 16 side.
 17 MS. GROSS: The first thing I want to
 18 point out is that you've heard from -- basically on example
 19 one and example two, we had one that was a low level of
 20 resource improvement, and the other was a high level. This
 21 one is the middle of the road or the moderate level of
 22 resource improvement, believe it or not.
 23 In the actual summary that you have in the blue
 24 book, it basically says that it achieves a high level of
 25 improvement, and that's a typo. It should be a moderate

1 In terms of discharge controls, probably the
 2 most obvious, and the one that is kind of singled out in
 3 several of the alternatives is one that tends to cut
 4 through a lot of them, is agricultural controls, water
 5 quality, return flow controls, and so on, presumably some
 6 on industry, as well, but I guess it's hard to respond much
 7 on those until we know more where you see specific
 8 problems, what kinds of additional -- whether it's more
 9 enforcement of existing discharge limits on the books or
 10 addition of new ones and for particular purposes, and I
 11 think as soon as we get more details on that, which I
 12 understand are forthcoming, we can probably comment better.
 13 I mean that's an area of particular interest,
 14 but at this point I can't begin to do what Alex has done on
 15 some of these others.
 16 I don't know whether you have any thoughts at
 17 this point about the nature of some of those, other than
 18 just the whole generic issue of looking at a possibility of
 19 incentives, best management practice incentives or others
 20 for agricultural discharges.
 21 MR. SOEHREN: Well, your observation is
 22 correct, Roger. There isn't a great deal of detail,
 23 particularly in some of the source control and water
 24 quality management elements, and not being a water quality
 25 specialist, I can't add that detail right now.

1 level of improvement, not a high level of improvement. We
 2 went through a lot of changes to this, and somehow or
 3 other, that didn't come through, so I just wanted to point
 4 that out.
 5 At first I want to go through what some of the
 6 physical and structural components are, and then I want to
 7 point them out on a map where they are, after I've kind of
 8 just introduced them.
 9 The first one, and I guess the biggest thing
 10 for the small east-side conveyance alternative is the
 11 actual conveyance facility, which is about five to seven
 12 thousand CSF, which hence gives it its small-size-type
 13 name. One of the big features about it is it's a new
 14 diversion location. This is a location on the
 15 Sacramento River, so that we can attempt to deal with some
 16 of the problems located -- or some of the problems
 17 associated with the present diversions down in the south
 18 Delta.
 19 It has moderate levels of levee improvement,
 20 not as high as alternative six, that Rick talked to you
 21 about, not quite as low, and that is in degrees. A
 22 moderate level of levee improvement is still very good,
 23 although probably will not protect us against the big
 24 earthquake.
 25 It also has moderate levels of habitat

1 restoration, and again, moderate levels of habitat
 2 restoration doesn't mean that it's not as good. It's just
 3 not as much and may, you know, give us a somewhat lower
 4 degree of effectiveness realized in population levels.
 5 It also has a fairly extensive storage
 6 component, one to two million acre feet located in
 7 differing places, and it talks about -- it also has
 8 screened diversions with high and moderate -- or it should
 9 be moderate and high priorities, and as Rick -- I'm not
 10 going to go through a lot of the same things that Rick and
 11 Steve went through. I'm not going to put you all to sleep
 12 over again, but those -- not that they put you to sleep the
 13 first time, I just didn't want to, but that wasn't the
 14 intent. I just don't want to duplicate information.
 15 The screened diversions, again, are high and
 16 moderate priority ones, and those, like Rick had said, do
 17 not refer to the State and Federal pumps. Those are the
 18 smaller diversions.
 19 VICE-CHAIRMAN McPEAK: Sharon, I have to
 20 ask a question that maybe you can answer, unless you've
 21 gotten the -- have you got the answer about the isolated
 22 facility in SB 200 in 1980 had a CSF of what? 12?
 23 MR. YAEGER: It would be 20, 22,000 was --
 24 CHAIRMAN MADIGAN: 22,000.
 25 MR. YAEGER: -- was the old --

1 CHAIRMAN MADIGAN: That's right. Don't
 2 worry about anybody being asleep here, Steve, you know.
 3 MR. MCCARTY: Just on the size questions,
 4 if I can add one thing. This is five to seven. There's an
 5 alternative 16, which is described as a large east-side
 6 conveyance, which doesn't seem to have a number attached to
 7 it.
 8 Is it correct, Lester, you're thinking about 14
 9 there?
 10 EXECUTIVE DIRECTOR SNOW: It would be the
 11 combined capacity.
 12 MR. MCCARTY: So you have five to seven,
 13 and then you've got the large one at 14, and then '82 it
 14 was 22, sizing down to 15.
 15 EXECUTIVE DIRECTOR SNOW: Right.
 16 MR. HILDEBRAND: In this case, is the
 17 large one going to have releases into the Delta, or is it
 18 also going to be totally isolated?
 19 MR. YAEGER: No, the large facility does
 20 not have the same release points that the historic PC had
 21 and --
 22 MR. HILDEBRAND: So, again, then I assume
 23 you've analyzed the consequences of this on the water
 24 quality in the Delta?
 25 MR. YAEGER: Well, I -- what the initial

1 MR. MCCARTY: 15 -- 22 down to 15, as I
 2 understand.
 3 MR. YAEGER: It was --
 4 VICE-CHAIRMAN McPEAK: Okay.
 5 MR. YAEGER: -- yes.
 6 VICE-CHAIRMAN McPEAK: That's --
 7 MR. YAEGER: 22 at the diversion and made
 8 releases into the channels along the way to bring it down
 9 to about 15 at the export pumps.
 10 VICE-CHAIRMAN McPEAK: Okay.
 11 MR. HILDEBRAND: Do I understand right?
 12 A smaller --
 13 VICE-CHAIRMAN McPEAK: Thank you.
 14 MR. HILDEBRAND: -- peripheral canal is
 15 not going to have any outlets?
 16 MS. GROSS: Correct.
 17 MR. HILDEBRAND: So you're not going to --
 18 what are you going to do about the water quality
 19 degradation then that would result in the central Delta, as
 20 compared to the present?
 21 MS. GROSS: Steve?
 22 I drew the short straw on this.
 23 MR. YAEGER: Actually, I didn't want to
 24 put them to sleep again, so I think I'll sit down.
 25 MR. RAAB: We're all awake now, Steve.

1 proposal is, there will not be any releases between the
 2 Sacramento River and the south Delta. However, there is
 3 some thought about making a release into Old River, near
 4 the export pumps, in order to maintain south Delta water
 5 quality, but that, at this point, needs a lot of study and
 6 a lot of modeling to see whether that would be effective,
 7 and then there are some concerns among the biologists that
 8 that still -- even though it's way in the south Delta, that
 9 you might get some attraction flows for Sacramento
 10 migrating salmon.
 11 MR. HILDEBRAND: Well, then in this area
 12 then, you would still have the salt load we discussed a few
 13 minutes ago coming down the San Joaquin River, but you
 14 would -- it would go on into the central Delta without the
 15 dilution that's now available in the central Delta.
 16 Is that right?
 17 MR. YAEGER: that's the present proposal,
 18 but again, that's one of the concerns that's being raised
 19 with all the isolated facilities, is the water quality
 20 impacts both in the central Delta and the south Delta.
 21 CHAIRMAN MADIGAN: Okay. Next?
 22 Ann.
 23 MS. NOTTOFF: Well, this seems to be the
 24 first presentation you've made where you rate these
 25 moderate, high, low.

1 MS. GROSS: No. Actually all the
 2 alternatives -- if you read through your alternatives --
 3 MS. NOTTOFF: They all have it.
 4 MS. GROSS: -- package, they all basically
 5 say low, moderate, or high.
 6 MS. NOTTOFF: And you assume that through
 7 modeling, or how -- what assumptions are made?
 8 They, you know, like are we to just -- when
 9 you -- when it has the consequences here.
 10 Are you looking at -- I mean what assumptions
 11 are you making to make those conclusions?
 12 Are we supposed to accept those conclusions,
 13 that they are high, moderate, or low, because you've done a
 14 computer modeling of it or --
 15 CHAIRMAN MADIGAN: Steve?
 16 MR. YAEGER: Well, these particular
 17 assessments are based simply on a small panel of experts,
 18 their judgment of the type of improvements that you're
 19 getting with the alternatives, and we, I think, admitted in
 20 the introduction of the material that that's one area we
 21 really need to work on, because they're -- in looking at
 22 the way those are displayed across the board, there's some
 23 inconsistency, simply because we had two experts looking at
 24 this alternative and another two at this one, and so our
 25 intent is to convene some larger and multiple panels of

1 with the best solution. They've run all the models.
 2 They've anticipated all the water quality questions. We
 3 come out with a solution, and then we proceed to defend why
 4 that's the best thing to do.
 5 And we're taking the other approach of putting
 6 out 20 that we know aren't perfect. They need --
 7 everything in here needs to be questioned, and, you know,
 8 raise the kinds of issues that you are raising, Alex is
 9 raising, and then you can see how that modifies the
 10 alternatives when we try to get to a short list.
 11 MS. NOTTOFF: But is it when we get to the
 12 short list there will be some justifications for how we got
 13 there?
 14 There will be more justifications in the
 15 alternatives as they are reduced in number.
 16 EXECUTIVE DIRECTOR SNOW: Yeah, more
 17 rationale about the specific linkages, how things function
 18 together, how you could operate, for example, like with
 19 Alex's questions, an isolated facility along with drainage
 20 management issues to deal with water quality problems in
 21 combination with barriers, I mean how things start fitting
 22 together better.
 23 CHAIRMAN MADIGAN: Alex?
 24 MR. HILDEBRAND: Another question on this
 25 is that we have periods of months on end when the inflow of

1 experts to look across the board at all the alternatives
 2 and rate them, so we can get a more uniform and objective
 3 evaluation of the performance of the alternatives.
 4 So that's -- that's on our to-do list, and I
 5 would just -- this particular one, I would take with a
 6 grain of salt the assessment, I think, of benefits.
 7 CHAIRMAN MADIGAN: Lester.
 8 EXECUTIVE DIRECTOR SNOW: Yeah, if I could
 9 add on to the general question about accepting the
 10 assumptions and rankings and anything like that.
 11 I mean I think one of the reasons we're trying
 12 to keep this as a real open process, so people see the
 13 alternatives take shape, is it's my opinion that, in a
 14 process like this, you'd never accept what somebody just
 15 puts out, even if there's a computer model behind it.
 16 I mean just because you are run bad assumptions
 17 through a computer doesn't mean you get a good product, and
 18 so -- I mean I think that's why we're trying to do it in
 19 this fashion, where we are putting out what we consider to
 20 be incomplete alternatives, so that it's all done in
 21 public, and you see what's out there. You see how the
 22 things change as we move forward, rather than what -- I
 23 mean I consider the older way of doing things, which gets
 24 referred to as "decide, announce, defend," where we lock
 25 all our technicians in a room, and we have them come up

1 the San Joaquin River to the south Delta is less than the
 2 channel depletions in the south Delta, so that, if you have
 3 an isolated facility with no outlet, you're going to be
 4 drawing water from north to south within the Delta,
 5 creating return -- reverse flows, and I don't gather that's
 6 been examined yet.
 7 MR. YAEGER: (Shakes head.)
 8 CHAIRMAN MADIGAN: Steve says, "No."
 9 Now you can take "no" as for whatever you want
 10 right now.
 11 EXECUTIVE DIRECTOR SNOW: Maybe -- given
 12 Alex's question, maybe I didn't understand the question
 13 fully, but I want to -- on this particular alternative,
 14 which is the small isolated, you are still using the Delta
 15 as a conveyance mechanism. Water is still flowing through
 16 the Delta, because at the particular CSF envisioned here,
 17 particularly if you picked up local needs, like if --
 18 MR. HILDEBRAND: Only, however, Lester,
 19 when the rate of export is greater than the 7,000 CSF, and
 20 it isn't always.
 21 EXECUTIVE DIRECTOR SNOW: Or the -- I
 22 would add to that, not just the rate of export but also the
 23 demand issues, because there's other localized problems
 24 other than the export that needs to be dealt with in some
 25 sort of conveyance facility, whether it's Stockton's east

1 groundwater problem or East Bay's issue on the
2 American River or Sacramento forum's issues on water
3 supply. I mean there's a lot of other things that would
4 tie into this, and so undoubtedly you would still be moving
5 water through the system, what we would call the existing
6 system.

7 CHAIRMAN MADIGAN: Sharon?

8 MS. GROSS: Okay. Just to kind of go
9 through briefly what it is we're talking about, it shows
10 pretty much the isolated conveyance somewhere up around
11 Courtland. The screening point on the Sacramento River
12 hopefully will be a state of the art with whatever we have
13 at that point. It should help deal with the entrainment
14 problems, but it will also help deal with some of the
15 hydrological problems that we have related to
16 fish-entrainment-type issues in the central Delta.

17 The levee improvements will be pretty much
18 closer toward the western side. Some of the other
19 alternatives that you looked at have higher level of levee
20 improvements further back, protecting islands that are
21 still western islands, but a little further east than
22 those.

23 As far as the habitat restoration is concerned,
24 there will be a significant amount of riparian restoration
25 up along the upper Sacramento or -- I shouldn't say upper

1 times that are critical potentially to fish.
2 Okay. As far as operational and management
3 components of this alternative, again we have 100,000 acre
4 feet on the San Joaquin side from willing sellers to assist
5 with fish flows. Because this alternative doesn't rely
6 only on the isolated facility, there's still going to be a
7 need at times to use the facilities in the Delta, but we
8 will still need, at those times, to be able to deal with
9 some of the problems that we currently have, and that's
10 with that 100,000 acre feet from the San Joaquin, but as
11 Alex pointed out, there are definitely problems with that
12 as well.

13 Realtime monitoring is, again, a pretty primary
14 component of this, to try and help reduce entrainment. Now
15 we're going to have basically two separate areas where we
16 could potentially entrain fish: One on the Sacramento; one
17 down in the south Delta.

18 Although the diversion point on the Sacramento
19 looks good, it's in the middle of Delta smelt critical
20 habitat area. If we produce a lot of Delta smelt and they
21 are still on the endangered species list, and they migrate
22 up to our diversion point on the Sacramento River, then we
23 have a problem, and realtime monitoring will help us know
24 where they are and what the problems are at that time.

25 Realtime monitoring also has a benefit, not

1 Sacramento -- the Sacramento above the Delta.

2 The Delta and floodway corridor, there will be
3 habitat restoration along in this area, where, according to
4 a lot of the biologists that we've talked to, we can get a
5 really good bang for the buck, as far as producing some
6 good habitat, not only riparian habitat but also some
7 shallow-water and tidal wetland and terrestrial habitat.

8 In combination with the Delta -- in combination
9 with the Delta levee work, there will be somewhere between
10 about 75 and 125 miles of some shallow-water and riparian
11 habitat associated with the levee construction.

12 In the Suisun Marsh area, about 1500 to 2500
13 acres of some tidal wetlands, and then in the San Joaquin
14 River, as was pointed out earlier in some of Alex's
15 comment, there is a need to try to do some habitat work to
16 provide some deeper, cooler water, possibly through
17 deepening channels that will give us the temperature needs
18 that are critical and currently limiting in those areas.

19 As far as storage is concerned, there's
20 in-Delta storage. There's upstream storage, and there's
21 south of Delta storage. The upstream storage can be used
22 for pulse flows, to try to transport fish through the Delta
23 at critical times and also to help with some of the X2
24 constraints. The in-Delta and the south of Delta can be
25 used to manage the transfers and to allow some exports at

1 only for endangered species, but just to know where the
2 organisms are, so that if you've got a huge flush of fish
3 coming by and even if they're not endangered species, you
4 still have the flexibility then to move your pumping
5 points, and that's one of the benefits of this alternative,
6 is the flexibility to move from different areas based on
7 what's there biologically.

8 Demand management is, again, part of this one.
9 It's pretty much the same components that Rick reviewed.

10 Institutional policy components, one of the
11 primary ones is the levee maintenance, to provide some kind
12 of funding for levee maintenance, and there are also then
13 some -- some of the other types of institutional policy
14 components, additionally, are the habitat programs and the
15 water quality standards review that Rick also gave you some
16 details on.

17 Now, I just want to go through a few of the
18 benefits, before I do constraints.

19 One of the primary benefits will be that
20 hopefully we will have improved ecosystem health through
21 the restoration of the habitat providing, you know, for
22 fish and whatever, and reduced entrainment. We should have
23 improved water supply predictability and reliability
24 because of that ecosystem health benefit that we will get
25 from the relocated diversion, and additionally, the new

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1 storage should provide some predictability and reliability.
 2 The system vulnerability should be improved
 3 somewhat, because of the moderate level of the levee
 4 improvements that are part of this alternative, and there
 5 should be some level of improved water quality through the
 6 relocated diversions and the additional storage in one of
 7 those three locations.
 8 So what are the constraints associated with?
 9 Always the downside.
 10 There's still some vulnerability. This isn't
 11 the maximum level of hab -- I'm sorry -- of levee
 12 improvements that we could possibly make. The big ones
 13 could still take down, you know, some of the levees.
 14 As I stated before, the new diversion is right
 15 in the middle of a general area that's critical habitat for
 16 Delta smelt. As with any of the alternatives that still
 17 rely on the existing diversion location, key fish are --
 18 the larvae of key fish are still vulnerable to entrainment
 19 in those areas. If we could just teach larva how to get
 20 away from pumps.
 21 And other problems associated with the south
 22 Delta diversions, hydrological problems that have impacts
 23 on the ecosystem, mostly the fish, but other things as
 24 well, is still there, although it will be reduced, because
 25 the pressure will not be continuous. It will be hopefully

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1 in varying levels, and one of the other things is that
 2 screening effectiveness is still uncertain. I mean we do
 3 the best we can with screening, but there are still certain
 4 types of fish that refuse to be screened, and there are
 5 certain -- we still have limitations on what we can screen,
 6 although it's getting much better.
 7 Linkages, habitat restoration gives us benefits
 8 to several different areas, as I stated before, under the
 9 benefit section. Levee improvements give us the
 10 opportunity for restoring habitat, and they give us some
 11 level of assurance, although not perfect, for the water
 12 supply, water quality, and also the ecosystem.
 13 The new diversion location provides the screen
 14 diversions in less sensitive areas, overall. Even though
 15 we still have problems with a diversion on the
 16 Sacramento River, it's still obviously less sensitive than
 17 diversions in the existing locations, and the best benefit
 18 of all, as far as the linkage, is it gives us the
 19 flexibility to change our diversion location in response to
 20 biological conditions, and I think flexibility is probably
 21 one of the primary benefits to this alternative.
 22 Additionally, new storage in various locations
 23 gives us the flexibility to meet water needs, not only for
 24 water supply but also for environmental needs and water
 25 quality needs, if necessary.

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1 And that's all I have on this one.
 2 CHAIRMAN MADIGAN: There's no questions by
 3 members?
 4 Sunne.
 5 VICE-CHAIRMAN MCPPEAK: Sharon, this
 6 alternative has coupled with increased storage, Delta
 7 islands, one or more, and then upstream storage and
 8 downstream storage, and the upstream storage facility, as
 9 is summarized here, is larger than the downstream.
 10 Is there an operational reason for that, with
 11 respect to the sizing of the facility itself, or is that a
 12 reflection of the anticipated sites and, therefore, the
 13 physical constraints of the sizing of the upstream and
 14 downstream facility?
 15 MS. GROSS: I don't know it for sure. I
 16 would think that upstream storage has more flexibility, as
 17 far as what it can be used for, but I don't know that for
 18 sure.
 19 Do you know, Lester?
 20 EXECUTIVE DIRECTOR SNOW: Yeah. I think
 21 in this particular alternative, having the north of Delta
 22 storage combined with a facility which allows you to move
 23 it across the Delta, then gave you both water supply and
 24 then fisheries benefits that you can release the water up
 25 on the Sacramento River at appropriate times to move fish

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1 down into the Delta, so you're getting more bang for the
 2 buck out of it. I think that's why, in this one, you're
 3 seeing it broken out that way, but the quantities of
 4 storage, I think, are pretty rough at this point.
 5 VICE-CHAIRMAN MCPPEAK: Do you have the
 6 sites in mind for, like, the upstream storage?
 7 EXECUTIVE DIRECTOR SNOW: No. Specific
 8 sites? No.
 9 And, in fact, in some cases, upstream storage
 10 could be surface water, conjunctive use, or both.
 11 VICE-CHAIRMAN MCPPEAK: Right.
 12 CHAIRMAN MADIGAN: Tom.
 13 MR. GRAFF: Bringing up an isolated
 14 facility makes me think of another sort of angle on this.
 15 We've got sort of the financial angle covered
 16 by having Zach McReynolds early in the process, through
 17 processing information, and it's obvious, from
 18 Linda Adams's appearance, that we've got at least some good
 19 contacts in the State Legislature.
 20 What is the program doing? What might BDAC do
 21 to contact Federal Legislatures who have an interest in
 22 these matters?
 23 And then as soon as you get into isolated
 24 conveyance, I think the Delta congressmen, like Miller and
 25 Baker and Pombo -- are they being factored into this

1 process early on?
 2 EXECUTIVE DIRECTOR SNOW: Probably the
 3 answer, Tom, is, "not enough."
 4 We took a trip back to try to brief both
 5 agencies' staff people back in Washington, as well as
 6 briefing Congressional and Senate staff, California
 7 Congressional and Senate staff. We provided that briefing
 8 in briefing documents, and indicated that sometime after
 9 getting to this stage, where we've got something to talk
 10 about, we would go back again, but also I think, reaching
 11 this stage, that BDAC members who have regular
 12 relationships with some of those people may also want to
 13 play a role in making sure that those individuals are
 14 briefed on what's going on, but beyond that, we've made no
 15 specific outreach since this document has come together,
 16 which has been in the last couple of days.
 17 MR. GRAFF: I mean there's a hearing.
 18 Congressman Doolittle's got a hearing, basically on
 19 Congressman Pombo's behalf and his district, to talk
 20 about -- I don't know -- CVPR, I guess, and other things.
 21 I mean is this -- is there going to be any
 22 connection to that hearing?
 23 EXECUTIVE DIRECTOR SNOW: We had not
 24 talked about that.
 25 Is that developed as a CVPR hearing?

1 because the subject before the house on the development of
 2 alternatives is pretty important in this whole process, to
 3 ask if there are members of the public who wish to be heard
 4 on this issue.
 5 I have not received any cards.
 6 MR. HASSELTINE: The stakeholders, Byron,
 7 Gary.
 8 EXECUTIVE DIRECTOR SNOW: Is Ms. McPeak
 9 seriously ill?
 10 CHAIRMAN MADIGAN: Boy, I don't know, but
 11 that's a good question.
 12 Mr. Buck, did you --
 13 MS. GROSS: Yeah, I think we have actually
 14 two or three.
 15 CHAIRMAN MADIGAN: We have actually two or
 16 three. All right.
 17 MR. BOBKER: Three blind mice will
 18 approach the podium and try not to trip over their tails.
 19 CHAIRMAN MADIGAN: Mr. Bobker.
 20 MR. BOBKER: We're charter members of
 21 Overhead Enders. Our contribution to the long-term
 22 solution will be to contribute to the long-term funding by
 23 saving on the graphics.
 24 I'm Gary Bobker. I'm a policy analyst for the
 25 Bay and the City of San Francisco and I'm Program

1 MS. SELKIRK: They're saying that it's
 2 not.
 3 MR. ZUCKERMAN: Much broader.
 4 MR. GRAFF: Well, I don't know.
 5 Zuckerman's hiding out back there. He might know.
 6 MR. ZUCKERMAN: They're saying it's
 7 broader.
 8 MS. SELKIRK: Yeah.
 9 EXECUTIVE DIRECTOR SNOW: So does that
 10 mean that it would be appropriate for us to see if we
 11 should present something on this?
 12 MR. ZUCKERMAN: How much courage do you
 13 have?
 14 MR. HILDEBRAND: I doubt if you can get on
 15 the agenda at this late date.
 16 EXECUTIVE DIRECTOR SNOW: But we're
 17 CALFED, Alex.
 18 MR. HILDEBRAND: A few of us have been
 19 invited to be on the agenda, and we were given five
 20 minutes. So they've got a pretty schedule.
 21 EXECUTIVE DIRECTOR SNOW: Well, maybe the
 22 proper thing to do is to let them know that we're available
 23 if they'd like to know what's going on.
 24 CHAIRMAN MADIGAN: Anybody else?
 25 All right. Then this is an appropriate time,

1 Coordinator for the Environmental Water Caucus. I've been
 2 involved in a series of meetings and negotiations with a
 3 group that's a diverse group of agricultural,
 4 environmental, fishing, and urban water interests; by no
 5 means inclusive of all interests, but covers a very wide
 6 range that's been dubbed "the stakeholders group," although
 7 we certainly don't -- again, we don't represent all
 8 stakeholders in toto, and over the last year, we have been
 9 working on exploring whether it's possible for us to reach
 10 joint positions on the alternatives that should be analyzed
 11 during the formal NEPA/CEQA review by the CALFED
 12 Bay-Delta Program.
 13 The document that's being passed around
 14 represents a working document. It is not a formal position
 15 of any of the stakeholder groups, but we felt it was
 16 appropriate to share it with you to give you an idea of the
 17 areas of agreement that we've reach, which we think are
 18 substantial, and the areas of disagreement that still exist
 19 that we think need to be worked on.
 20 What we have not done is identify a discreet
 21 set of alternatives. That's for the same reasons that
 22 CALFED has not done yet. There's a lot of work that needs
 23 to be done, and instead, what we have focused on is to
 24 identify those elements which either are a necessary part
 25 of any alternative that's looked at or the range of

1 components that should be covered in some alternative, and
 2 let me -- what I'm going to do is go briefly through these
 3 recommendations and then ask Byron Buck of the California
 4 Urban Water Agencies and B.J. Miller representing the
 5 San Luis Delta Mendota Water Authority to elaborate on
 6 certain aspects, particularly dealing with some of the
 7 long-term assurance issues and water supply issues.

8 The recommendations at this time, of the
 9 stakeholder group, focus on the following components for
 10 alternatives: First of all, every alternative should
 11 contain a comprehensive ecosystem restoration program and a
 12 comprehensive efficient water management program.

13 The idea is that this is something approaching
 14 a generic element for all alternatives. It's essential to
 15 the success of alternatives to be able to solve long-term
 16 Bay-Delta problems.

17 There are also a range of options to address
 18 water supply system infrastructure and operation elements
 19 in order to improve the water supply reliability,
 20 predictability, water quality, and disaster management.

21 And then, finally, there are the issues of what
 22 kinds of arrangements, elements, and other factors are
 23 needed to assure that long-term solutions will be fully
 24 implemented.

25 And the suggestions that are contained in this

1 We've also identified a number of places where
 2 improvements to flow and operational conditions in the
 3 system would be highly beneficial, and finally, along the
 4 lines of category three in the Bay-Delta accord, identified
 5 a number of management programs to address a number of
 6 nonflow-related issues, such as reductions in pollutant
 7 loading from a number of different types of users, removal
 8 of barriers to fish migration, changes in control of
 9 illegal and legal harvest, and measures to control the rate
 10 of introductions or rate of invasion of exotic species.

11 There's a number of principals that have guided
 12 us and that we think are important in guiding the analysis
 13 of that, which I'm not -- they are listed there. I'm not
 14 going to go into them right now.

15 The second generic element that we think is
 16 important for the success of any alternative is a
 17 comprehensive, efficient water management program.

18 Here, as with the ecosystem restoration
 19 program, the diverse interests agreed this was essential.
 20 However, unlike the ecosystem restoration program, where I
 21 think we had a high degree of agreement of what was
 22 potentially valuable to be included as potential core
 23 elements, there are some basic disagreements. This is an
 24 important area where we need to do some work, and obviously
 25 that was -- that's parallel to comments made by Lester

1 document identify some of the high priorities for the
 2 comprehensive ecosystem restoration and efficient water
 3 management programs, identifies some options we think are
 4 most worthy of further analysis, and makes some -- address
 5 some key questions that need to be answered in terms of
 6 long-term assurances.

7 Some of the participants in the stakeholder
 8 negotiations have prepared documents which offer in greater
 9 detail -- discuss in greater detail the components of these
 10 recommendations and some of the assumptions, the ideas
 11 behind our analysis of those, and I will be submitting
 12 those separately to you.

13 The comprehensive ecosystem restoration
 14 program, we have identified potential core elements that
 15 would be -- that should be a part of every alternative.
 16 These are elements that were identified as having high
 17 biological value, which now need to be analyzed for
 18 their -- to be submitted to impact analysis and feasibility
 19 analysis, and the main components of ecosystem restoration
 20 that we've identified would be comprehensive physical
 21 habitat restoration throughout the entire estuary, which
 22 would focus on high-priority habitats, including tidal
 23 wetlands, fresh-water seasonal wetlands, shaded riverine
 24 habitat, edge habitat, which includes a number of different
 25 types of physical habitat, and river meander belts.

1 earlier about how we integrate demand management to the
 2 CALFED program.

3 We identified urban and agricultural water
 4 management, water conservation practices and enhancing
 5 reclamation groundwater management, and I think it's fair
 6 to add their access to water transfers as well, as some key
 7 components.

8 There are -- I guess there are two outstanding
 9 areas of disagreement or concerns that have been expressed
 10 by the environmental community in general. The first would
 11 be that the scope of agricultural and urban water
 12 conservation practices, we believe, needs to be expanded to
 13 include many things beyond what have been identified thus
 14 far in processes to establish urban and agricultural water
 15 conservation practices.

16 And secondly, we have concerns about what are
 17 the appropriate levels of assured -- how do we set goals?

18 What are the proper goals for those
 19 conservation efforts, and how do we assure that districts
 20 will comply with those and achieve the kinds of goals we're
 21 setting?

22 The third area, which is rather inelegantly
 23 labeled "Options to improve water supply reliability and
 24 predictability, water quality, and disaster management,"
 25 essentially give us --

1 CHAIRMAN MADIGAN: Is that an acronym?
 2 MR. BOBKER: It might be easier if it
 3 were.
 4 Let me try to explain what we're doing here.
 5 Essentially what we're looking at is elements
 6 in the water supply system, either the infrastructure or
 7 operational, the operations of the water supply system,
 8 which would help to meet those goals. These are not
 9 alternatives in and of themselves. They are a range of
 10 options which might help us to meet water supply and water
 11 quality-related goals, and none of these that are included
 12 are endorsed as the particular way to go.
 13 What we've tried to do here is narrow the
 14 universe to some things that we think are at least worthy
 15 of -- they should be seriously considered, although
 16 obviously all of them have constraints and problems as well
 17 as potential benefits.
 18 The agricultural and urban water users in the
 19 environmental community, or members of the environmental
 20 community that were involved, generally agreed that certain
 21 options were -- were able to reach agreement that certain
 22 options seem to be worthy of further analysis.
 23 "Improved modified through Delta conveyance"
 24 refers to making changes in the Delta, continuing to use
 25 the Delta as the primary conveyance through Delta as a

1 to be studied further.
 2 The agricultural and urban interests believe
 3 that the east-side canal, which would use foothills which
 4 would divert water on the Sacramento River north of the
 5 Delta and go through the foothills and then meet up with
 6 existing canals is worthy of further analysis.
 7 We were also able to agree on at least two
 8 options that weren't worthy of further analysis. Two
 9 options that have been the mainstays of past efforts to get
 10 new Delta facilities, traditional modified through Delta
 11 conveyance -- it kind of sounds like a sort of new laundry
 12 detergent, but essentially we're referring to the
 13 traditional method of just widening channels in the Delta
 14 to improve conveyance, and the traditional peripheral
 15 canal, a large-size peripheral canal, was agreed was not an
 16 option that we felt provided the benefits we were looking
 17 for.
 18 There's a, I think in general, a lot of
 19 agreement about the kinds of -- many of the water supply
 20 systems goals that we're trying to meet, particularly in
 21 regards to meeting water quality needs and reducing the
 22 vulnerability of the system. I think there's general
 23 agreement in terms of water supply. There's some agreement
 24 on focusing on water supply system elements to enhance
 25 opportunities in the Delta, but perhaps some disagreement

1 conveyance, but making modifications to the system.
 2 However, these would be different modifications that have
 3 been proposed previously by the -- for instance, by DWR.
 4 Secondly, the use of in-Delta storage or the
 5 chain of lakes, and that could be in any configuration from
 6 a few islands for storage up to a completely isolated
 7 storage system.
 8 A modified isolated transfer facility,
 9 essentially a much greatly downsized version of a
 10 peripheral canal, which would -- and perhaps it's not
 11 really right to identify it that way -- which could be --
 12 which could range in size from the minimum needed to meet
 13 some critical drinking water quality needs up to the
 14 maximum to meet the combined project conveyance capacity.
 15 There are also combinations of the above that
 16 might be useful to investigate.
 17 In addition to those that we were able to
 18 jointly agree on were worthy of further analysis, we felt
 19 that there were a couple others that should be in there,
 20 but were not able to reach agreement on those.
 21 The environmental community strongly believes
 22 that existing through Delta conveyance with no structural
 23 changes, but with major operational changes, as well as the
 24 inclusion of the comprehensive ecosystem management and
 25 water management programs is an important option that needs

1 about, number one, the scope of how that would tie in with
 2 measures outside the Delta and, secondly, how opportunities
 3 for enhancing water supplies should be treated, as opposed
 4 to simply making current supplies more reliable or
 5 predictable, and I'm going to ask -- I think Byron is going
 6 to address that issue.
 7 I think that that -- that concludes my review
 8 of the main elements, and I'd be happy to take questions
 9 or -- either now or after Byron and B.J. have completed
 10 their review.
 11 CHAIRMAN MADIGAN: Questions now.
 12 Hap.
 13 MR. DUNNING: With regard to the enhanced
 14 efficient water management program where, as potential core
 15 elements, the best management practice is for urban
 16 conservation and efficient water management practices for
 17 ag are mentioned, what would your response be, Gary, to the
 18 comment this morning that, in effect, there should be
 19 something comparable with regard to the environmental uses?
 20 MR. BOBKER: well, I think that in terms
 21 of -- we have to define pretty carefully what we mean by
 22 "environmental uses," and I had a chance actually to talk
 23 to Steve Hall a little about what he meant and didn't mean,
 24 and I think his clarifications today were helpful.
 25 In terms of holding in-stream flows or aquatic

1 habitat up to the same kinds of demand-management
 2 expectations I think is unrealistic and unwarranted.
 3 However, in terms of using water efficiently to support new
 4 habitats or when we're diverting water and applying it to
 5 environmental projects, I think that there's some real room
 6 there to establish some standards for efficient water use
 7 in those sectors.

8 So while I think that it can be applied
 9 usefully to certain areas of environmental water use, I
 10 wouldn't be comfortable with it as a general overarching
 11 principal for environmental water use, but I think it's an
 12 area that clearly needs further discussion.

13 CHAIRMAN MADIGAN: Sunne?

14 VICE-CHAIRMAN McPEAK: Gary, I think you
 15 may have almost addressed this thoroughly, but on the
 16 broadly-defined options of further analysis, could you
 17 elaborate on the difference between the -- give us more of
 18 an elaboration on the difference between the improved
 19 modified through Delta conveyance and the traditional
 20 modified through Delta conveyance?

21 You mentioned just widening channels as sort of
 22 characteristic of the traditional --

23 MR. BOBKER: Right.

24 VICE-CHAIRMAN McPEAK: -- modified through
 25 Delta conveyance, but I don't have a clear idea of what

1 CHAIRMAN MADIGAN: Okay.
 2 VICE-CHAIRMAN McPEAK: Okay. And at some
 3 point maybe Tom can address -- I've been trying to
 4 reconcile the -- well, reconcile your letter with what's
 5 been presented and understand the real -- the issues that
 6 David raised.

7 Maybe, Tom, if you could comment on that now.

8 MR. GRAFF: You want me to comment on it
 9 now?

10 VICE-CHAIRMAN McPEAK: If you could.

11 MR. GRAFF: Yeah. I mean I think what we
 12 said was that we had not been as active on the recent
 13 meetings of the stakeholders as some of our colleagues and,
 14 when presented with this document in its final form just a
 15 couple of days ago, didn't feel like we could endorse it as
 16 is and laid out in our letter initial concerns about what
 17 was in the document that's just been distributed and
 18 discussed, and the main concern, I think, as echoes things
 19 I have been bringing up over the last several meetings, has
 20 to do with quantity of water that will actually be required
 21 to be exported from the Delta and alternatives that may
 22 exist to reduce that, in particular alternatives in
 23 Southern California and transfers.

24 Looking at what is in the section on the
 25 guiding principals, one of the things that concerns me is

1 would be contained in the improved modified through Delta
 2 conveyance.

3 MR. BOBKER: We'll know when we get there.

4 There are some different versions of what that
 5 might look like, and I think the big differences are that,
 6 with the traditional modifications proposed, really involve
 7 creating, at the risk of oversimplifying, sort of a highway
 8 for water to move through the Delta, and some of the
 9 options we're looking at in terms of improved modifications
 10 might combine environmental and water supply benefits where
 11 you would use areas of shallow-water habitat as a way of
 12 allowing more water to move through the system, but
 13 effecting the velocity, allowing opportunities for aquatic
 14 organisms to disperse through the system.

15 There are some really interesting ideas there;
 16 how workable they are, we don't know, but we're interested,
 17 I think, in seeing whether these modifications can combine
 18 environmental and water supply benefits.

19 VICE-CHAIRMAN McPEAK: Okay. Then can you
 20 enlighten me?

21 Is what you just presented the subject of the
 22 letter for media?

23 CHAIRMAN MADIGAN: Tom?

24 VICE-CHAIRMAN McPEAK: It is?

25 MR. GRAFF: Yes.

1 that, although the title has to do with water supply
 2 reliability and predictability, at least the CUWA-Ag policy
 3 group clarification, you know, I think fairly reads as
 4 basically that they want more water, and I think that's
 5 going to be the rub. That's where we're going to be faced
 6 with some very hard questions as we move forward.

7 CHAIRMAN MADIGAN: Do you have any extra
 8 copies of that letter?

9 VICE-CHAIRMAN McPEAK: Wasn't this the
 10 one --

11 MR. GRAFF: Do you want to --

12 VICE-CHAIRMAN McPEAK: -- distributed?

13 CHAIRMAN MADIGAN: For whatever reason, I
 14 don't seem to have one in front of me here.

15 MR. GRAFF: I'm down to my last one.

16 CHAIRMAN MADIGAN: All right. I'll get a
 17 copy. You don't worry about it.

18 VICE-CHAIRMAN McPEAK: Okay. Here's one,
 19 Mike.

20 CHAIRMAN MADIGAN: It's all right.

21 VICE-CHAIRMAN McPEAK: But I think --

22 MR. COTTINGHAM: Can I get a clarification
 23 from Tom?

24 CHAIRMAN MADIGAN: Yeah. Sure.

25 Absolutely.

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1 David.

2 MR. COTTINGHAM: Tom, when you talk about

3 more water, what are you assuming is the baseline?

4 MR. GRAFF: Well, I don't know. Maybe you

5 should ask Mr. Buck and Mr. Miller when they get up. I

6 mean it -- what it says here is, to me, current and future

7 reasonable needs.

8 MR. COTTINGHAM: Do you have any thoughts

9 on that, Gary?

10 MR. BOBKER: I'm going to let Byron take

11 that one.

12 CHAIRMAN MADIGAN: Well, let's see if

13 there are any more questions here, first, for Gary, before

14 we move on.

15 Are there any --

16 MS. NOTTOFF: Can I just --

17 CHAIRMAN MADIGAN: Ann.

18 MS. NOTTOFF: -- clarify how that -- the

19 way I read that is that's -- you're on page eight there?

20 MR. GRAFF: Right.

21 MS. NOTTOFF: Is that what you're

22 referring to?

23 MR. GRAFF: I mean you can --

24 MS. NOTTOFF: And that's saying that

25 CUWA-Ag, they're -- they were not able to come to agreement

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1 with the environmental stakeholders --

2 MR. GRAFF: Right.

3 MS. NOTTOFF: -- on that.

4 MR. GRAFF: I understand. I understand.

5 MS. NOTTOFF: So I just wanted to -- see,

6 I think there were a couple of other environmental groups

7 that didn't sign on to this at this point because of time

8 constraints and the fact that they have been busy divert --

9 they have been diverted fighting CVPRA and other things and

10 haven't been able to participate as fully in the

11 stakeholder process as they might have.

12 CHAIRMAN MADIGAN: Okay. Thank you.

13 Anybody else?

14 MR. BOBKER: One or two clarifications.

15 CHAIRMAN MADIGAN: Gary.

16 MR. BOBKER: On the -- I think that Tom

17 and Dave Yardas, in this letter, pointed out concerns about

18 the extent to which water management measures throughout

19 the State or the areas of use will be applied, and I think,

20 to a certain extent, the language about using options to

21 improve water supply, et cetera, sort of suggests that

22 those are all the options, and we want to make clear that

23 we're not suggesting that the water management tools are

24 restricted to fixes in the Delta, but that, in terms of

25 infrastructure, we were saying that a focus on the Delta in

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1 conjunction with a full range of measures outside the Delta

2 was perhaps one way to focus.

3 Also, there was some disagreement about how we

4 treat the issue of enhanced water, and I think that's why

5 the disagreement is in here, in terms of characterizing

6 what water is available for water users and what water is

7 available for in-stream uses, and that's expressed in the

8 language that you see here.

9 One last point in that is that -- and, again,

10 as this is a working document, I think that what you're

11 going to see over the next few months is -- just as CALFED

12 refines its alternatives, is that we will begin to express

13 our preferences and refine some of these as individual

14 groups as well as a stakeholder group, but I want to give

15 Byron the opportunity to maybe expound a little bit more on

16 the water supply aspect.

17 CHAIRMAN MADIGAN: Okay. Mr. Buck.

18 MR. BUCK: Thank you, Mr. Chairman.

19 I'm Byron Buck with the California Urban Water

20 Agencies.

21 In addition to discussing this one issue, I

22 just wanted to underscore and elaborate on a few other

23 points that I think this document brings out.

24 One, that I believe it's noteworthy that we've

25 got broad agreement here on what constitutes an

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1 alternative, that we've really got four basic elements

2 there and a lot of detail behind that. We all want

3 ecosystem restoration. We all believe that enhanced water

4 management is part of the solution. We agree there have to

5 be options in there to improve water supply reliability and

6 provide for disaster protection and improved water quality,

7 and fundamentally, and this is what B.J. will talk about,

8 we need a good solid legal and institutional structure put

9 forth on any comprehensive alternative we bring out to make

10 sure that the benefits we all need, from all stakeholder

11 viewpoints, are achieved.

12 Going to this page eight issue, where we talk

13 about the options to improve water supply reliability,

14 there's broad agreement that we want a Delta focus in this

15 program and that we have to solve the Delta-related

16 problems, but that we can provide linkage to actions

17 outside the Delta that help improve the utility of the

18 solutions that are applied in the Delta. Such things as

19 water management in the demand areas can help improve the

20 management tools you would apply in the Delta.

21 There is certainly a philosophical difference,

22 I think, that is pointed out by the two statements on page

23 eight on how the CUWA-Ag view of the Delta as a water

24 supply resource and how the environmental view currently

25 lays out.

1 The CUWA-Ag view is certainly that once the
 2 water quality standards are being met and those standards
 3 have to be -- or objectives have to be set by the science,
 4 and we're willing to go with what the science says they
 5 should be, up or down, that there is water, once those
 6 standards are being met, to meet reasonable beneficial
 7 needs and consumptive needs outside the system, as long as
 8 the diversion of that water, the impacts of that and any
 9 return flow that's coming from that are mitigated.

10 The environmental view, if I can paraphrase, is
 11 more that any additional diversion out of the Delta causes
 12 an environmental impact. There are different degrees,
 13 however, of impact.

14 A diversion in a dry year, in the spring, is
 15 probably the worse thing to do, but as Lester has pointed
 16 out in his graphs today, there's a lot of water in wet
 17 years, and where we do agree is that we think there's a lot
 18 of room to manage the system from, you know, a large
 19 variety of aspects to move that wet-year water to apply it
 20 into the spring periods of dry years, perhaps even above
 21 and beyond what the water quality standards would require
 22 you to do to get environmental improvement, yet, at the
 23 same time, share that water, produce yield out of that
 24 water that is going to be beneficial to water users.

25 So that is sort of how the debate arrays

1 solution, and then we are all able to take that back to our
 2 own constituencies.

3 So at that point, I can take any questions, or
 4 we can go to B.J. to talk about the institutional and legal
 5 features.

6 CHAIRMAN MADIGAN: Questions for Mr. Buck?

7 Thank you, Byron.

8 Mr. Miller.

9 MR. MILLER: My name is B.J. Miller, and
 10 I'm here representing Dave Schuster today.

11 Actually it's true. I talked to Dave, and
 12 Kern County couldn't make it, and so I'm representing the
 13 San Luis Delta Mendota Water Authority and the Kern-Tulare
 14 area and probably some more parts of California
 15 agriculture.

16 I wanted to also emphasize the points that
 17 Byron made on behalf of the urban water agencies, that the
 18 ag users that I represent are -- have bought into this idea
 19 that we need a comprehensive ecosystem restoration program,
 20 that it ought to be a large-scale program, that it ought to
 21 have assured funding.

22 We are a little less certain about the benefits
 23 of that program. We think there's some work that has to be
 24 done to try out some of these ideas, see if they work, see
 25 what the benefits are, what the practical problems are. We

1 philosophically, but I think there are certainly ways to
 2 share and manage this resource without getting too
 3 entrenched on any philosophical positions.

4 I would just like to also add, on the issue of
 5 transfers, that on page six it appears that there was no
 6 CUWA-Ag consensus or consensus overall in the utility of
 7 transfers, and I think that was a product that everybody in
 8 this process pretty well thought it was a given, a core
 9 action that -- that transfers and improving transfer
 10 mechanisms was going to be part of the solution. We
 11 certainly, from the CUWA-Ag view, don't view it, nor we do
 12 demand-management actions, as the sole silver bullets that
 13 are going to solve the problems, but they are definitely
 14 integral in process and definitely integral as core
 15 actions.

16 I think, just in closing, the stakeholders
 17 process that we have all been engaged in is a learning one
 18 for all of us. We are learning about the other
 19 stakeholders' interests, trying to find ways to incorporate
 20 that, and then trying to go back to our various
 21 constituencies and educate them on why we've come up with
 22 the compromises and the solutions and the creativity that
 23 we have, much the same as this group is having to do, to
 24 educate each other and to understand the others' interests
 25 and to collaborate in a way that we come to a balanced

1 think this is going to take a long time, but we have
 2 basically bought into the idea that a major program like
 3 that should be part of every alternative, and similarly, we
 4 have bought into this efficient water management, the idea
 5 of a comprehensive program for more efficient water
 6 management.

7 And as I'll mention in just a minute, we bought
 8 into the idea that once we figure out what that means we
 9 have to figure out some way to make sure that it happens,
 10 so we're not talking about just paying lip service to that
 11 idea.

12 At the close of the last stakeholder meeting,
 13 where we came to agreement on the document that we're
 14 talking about today, we talked about what the stakeholders
 15 might do next, and the general feeling was that we could be
 16 of most benefit to you if we undertook to address two
 17 issues. One was the question of assurances, and the other
 18 is the issue of funding.

19 Both of these, but especially the first, the
 20 question of assurances, we think we have some unique things
 21 to bring to that issue that maybe the CALFED Bay-Delta
 22 Program does not. There's a certain deal-making aspect to
 23 that that has to occur, and we -- that's what we did back
 24 for the December 15th agreement, and we think it would be
 25 appropriate to give that a shot, so I think that we're

1 going to have general agreement among the stakeholders that
2 those are the two things we take up next, assurances and
3 funding.

4 And I want to say a word about what we mean by
5 assurances.

6 If you buy the basic elements of an alternative
7 that we have agreed upon, namely comprehensive ecosystem
8 restoration, comprehensive program of enhanced efficient
9 water management, and options for improving water supply
10 reliability and addressing the water quality and levee
11 stability disaster management issue, and you just then sort
12 of stand back from each of those and ask yourself, okay,
13 what is it that you have to be assured of with each of
14 those, to make sure that they, in fact, occur as we think
15 they should.

16 For ecosystem restoration, you probably need
17 three things. You need -- if the program is going to take
18 place over years, you need to make sure that the money, the
19 stream of money to carry it out, is there. So we need
20 assurances that the money will be there over the long --
21 long haul.

22 You probably want some assurance that all of
23 these different programs, the category three program, the
24 CVPIA restoration fund program, and several other programs
25 that are addressing ecosystem restoration are carried out

1 addressing those three water-user objectives, that it
2 actually is operated the way that we all thought it was
3 going to be operated. This is particularly important if
4 something is going to be built in the Delta or around the
5 Delta, that if something like that is built, environmental
6 interests have to know that -- to be blunt about it, that
7 the export users won't get control of the valve and start
8 operating it in some way that no one ever intended, to do
9 more environmental damage, rather than to improve the
10 environment.

11 The water -- there's a -- the flip side of that
12 is the water users' need to know that if something is done
13 in the Delta to improve -- to address the water-user
14 objectives, that three years after its construction is
15 completed, if there's something to be built, that three new
16 species aren't listed and the water supply benefits that we
17 thought we were going to get go away. So we need
18 assurances that neither of those things will happen.

19 Now, the interesting thing to me about it is,
20 from a water user's standpoint, we also need the assurances
21 that -- the same assurances that the environmental
22 interests need, because some of us believe that the way to
23 achieve the water-user objectives, the only way to do it,
24 is to build something, and one of the problems we can
25 anticipate is that there will be those who will oppose

1 in a coordinated way, so that we don't waste money and
2 we're not tripping over each other. So that would be the
3 second thing you'd want to assure -- to ensure.

4 And you'd probably want to have some mechanism
5 for adaptive management; that is, for trying things out,
6 for seeing if they work, for adjusting, for trying
7 something else out. You have to have some administrative
8 or institutional mechanism that will allow you to do that,
9 and those are the three things -- there may be other
10 things, but those are certainly the three most important
11 for ecosystem restoration.

12 For enhanced water management, it's fairly
13 simple, is that once we figured out exactly what we mean by
14 that, how do we all know that it's actually going to be
15 carried out. So we need assurances that that will happen.

16 And then finally, on the question of building
17 something or modifying the Delta so that you can address
18 these three particular water-user objectives of enhanced
19 supply and supply reliability and water quality and
20 disaster prevention against the consequences of a disaster,
21 this one is a little trickier and I think a little more
22 interesting.

23 If I'm on the environmental side, what the
24 environmental interests will need is assurance that
25 whatever is done in the Delta, by way of solve --

1 anything to be built in the Delta, and they will oppose it
2 on the grounds that we can't trust its operation, that once
3 something is built the export users, with their greater
4 political and financial strength relative to
5 Northern California, will get their hand on the valve and
6 misoperate it.

7 We need -- water users need to be able to argue
8 effectively that that's not going to happen, so we need
9 those same environmental guarantees that the environmental
10 interests need. We need them to get things built, if, in
11 fact, something's going to be built. The environmental
12 interests need them to make sure that whatever is built, if
13 something is built, is operated the way we all thought and
14 not in a way that would damage the environment.

15 And I want to say just a word about the major
16 areas where we could not come to agreement, because they
17 are important to us. There are two of these areas.

18 First, we strongly believe that this program
19 ought to be focused on solving the Delta problem and not
20 the great California water supply demand problem, so we
21 disagree with what Tom said before lunch. For example, we
22 don't think this program ought to get into a detailed look
23 at Southern California's water supply, because, of course,
24 that leads to a detailed look at the Imperial Irrigation
25 District's water supply and the Kern-Tulare water supply,

1 and of course, we'd have to look at the east-side water
 2 supply, because they could be releasing some water down the
 3 San Joaquin River, and then we've got to look at the
 4 San Joaquin tributaries, and we're also going to have to
 5 look at the Bay area, because they're either exporting
 6 water around the Delta or diverting it out of the Delta,
 7 and we're going to have to look at those Sacramento River
 8 water users, to make sure that their water needs are being
 9 squeezed down as much as possible, and we're going to have
 10 to take on the Trinity course and take a good look at that.

11 We think that's a prescription for never
 12 getting to the end of this process. So we are strongly
 13 opposed to having this program do anything but focus on the
 14 Delta. It doesn't mean that things outside of the Delta
 15 don't have to be looked at, especially ecosystem
 16 restoration upstream and downstream of the Delta, but we do
 17 not believe it's the job of this program to redo
 18 Bulletin 160 or to solve the great California water supply
 19 demand program.

20 And, finally, we are not yet satisfied that the
 21 principals or the objectives, or whatever there are,
 22 accurately reflect the needs of the water users, in
 23 particular the -- especially the export water users, and we
 24 are working on language that we all agree with, and we'll
 25 get that to you as soon as possible, but it's those two

1 flexibility. It seems, at best, there's tension there; at
 2 worst, a glaring inconsistency between saying --
 3 MR. MILLER: I'd never admit to a glaring
 4 inconsistency, Hap. What we were --

5 MR. DUNNING: Okay.
 6 MR. MILLER: I was referring to
 7 adaptive --

8 MR. DUNNING: In the ideas, not --
 9 MR. MILLER: Yeah.
 10 MR. DUNNING: -- not you personally,
 11 but -- but in the ideas.

12 I mean pin it all down and say everybody is
 13 confident; this is the way we're going to do it, how can
 14 you then have adaptive management --

15 MR. MILLER: Oh, okay.
 16 MR. DUNNING: -- which has tremendous
 17 appeal to --

18 MR. MILLER: Yeah.
 19 MR. DUNNING: -- you know, learn from
 20 experience and change things as you go along, et cetera,
 21 et cetera.

22 MR. MILLER: I don't see an inconsistency.
 23 I think, for example, just -- I'm -- this is right off the
 24 top of my head. Okay? And don't write this down, Dennis.
 25 But let's say that -- let's say that we

1 areas where I think we -- and those -- that was reflected
 2 in our inability to agree among the stakeholders on those
 3 three water-user objectives.

4 Thanks.
 5 CHAIRMAN MADIGAN: All right. Thank you.
 6 Gary.

7 MR. BOBKER: "We," in the last ten
 8 minutes, was referring I think to -- to not all the
 9 stakeholders.

10 MR. MILLER: Right.
 11 MR. BOBKER: I just want to make that one
 12 clear.

13 MR. MILLER: You weren't -- that wasn't
 14 you?
 15 Oh, I'm sorry. I thought Gary was with us on
 16 that one.

17 CHAIRMAN MADIGAN: Yeah, that's right.
 18 Hap.

19 MR. DUNNING: Mike.
 20 B.J., most of what you said in the last part
 21 was about assurances and the need on all sides to have
 22 rather precise definitions of what's being done and
 23 confidence that there won't be deviations.

24 At the same time, at one point you mentioned
 25 adaptive management, which to me suggests a whole lot of

1 agree -- okay, that we agree that we should have a
 2 comprehensive ecosystem restoration program and that it
 3 should be funded at the rate of a hundred million dollars a
 4 year for -- in perpetuity, you know, and that we should
 5 have an institution that will coordinate all the ongoing
 6 programs that make up -- you know, contribute to that
 7 hundred million and add some additional -- administer the
 8 additional money that may come as a result of this program,
 9 and that this entity will also be charged with adopting
 10 some, say, overall vision of what ecosystem restoration
 11 should look like in the Delta and sets forth on a course of
 12 adaptive management over the years to realize that vision.

13 So there, it seems to me, we've got a pretty
 14 substantial assurance, namely the money and the institution
 15 and the vision, and we still have adaptive management to
 16 make sure that we're not buying into something right at the
 17 beginning that turns out to be a bust after, you know,
 18 we've tried it.

19 I mean am I saying something that's
 20 inconsistent with -- okay.

21 MR. DUNNING: It seems to me as you adapt
 22 you risk changing things for all kinds of people in the
 23 game, and they're going to come back and say, "Wait a
 24 minute. We thought we had some assurances."

25 MR. MILLER: well, I think the only place

1 we're talking about substantial adaptive management is
 2 probably in ecosystem restoration.
 3 I'm trying to think. If you built something in
 4 the Delta for water supply benefits, we're going to have to
 5 have something like we had in the December 15th accord, so
 6 that we satisfy both interests, so that the water users
 7 have a highly reliable idea of how much water they're going
 8 to get, and at the same time, we have some mechanism of
 9 addressing unforeseen environmental problems that may
 10 arise.

11 We came up with a solution to that, pretty much
 12 a solution -- I mean it's a 98 percent solution -- in the
 13 December 15th accord. I think we can do it in this case,
 14 too.

15 I don't think there's an inherent inconsistency
 16 in assurances on the one hand and adaptive management on
 17 the other.

18 If you ensure the money and set up the
 19 mechanism for the orderly spending of it and you have some
 20 broad goals that you're headed toward and you adaptively
 21 manage within that framework, it seems to me there you've
 22 got assurances, and I have to let Gary speak as to whether
 23 he thinks those would be assurances.

24 MR. BOBKER: Let me add that -- or
 25 clarify, that we think assurances need to be addressed.

1 implemented?
 2 These are not questions we have any answers
 3 for, but they are questions that we think need to be stared
 4 straight in the face, so --

5 CHAIRMAN MADIGAN: Tom.

6 MR. GRAFF: I have two points about
 7 assurances, existing assurances, and then a question about
 8 what today constitutes CUWA-Ag.

9 With respect to current assurances, as you
 10 know, from the other letter that was circulated today, the
 11 significant numbers of the members of this panel who
 12 represent environmental and related concerns believe that
 13 the effort in Washington to undermine the CVPIA reduces
 14 assurances in a couple of the areas that Dr. Miller just
 15 indicated were priorities of all the stakeholders, in terms
 16 of reducing quantities of money going to the restoration
 17 fund and cutbacks in the water transfer and pricing
 18 provisions of CVPIA, in terms of enhancing water
 19 efficiency.

20 And then, as far as the Bay-Delta accord is
 21 concerned, there are -- even though the environmentalists
 22 originally -- at least some environmentalists apparently
 23 sued to set aside the Bay-Delta accord. That suit was
 24 dismissed, but several important lawsuits are still
 25 existent from the agricultural community to try to set the

1 The question of whether those assurances can be achieved is
 2 not known at this point, I think, and that's why there are
 3 some questions that are listed here.

4 It may be that there are new institutional
 5 elements that will allow us to achieve adaptive management
 6 goals and ensure that we have the right kind of long-term
 7 ecosystem restoration. There may be new funding streams.
 8 There may be design elements. There may be things that we
 9 can -- if we consider whether we construct something or
 10 not, whatever kinds of options we're looking at, at how we
 11 operate the water supply system, structural or
 12 nonstructural, are there design elements that would prevent
 13 that from becoming a problem in the future or not; we don't
 14 know, but we think that those are the kinds of things,
 15 kinds of questions and kinds of problems that we need to be
 16 grappling with in the near future. As we look at
 17 alternatives, we need to look at the degree of assurance
 18 that they will go somewhat in the path that we would like
 19 them to go.

20 And one of the questions we asked was, you
 21 know, the things that have been raised, such as if you have
 22 a common Delta pool, can you solve problems in the Delta,
 23 you know, if you continue to export water in the Delta; if
 24 you don't have a common Delta pool, do you have any
 25 assurance that, you know, your long-term solutions will be

1 Bay-Delta accord aside, and which leads me to the question,
 2 "Who is CUWA-Ag," and in particular, "Who is Ag, when it
 3 comes to CUWA-Ag?"

4 CHAIRMAN MADIGAN: Would you like the
 5 answer to the first or the second question first?

6 MR. GRAFF: Well, I think they are
 7 related.

8 CHAIRMAN MADIGAN: Mr. Miller.

9 MR. MILLER: In this -- I'll let Byron
 10 speak for who CUWA is, right?

11 I mean --

12 CHAIRMAN MADIGAN: Yeah, but you can --
 13 you can speak to AG. It's okay --

14 MR. MILLER: Yeah.

15 CHAIRMAN MADIGAN: -- and they're related,
 16 and then we'll --

17 MR. MILLER: Yeah.

18 CHAIRMAN MADIGAN: -- get to Byron.

19 MR. MILLER: And AG, in this proceeding
 20 was -- Northern California AG was there, San Luis Delta
 21 Mendota West-Side Ag was there. Kern-Tulare was there.
 22 Let's see. I don't believe the San Joaquin tributaries
 23 were there. Delta --

24 MR. HILDEBRAND: Neither was the Delta
 25 there.

1 MR. MILLER: -- interests were there,
 2 but -- huh?
 3 MR. HILDEBRAND: Neither was the Delta
 4 there.
 5 MR. MILLER: Yeah, they were there, but
 6 they --
 7 MR. HILDEBRAND: No, they weren't.
 8 MR. MILLER: -- they chose not to be
 9 listed as there.
 10 MR. HILDEBRAND: Who was there from the
 11 Delta?
 12 MR. MILLER: Nomellini was there.
 13 MR. HILDEBRAND: He was not a party to the
 14 December 15th accord.
 15 MR. MILLER: No. No. I thought you were
 16 talking about this thing, this that we're talking about
 17 today.
 18 MR. HILDEBRAND: Well, he attended one
 19 meeting and just as an observer.
 20 CHAIRMAN MADIGAN: Okay. So but anyway,
 21 Tom, you can put your own interpretation on who was there,
 22 but there's the answer to the second question.
 23 And the answer to the first question, Byron,
 24 is?
 25 MR. BUCK: California Urban Water Agency

1 California as long as I can remember, that that's an
 2 indication that we can't have assurances. I think we can
 3 develop some assurances for things that we think will
 4 happen will, in fact, happen, but we've just never
 5 seriously tried.
 6 MR. GRAFF: Would you agree that to the
 7 extent that either a bill passes in Washington that reduces
 8 the assurances on CVPIA from the environmental perspective,
 9 we would have to make that up in this process?
 10 MR. MILLER: Gee, I don't know, you know.
 11 It seems to me what this process has to do is to, you know,
 12 solve the Delta problem, and you know, if they do that you
 13 might not need any CVPIA. I don't know, you know.
 14 CHAIRMAN MADIGAN: Well, this has been
 15 fun.
 16 Stu, you are next, and then Mary.
 17 MR. PYLE: I was simply going to support
 18 some of the things that Mr. Miller said, but I think they
 19 stand on their own, and I'll accept that.
 20 CHAIRMAN MADIGAN: All right, Mary.
 21 MS. SELKIRK: B.J., I just had a question.
 22 I noted with interest, when you were elaborating on --
 23 early on about the needs for assurances on both sides,
 24 particularly if there's any kind of facility or physical
 25 structure that comes out of the CALFED -- this CALFED

1 has essentially been who it's always been, and right now
 2 it's the ten largest municipal providers in the State,
 3 Bay Area, and Southern California.
 4 CHAIRMAN MADIGAN: Tom, did you want to
 5 follow up on it?
 6 MR. GRAFF: Yeah. Well, a quick follow-up
 7 in terms of the assurances.
 8 Do you want to comment on that?
 9 MR. BUCK: No.
 10 MR. GRAFF: I mean does it matter that
 11 CVPIA is under attack and that Bay-Delta accord is in
 12 litigation?
 13 MR. MILLER: Well, I can answer that.
 14 I don't think that's relevant to this question
 15 of assurances, because I don't think we've ever addressed
 16 the question of assurances. I mean certainly the CVPIA was
 17 not the result of an agreement among, for example,
 18 environmental interests and Federal contractors. I mean it
 19 was just the opposite. And the attempts by the Federal
 20 contractors to amend that are not the result of an
 21 agreement with you guys to amend it.
 22 So I don't think we've ever really jointly
 23 taken up the question of assurances, so I don't think we
 24 can say or imply that because there is this given -- this
 25 sort of ongoing give and take, that's been ongoing in

1 process, that you used -- as an example of the kinds of
 2 guarantees that export users would need, you referred to
 3 the potential for facing new ESA listings in the Delta.
 4 MR. MILLER: Right.
 5 MS. SELKIRK: So I noted that -- with
 6 interest, that you used that as an example.
 7 MR. MILLER: Right.
 8 MS. SELKIRK: I know that was part of the
 9 Bay-Delta accord, but that's something that, certainly from
 10 the diverter's side, would be something that you'd want to
 11 discuss in the stakeholders group, as far as assurances
 12 go --
 13 MR. MILLER: Absolutely.
 14 MS. SELKIRK: -- whether or not --
 15 MR. MILLER: Yeah.
 16 MS. SELKIRK: -- exempting the Delta from
 17 the Endangered Species Act might be part of that.
 18 MR. MILLER: well, that wasn't what we did
 19 in the December 15th accord. What we did there was we said
 20 that given the requirements, the operational requirements
 21 on the State and Federal water projects and the outflow
 22 requirements or the X2 requirements and the other
 23 requirements in the Delta that were included in that
 24 accord, given those requirements, we could expect a certain
 25 amount of water out of the Delta, and that if, because of

1 the Endangered Species Act or other environmental reasons,
 2 it was necessary to set additional requirements or new
 3 requirements that would restrict the amount of water and
 4 cut the amount of water that the State and Federal water
 5 projects would have otherwise received, that in the same
 6 motion, so to speak, the ops group, the CALFED ops group,
 7 had to, with its best intentions, and that's what the word
 8 was "intent," figure out how that water would be made up.

9 Okay. So we weren't, in that particular
 10 situation, presuming that we could, in the December 15th
 11 accord, override the Federal Endangered Species Act.

12 All we were saying was that if it became
 13 necessary under that Act to do things that would cut the
 14 water supply, that the State and Federal water projects
 15 thought they were going to get as a result of the
 16 December 15th accord, that there would be every attempt
 17 made to figure out how to make that water up, and something
 18 similar --

19 MS. SELKIRK: Okay.

20 MR. MILLER: -- could very well be the
 21 case here.

22 CHAIRMAN MADIGAN: Sunne.

23 VICE-CHAIRMAN MCPPEAK: Mr. Chairman, the
 24 discussion yesterday and this morning around SB 900 and its
 25 relationship to the Bay-Delta accord, brings up -- there's

1 that we are building off of CVPIA as a basic foundation.
 2 That's particularly true when it comes to the anadromous
 3 fish restoration plan, and so in many respects, if there
 4 was some substantive change to the amount of tributary work
 5 that would be done under the anadromous fish restoration
 6 plan, that would in some fashion have to be added back into
 7 this, and I think what we will do to further explain that
 8 is agendize this for the next meeting and perhaps be a
 9 little more substantive in our discussion about what we are
 10 assuming will happen under CVPIA and what the impacts would
 11 be of changing that, but what's guiding us, and reason in
 12 the past that you've seen me kind of minimize this
 13 conflict, is we have taken a view that there's only one
 14 healthy ecosystem, and that's what's at the end of this
 15 process.

16 And so I guess what's in question is whether
 17 we're starting from a 10-foot elevation or a 12-foot
 18 elevation and how far do we have to climb from there, and
 19 we can try to assess that.

20 One of the other issues, because while it's the
 21 stakeholders that have brought up the assurance issue, that
 22 is tracking on our process slightly behind developing the
 23 physical and operational alternatives, because we must also
 24 address the institutional issues, and one of the things I
 25 wanted to indicate, in relation to the comment that Tom

1 a parallel discussion, I think, as to the relationship of
 2 the CVPIA and the CVPRA, all of the letter that we have to
 3 the Bay-Delta process, and what we've been attempting to do
 4 is at least understand the dynamics in these other issues
 5 and the debate going on other places as it impacts us.

6 So while we probably can't take explicit action
 7 on a letter that's not agenda'd, I think that the questions
 8 that have been posed, how does the CVPIA relate to the
 9 Bay-Delta process, and if there are any changes, the
 10 proposed changes impacting this process really should be
 11 analyzed by our staff, as if Lester and folks need more to
 12 do, but quite honestly I think there is -- that is going to
 13 remain an undercurrent, if we don't get it out and deal
 14 with it on the table, and I don't know the answer to all
 15 that, and the relationship of the CALFED process to the
 16 SB 900, should there be changes in the CVPIA, I think
 17 also needs to be analyzed, and hopefully we can discuss it
 18 at the next meeting.

19 CHAIRMAN MADIGAN: Mr. Snow.

20 EXECUTIVE DIRECTOR SNOW: Let me make a
 21 couple comments about some of the issues that Tom has
 22 raised and we've gotten on the table here with CVPIA.

23 Certainly, as you study the alternatives and
 24 you look at particularly the habitat components and, if you
 25 have any familiarity with CVPIA, you will very quickly see

1 made, I personally think that one of the poorest forms of
 2 assurances is a State or Federal bill.

3 Congress is up for election every two years.
 4 We have term limits. And if we're relying on a bill to be
 5 passed to be the form of assurance, then I don't think we
 6 have much assurance, and so I think we really have to be
 7 creative on how we form real institutionalist assurances
 8 that have staying power and shelf life, because that's what
 9 everybody's asking for around the table, and legislation
 10 may play a role in it, but I think it will be a lesser role
 11 than some of the other things we need to address.

12 CHAIRMAN MADIGAN: Alex.

13 MR. HILDEBRAND: I think the most reliable
 14 form of assurance is to avoid building a facility which can
 15 readily be operated by one interest to the detriment of
 16 others.

17 CHAIRMAN MADIGAN: Ann.

18 MS. NOTTOFF: I think that it would be
 19 helpful for the next discussion, when we look at this, is
 20 if we maybe -- particularly that whether or not SB 900
 21 passes or whether or not CVPRA passes really affects
 22 financial strategy that we look at, and it will be useful
 23 to see a different -- you know, have one financial strategy
 24 assuming no change, you know, no SB 900, and no CVPRA, but
 25 then a financial strategy that assumes both of them pass or

1 that only one of them passes.
 2 I mean those are the type of pieces of the
 3 picture that I think we need to look at, you know, when
 4 we're looking at the alternative, so maybe that's something
 5 that we could have for the next meeting.
 6 CHAIRMAN MADIGAN: All right. Anyone
 7 else?
 8 Thank you all. I'm impressed that you're
 9 continuing to talk and even more impressed that you
 10 occasionally find some common ground.
 11 Anybody else?
 12 I'm sorry. Stu and then --
 13 VICE-CHAIRMAN MCPEAK: And then you have
 14 Tom.
 15 CHAIRMAN MADIGAN: Oh, I'm sorry. Okay.
 16 Tom Zuckerman. Excuse me.
 17 Stu.
 18 MR. PYLE: My point is on the question of
 19 overall objectives of the CALFED program, as B.J. brought
 20 up here.
 21 Are we looking at a CALFED plan that is going
 22 to result in restoration of the Delta with the best
 23 practical satisfaction of the four objectives that we have
 24 there, or are we looking at a plan that will solve the
 25 water supply problems of California for the next 25 years?

1 involved in, and I support the approach that CUWA-Ag took,
 2 but these are items that you can set out as givens that are
 3 going to be performed, and they are in all of the
 4 alternatives. I don't think you have to have, you know,
 5 high, medium, and low efforts in that, for this program so
 6 much.
 7 But nevertheless, my point here is that I think
 8 there needs to be more attention given to the objectives of
 9 the CALFED program. When we come down to the six to ten
 10 alternatives, what objective are they focused on, and when
 11 we come down to the last -- I don't know how many, but the
 12 last three alternatives on last, what is the objective
 13 focused on those?
 14 And I don't think we can have a changing and
 15 moving objective. I think we need to have just one and go
 16 towards it.
 17 CHAIRMAN MADIGAN: Thank you.
 18 Mr. Zuckerman.
 19 MR. ZUCKERMAN: Thank you, Mr. Chairman.
 20 I didn't really intend to take your time today
 21 and speak. I take my shots at the workshop sections, and I
 22 thought it best to leave this to your local audience to
 23 talk, but there was an informational item or two that came
 24 up in the discussions.
 25 Within the last several days, an effort has

1 And I think there's a little lack of definition
 2 on that point, one issue being its relationship to SB 900,
 3 when the first portion of SB 900 says that we will have
 4 established goals to meet the water supply needs of the
 5 State, I guess ad infinitum. I don't know exactly what
 6 SB 900 says on that point, but nevertheless, it establishes
 7 long-range goals for meeting the water supply, but then it
 8 reduces its financial program for the immediate future to
 9 satisfy ecosystem restoration for the Delta, and I think
 10 somehow, for the successful pursuance of the public
 11 acceptance of SB 900, we have to be very clear about what
 12 this program intends to accomplish in terms of future water
 13 supply and whether there is a remaining unsolved portion of
 14 future water supply that's going to be on the table after
 15 we finish this, and then how does that settle up.
 16 But I agree with the statement that B.J. made,
 17 Mr. Miller, that the proper course for the CALFED program
 18 to focus on is the restoration of the Delta and the
 19 establishment of plans, programs, operating conditions
 20 where you can satisfy the December 15th, 1994, accord, but
 21 I think what we're really looking at is satisfying that
 22 accord, and when we talk a lot of these outside Delta
 23 issues, particularly demand management -- and I still go
 24 back to my statements of this morning. I agree demand
 25 management is something that every district should be

1 been going on for a couple of months within the Delta has
 2 borne some fruit and a letter has been sent to Mr. Snow
 3 outlying a joint session by the three agencies within the
 4 Delta that are involved in protecting the Delta's water
 5 supply, arriving at common conclusions as to what type of a
 6 solution to this problem would be supported and work
 7 positively towards by the people within the Delta, and this
 8 may be an historical first, and I would like to add some
 9 emphasis to it, that I think that it is an important thing
 10 for you to consider, and I apologize for it being
 11 introduced rather late in the process.
 12 You don't have to get very far into the
 13 five-page presentation to find out that it's talking about
 14 a common-pool solution to the problem, which is absolutely
 15 essential in terms of the -- if I -- you know, if I took
 16 some other position here, lightning would either strike me
 17 dead, or it would be the last meeting you'd ever see me
 18 representing anybody from the Delta, and so you can't get
 19 rid of the problem by getting rid of Mr. Hildebrand and
 20 Mr. Nomellini and myself and Mr. McCarty and Sunne and so
 21 forth. I mean this is part of our birthright.
 22 CHAIRMAN MADIGAN: Not so fast.
 23 What's your list again?
 24 VICE-CHAIRMAN MCPEAK: Speak for yourself,
 25 Mr. Zuckerman.

1 MR. ZUCKERMAN: The other thing I just
2 wanted to clarify is that Mr. Nomellini did attend the last
3 meeting of the stakeholders group. It was the first one to
4 which he had been invited.

5 He did follow up that meeting with a fax to
6 Mr. Nelson, who's not here, asking that he not be listed as
7 an endorser of the proposal.

8 On the other hand, in my discussions with
9 Dan, we are encouraged by what appears to be a growing
10 consensus or acceptance within that group that some sort of
11 an approved through Delta facility might be the solution to
12 this problem, and we stand ready to work on that proposal
13 with some enthusiasm.

14 Thank you very much.

15 CHAIRMAN MADIGAN: Thank you.

16 Anybody else?

17 MR. COOK: Yeah, my name is Hunter Cook.
18 I'm the General Manager of Coast Municipal Water District.
19 We're a district that serves about 250,000 people between
20 Long Beach and San Diego, north of Camp Pendleton.

21 Just a couple of comments.

22 First, I'd like to express my appreciation for
23 your efforts here. I'm looking forward to great things out
24 of what's going on here. We're watching it with great --
25 great interest, but I'm impressed with the personal

1 Mr. Snow, let us try to move on with a
2 discussion of at least the introduction of core actions
3 today.

4 EXECUTIVE DIRECTOR SNOW: Okay. I will
5 try to be brief and make a couple of comments, and then
6 Sharon is prepared to kind of talk about the comments and
7 the material we got back from BDAC we sent out over the
8 holidays, but basically what you have in your packet, and
9 is also included in the workshop packet, is a modified list
10 of core actions that was developed with input from a lot of
11 different sources and some additional analysis. There's a
12 couple of themes in the core actions. One is that -- first
13 of all, I want to make it clear what the use of core
14 actions are.

15 The primary use is that these actions would be
16 included in every single alternative. There would not be
17 an alternative that did not include this set of actions.

18 Second, what we're trying to do in these
19 actions is to get a very broad support of stakeholders, so
20 that there's not highly controversial actions that are
21 being proposed, and that the actions can be implemented
22 immediately, and in many cases through voluntary or
23 cooperative partnerships. So when we're talking about
24 doing things for habitat, we're looking for local partners,
25 and so it's not an issue of the Government coming in and

1 investment that you're making in your time and your effort
2 here.

3 With regard to the alternatives, you had quite
4 a discussion today about how you might handle those things
5 and considerable comment about costs. I hope that when you
6 make your final decision that your decision is, first off,
7 what is best for the Delta, and then you take a look at
8 cost, and that's an opportunity to be creative and find
9 some way to fund it. Obviously cost is going to come into
10 the final decision, but there are ways to do the best and
11 still be able to pay for it.

12 Secondly, comments with regard to demand
13 management and comments about the BMPs, which I think are a
14 very good idea, and our district has an aggressive program
15 to implement those, but I think when Steve Hall was making
16 his comments about the environment and having that included
17 in consideration is we go out and tell people to not turn
18 on the sprinklers and wash the streets, and we look up and
19 we see hundreds of thousands of acre feet going out to the
20 ocean for no particular good reason, and that type of
21 thing. So if you take that into account, remember that
22 there are people to be considered also.

23 CHAIRMAN MADIGAN: Thank you, Mr. Cook.

24 All right. Thank you all very much. That's
25 been very, very interesting and instructive.

1 helping out the local people, but rather it's a partnership
2 to achieve some of these objectives.

3 One way to think about the core actions, as we
4 have tabulated them here, is, if all of a sudden the CALFED
5 program disappeared two months from now, would this be a
6 good list of actions for people to proceed with, if you had
7 a source of funding; would you have broad agreement, and
8 would you go ahead and do these things, and so is this a
9 good place to start.

10 I guess, without getting into details of what's
11 in the core actions, that's kind of a summary of what we're
12 trying to accomplish with that, and we have been getting
13 comments since these have been out to try to refine that
14 list. We think it can be very important, whether it's
15 SB 900 or some other source of funding. If we can find
16 funding, these are the kinds of things that we would like
17 to see progress being made on in the Bay-Delta system.

18 CHAIRMAN MADIGAN: Thank you.

19 Ann.

20 MS. NOTTOFF: So am I hearing you say that
21 one of the -- it can't be a core action if it's a
22 controversial action?

23 I mean some of the most controversial actions
24 could be some of the most effective actions that would
25 result in the greatest benefit to the ecosystem, so I

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1 wouldn't want to see the core actions be, by definition,
 2 the lowest common denominator.
 3 Sure, everybody can agree on them, because they
 4 don't do a whole lot. I mean --
 5 CHAIRMAN MADIGAN: I think you should
 6 look --
 7 MS. NOTTOFF: -- how do you --
 8 CHAIRMAN MADIGAN: -- at core actions as
 9 sort of the lowest common denominator that everybody can
 10 agree.
 11 MS. NOTTOFF: That is what they are.
 12 CHAIRMAN MADIGAN: Sure.
 13 MS. NOTTOFF: And then we argue over the
 14 big ones.
 15 EXECUTIVE DIRECTOR SNOW: Well, unless
 16 there's broad support, it would seem like a lot of
 17 stakeholders wouldn't agree that they'd be in every
 18 alternative. I mean that's kind of the premise here --
 19 MS. NOTTOFF: Well --
 20 EXECUTIVE DIRECTOR SNOW: -- that these
 21 are kind of --
 22 CHAIRMAN MADIGAN: I think it's --
 23 EXECUTIVE DIRECTOR SNOW: -- baseline.
 24 CHAIRMAN MADIGAN: -- a process
 25 simplification more than it is a finalization kind of

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1 effort.
 2 MS. NOTTOFF: so core actions alone would
 3 not constitute an acceptable alternative -- an effective
 4 alternative.
 5 EXECUTIVE DIRECTOR SNOW: No.
 6 CHAIRMAN MADIGAN: I don't think that's
 7 what -- yeah, I don't think Lester's proposing that this
 8 set of core actions is the answer. It's just that these
 9 are at least pieces of the answer that everybody sort of
 10 agrees on, so we can get on and discuss some of the other
 11 more controversial items.
 12 Roberta.
 13 MS. BORGONOVO: But it would not preclude
 14 having a higher level of any of those actions as part of an
 15 alternative?
 16 MS. NOTTOFF: Correct.
 17 CHAIRMAN MADIGAN: Not at all. It
 18 anticipates, I think, that some of them might well be.
 19 Sunne.
 20 VICE-CHAIRMAN MCPPEAK: But there was --
 21 I'm not differing with anything that has been said. I just
 22 wanted to raise the possibility, if we haven't, with the
 23 comments from Stu and some others today, who looked at some
 24 additional demand-management measures being moved from an
 25 alternative to a core action. I think there's a -- Stu is

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1 suggesting that there are some things that are given. I
 2 think that came out in the comments from the stakeholders
 3 group, that we could increase some of the actions in the
 4 core, and I do agree with -- and with what Mike said, it's
 5 the smallest common denominator, but that's a growing
 6 number of actions that will -- on which there's agreement.
 7 There's also, I think, an almost universal
 8 acknowledgement that that's -- the core actions, in and of
 9 themselves, are not going to deal with the objective of the
 10 Bay-Delta Program. You'd have to have core plus an
 11 alternative, and in that regard, some people might think,
 12 "Well, core will get us a long ways towards the objective."
 13 That's not true. It's just sort of baseline
 14 action that we all would agree to, but I did hear Lester, I
 15 think, emerging concurrence to move some things on the
 16 demand-management side to set an alternative, particularly
 17 one, into core, and you might work on that.
 18 CHAIRMAN MADIGAN: Right.
 19 VICE-CHAIRMAN MCPPEAK: And might I take
 20 the opportunity -- I know you were talking with Sharon, but
 21 I just want to say that you did an awful lot of work in the
 22 last -- since the last meeting, and this is an incredible
 23 amount of information that you've laid out. In the past we
 24 have been asking for more and more detail, and I have been
 25 sort of aggressive on that. I want to tell you I really

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1 appreciate having all of this.
 2 EXECUTIVE DIRECTOR SNOW: Okay. Thank
 3 you.
 4 MS. SELKIRK: You're not planning to take
 5 any weekends, are you, between now and March 23?
 6 VICE-CHAIRMAN MCPPEAK: No, not even sleep.
 7 EXECUTIVE DIRECTOR SNOW: what are
 8 weekends?
 9 MS. BORGONOVO: I just wanted to go back
 10 and ask this a third time. I think the answer is yes, but
 11 when I first read the definition of core actions, it seemed
 12 to preclude having a high level of what I call demand-side
 13 management; maybe not the way it's defined here, but being
 14 an alternative, and I think you're saying, "No, it doesn't
 15 preclude that."
 16 EXECUTIVE DIRECTOR SNOW: it doesn't
 17 preclude a high level of demand --
 18 MS. BORGONOVO: Well, for example --
 19 EXECUTIVE DIRECTOR SNOW: -- management.
 20 MS. BORGONOVO: -- in the alternatives --
 21 it's probably already there in one of the alternatives.
 22 One of the alternatives really does have a lot of habitat
 23 restoration. It has -- in other words, it's a
 24 nonstructural alternative. I don't know if that's
 25 demand-side management and then other issues that come into

1 it.

2 Am I making myself clear?

3 No, I'm not.

4 CHAIRMAN MADIGAN: No, I'm not doing real

5 well.

6 You want to know what -- it sounded to me like

7 you wanted to know whether increasing the level of

8 demand-side management would be precluded by having, as a

9 core action, a modest amount of demand-side management.

10 MS. BORGONOVO: Is it possible to have an

11 alternative that might be labeled demand-side management

12 that could address the four issues of water quality, water

13 reliability, habitat restoration, and levee protection

14 alternative.

15 EXECUTIVE DIRECTOR SNOW: Yes. Our

16 alternative one really has that characteristic, that it's

17 aggressive or extensive demand management, and it addresses

18 all of the resource areas, and people can argue that it

19 doesn't address some as efficiently as others, but

20 nonetheless, we think that it came close enough to

21 balancing that we included it in the list of 20.

22 MS. BORGONOVO: Thank you.

23 CHAIRMAN MADIGAN: I'm sorry.

24 Judith.

25 MS. REDMOND: I wanted to -- I've looked

1 that they might be reflected a little better in the list of

2 core actions that we were presented with, where water

3 transfers have been presented as, you know, a pretty

4 important core action.

5 VICE-CHAIRMAN MCPEAK: Core action or

6 essential to the alternative?

7 EXECUTIVE DIRECTOR SNOW: On the first

8 question that you raised with respect to water shed

9 management, there's at least one element of water shed

10 management in the core alternatives that's related to

11 management of land use, to protect water quality by

12 improving land use practices and water sheds and

13 reservoirs, et cetera. So there's a couple of places where

14 the water shed management is captured in the core

15 alternatives, and I'll take a harder look to see if we

16 dropped one that should have been moved forward, but I know

17 that some of the water shed management elements, in fact,

18 is in the core alternatives and then appears again in

19 different levels in some of the other alternatives.

20 The second point about transfers, I guess

21 there's a couple of comments I would make. One is maybe a

22 technical clarification, and this might be an important

23 legal point to make. When we sent out the information to

24 BDAC, BDAC did not vote. To have you vote on alternatives

25 would have been a Brown Act violation, and we certainly

1 at the list of core actions that were recommended by BDAC

2 respondents to that survey, and there were 13 of them,

3 and -- well, I noticed two things. One of them was that

4 water shed management was given a majority vote as a core

5 action by the people that answered the survey, and I

6 thought that might be something that should be given more

7 attention in the alternatives. It implied to me that

8 people are interested in sort of an, you know, upstream

9 water shed management, and that there was a majority of

10 BDAC members who thought that that could be beneficial, and

11 I didn't see that really reflected in the core actions that

12 were listed as core actions for BDAC.

13 That's the first question I have.

14 The second one is -- I wonder if someone can

15 explain this to me -- the BDAC voted, you know, in just

16 this sort of survey of what BDAC folks think about various

17 different alternatives. It looks like we said that water

18 transfers were not a core action that we would recommend,

19 12 to 8, 12 no, 8 yes, and then the different action items

20 under water transfers all got, you know, like one vote yes

21 and large majority votes no, 19 and 18 as noes, and that

22 implies to me that there is some concern that water

23 transfers be treated carefully, that there be protections

24 for the regions that are transferring water, and I think,

25 again, that those concerns, if the BDAC has those concerns,

1 would not have subjected you to a Brown Act violation.

2 CHAIRMAN MADIGAN: we wouldn't have done

3 that. No way.

4 EXECUTIVE DIRECTOR SNOW: So the purpose

5 of that information was to get some responses from BDAC

6 members so that you could see how each other viewed certain

7 elements, to differentiate that from a voting matter.

8 However, on your basic point that there are

9 concerns about transfers, I guess what we ended up doing on

10 that issue was that there are a lot of transfers going on

11 today, have been going on for a long time. We hear

12 concerns that there are difficulties that provide no

13 benefit to anyone in the administrative procedures that you

14 have to follow to do transfers, and so that those kind of

15 things need to be cleaned up, and that's the kind of stuff

16 that's in the core alternative -- excuse me -- in the core

17 actions, and then, in some of the other alternatives that

18 depend very heavily on transfers, you get into a lot higher

19 level of analysis, where you really have to look at

20 third-party impacts and what it does to rural areas.

21 So we think we've separated that, so that the

22 core action on transfers is dealing with a lot of the

23 permitting, institutional issues that are out there, and

24 when you get into more aggressive transfers and some of the

25 alternatives, that has to be dealt with in a lot more

1 substantive way in terms of the impacts.
 2 CHAIRMAN MADIGAN: Sharon, can you give us
 3 a quick summary of the responses?
 4 MS. GROSS: Yeah, and actually I can
 5 probably even shed a little bit of light on Judith's
 6 concern about, you know, the discrepancy between the
 7 numbers.
 8 We sent out the action and action category list
 9 that we had in the December meeting, because BDACers had
 10 requested a need to be able to look through the actions and
 11 to assign values to them to kind of rate them as to what
 12 the individual BDAC members thought were important or were
 13 not important and potentially which of those should be
 14 considered core actions, and we want to thank you guys for
 15 doing that, because I know it took a lot of time, 295
 16 actions, and there were people who actually rated every
 17 single action, although that was few.
 18 I guess the majority of the responses that we
 19 got back, people rated the action categories, not the
 20 individual actions. They tended to -- the individual
 21 actions, everyone felt that they were way too subjective,
 22 without knowing the level of implementation or some kind of
 23 a degree to be able to measure how much that would happen,
 24 that they couldn't assign it a rating. So the majority of
 25 the responses we got back were at the action category

1 it was included as far as the criteria in the beginning, so
 2 I think that will be helpful.
 3 There were a lot of technical comments that
 4 came out of the responses that we did get back, and those
 5 technical comments have been recorded, and we're passing
 6 them along to our technical teams. Some of them have been
 7 incorporated into the core comments. Others, like the
 8 water shed management, and there was one other in
 9 particular -- I don't remember what it is right now -- that
 10 we need to do a little bit more work on.
 11 There were some changes, like long-term drought
 12 contingency and reclamation, that was recommended by BDAC
 13 members and by other agency people, and we did include
 14 those in. So those responses were helpful, and we are
 15 using the information, especially the comments, the
 16 individual comments that you did respond with.
 17 CHAIRMAN MADIGAN: Okay. Thanks, Sharon.
 18 Questions?
 19 Anybody from the public who wishes to comment
 20 on any of the things that we have just heard?
 21 If not, then we will close item three and move
 22 on to item four. We will do this briefly, and Lester will
 23 handle it.
 24 Before that, however, Ann Nottoff earlier asked
 25 whether or not we could have an ad hoc committee of this

1 level, and I think that's what you saw with the water
 2 transfers, Judith, is that it -- I don't think it -- people
 3 left them blank, and we counted that as a "no," so that the
 4 yeses were tabulated -- you know, when people put numbers
 5 in there or yes, it should be a core action, if they left
 6 it blank, we counted it as a no, so that in many cases
 7 blanks worked out as kind of noes. But it was more a
 8 de facto just no answer, not necessary -- no opinion, not
 9 necessarily that they disagreed with it. Because there
 10 were some action categories that people strongly agreed
 11 with, but when you looked at the individual actions, if you
 12 hadn't seen the action category, you would have gotten the
 13 idea, well, no one supports that, because, you know, there
 14 were three, four, five yeses and a bunch of noes. So it
 15 could be that with the water transfer that you were looking
 16 at. I haven't gone back to look at that information, to be
 17 sure, but in most cases people did not mark the actions.
 18 The majority of BDAC members just went to the action
 19 category level.
 20 And like I said before, most of the information
 21 we got back is very subjective. You need more detail and
 22 more information on level of implementation. Hopefully the
 23 information that you have now, in the most up-to-date core
 24 actions, will provide you with some level of implementation
 25 and something that gives you an idea of rationale, of why

1 group work with Zach McReynolds on the financial strategy
 2 discussion, and I have talked to both Sunne and Lester
 3 about it. Eric Hasseltine has agreed to chair that ad hoc
 4 committee. Judith Redmond, Roberta Borgonovo, David Guy,
 5 Tom Graff have all agreed to serve, and it will be my
 6 responsibility to ask Tom Maddock to serve with them. And
 7 I would hope that this would involve a minimum number of
 8 meetings, but that we would all gain a level of comfort
 9 with the way this information is being arrayed and
 10 presented, so that we can deal less with the form of it and
 11 be able to have a little more comfort in terms of going on
 12 to the substance of some of that next time.
 13 Item number four, upcoming program activities,
 14 Lester.
 15 EXECUTIVE DIRECTOR SNOW: It just occurred
 16 to me that you had another solution principal,
 17 comfortability, or something.
 18 CHAIRMAN MADIGAN: Comfortability is a
 19 good one.
 20 Did I say that?
 21 EXECUTIVE DIRECTOR SNOW: You came close
 22 to it, but --
 23 Steve is going to put up a graphic here to kind
 24 of show the refinement process, and we'll try to make this
 25 very quick so you get a sense of how we're moving from the

1 20, what kind of considerations that would be made as we
 2 try to refine these and get to the next level of 8 to 12.
 3 In that case, each has more detail than these
 4 do, so it's not just a screening process; it is, in fact, a
 5 refinement process, and it would be good that -- those of
 6 you who are still here, to just have a flavor for what that
 7 looks like.
 8 CHAIRMAN MADIGAN: Steve.
 9 MR. YAEGER: We talked a little bit
 10 earlier about the refinement process, and I'll make it real
 11 brief, because I know people need to catch their planes,
 12 but we are -- at this point now, we've got 20 preliminary
 13 alternatives. We've started already some refinement
 14 activities, doing some initial performance assessment,
 15 using panels of experts to compare the performance against
 16 the 14 objectives that we have.
 17 We've started doing some assessment of balance;
 18 that is looking at the equity across the range of
 19 resources, to make sure one resource is not profiting at
 20 the expense of another and that we have some uniformity of
 21 performance across the range.
 22 We've done some preliminary cost performance
 23 analysis. Now we're going to be bringing all these
 24 together into kind of an integrated analysis of
 25 performance/cost/balance and use that to start integrally

1 think.
 2 CHAIRMAN MADIGAN: All right. Thank you
 3 all very much.
 4 The last item on the agenda today is an
 5 opportunity for public comment by anybody who hasn't
 6 previously had a chance to comment on items specifically
 7 before the house.
 8 Any comments on matters of general -- I'm
 9 sorry.
 10 Did somebody have --
 11 MS. BORGONOVO: Mary did.
 12 MS. SELKIRK: Oh, I just had a comment --
 13 CHAIRMAN MADIGAN: Yeah, Mary.
 14 MS. SELKIRK: -- on public outreach.
 15 CHAIRMAN MADIGAN: Sure.
 16 MS. SELKIRK: I was talking briefly with
 17 Roberta about providing briefings throughout -- to local
 18 League of Women Voters chapters throughout the State, as
 19 another venue, and a suggestion, particularly if the CALFED
 20 program is going to be addressing point source pollution
 21 and not point source pollution alternatives, an array of
 22 alternatives, that it probably would be politic to have
 23 some contact with the dischargers associations in the Bay
 24 and the Delta.
 25 CHAIRMAN MADIGAN: Okay. Thank you.

1 modifying alternatives, bringing actions in, assessing some
 2 of the actions that have a higher incremental performance
 3 in relation to cost, and so we'll be doing quite a bit of
 4 modification of the alternatives in the next two or three
 5 weeks, and we hope to be able to present you some of those
 6 performance analysis at your next BDAC meeting. So I think
 7 that's all I need to say at this point.
 8 CHAIRMAN MADIGAN: Thank you, Steve.
 9 All right?
 10 Okay. Lester, do you have --
 11 EXECUTIVE DIRECTOR SNOW: Yeah. I just
 12 wanted to make an introduction of Mary Kelly.
 13 Mary, do you want to stand up?
 14 Mary just joined us within the last month or so
 15 and is the Public Affairs Officer for our activities, and
 16 if we get bad press on all this, it's pretty much her
 17 fault, so I wanted you to -- not at all. And Mary's really
 18 jumped in and starting to put together information to get
 19 out, so it's not all kind of an inside-baseball approach,
 20 and we're getting more information out to the public and to
 21 the media.
 22 VICE-CHAIRMAN McPEAK: Who gets credit for
 23 the good article today in the Bee?
 24 CHAIRMAN MADIGAN: Lester.
 25 EXECUTIVE DIRECTOR SNOW: Nancy Vogel, I

1 MS. BORGONOVO: And we have been involved
 2 in the public meetings, too. You've given a lot of
 3 outreach for that, so I think that's been very good.
 4 CHAIRMAN MADIGAN: Okay. Thank you.
 5 Yes, sir.
 6 MR. CZAMANSKE: Yeah. You have there 4B
 7 and 4C, public outreach and future scoping.
 8 Could you explain how those are related to each
 9 other?
 10 EXECUTIVE DIRECTOR SNOW: Yes. The public
 11 outreach, we had a memo that I believe we distributed to
 12 describe the kind of public outreach we've had in the past,
 13 and the other item, which is the scoping sessions, I
 14 presume -- I don't know who -- who was handling that item?
 15 MS. GROSS: Mary.
 16 EXECUTIVE DIRECTOR SNOW: Mary?
 17 Why don't you come up to the microphone?
 18 We have -- when we get a report that narrows
 19 down and has the refinement to the 8 to 12 stage, we are
 20 planning a fairly aggressive scoping process as part of
 21 NEPA/CEQA.
 22 Do you want to describe that?
 23 MS. KELLY: Sure.
 24 The purpose of the scoping process is to make
 25 sure that the public is intimately involved with deciding

1 what will be covered in the environmental review phase, and
 2 we'll have eight scoping meetings scheduled around the
 3 State in the middle of April, and you have a schedule in
 4 your packet, and there's also one in back, in case you
 5 didn't get a copy.

6 A draft of the schedule was circulated to BDAC,
 7 and it has been finalized now, and of course you're more
 8 than welcome to come to the meetings.

9 EXECUTIVE DIRECTOR SNOW: Okay.

10 CHAIRMAN MADIGAN: Thank you.

11 MS. KELLY: And that's the scoping
 12 process.

13 CHAIRMAN MADIGAN: Everybody else?

14 If not, then we are at five minutes after 4:00.
 15 Everybody that remains has been very patient. Thanks for
 16 your attendance and your participation, and we'll see you
 17 next time.

18 (End of proceedings: 4:05 p.m.)

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1 STATE OF CALIFORNIA }
 2 COUNTY OF ORANGE } ss.

3 I, MELINI A. CARREON, Certified Shorthand
 4 Reporter of the State of California, do hereby certify:

5 That on the 15th day of February, 1996,
 6 at the hour of 9:13 a.m., I took down in shorthand notes
 7 the said witness' testimony and the proceedings had at the
 8 time of the giving of such testimony; that I thereafter
 9 transcribed my shorthand notes of such testimony by
 10 computer-aided transcription, the above and foregoing being
 11 a full, true and correct transcription thereof, and a full,
 12 true and correct transcript of all the proceedings had and
 13 testimony given.

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