CALFED
BAY-DELTA
PROGRAM

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Ronnie Cohen, et al
Natural Resources Defense Council
71 Stevenson Street
San Francisco, CA 94105

Dear Ronnie:

On September 10, 1997 you provided us with comments on the CALFED Water Use Efficiency Program, and offered suggestions for additional analysis and program implementation. Since last September we have made refinements in the program, conducted new analysis, and identified additional analysis to be conducted before the end of Phase II of the process. We have also started to focus on the value of independent program review, and have begun a process to develop program implementation plans. This letter will provide you with information on all these activities.

A central recommendation of your letter was that CALFED should examine achievement of Delta export reductions through a program to retire agricultural land in the San Joaquin Valley. As you recall, CALFED eliminated land retirement as a water supply reliability action during Phase I because it represented a change or curtailment of water use rather than an increase in efficiency. Some stakeholders have continued to advocate the inclusion of permanent land retirement in the CALFED alternatives as a measure to reduce demand in Delta export areas and reduce the resulting entrainment impacts on fisheries. In response, CALFED has analyzed the potential benefits and impacts that might result from large-scale land retirement. This analysis is described in the enclosed draft paper. We distributed this draft to members of the Bay-Delta Advisory Council and brought it up for discussion at the BDAC meeting on January 29, 1998 in order to get additional input from BDAC members and other stakeholders.

A basic conclusion we draw from the analysis is that such a program could result in reduced Delta diversions and reduced fish entrainment. However, there are several difficult issues we did not address including assessment of socioeconomic cost to communities of the San Joaquin Valley and the ability to ensure that land retirement results in specific diversion reductions (versus groundwater overdraft reduction, firming up of other supplies or reduced

diversions during non-critical periods). Comments we have received on the analysis lead us to believe that we may have overestimated the water that might be made available. This in turn would cause our water cost values to be too low. Many have also commented that we have underestimated the impact on net regional jobs. We will continue to refine this analysis, and we will keep you informed as additional analysis results are available.

Some related analyses to be undertaken soon may also help us to refine and improve the CALFED Water Use Efficiency Program. First, we are working to define the additional analysis that will be done to comply with Clean Water Act Section 404(b)(1) guidelines and identify the least environmentally damaging practicable alternative. One element of the Section 404 analysis will be a least-cost economic analysis. This analysis will examine alternative combinations of urban supply augmentation and demand reduction to achieve CALFED water supply reliability objectives. Another area of analysis will be demand reduction sensitivity analysis. This work will focus more specifically on meeting CALFED objectives, including those for water supply reliability and ecosystem quality (fish entrainment), with demand reduction. CALFED will examine the implications of reducing demand out of the Delta to the point that entrainment is reduced as a stressor to a point facilitating recovery of fish species, and the level of demand reduction that might be required to do this. These efforts are still in the early stage of study design. We will be able to provide more detail as the work progresses.

In addition, the U.S. Bureau of Reclamation (USBR) is providing a grant to the Pacific Institute for Studies in Development, Environment, and Security. The Pacific Institute proposes to examine a set of alternative demand-side management scenarios and the resulting water saving potential. We have asked that Pacific Institute start with a critique of the CALFED water use efficiency analysis (which will be released in March with the draft programmatic EIS/EIR), and then lead to any different or expanded efficiency actions that might be appropriate. Further, we have asked that the Pacific Institute work be completed very quickly, so that useful input will be received in time to be reflected in a final CALFED program later this year.

Your letter identifies a weakness with the water use efficiency program that we have already acknowledged: it is based on implementation of efficiency measures that have a benefit/cost ratio greater than one for the water supplier, an approach that may fail to achieve implementation of some measures that are cost-effective from a statewide perspective but not from the perspective of the local water supplier. This is why an efficient water market is necessary. However, this may be an area where an independent panel could help determine mechanisms in addition to a water transfers market would help achieve implementation of measures that are cost-effective from the statewide perspective. We are continuing to examine the ways that independent expert review of the program might help us.

The CALFED water use efficiency analysis that will accompany the draft programmatic EIS/EIR will also provide a focus for additional discussion of the content and extent of the CALFED water use efficiency program. One modification of the policy content of the program concerns measurement of water deliveries and water pricing. CALFED has included in the draft a change in the proposed conditions for eligibility to receive "new" or transferred water through the CALFED program. This change would make the CALFED policies conform with USBR conservation criteria. The CALFED agencies will be seeking stakeholder input on this change during public comment.

Your letter commented on the need to explore the potential of water recycling to contribute to the Bay-Delta solution. The CALFED water use efficiency analysis to be released with the draft programmatic EIS/EIR will contain a brief analysis of the potential for water recycling to contribute to the solution. This analysis has been limited by a lack of available statewide and regional data among the CALFED agencies, particularly in comparison with the data available on water use throughout the state and the potential for additional water conservation. As CALFED agencies implement a Bay-Delta solution, we will need to consider gathering better data so that assistance programs can be structured and targeted appropriately. We recognize the need for sharply increased levels of technical, planning, and financing assistance in order to achieve more of the recycling potential that exists.

We see a critical need for stakeholder input, including advice from NRDC and the Environmental Water Caucus, in the development of implementation plans. One of our biggest tasks over the next few months will be to identify the programs and funding levels needed to achieve the potential for additional water use efficiency that we have identified in our water use efficiency analysis. You specifically mentioned the importance of expanded and adequately funded mobile irrigation laboratory programs. This is the type of input we will need, on an ongoing basis, to develop our CALFED assistance programs and adapt them over time as local needs change. I hope to work very closely with you and other stakeholders over the next several months to design the implementation programs we will need if we are to realize the full potential that water use efficiency offers.

Thank you for your continuing interest and hard work helping to make the CALFED program a success.

Sincerely,

Lester A. Snow
Executive Director

Enclosure

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