

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

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

ORIGINAL

TRANSCRIPT OF PROCEEDINGS
Sacramento Convention Center
13th & K Street
Sacramento, California 95814

Thursday, December 10, ¹⁹⁹⁸ ~~1996~~ at 9:24 a.m.

REPORTED BY: SUSAN PORTALE, CSR NO. 4095, RPR, CM
THOMAS LANGE, CSR NO. 4689, RPR, CM

PORTALE & ASSOCIATES DEPOSITION REPORTERS
211 East Weber Avenue
Stockton, California 95202
(209) 462-3377

PORTALE & ASSOCIATES (209) 462-3377

1 COUNCIL MEMBERS:

2 MICHAEL MADIGAN, Chairman, California Water
3 Commission

4 LESTER SNOW, Executive Director

5 SUNNE McPEAK, Bay Area Economic Forum

6 ERIC HASSELTINE, Contra Costa Council

7 STEVE HALL, Association of California Water
8 Agencies

9 ALEX HILDEBRAND, South Delta Water Agency

10 BOB RAAB, Save San Francisco Bay Association

11 RICHARD IZMIRIAN, California Sportfishing
12 Protection Alliance

13 ROSEMARY KAMEI, Santa Clara Valley Water
14 District

15 TOM GRAFF, Environmental Defense Fund

16 PIETRO PARRAVANO, Pacific Coast Federation of
17 Fishermen's Associations

18 ROGER THOMAS, Golden Gate Fishermen's
19 Association

20 HARRISON (HAP) DUNNING, Bay Institute

21 ROBERTA BORGONOVO, League of Women Voters

22 MARCIA SABLAN, Mayor of Firebaugh

23 BYRON BUCK, California Urban Water Agencies

24 MARY SELKIRK, CalFed

25 HOWARD FRICK, Friant Water Authority

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

COUNCIL MEMBERS: (cont'd)

ROBERT MEACHER, Regional Council of Rural
Counties

DAVID GERSHWIN, Los Angeles Area Chamber of
Commerce

STUART PYLE, Kern County Water Agency

GENE ANDREUCETTI, California Waterfowl
Association

PATRICK WRIGHT, Designated Federal Official

---oOo---

1 (All parties present, the following proceedings were
2 had at 9:24 a.m.):

3

4 CHAIRMAN MADIGAN: Good morning, everyone,
5 the hour of nine o'clock having arrived, this is the
6 Thursday, December 10 meeting of the Bay Delta Advisory
7 Council, and there are about half of us here. I presume a
8 few others will wander in as the morning progresses.

9 It may be that Secretary Babbitt is here
10 briefly this morning. He has been in town as almost all of
11 you are aware in meetings with various of the stakeholders
12 on this issue and if he does manage to fit this into his
13 schedule, we will obviously break from whatever we are
14 doing and hear what he has to say.

15 Let me start off by introducing Gene
16 Andreuccetti who is a new member of BDAC representing the
17 California Waterfowl Association. Lee Lehman resigned some
18 time ago, as you all recall.

19 Welcome, Gene.

20 MR. ANDREUC CETTI: Thank you.

21 CHAIRMAN MADIGAN: Presumably you've read
22 all of the stuff that lead up to today and you're up to
23 speed and so we'll not spend any time on that. I also need
24 to tell you of the resignation of Roger Strelow who has
25 relocated to Michigan, so Roger after -- how long have we

Page 5

1 be meeting?

2 MS. McPEAK: Three years.

3 CHAIRMAN MADIGAN: Yeah, there is a zero

4 on that Sunne, I think.

5 Roger has been a regular attendee and his

6 periodic counsel will be missed.

7 David Gershwin is here this morning because

8 both Eze Burts and Tom Decker are at Cal chamber and they

9 apparently have a serious meeting this morning on.

10 DAVID GERSHWIN: Annual Board meeting.

11 CHAIRMAN MADIGAN: Annual Board meeting.

12 So they are not here. David, thanks for sitting in.

13 And also to tell that you Martha Davis, I

14 gather, will be resigning because of the potential for a

15 conflict of interest in her new capacity as executive

16 director of Californians and the land.

17 This is the second time that Martha has

18 resigned from this or similar organizations, Eric, and I

19 think you and I are getting old. Either that or it's

20 something I've said to her along the line. I'm not sure

21 which it is.

22 Let's see here. January CalFed meetings, as I

23 understand it, there will be a number of public meetings

24 that will sit down and explain the draft preferred

25 alternative.

Page 6

1 One meeting has been scheduled for January 21st

2 in Bakersfield, which is in conjunction with our own

3 meeting in Bakersfield on the 21st and 22nd of January.

4 I understand that there will be other meetings

5 held in the Delta and the Sac Valley and Southern

6 California and the Bay Area. Those have not been finalized

7 as to date or location yet but Mary tells me that that will

8 likely be done by the end of this month.

9 Obviously, all of you are encouraged to

10 participate and attend and particularly those meetings that

11 will be held in your areas.

12 What else, Sunne?

13 What assessment, Mary?

14 MS. SELKIRK: All of you -- many of you

15 were kind enough to take the time to be interviewed by

16 Eugenia and me for part of the process to assess the whole

17 BDAC -- effectiveness of BDAC and its role vis-a-vis

18 CalFed. We had planned to have a report to you today. You

19 will see it, it looks like, in January, accompanying the

20 report will be a series of recommendations about BDAC's

21 functions through 1999, which is when we are anticipating

22 Record of Decision, by the end of next year.

23 CHAIRMAN MADIGAN: Okay.

24 So for housekeeping purposes at the moment,

25 anyway, that's -- that is my list.

Page 7

1 The first item on the Agenda is a report on the

2 results of the meetings and, again, a number of you have

3 been in attendance and I would invite your comments at the

4 appropriate times on the meetings with the secretary as

5 attended variously by the governors, chief of staff --

6 present governors, chief of staff, member of the incoming

7 governor transition team. And, Lester, do you want to take

8 us through that exercise?

9 MR. SNOW: Yes.

10 Let me try to provide a little more context.

11 We are going to be focusing on this document that you

12 picked up today but let me first explain what this is and

13 then try to lay out, say, the past month what we've been up

14 to and then maybe the next thirteen months.

15 First, as you're aware, and I believe you

16 received probably the first week in November something that

17 was called a staff draft CalFed Phase II report. That was

18 dated November 3rd and we sent that out, and that was

19 literally the staff's effort to try to bring up-to-date the

20 work activities of CalFed on the different program areas

21 and to show that in the context of the Phase II report, and

22 you'll recall in our March Draft EIR/EIS that was released

23 earlier this year that we focused a lot of attention on the

24 Phase II report as a concise way of explaining the

25 alternatives of the different issues and describing the

Page 8

1 program.

2 We continue to believe that using a Phase II

3 report as a mechanism of describing an alternative is the

4 best way to do that so as we move to identifying the

5 preferred alternative we want to use this type of

6 configuration and that's what the November 3rd draft

7 represented.

8 And clearly there are a lot of issues that we

9 not only didn't have closure on but probably continued to

10 have quite a difference of opinion. In order to try to get

11 some closure on that you may have heard people refer to a

12 series of Babbitt/Dunn stakeholder meetings, meaning

13 Secretary of Interior Bruce Babbitt and George Dunn, Chief

14 of Staff for the Governor, and including different

15 stakeholders, depending on what the topic was, to try to

16 help get a little more clarity on what the issues are and

17 help CalFed refine how we might approach some of these

18 issues. The draft that you have before you, dated December

19 9th, is kind of a current progress report on where we think

20 we are in terms of trying to identify a preferred

21 alternative and at the same time identify some of the

22 issues and so this is structured in the form of a red line

23 strike out from the November 3rd draft.

24 And so if you are sort of familiar with the

25 November 3rd draft, then this is based on that and it shows

1 you the additions and deletions that have been proposed by
 2 CalFed agencies, CalFed staff, or a result of some of the
 3 different stakeholder discussions that we've had.
 4 Let me talk a little bit about where we think
 5 we are headed first and that is to get out to the public,
 6 to engage the broader public, not those of us which I've
 7 referred to as inside baseball, but to get something out to
 8 the much broader public by the end of this year and to have
 9 a formal draft of the Phase II report, which in and of
 10 itself is not a legal document. It's not a legal
 11 requirement but rather would be a statement by the Federal
 12 agencies and the State agencies as the preferred
 13 alternative that we are headed toward.
 14 That would be followed in January by a series
 15 of Public Workshops.
 16 You may recall we got criticized when we held
 17 the hearings because we had to hold hearings on a draft in
 18 a very legal fashion, receive the comment, move to the next
 19 commenter, so we want to provide opportunity for workshops
 20 for an exchange between the public and agency people, as
 21 well as staff people after we release a draft Phase II
 22 report.
 23 Then approximately March, April of next year we
 24 would expect to release the revised Draft EIR/EIS, and that
 25 then would trigger a formal Public Comment period and

1 That's reflected on pages fifty-four and
 2 eighty-five if you just kind of want to make some of these
 3 notes.
 4 The second is a more formal introduction of a
 5 water management strategy as we have been discussing but
 6 have not written up in the text before, and that's on page
 7 seventeen.
 8 Fisheries and operations, a very significant
 9 issue, and we are going to have a discussion of that later.
 10 That's the issue of how we can operate the Bay Delta system
 11 during stage one in a fashion to begin achieving recovery
 12 of the endangered species in the system, at the same time
 13 not having significant impacts on water supplies or water
 14 quality.
 15 Fourth, maybe not a significant issue or
 16 significant change but a clearer statement on the issue of
 17 total risk to Delta levees, and that's on page fifty of
 18 this document.
 19 One of the issues, keeping in mind the timeline
 20 that I laid out, is what has to happen between issuing this
 21 draft and achieving a Record of Decision at the end of '99
 22 because there are an awful lot of unresolved issues, about
 23 financing and specific performance measures that we have to
 24 get to.
 25 We've started adding into each of the program

1 trigger, again, a round of formal public hearings.
 2 Things going according to schedule, we would be
 3 at a Record of Decision on a programmatic EIR/EIS roughly
 4 the end of 1999 or perhaps January of the year 2000. So
 5 that's what this is all about.
 6 Our efforts right now are trying to get
 7 together our best description of a preferred alternative --
 8 programmatic preferred alternative so we can get it out to
 9 the public and get more people engaged in this discussion
 10 or debate.
 11 Now, let me highlight some of the significant
 12 issues, some which have been issues for the whole time
 13 we've been talking about this but, certainly, issues that
 14 need to be highlighted as the difference between November
 15 3rd and the -- well, I'd even go back further -- as a
 16 difference between our August 5th preferred alternative
 17 framework document that we discussed at one of our previous
 18 meetings, the November 3rd staff draft, and this draft that
 19 you have before you today.
 20 First, and maybe one of the more significant
 21 issues, is how we are now dealing with water quality,
 22 specifically drinking water quality and public health
 23 issues as they relate to Delta conveyance, and so we have a
 24 major change from where we were, say, six months ago on
 25 that issue.

1 areas a list of 99 actions that have to be accomplished in
 2 order to have confidence we can have a Record of Decision
 3 at the end of '99.
 4 The other thing that's not on here that I want
 5 to mention is section 404 of the Clean Water Act
 6 compliance. It's a major regulatory program.
 7 We also think it's a major assurance mechanism
 8 to provide linkages between program elements, and we have
 9 described that in a different way than we have previously,
 10 starting on page 151 of this document.
 11 So those are kind of what I'd call the big six
 12 areas that you probably should take a look at when you're
 13 reviewing the December 9th draft.
 14 And I think what we want to do is get into a
 15 couple of the big items, such as water quality and
 16 fisheries operations and then most of the program today is
 17 to really focus on this issue of water management strategy,
 18 which is going to be a critical issue.
 19 CHAIRMAN MADIGAN: Questions?
 20 Alex.
 21 MR. HILDEBRAND: Lester, it's my
 22 understanding that Babbitt expects to make some kind of a
 23 pronouncement about this program before Christmas and
 24 probably next week.
 25 What will be the content of that?

1 MR. SNOW: It would be -- a according to
 2 our schedule, it would be some revised version of this
 3 document, to release it -- formally release it for -- as a
 4 CalFed draft for public review.
 5 CHAIRMAN MADIGAN: Okay.
 6 EXECUTIVE DIRECTOR SNOW: Okay. What we'd
 7 like to do, we have a lot of --
 8 CHAIRMAN MADIGAN: Excuse me, Lester.
 9 Stu. Pardon me.
 10 MR. PYLE: Lester, do you have any
 11 indication of what the new Governor's administration
 12 attitude will be towards this document and process?
 13 MR. SNOW: Well, what I would indicate,
 14 not even remotely pretend to speak for the new Governor and
 15 his transition team. However, we have had a representative
 16 of the transition team involved in many of our meetings
 17 over the last two weeks and it's been Keith
 18 Brackpool (phonetic), who was formally designated to us by
 19 Governor-elect Davis, and Mr. Brackpool has been involved
 20 in many, if not, in fact, all of the discussions, to try to
 21 provide some continuity.
 22 Additionally, as you may be aware,
 23 Governor-elect Davis appointed an ag and water expert
 24 panel, I think was the title used. That panel has looked
 25 at a number of issues, including inviting in many different

1 the desire of the water users to stabilize and improve
 2 their water supplies, the desire of the fishery agencies to
 3 significantly improve fishery protection and particularly
 4 to start making significant progress on getting endangered
 5 species out of trouble.
 6 It's a difficult challenge. We don't have an
 7 infinite number of tools to play with here in trying to
 8 reconcile those two things and it's pushed us toward trying
 9 to provide environmental protection in a way that is as
 10 efficient as possible so that we have kind of more to work
 11 with. The other factors that are pushing us in particular
 12 directions are kind of the somewhat soft nature of the
 13 science right now. We don't exactly know what the fish
 14 need in terms of exports. We don't exactly know what they
 15 need in terms of flow. So it's -- we are a little hesitant
 16 to lock in on a particular regime.
 17 The desire to improve our science is also
 18 affecting how we are looking at this and then also the
 19 unpredictability of the ecosystem.
 20 We simply don't know when the fish show up at
 21 the pumps all the times. We kind of know in general terms
 22 but fish of minds of their own and they are unpredictable.
 23 So having rigid standards is likely to lead us
 24 toward the solutions that cost a lot of water but don't
 25 always protect the fish.

1 stakeholder groups engaged in the CalFed process,
 2 Secretary Babbitt, Chief of Staff Dunn and myself to
 3 provide information on this process so I think we are
 4 getting coordination and we are having representatives of
 5 the new administration involved in the process.
 6 CHAIRMAN MADIGAN: Thanks, Lester.
 7 Go ahead.
 8 EXECUTIVE DIRECTOR SNOW: Okay. One of
 9 the big issues and actually I think one of the more
 10 exciting issues we are dealing with is how to provide
 11 proper interface between water project operation and
 12 fisheries recovery, very intensive efforts on the part of
 13 many stakeholder's agencies, State and Federal, and I want
 14 to have Dave Fullerton, who has been in the middle of that,
 15 including today, I think he's breaking away from a meeting,
 16 to give us an up-to-date briefing on where we are on this
 17 issue.
 18 Dave.
 19 CHAIRMAN MADIGAN: Good morning, Dave.
 20 DAVE FULLERTON: Thank you.
 21 Can you hear me okay?
 22 CHAIRMAN MADIGAN: Yeah, your fine.
 23 DAVE FULLERTON: Okay. What we are
 24 trying to do in this operations effort is to try to
 25 reconcile one of the key problems of the CalFed, which is

1 We are heading toward an environmental water
 2 account, at least within these discussions, and the concept
 3 here is that we can target our protections at the times of
 4 greatest need, thereby getting maximum protection for
 5 minimum water impact.
 6 And let me go through this. This is kind of
 7 confusing but I'll do it, anyway.
 8 This is kind of conceptually what happens now.
 9 This is the total exports at the State and Federal
 10 projects, for example. This is a totally conceptual graph.
 11 The way this line is determined is it's a combination of a
 12 number of factors. First of all, of course, you have
 13 hydrology, is it raining that year? Is it a dry year? Is
 14 it a wet year? That's a key factor.
 15 Another key factor is how big are the canals?
 16 What can they actually do? What's the physical
 17 infrastructure out there? What's the demand for water and
 18 when? And then finally, what are the standards that limit
 19 project operations?
 20 The combination of all of those things leads
 21 you to some baseline kind of operational pattern.
 22 We hypothesize that we can generate the same
 23 amount of water for users as this pattern in a way that
 24 protects more fish. That is the basic hypothesis that we
 25 are working with, that there is a better pattern, one that

1 might change year-by-year and so we are talking about
 2 shifting to an operation like this where the environment
 3 actually owns water. It owns pieces of facilities and has
 4 rights to conveyance, to canal capacity, to have it -- can
 5 buy water on its own behalf and with those environmental
 6 assets it can basically make trades with the projects in
 7 order to change this basic pattern that we saw above into
 8 one that's more protective for the environment. That's the
 9 basic idea. So instead of going with standards we go with
 10 a checkbook or not even a checkbook, a suite of assets,
 11 water, storage, conveyance, money.

12 And so in theory here we are looking at, here,
 13 you can see the dotted line. You follow that and what you
 14 see is a different pumping pattern over this hypothetical
 15 year where pumping is higher here, it's lower here, it's
 16 higher here, it's lower here and higher there and at the
 17 end of that year we have more environmental protection.
 18 That's the idea. And at the same time the water users not
 19 only came out even but they actually gained a little water
 20 as you can see by the yellow here (indicating) so we shared
 21 some of the benefits of the new pumping.

22 And if you were kind of following -- you know,
 23 if you're adding up all of the assets for yourself, you
 24 know, you are going to add up your house, well, you are
 25 going to add up what's in your bank account and so on, this

1 water for the environment?
 2 How much regulatory certainty do the water
 3 users get out of all of this, given that this is a very
 4 flexible operation and we are not talking about standards
 5 how do we reconcile that with some sort of certainty, the
 6 ability of the regulatory agencies to grant certainty of
 7 the users?

8 Who pays for what?
 9 Can we carry over water from year-to-year? In
 10 other words, can the environment act as a true water agency
 11 here?

12 Can we sell water, for example, and turn that
 13 into money and then turn the money into something else,
 14 maybe buying storage or buying the habitat?

15 And then kind of what does the initial
 16 endowment have to be? And what is the make up of that
 17 endowment?

18 I'll get into what we are talking about. It's
 19 going to be some combination of storage and water purchases
 20 and so on.

21 This is what we are looking at right now. We
 22 have kind of a straw man out there that we're working off
 23 of and this is the kind of thing that we are looking at.

24 Refillable high priority storage. We think
 25 that we can get in the range of 300 or more -- 300,000 acre

1 is tracking what the environmental assets are at any given
 2 time. So when we allow extra pumping because we think the
 3 fish aren't around your assets go up because we've pumped
 4 extra water so now you have more assets to play with but
 5 now the fish showed up and we wanted to shut the pumps way
 6 back and so we had to spend some of our assets to do that.
 7 It's that kind of trading that we are talking about doing.

8 The issues that have come up are not easy to
 9 deal with, although, I think they are probably manageable.

10 These are the kinds of -- well, let's see,
 11 let's skip -- let's go to this one -- these are the kinds
 12 of decisions that we think we have to deal with before this
 13 can be a successful approach.

14 The first is what are the default operational
 15 rules? What are the projects going to do unless we tell
 16 them otherwise or unless we make an agreement to change?

17 How are we going to share future infrastructure
 18 changes or regulatory changes, like a joint point of
 19 diversion, for example?

20 How are we going to share pumping if we change
 21 the rule -- the rules -- export rules?

22 Does the environment get access to existing
 23 facilities and, if so, what are the conditions for that?

24 Who is going to make the decisions about this,
 25 about when we spend water and when we try to accumulate

1 feet or more of storage, which would be dedicated to the
 2 environment within a year or two. So the environment would
 3 have that much storage south of the Delta to work with and
 4 that's pretty significant but that's kind of the range that
 5 we are looking at and that would presumably increase over
 6 time if CalFed does go into additional storage.

7 Water options and purchases, this is the idea
 8 that you have a contract with various farmers, either north
 9 or south of the Delta and if the environment needs water it
 10 would exercise an options contract -- it would exercise an
 11 option that it had to acquire water and thereby be able to
 12 spend that for environmental protection.

13 We are looking at rules for access to
 14 facilities. It's great to have storage but unless you can
 15 have access to the canals in order to fill up your storage
 16 it's not worth very much so we are going to have to make up
 17 -- make some rules for how we interact between the
 18 environment and the water projects. It's kind of like the
 19 sea away except now there is a new operator on the scene,
 20 the environment.

21 Water conservation reclamation, the current
 22 plan is we are going to go in and we are going to put a
 23 million toilets in urban areas and we are going to
 24 basically create yield with that and that will go to the
 25 environmental account each year, what we think we will get

Page 21

1 out of that, it could be toilets, it could be reclamation
 2 projects, anything, but that becomes an environmental asset
 3 that it can spend to get reduced export impacts on the
 4 environment
 5 And then ability to grant variances to export
 6 standards. This is already in the water quality control
 7 plan, the ability to temporarily allow the EI ratio to go
 8 above its nominal value in order to create environmental
 9 water and we will be continuing to allow that to occur.
 10 And then finally a contingency fund. You know,
 11 if all hell breaks loose and we have a bunch of things
 12 hitting at once we would have some backup money in order to
 13 try to deal with that and so this is kind of where we would
 14 actually start within a year or two and then try to build
 15 off of that.
 16 On the other side we have water assets --
 17 CHAIRMAN MADIGAN: David, hang on a
 18 second --
 19 DAVE FULLERTON: Am I going over?
 20 CHAIRMAN MADIGAN: No. No. You're fine.
 21 Sunne wants to ask a question.
 22 MS. MCPEAK: David, back on the water
 23 conservation and reclamation as an asset for the water
 24 account --
 25 DAVE FULLERTON: Yes.

Page 22

1 MS. MCPEAK: -- could you just review how
 2 you envision that actually happening?
 3 DAVE FULLERTON: Okay.
 4 MS. MCPEAK: How was the asset actually
 5 held with respect to conservation and reclamation?
 6 DAVE FULLERTON: Okay.
 7 Well, in this case let's say we did it in
 8 Metropolitan. We went in, we paid them a hundred dollars a
 9 toilet to put in all these toilets. We would come to an
 10 agreement on the amount of water that is saved through that
 11 mechanism. Met would then turn around and agree to give us
 12 that much water out of its allocation each year. That
 13 water would then either be spent directly as reduced
 14 exports or it could be put into any of our storage sites.
 15 We are looking into getting storage which is
 16 specifically dedicated to the environment so we would have
 17 a place to put it.
 18 MS. MCPEAK: Okay. Thank you.
 19 CHAIRMAN MADIGAN: Hap.
 20 MR. DUNNING: Would the account
 21 (inaudible) by the new entity?
 22 DAVE FULLERTON: That's an open question.
 23 At this point a lot of people are questioning whether we
 24 could have a new entity up and running by the time we
 25 actually -- when we get started here, which might be as

Page 23

1 soon as a year from now, in which case probably the
 2 regulatory agencies, Fish and Wildlife Service, National
 3 Marine Fishery Service and Fish and Game would start out
 4 being in control of it.
 5 The long -- if we do have a new entity for the
 6 ecosystem I presume that it would manage this account but
 7 that -- whether we do or not is still a matter of debate.
 8 CHAIRMAN MADIGAN: Richard and then Alex.
 9 STEVE RICHIE: David, could you tell us
 10 the difference between the standards that would be
 11 abandoned and the decision criteria that would be used by
 12 the environmental water account managers?
 13 DAVE FULLERTON: Well, we are not talking
 14 about -- at this point we are not talking about abandoning
 15 any standards.
 16 I mean, it's going to be a question what's the
 17 initial set of standards and that's still up for grabs.
 18 We'll probably -- we are talking about the
 19 water quality control plan that remains in place. Probably
 20 although not necessarily the ~AFRP standards are there, the
 21 Vamp program is there, the Trinity program moves ahead, all
 22 of those are happening and so those -- those aren't going
 23 to be -- it's still a matter, I assume, for discussion, but
 24 those kinds of standards are still in place.
 25 This is basically something that we put on top

Page 24

1 of a regulatory baseline. We are not eliminating
 2 standards. We are adding flexibility. Let me put it that
 3 way.
 4 STEVE RICHIE: Thank you for clarifying
 5 that but you said "instead of", so I think --
 6 DAVE FULLERTON: Well, instead of new
 7 standards, let me put it that way. We have an alternative.
 8 If we wanted to increase fishery protection we can either
 9 -- we can put additional constraints on the export system
 10 or we can go to some account like this.
 11 STEVE RICHIE: Then presumably there will
 12 be some sort of decision criteria that the managers of the
 13 EWA will be guided by?
 14 DAVE FULLERTON: In general terms, yes.
 15 Although, part of the advantage of this is that you're not
 16 tied down to implementing a fixed set of targets.
 17 If one fish seems to need extra help one year
 18 you can do that with this approach or you can do
 19 experiments with this approach so you're not -- this isn't
 20 simply putting standards in in a different form. This is
 21 actually an attempt to grant greater flexibility in the
 22 application of protections.
 23 STEVE RICHIE: So flexibility is a
 24 standard?
 25 DAVE FULLERTON: Assets are effectively

1 how much protection you get.
 2 CHAIRMAN MADIGAN: Alex.
 3 MR. HILDEBRAND: I've been following some
 4 of this in a peripheral sort of way and I think that the
 5 participants are to be commended on a lot of imaginative
 6 thinking here and there are undoubtedly some benefits to be
 7 derived but I've been a bit concerned on a couple of
 8 counts, when it comes to evaluating and quantifying these
 9 things because the modeling that I've seen, for example,
 10 has almost consistently assumed that the New Melones would
 11 be operated in accordance with the Bureau's interim plan,
 12 which deliberately proposes that they will frequently and
 13 substantially violate the Pernalis standards, and by doing
 14 so they make water available to do these other things and
 15 avoid correcting that problem in other ways, which it can
 16 be done.
 17 Then there is frequent references to this idea
 18 of water acquisition without examining whether that water
 19 can realistically been acquired without damaging other
 20 parties.
 21 In other words, the analyses are almost
 22 entirely couched in terms of the environment and exports
 23 and not in terms of the water supply and water quality for
 24 other water users.
 25 So I urge you to get into that and see that the

1 month and I would have pumped extra in this month and so
 2 on, trying to get a feel for how much you can actually do
 3 with an account like this and what we are finding is you
 4 can do a lot with it because you don't even have to pay
 5 every year to get benefits. Simply having collateral that
 6 you can offer to the projects gives them the confidence to
 7 do all kind of shifts in their operations to protect fish.
 8 So that's probably enough.
 9 CHAIRMAN MADIGAN: Lester, did you want to
 10 summarize it?
 11 MR. SNOW: well, guess I'd say in summary
 12 is I do think that this is a very innovative approach and
 13 it seems to have captured a lot of attention. That's not
 14 to say it's not fraught with problems. It's the kind of
 15 thing that's a good idea but if you don't wrong it's no use
 16 whatsoever. And so we have to keep on this issue and make
 17 sure it gets done right and I think in trying to do it
 18 right it can do a lot of things, certainly including the
 19 most desired, which is the fisheries protection, but also
 20 in the way this is getting setup it can provide significant
 21 economic incentive in terms of its implications to
 22 transfers and trying to accelerate conservation and
 23 reclamation so it can have a lot of benefits if it's done
 24 right and so I think there is a lot of emphasis on that.
 25 The other point I would make is there is a lot

1 proposals you make do take account of the affect on other
 2 water users in both quantity and quality but in saying that
 3 I don't mean to detract from the basic concept of trying to
 4 do these things.
 5 DAVE FULLERTON: If I could just respond,
 6 those are very good issues to bring up.
 7 Water quality in particular has come to the
 8 fore as a very important issue.
 9 Some of the types of actions that we might want
 10 to take with this account to protect fish could actually
 11 worsen water quality in the Delta and for exporters and so
 12 we have to be -- somehow we have to integrate that in
 13 there. Otherwise we've kind of tried to deal with one set
 14 of problems and created new problems, which is not what we
 15 are about here.
 16 I just wanted to add that what we are working
 17 on today is to try to get a handle on this issue, which
 18 is -- and this gets, Richard, to your question, I think, to
 19 some degree, which is given a certain amount of assets, a
 20 certain amount of water, money, option contracts, X million
 21 toilets, what can you actually do with all of that?
 22 You can't model that very well so we are
 23 actually walking through years and trying to say what would
 24 you have done if you had an account?
 25 Well, would have knocked down exports in this

1 of ways to approach this as David said. You can take a
 2 very highly prescriptive approach, which is the normal way
 3 of regulating for fisheries and that might even be a more
 4 appropriate way in a single species system but the theory
 5 here is that with this more flexible approach you should
 6 achieve greater protections than you can from a
 7 prescriptive approach and that is what is motivating a lot
 8 of interest in trying to make this work.
 9 CHAIRMAN MADIGAN: Sunne.
 10 MS. MCPEAK: David, I heard some of this
 11 presentation at one of the last meetings I've been at.
 12 DAVE FULLERTON: Right.
 13 MS. MCPEAK: And I have two comments and a
 14 question. The first time I heard the timetable of maybe
 15 year to be up and running and then a concern that that
 16 might not be long enough to get it done, my reaction was,
 17 well, why not? At least let's try.
 18 I think it has a lot of merit and I want to
 19 totally associate myself with Lester's comment but I think
 20 it deserves a lot of intensity to make it work. It has a
 21 lot more creativity and flexibility and the tools and the
 22 mix to bring a business perspective to in managing the
 23 resources for the environment, which is what we would like
 24 to see. So I hope that we can get on with defining like
 25 who might manage it as Hap asked but then look at the

1 institutional arrangement and try to get this thing up and
2 running within a year. That should be a goal that we
3 advocate and recommend, assuming that we all are in
4 agreement with that concept.

5 The second question I had is how much have you
6 envisioned this needs to be capitalized at in order to have
7 the necessary mix of tools according to that list at the
8 end of that first year or by the time --

9 DAVE FULLERTON: Right.

10 MS. McPEAK: -- that it first functions?

11 I'd like a number.

12 DAVE FULLERTON: Well, on your first
13 point, I'm increasingly optimistic that we can actually
14 have a good package together by the end of the year.
15 Things look to be coming together.

16 We've had a whole series of meetings on the
17 South Delta improvements, on point of diversion, on getting
18 storage and getting transfers and, you know, they are all
19 green lights so far so I am optimistic that we can actually
20 go ahead with this.

21 In terms of capitalization all I know -- I had
22 a conversation with Roger Patterson yesterday and he's been
23 thinking about this. He's estimating, I think, that we
24 would need on the order of \$80,000,000 a year for several
25 years, then starting to taper off a little bit below that

1 deliveries in this state for the last several decades and
2 now it seems like that the water for the environment, which
3 has been subdued over the last few decades, the only way
4 that it can reclaim anywhere near a balance of water
5 delivery in this state is that you're asking the
6 environment now to buy back that water that was taken away
7 from them decades ago, and that is something that I -- I
8 think our group would have a problem with because there is
9 nothing in there that would assure that the water would
10 still continue to be there for the fisheries.

11 And my second comment is the way that you
12 started off the -- your presentation by saying that you
13 really don't know how much water the fish need and the
14 unpredictability of the whole ecosystem. And then in one
15 of your criteria you say, well, one year when the fish are
16 there they might need more water and that's up to some sort
17 of an entity that Richard was talking about.

18 Well, it seemed like that process has not
19 worked for the last several decades.

20 We've been -- the fisheries have been trying to
21 ask for more water. They've been asking for more fisheries
22 protection. So what is different in this new approach that
23 is going -- that we hope would work that hasn't been
24 working for the last several decades?

25 DAVE FULLERTON: Well, the difference here

1 in order to make this thing go.

2 MS. McPEAK: 80 million?

3 DAVE FULLERTON: Yeah.

4 MS. McPEAK: Including in the first year?

5 DAVE FULLERTON: Yeah.

6 MS. McPEAK: Really? Okay.

7 DAVE FULLERTON: Well, you have to not
8 only buy your options, you have to have the money to back
9 up your options in case you call them in, for example.

10 MS. McPEAK: Right.

11 DAVE FULLERTON: And we are talking about
12 having a \$30,000,000 contingency fund. That's an upfront
13 expense that you have to have in place.

14 There are a lot of setup costs to get this
15 thing going. Then over time once you've already got your
16 assets to the ground I think the numbers will start to drop
17 down.

18 CHAIRMAN MADIGAN: Pietro.

19 MR. PARRAVANO: Thank you, Mr. Chairman.

20 David, I have a couple of comments that I
21 thought of during your presentation.

22 And the first one I would like to have a
23 clarification of, and, that is, it seems like there was a
24 couple times when during your presentation I kept thinking,
25 well, we know there's been an unbalance of water -- water

1 is that you have a manager who actually has assets. The
2 traditional approach is that you have standards that may
3 run whether the fish need -- whether the fish are in the
4 area or not the pumping might be reduced. We are talking
5 about being able to tar -- when fish are there, when they
6 need water, when they need reduced exports you have the
7 ability instantaneously to cut exports to do that well
8 below the existing standards so it enables you to target on
9 real time problems.

10 We don't know when the fish are going to show
11 up. We think that salmon are going to be a problem, you
12 know, some period during March, April, May and even June
13 but we don't know exactly when they are going to be there.

14 You can have a standard that covers that entire
15 range of time in order to pick those fish. The costs are
16 very high to the water users or you can have a block of
17 water that you target and whenever the fish show up that's
18 when you make your reduction. So that's the concept here.

19 I mean, in terms of paying for the water that's
20 really -- that's kind of a policy issue.

21 We felt that for any amount -- I'm not even
22 saying who has to pay for the water. The water users could
23 end up paying for this whole thing. So that's not really,
24 I think, a key to the success of the environmental water
25 account. Our point simply is that for any amount of water

1 or restrictions that are dedicated to the environment it's
 2 more efficient to have a flexible account with which to
 3 spend that rather than to go with standards that are kind
 4 of fixed in place.
 5 CHAIRMAN MADIGAN: Stu, then Alex and then
 6 Tom.
 7 MR. PYLE: Stu Pyle.
 8 I don't know for Lester or Dave, Sunne's
 9 question kind of was one of the same I had about how long
 10 to get going on this, the up and run plan -- to be up and
 11 running in a year is one, but a question along with that
 12 is, is there going to be any way to help coordinate this
 13 activity between the project operators and the regulators
 14 until that thing gets going so you can kind of gain the
 15 experience?
 16 It seems to me that it would be valuable to
 17 have an environmental manager even if he's a coordinator to
 18 represent these interests as soon as possible.
 19 DAVE FULLERTON: Yeah, there's actually
 20 been some discussion about doing this over the next year as
 21 kind of a test to see where we run into trouble, see where
 22 the rough spots are and actually kind of try it out and
 23 perhaps even put some water into some of the environmental
 24 storage accounts early so that we can make sure we have
 25 maximum assets as we start after the Record of Decision.

1 TOM GRAFF: I don't know if it's possible
 2 to both endorse what Pietro and Richard said and what Sunne
 3 and Lester said but I think that's where we are.
 4 We do think this is a promising new idea, but
 5 obviously the devil is going to be in the details and in
 6 the associated projects that might accompany it. I guess
 7 my question here is I guess I feel like when CVPIA passed,
 8 that the 800,000 acre feet of annual yield dedicated for
 9 the manage -- to be dedicated and managed for fisheries and
 10 the \$30,000,000 a year -- or \$50 million a year restoration
 11 fund was essentially to create something very much like
 12 this.
 13 Why didn't that work, and why will this work?
 14 DAVE FULLERTON: I think that the
 15 implementation of the CVPIA could have led to something
 16 very much like this. It didn't. Although, I think that to
 17 the extent that water is being purchased by Fish and
 18 Wildlife and the Bureau that is somewhat like this, but in
 19 terms of the B-2 water, I mean, there was a decision made
 20 to kind of internalize that so that effectively you -- kind
 21 of quasi standards were created out of the B-2 water and
 22 that's kind of been where the water was spent. Basically,
 23 the AFRP actions are kind of hard wired quasi standards
 24 that have been created.
 25 The B-2 could have gone this way where we

1 Yeah, I think that's a good idea.
 2 CHAIRMAN MADIGAN: Alex.
 3 MR. HILDEBRAND: How would the -- this
 4 management structure assure any protection of the
 5 nonproject water users?
 6 DAVE FULLERTON: Well, the intent here,
 7 the kind of guiding philosophy is a no harm concept. Now,
 8 that's pretty vague. I don't know if that gives you much
 9 comfort, but the idea is that everything we do should be
 10 kind of layered on top of the existing system so that we
 11 are providing benefits without creating additional harm.
 12 But we haven't got more specific than that.
 13 MR. HILDEBRAND: But the large disregard
 14 of the nonproject water users in all analyses made to date
 15 is a bad omen for any incompetence that they will be
 16 considered later on.
 17 DAVE FULLERTON: Yeah, perhaps. I mean,
 18 we've dealt with the projects because we were focusing on
 19 the problem of export impacts, which means that we are
 20 trying to reoperate the export projects for certain -- to
 21 obtain a certain goal.
 22 To the extent we need to expand beyond that in
 23 order to kind of assure that we don't have the collateral
 24 damage I think we clearly need to do so.
 25 CHAIRMAN MADIGAN: Tom and then Roberta.

1 actually created or gave the responsibility to Fish and
 2 Wildlife or created some other manager where they would
 3 actually have a block of water like this and could manage
 4 it in this way, and I assume if we are successful here that
 5 there might be some interest in kind of reconverting that
 6 800,000 into more explicit assets.
 7 CHAIRMAN MADIGAN: Roberta.
 8 MS. BORGONOVO: I just wanted to ask two
 9 questions.
 10 The first one goes back to Pietro's comment,
 11 and, that is, that there is an agreement that the standards
 12 that are in place are the baseline and defining the
 13 baseline seems very important.
 14 DAVE FULLERTON: Yeah.
 15 The -- I mean, to some extent, I mean, this is
 16 a policy call on just what is the baseline. I can't tell
 17 you what it's going to be.
 18 What we are working off of is essentially the
 19 kind of existing conditions represent something that's
 20 going to remain in place and that we are building off of
 21 that foundation.
 22 That is a policy call, however. So the
 23 baseline that we've been working from includes the accord
 24 standards, the water quality control plan, it includes the
 25 upcoming Trinity operations and the FRP, but that is kind

1 of not our call at the technical level.
 2 MS. BORGONOVO: My second was the entity
 3 also seems important.
 4 What you implied is that you have the
 5 environmental water quality account. Whoever is monitoring
 6 that has some control over operations and so that, again,
 7 does go back to Hap's comment before Richard's about an
 8 echo entity that would actually have some control over
 9 operations.
 10 Is that part of this yet?
 11 DAVE FULLERTON: Well, it's been discussed
 12 but it hasn't become -- we are looking more at the
 13 technical issues.
 14 I mean, going to an account, as Sunne says,
 15 more of kind of a businesslike approach has implications
 16 for your management structure. There is no question about
 17 it. And so we will be driven, I think, toward approaches
 18 that allow us to make decisions based on, you know, good
 19 science, that kind of balance all environmental needs, that
 20 can be done quickly, you know, based on very sophisticated
 21 risk analysis and so on and so we have to come up with a
 22 management structure that accommodates that. People may
 23 differ about what that would look like. This is not
 24 regulation. This is hands-on management and it may require
 25 a tailored management structure to do it.

1 have in the past to make this work.
 2 CHAIRMAN MADIGAN: Rosemary and then let's
 3 try to move on.
 4 MS. KAMEI: I guess I just want a
 5 clarification in terms of the framework that you are
 6 developing to manage the assets for the environmental
 7 water. That would be including all of the B-2 water and
 8 any other water for the Bay-Delta would be included in this
 9 giant account?
 10 DAVE FULLERTON: We are not looking at
 11 including the B-2 water at this point.
 12 We are looking at including the purchases that
 13 might be done through either the ERP under CalFed's
 14 auspices or the CVPIA water purchase fund, which is easily
 15 integrated into an account like this but at this point we
 16 are not looking at integrating B-2. That would be kind of
 17 a separate program with separate targets so that would be
 18 on the side. It could be integrated in but we are not
 19 looking at doing that right now.
 20 MS. KAMEI: What would be the linkage
 21 then?
 22 DAVE FULLERTON: Well, the linkage would
 23 simply be that, kind of, the B-2 creates a new baseline of
 24 operations that's more stringent than the water quality
 25 control plan was and then we operate off of that baseline.

1 CHAIRMAN MADIGAN: Hap and then Rosemary.
 2 MR. DUNNING: Following on Tom's question,
 3 one of the problems with B-2 has been this apparent
 4 inability to account for the water.
 5 Would there be similar problems here, David?
 6 DAVE FULLERTON: Accounting could be an
 7 issue.
 8 The way water is generated is by, for example,
 9 saying, well, the projects in this month would have pumped
 10 5,000 and we are going to allow them to go up to 7,000 so
 11 the environment gets the difference between five and seven.
 12 The problem here is that we have some sort of
 13 hypothetical operation that we have to treat, you know, as
 14 some sort of baseline in order to talk about credits.
 15 Credits don't have any meaning unless they are
 16 in relation to something else and so we are going to have
 17 to, I think, work very carefully over the next year to try
 18 to come up with rules that we can kind of use to define
 19 what project operations are.
 20 If not, the idea of an account starts to become
 21 difficult because the projects would say, well, I would
 22 have pumped 9,000 this month and you don't know if that's
 23 really true or not. So we could get into some game playing
 24 if we are not careful. We are going to have to kind of
 25 lock in operational rules I think more carefully than we

1 That and -- so we would be kind of building
 2 that foundation but not bringing it into the account.
 3 MS. KAMEI: Because it seems to me that
 4 one of the issues that has been brought up by the
 5 environmental community and perhaps they could speak to
 6 this has been the accounting --
 7 DAVE FULLERTON: Right.
 8 MS. KAMEI: -- and I'm wondering how this
 9 could help or assist in that effort?
 10 DAVE FULLERTON: My preference is always
 11 to use B-2 in this kind of a way and the decision was made
 12 not to do that partly because the accounting was complex.
 13 My personal hope over the long-term would be that we could
 14 actually integrate B-2 into this kind of a system over time
 15 rather than having two different philosophies of
 16 environmental water flow, you know, out there.
 17 MS. KAMEI: So the assets that you are
 18 talking about here are those that are being generated
 19 through this Bay-Delta Process?
 20 DAVE FULLERTON: Yes, and the CVPIA water
 21 purchase fund would also be, we hope, integrated into this.
 22 All of these different environmental purchase
 23 fund could trade water back and forth between themselves
 24 within a single account.
 25 CHAIRMAN MADIGAN: Okay. One more quick

Page 41

1 one, Alex.

2 MR. HILDEBRAND: You keep talking about

3 these water acquisitions.

4 Where are you going to acquire them and how are

5 you going to be sure that those acquisitions are not

6 damaging to other parties?

7 DAVE FULLERTON: I don't know where we are

8 going to acquire them.

9 I think south of the Delta, probably option

10 contracts, I think, would be the most useful but they are

11 also the most expensive.

12 The upstream stuff I assume that we'll follow

13 the water law which pertains to water transfers just like

14 any other buyer. I don't know if that's very comforting to

15 you but --

16 MR. HILDEBRAND: No, it's not.

17 CHAIRMAN MADIGAN: Okay. Thank you very

18 much. Thank you, David.

19 Steve, do you want to take us through the water

20 management strategy?

21 Lester, do you want to introduce this?

22 MR. SNOW: Yeah, we are going to do water

23 quality conveyance first. I think we actually skipped over

24 that to accommodate David and Steve is going to give a

25 quick run through. I think heretofore this was probably

Page 42

1 our most controversial item and we were in a situation

2 where a number of interests, particularly Delta interests,

3 Sac valley, the environmental community were very concerned

4 that the way we had that issue structured was that water

5 quality was going to be an automatic trigger to build an

6 isolated facility and at the same time a lot of urban water

7 users were concerned that we had abandoned public health

8 protection and drinking water quality so we were losing on

9 both sides, and we think that we have found a way to make a

10 stronger commitment to what's called a continuous

11 improvement in drinking water quality, at the same time

12 making a very specific commitment to look at a wide range

13 of options to make that continuous improvement and that's

14 how we have the program structured now.

15 Steve.

16 STEVE RICHIE: Yes, in terms of water

17 quality and conveyance our purposes over the last few weeks

18 have been to try to develop language that is very clearly

19 signifying CalFed's commitment to improving water quality

20 and also a very clear commitment to an open decision-making

21 process for how adaptive management would occur in the

22 future, whether it's for treatment improvements for

23 drinking water quality or alternative sources of water or

24 Delta improvements or whatever it might be, but making sure

25 that that process is clear and open.

Page 43

1 In working on this we've been working with a

2 small group of folks to try to craft language that meets

3 people's needs and I'd like to identify Walt

4 Wadlow (phonetic) from the Santa Clara Valley Water

5 District, Tom Zuckenman from Central Delta Water Agency and

6 Margarite Young from Clean Water Action as people who all

7 helped put this language together, not that they by any

8 means were representing all of the interests of the parties

9 but they were very helpful in trying to get us forward on

10 this.

11 As far as the water quality program, there are

12 various components of that.

13 First, is the notion of continuous improvement

14 that whether it's steady or step wise there's got to be

15 improvement in water quality through the course of stage

16 one of the program and beyond.

17 Secondly, we identified particularly drinking

18 water goal of a certain standard for bromide and a certain

19 standard for organic carbon as intake water or the public

20 health protection equivalent essentially at the tap because

21 that is the real goal. You know, it doesn't matter what

22 the quality of the water is coming out of the Delta if the

23 public health protection can be achieved at the tap. So

24 that could include other things other than just improving

25 Delta water quality.

Page 44

1 It could mean treatment or it could mean

2 alternative water sources.

3 We've talked about interim objectives we might

4 have in addition to this long-term goal and we've talked

5 about whether or not we should have some interim objectives

6 and we are not really settled one way or the other.

7 Lastly, in the water quality language we've

8 started to at least try to write the relation between the

9 CalFed program and existing regulatory processes. This is

10 an area that we haven't really explicitly touched on over

11 time but CalFed has been moving generally in the direction

12 of incentive based and voluntary efforts but that's got to

13 mesh in some way with the fact that there is an existing

14 regulatory structure out there and a lot of people believe

15 that more aggressive regulation by the existing regulatory

16 bodies will solve some of our problems so we are trying to

17 describe how those two will integrate over time.

18 On conveyance our strategy is making the

19 through-Delta work with provision for adaptive management

20 down the road. As we learn more over time basically what

21 we've laid out in the document is that there will be

22 investigation of alternatives to achieve the goals and

23 objectives of the program, both for drinking water quality,

24 which is a key component of it here, but also relative to

25 fishery restoration, which is one of the other large

1 drivers on the conveyance alternatives we've looked at.
 2 One particular key thing we've done here is
 3 essentially identified the creation of expert panels,
 4 independent expert panels, you know, not CalFed people but
 5 outside recognized experts, both in terms of what we've
 6 identified as a Delta drinking water council, model of a
 7 national drinking water council of advisors to EPA on drink
 8 water standards, and also the ecosystem restoration program
 9 science review panel which they identified in the ecosystem
 10 restoration program plan. As a body of outside experts to
 11 continually look at the quality of the science particularly
 12 on the biological front.

13 Those expert panels would in essence be
 14 annually looking at the array of information that's
 15 developed through the program through stage one to identify
 16 what issues are and what we might do with that information.

17 They would prepare reports to CalFed and the
 18 legislature both.

19 This was a pretty key thing for a lot of folks
 20 that this not be Lester's reference earlier just an inside
 21 baseball thing, that this also have some connection with
 22 the legislature as a much larger public body out there.
 23 And then specifically called for CalFed reviews of the
 24 conveyance program, the water quality programs, in 2003 and
 25 2007, to make sure that there is a clear recognition of how

1 critiquing first of all your diagram. We'll give you that
 2 (inaudible), but (laughter) I actually conceptually want to
 3 commend this concept getting put into an overhead.
 4 It's the first time that I see the legislature
 5 formally acknowledged.

6 Members of Congress also have to be brought
 7 into that and I think we mean generically our elected
 8 legislators, but that's important and I don't know actually
 9 to what extent the report we just got today, Lester, has
 10 begun to shape that or refine that.

11 Maybe you could address it, Steve, but I do
 12 think that we've got to be explicit or you should be
 13 explicit in the Phase II report about the kind of
 14 engagement of the legislature and members of Congress and
 15 the administrations that are going to be required because
 16 that's what is going to provide, I think, a level of
 17 comfort to the public as a whole.

18 So --

19 STEVE RICHIE: Yeah, in the conveyance
 20 section it starts to make mention of the legislature's role
 21 and, in fact, in one section I think it identifies State
 22 and Federal legislative roles, but there is plenty more
 23 that can be written there, I think.

24 This is one thing that the document does, is it
 25 talks about reports to the legislature. Then it kind of

1 we are going to adaptively manage down the road.

2 My boss is a particular fan of figures that
 3 depict this stuff and I think this was a pretty good shot
 4 at how this might work that, you know, if the CalFed
 5 Program, and this box here, you know, past the Record of
 6 Decision is still a little bit of an open question of what
 7 CalFed should be in the future but basically CalFed would
 8 be driving program actions that would have various results.

9 These would both be definitive actions to try
 10 to make improvements in certain areas as well as monitoring
 11 and research. All of that information would go through
 12 some kind of expert panel process where outside experts
 13 would review it and provide reports to both the legislature
 14 and CalFed.

15 And then the connection above is CalFed
 16 reporting to the legislature and the legislature I think
 17 very clearly taking actions to define what CalFed should do
 18 in the future. So that's the process that we've envisioned
 19 how this will work in the future in terms of how decisions
 20 will get made to improve water quality and protect the
 21 environment.

22 So that's the summary of where we are in the
 23 water quality and conveyance sections which are laid out in
 24 the Phase II report that you have before you.

25 MS. MCPPEAK: I'm going to -- we are

1 stops short of what do we expect them to do with that or
 2 what do we expect them to do with the CalFed
 3 recommendations? In part we've left that open for public
 4 comment in terms of, you know, what do different people
 5 think that should be?

6 And, in fact, I would urge folks to look at
 7 that aspect with that in mind.

8 We can create more there that would be more
 9 explicit.

10 I think also our intent is in the coming year
 11 for the Phase II report basically to go into the
 12 legislative arena and let the legislature in part develop
 13 that role for itself.

14 CHAIRMAN MADIGAN: Okay. Thank you.

15 Questions?

16 Alex.

17 MR. HILDEBRAND: I think the confidence
 18 we'd have with this depends a lot on what kind of people
 19 are on an expert panel and what their charge is.

20 For example, in connection with drinking water
 21 I think we need experts that have to do with how you can
 22 treat water and the health aspects of that but you also
 23 have to have some experts on what are the various ways that
 24 you could achieve that feasibility and that's going to take
 25 hydraulic and engineering information and that sort of

Page 49

1 thing. You may need either multiple panels or subdivisions
 2 of the panel or something so we are moving in the right
 3 direction here but I think we do need to further spell out
 4 just how those things are going to function.
 5 STEVE RICHIE: I agree wholeheartedly.
 6 There is actually a national model, a national
 7 drinking water council that has people who are familiar
 8 with all aspects of drinking water and so we want to start
 9 from that as a base as to how to form the drinking water
 10 portion of this.
 11 CHAIRMAN MADIGAN: All right.
 12 MS. McPEAK: May I, Mr. Chairman --
 13 CHAIRMAN MADIGAN: Yes.
 14 MS. McPEAK: -- may I ask Hap a question
 15 about this and any further comments from the Assurances
 16 Committee and thoughts about what should be said in our
 17 recommendations?
 18 MR. DUNNING: I'm not sure I understand
 19 what you want.
 20 MS. McPEAK: Well, I'm wondering if you
 21 think we should be saying any more than just there has to
 22 be a relationship and we'd like to hear from the
 23 legislature and the public on this?
 24 Do you think that this is sufficient what other
 25 kind of -- what is -- what has the Assurances Committee

Page 50

1 concluded about the relationship between CalFed and the
 2 legislature and Congress and how should that relationship
 3 work?
 4 MR. DUNNING: Well, the assurances
 5 workgroup is focused now on the structure question, the
 6 overall management for CalFed, we are in the process of
 7 working on that.
 8 You recall at the last meeting the opinion of
 9 BDAC was that we shouldn't go ahead too far on the urb
 10 management entity until we worked more on the overall
 11 structure.
 12 I think we've thought of it in terms of options
 13 ranging from agency type activity to independent public
 14 corporations, NPR, things like that.
 15 I don't think we've considered explicitly
 16 incorporating congressional representatives.
 17 We've talked about Federal representation but
 18 we haven't focused on the legislative side.
 19 I'm certainly open to thinking about that. The
 20 idea with the public corporations is to make them somewhat
 21 autonomous --
 22 MS. McPEAK: Uh-huh (yes). Uh-huh (yes).
 23 MR. DUNNING: -- so that would work maybe
 24 the other way.
 25 MS. McPEAK: Actually, I wasn't

Page 51

1 envisioning that there would be --
 2 MR. DUNNING: Are you thinking that there
 3 would be legislators as members of the CalFed oversight
 4 body?
 5 MS. McPEAK: No, I have not envisioned
 6 that.
 7 MR. DUNNING: I hadn't either.
 8 MS. McPEAK: I guess we could discuss
 9 that.
 10 Okay. What I'm really asking about is the kind
 11 of interaction or oversight or interphase that would happen
 12 between CalFed, the new entity you're considering, and the
 13 legislative bodies?
 14 For example, have you thought through the kinds
 15 of decisions or time -- mile stones in the process that
 16 there would be formal reporting?
 17 Mike and I have looked at that dotted line and
 18 we are debating, does it -- I interpreted it to mean a
 19 consultive process, iterative process back and forth
 20 constantly. Is that what that dotted line means?
 21 What does that dotted line mean?
 22 MR. DUNNING: There has to be authority
 23 provided by the legislator for things that are not now
 24 authorized, that's obvious.
 25 MS. McPEAK: Right.

Page 52

1 MR. DUNNING: And there has to be money
 2 provided to the appropriations process so I don't think
 3 it's consultive really. The legislature controls --
 4 MS. McPEAK: Which is what the solid one
 5 means.
 6 MR. DUNNING: -- and could eliminate
 7 CalFed by eliminating the authority and the monies.
 8 It's more as with any agency operation
 9 presenting proposals and seeing what the elected officials
 10 will do with them.
 11 I mean, I don't see how it's different from any
 12 other kind of government operation.
 13 MS. McPEAK: In principle and theory it's
 14 not. I guess what I think that the legislature or certain
 15 members who have been participating in these meetings have
 16 been advocating and looking for, although I may be
 17 misinterpreting it, is an explicit commitment or
 18 requirement that certain reports on certain intervals go to
 19 them and that certain decisions are made only with the
 20 ratification of or maybe total control of that decision by
 21 the legislature in consultation with Congress.
 22 MR. DUNNING: Isn't that quite standard,
 23 particularly at the Federal level, to require legislative
 24 reports on certain items at certain points in time?
 25 MS. McPEAK: It is, but it's not pro forma

1 as to the energy of engagement and exactly how that
 2 interaction occurs with legislature in my experience.
 3 CHAIRMAN MADIGAN: Bob.
 4 MR. RAAB: I would just offer this
 5 thought:
 6 That that chart looks neat and tidy but my own
 7 thinking is that there is a good likelihood that all of the
 8 stakeholders are going to cannibalize the CalFed planning.
 9 Each will take its bite out of the plan and take it to
 10 their favorite legislator or legislators and ask them to
 11 start writing Bills for a wide variety of things that they
 12 want to get.
 13 And so I'd just offer that as -- I'd just throw
 14 it out there, Sunne, as kind of a comparison to what you
 15 have just said, which makes it sound like it's going to be
 16 pretty neat and tidy, and this may be neat and tidy but
 17 meanwhile there could be just a lot of other things going
 18 on at the same time.
 19 CHAIRMAN MADIGAN: Okay. Thank you.
 20 Lester, do you want to move on?
 21 MR. SNOW: Yeah.
 22 CHAIRMAN MADIGAN: Okay. Steve.
 23 STEVE RICHIE: Okay. The other item we
 24 wanted to talk about today, which is the significant change
 25 on the Phase II report, is discussion of the water

1 things they have to deal with.
 2 You also see that large variation within years
 3 and in between years.
 4 And also, in terms of where there is the
 5 greatest conflict in the system, such as in drought years,
 6 you see extreme variation between the natural flow and the
 7 impaired flow over time. So that is one of the basic
 8 things in terms of the hydrology of the system that has to
 9 be dealt with.
 10 Another part of the system is just sort of an
 11 overall how we've developed our water management in
 12 California, and, again, this chart is now in the document
 13 both in terms of long-term levels and average levels so you
 14 can study it at your leisure instead of trying to grasp all
 15 of it at once but this basically lays out the overall crude
 16 plumbing of California and where the water tends to go in
 17 terms of demands.
 18 And so you see water coming in from the
 19 Sacramento River and the San Joaquin River to the Delta and
 20 how much is taken out and utilized in terms of demand
 21 through various parts of the system. So that demand
 22 throughout the system is what we have to deal with.
 23 We've started to define water supply
 24 reliability in the document in terms of reduction in
 25 diversion conflicts between in-stream and out of stream

1 management strategy.
 2 We have talked about this at a couple of
 3 previous BDAC meetings.
 4 Basically, the water management strategy is
 5 aimed at how do you use the water management tools to
 6 achieve water management objectives, in essence of that,
 7 and it's laid out in the document in terms of starting with
 8 their variations in supply and demand within California.
 9 There is a specific institutional operational
 10 framework that we are working under, although that may have
 11 a flexible aspect to it in the future, trying to define --
 12 starting to define water supply reliability, identification
 13 of the water management tools that could be used to achieve
 14 that reliability and then finally CalFed's water management
 15 strategy.
 16 In terms of the variability just as a little
 17 refresher, a couple of charts that you've seen before, this
 18 chart depicts in the dark black line unimpaired Delta
 19 outflow in hypothetical years, a wet year, a drought year,
 20 an average year, and another drought year, and the lighter
 21 line underneath that is the impaired flow after water has
 22 been taken from the system and again you see from this
 23 large variations in flow.
 24 I mean, for water managers in the system
 25 California's hydrology is just one of the most incredible

1 uses, trying to decrease drought impacts, impacts of --
 2 impact -- excuse me -- drought has impacts on both
 3 environmental supply and urban and agricultural supplies,
 4 trying to increase overall supply availability, increasing
 5 operational flexibility. That's a real key to the system
 6 that we've seen and increasing supply utility, making sure
 7 that the water quality is good enough so that you can use
 8 the water more than once where possible.
 9 We are looking to identify performance measures
 10 for various components of the system and we'll be talking
 11 about this in more detail later on, but particularly for
 12 urban conservation, ag water use efficiency, recycling the
 13 transfers, what levels of performance do we really expect
 14 to achieve with those tools.
 15 I think we've shown this matrix before except
 16 it's starting to have more lines on it and starting to look
 17 a little more formal but the boxes still aren't filled in.
 18 Basically what you have is a variety of objectives you are
 19 trying to achieve, as well as a lot of different tools that
 20 you can use to try to achieve those objectives and each one
 21 of those tools has certain characteristics that makes it
 22 better at achieving a particular objective than another
 23 tool.
 24 What we need to develop is how we are going to
 25 use those tools in combination to achieve the water supply

1 reliability objectives.

2 One way to get at this and talk about how we

3 are going to make progress on all of these tools over the

4 coming year as we get into stage one, is starting to look

5 at what the stage one bundle of water management actions

6 consists of.

7 What this chart lays out, and you'll be seeing

8 this later on in your breakout sessions, is that we have a

9 whole variety of water management actions laid out there;

10 urban conservation, ag conservation, recycling, transfers,

11 groundwater storage, surface storage and watershed

12 management.

13 Those are all various tools that can be used

14 for water management and they all have a set of stage one

15 actions that's listed in the document associated with them.

16 What we've put on here is a first cut at what

17 the performance goals might be for each of those tools.

18 In some cases we have blanks. In some cases we

19 have real numbers.

20 For example, on urban conservation, what should

21 be the performance goal for the end of stage one? What

22 should we achieve by 2007 in essence, and basically water

23 retainers serving some percent of the population having

24 plans for implementing best management practices and

25 actually implementing those, and that number could be

1 the initial steps towards surface storage if that proves

2 necessary to make the whole thing work.

3 Last thing, on watershed management and

4 successful completion of some number of demonstration

5 projects to demonstrate how watershed management is adding

6 to water management in California.

7 That's a set of performance goals that are

8 first cut at how we might measure have we achieved the

9 right level of progress for this whole bundle of actions to

10 actually have done its job. Then the last two columns this

11 comes from what we have in the document as the very rough

12 estimate of stage one costs.

13 They are in there Federal and State dollars

14 that we've projected could be used in the program and user

15 investments that could be used in the program.

16 The numbers speak for themselves.

17 I think the question is are those the right

18 levels of investment and are those the right splits of

19 investment between State and Federal dollars and user

20 dollars to try to accomplish those goals?

21 Do those numbers actually translate into

22 accomplishing those goals? Are they too low? Are they too

23 high? Those are the questions that we think we need to

24 answer through the coming year to make this whole bundle of

25 water management actions work in stage one.

1 eighty percent of the population served, something like

2 that, within the solution here. It could be ninety percent

3 of the population served; ag conservation, irrigation

4 districts serving a percent of the acreage actually

5 implementing plans that they would develop for water use

6 efficiency.

7 Recycling, increasing the quantity of recycled

8 water by a hundred thousand acre feet by 2007.

9 Is that the right number? Should that be

10 200,000 acre feet? 50,000?

11 For water transfers this one has been a real

12 struggle trying to come up with an actual measure. We have

13 a set of stage one actions that's in there. That stage one

14 action list basically put together the whole list which is

15 a bunch of actions to try to eliminate impediments to water

16 transfers.

17 Groundwater storage, developing 500,000 acre

18 feet of groundwater storage. That's a pretty ambitious

19 goal but that's probably one that we need to be shooting

20 for.

21 On surface storage, completing investigation,

22 site selection and permitting. We have in this stage one

23 list and proceed to construction if appropriate and

24 linkages satisfied. That's another part of that but I

25 think we are very clearly committed to planning and taking

1 And so Mary will talk about this, I think,

2 upcoming but starting to come to grips with this set

3 together is, I think, the program for the rest of the day.

4 CHAIRMAN MADIGAN: Okay. A couple

5 questions?

6 Alex and Byron.

7 MR. HILDEBRAND: I have two questions and

8 a comment.

9 We have learned lately to be very careful about

10 definitions.

11 What's the definition of the word district in

12 ag conservation?

13 STEVE RICHIE: I haven't got a definition

14 of the word district.

15 When we wrote that in there I think the first

16 cut at it was irrigated acreage and we weren't quite sure

17 if we should have district in there. I would throw that

18 out as is that the right word and what does it mean? Is

19 that something that works for people? Is there a different

20 thing that would work for people?

21 MR. HILDEBRAND: I don't think you can

22 fill in a percentage number until you define just what

23 you -- scope you are going to have here because if you're

24 including, say, Reclamation Districts in the Delta, that's

25 an entirely different thing from a question of somebody

1 down in the Valley receiving export water.
 2 So I would urge you to figure out what you
 3 really mean there.
 4 STEVE RICHIE: I would put out what do you
 5 think we should mean?
 6 CHAIRMAN MADIGAN: And we'll do that in
 7 the Breakout Session.
 8 MR. HILDEBRAND: I'd be glad to talk to
 9 you about that.
 10 CHAIRMAN MADIGAN: Byron.
 11 Hang on a second, guys. We are going to have
 12 breakout sessions here and those sessions are going to be
 13 for the express purpose of delving into these matters and
 14 maybe -- let me hold the questions until Mary gives us a
 15 little piece about the breakout and then if there are
 16 questions that need to be asked here in terms of
 17 clarification, we can go ahead with that.
 18 MS. SELKIRK: Yeah. Let me just talk a
 19 little bit about the plan for the rest of the day.
 20 We have two rooms set aside for BDAC members to
 21 meet dividing ourselves about in half for the rest of this
 22 morning expressly to focus on the column entitled
 23 performance goals and the column entitled investment.
 24 The two questions that CalFed is -- needs a
 25 considerable amount of feedback from BDAC today is, number

1 standards moving in the right direction? What isn't there
 2 that you think should be added or what kinds of percentages
 3 do you think should be applied?
 4 And our plan was to do that until about
 5 lunchtime. Sunne will be with one group.
 6 Mike will be with another, and that we would
 7 convene after lunch much -- I think we do have to come back
 8 for public comment, probably around 12:30, which will give
 9 you about an hour and forty-five minutes, and then the rest
 10 of the afternoon will be reports back from each of the
 11 breakouts, and I imagine there will be other issues that
 12 BDAC members are going to want to talk about regarding the
 13 Phase II report if we have time for that.
 14 The other thing I just wanted to mention is
 15 that there has been an ag water use efficiency focus group
 16 that has been working feverishly over the last few weeks in
 17 adding a lot of detail to the ag water use efficiency
 18 component of the stage one actions.
 19 As you know, BDAC spent a lot of time on that.
 20 At our last meeting the recommendations that you all made
 21 were put forward and integrated into the Phase II report as
 22 you see it written now. Although, the language may look a
 23 little different from what you recollect.
 24 So, anyway, we will -- Eugenia and I are really
 25 just going to be the facilitators trying to help you to

1 one, in this first shot at an effort to define performance
 2 standards on the water management strategy actions for
 3 stage one so what you don't see is here are any of the
 4 other program components. This is really focusing on a
 5 follow-up to the water management strategy that was
 6 presented in October this is a first cut at helping CalFed
 7 define exactly what the relationship should be across all
 8 of these different actions and clearly there has been a
 9 significant amount of concern about -- especially the
 10 linkages between water use efficiency actions and storage
 11 and how they should be balanced against one another or
 12 linked in stage one.
 13 So that's what we really want to get to this
 14 morning in some greater depth.
 15 And then along with that looking at what BDAC
 16 members think is the appropriate level of effort on the
 17 public taxpayer versus user or what Mike Madigan I think
 18 called beneficiary side.
 19 And that's what we'd like BDAC members to focus
 20 on this morning. Eugenia and I are going to be
 21 facilitating this is really an effort to get as much
 22 explicit detail as we can from BDAC members regarding the
 23 kinds of issues like that Alex just raised about, well, how
 24 do you define district and acreage and percentage, et
 25 cetera, but also are these the right -- are these goals or

1 focus your discussion with each other this morning and
 2 we'll do that from now until about 12:30 unless you finish
 3 sooner --
 4 CHAIRMAN MADIGAN: All right. I have
 5 three people who -- four people who would like to ask a
 6 question before we break, all right?
 7 Alex, you have another question.
 8 MS. SELKIRK: Right.
 9 And then we'll count off by two's like we did
 10 before.
 11 MR. HILDEBRAND: Maybe I should hold it
 12 for the other discussion.
 13 The other question was where is this action
 14 list referred to in water transfers and then the comment
 15 had to do with I don't think you can separate the
 16 subsurface storage and the surface storage.
 17 They have to be combined into an overall
 18 operating plan, which will increase the supply by some
 19 given amount rather than just the storage by some given
 20 amount.
 21 DAVE FULLERTON: The stage one action list
 22 is actually on page 111 of the Phase II report. It begins
 23 on 111 but that whole section is all in the stage one
 24 actions for each of the program elements.
 25 CHAIRMAN MADIGAN: All right. Byron.

1 BYRON BUCK: Just clarification on the
 2 groundwater storage. It's 500,000 acre feet of storage not
 3 yield?
 4 DAVE FULLERTON: Storage, not yield.
 5 CHAIRMAN MADIGAN: Stu.
 6 (No response)
 7 CHAIRMAN MADIGAN: Tom.
 8 MR. GRAFF: I guess my question is why are
 9 we working up this sheet which you also passed out and not
 10 the one on page 140 of the new draft report?
 11 We are sort of missing a couple billion --
 12 DAVE FULLERTON: This is focused on just
 13 the water management actions. It's not the ecosystem
 14 restoration or water quality programs, the other program
 15 areas.
 16 MR. GRAFF: If you're going to talk
 17 finance, though, don't you want to have the whole picture?
 18 CHAIRMAN MADIGAN: Lester.
 19 EXECUTIVE DIRECTOR SNOW: I mean, I think
 20 it would be good to have it open to this page. I certainly
 21 don't disagree with that.
 22 One of the things that's on this table in the
 23 context of water management strategy is the performance
 24 goals which turn up -- end up being a major part of the
 25 linkage issues so if you just worked off this table you are

1 SENATOR BABBITT: Mr. Madigan, good
 2 morning.
 3 CHAIRMAN MADIGAN: -- thank you for
 4 joining us in your -- what has now become your second home.
 5 It's nice to have you as a pretty regular
 6 resident of California and those of us involved in the
 7 process appreciate not only your long-term interest in this
 8 but the amount of time that you're spending here these days
 9 bringing the Phase II report to a conclusion and moving the
 10 process forward.
 11 We are obviously eager to hear from you in
 12 terms of your assessment of things and maybe if we could
 13 ask a few questions at the end, that would be terrific.
 14 SENATOR BABBITT: (Affirmative nod)
 15 Mike, thank you. I really appreciate the
 16 chance to come over here for several reasons.
 17 The most important one is to acknowledge the
 18 work that you have done and to underline the importance of
 19 this process that you are engaged in.
 20 I mean, you know, I recognize that this has
 21 been process, process, process, public hearings,
 22 iterations, process, but it's working.
 23 And the reason it's so important, I've told
 24 people I sort of come as -- back to California as a student
 25 of California culture, always in wonderment at the way in

1 not dealing with the relationship issues of performance but
 2 I think Tom raises a good point, that these numbers up here
 3 are all in the context of some other programs and so it's
 4 useful to have that in front of you.
 5 CHAIRMAN MADIGAN: Okay. Mary.
 6 MS. SELKIRK: why don't we just count off
 7 by two's and there are two breakout rooms that are just
 8 across the hall.
 9 So Roger you want to start?
 10 MR. THOMAS: What's that?
 11 CHAIRMAN MADIGAN: You say one. Bob, you
 12 say two. Byron, one.
 13 (Whereupon the members stated one, two)
 14 MS. SELKIRK: Okay. The one's go into 304
 15 and two's into 305 and we will reconvene at 12:30.
 16 CHAIRMAN MADIGAN: 12:30. All right.
 17 MS. SELKIRK: For Public Comment.
 18 CHAIRMAN MADIGAN: The public is welcome
 19 to join us in these sessions.
 20 (Whereupon the breakout sessions recessed
 21 at 10:47 a.m., after which the following
 22 proceedings were had:)
 23 CHAIRMAN MADIGAN: So okay we changed our
 24 minds.
 25 Good morning, Mr. Secretary. Thank you for --

1 which across the 20th century Californians have built up a
 2 sort of culture of conflict and come to delight in warfare
 3 and division regionally, politically, generationally, among
 4 stakeholders and I having said that and expressed my
 5 puzzlement and determination some day in the future to
 6 inquire into the origins of this and understand it.
 7 In the meantime I must tell you that what I see
 8 emerging now is an opportunity, a sense that, you know, we
 9 really are on the threshold of finally recognizing, having
 10 fought each other to exhaustion that, well, every group
 11 manifestly has the power to throw sand in the machinery and
 12 stop the process completely and now it's time to get on and
 13 figure out California's future and to come together.
 14 That is a major, major change, and, of course,
 15 it brings with it an opportunity. I mean, it's not just
 16 automatic, and this window of time that we have now is
 17 enormously important and without your efforts I don't think
 18 there would be the space to make this happen. I think the
 19 space is emerging.
 20 Again, that's not certain. I was absolutely
 21 amazed that California could have a general election this
 22 year in which, to my knowledge, the word water was scarcely
 23 mentioned, a reflection of kind of the public tune out, but
 24 that engagement, I think, is beginning to connect.
 25 And, again, your efforts in all of this endless

1 stuff are absolutely critical to kind of drawing a sense of
 2 public support to encourage the parties to move toward
 3 consensus.
 4 Okay. What's happening?
 5 I think we are now within striking distance of
 6 a document next week, which will enable -- and this is
 7 going to take a little bit of walking across the tightwire
 8 -- which will enable me and Governor Wilson to say "this is
 9 the draft preliminary preferred -- the draft preferred
 10 alternative" and at the same time to coax out a tentative
 11 word or two or maybe even more from the Davis
 12 administration, which comes to this predictably without a
 13 lot of detail and a certain reluctance to automatically
 14 endorse something from a preceding administration.
 15 So what I'm saying is I think we can walk
 16 across that boundary next week.
 17 We are going to have to urge caution and
 18 restraint and positive responses from everyone we possibly
 19 can.
 20 If this thing, you know, is rolled out next
 21 week to a chorus of reluctant and negative comments from
 22 the parties, we are reducing the space and the chance to
 23 make things happen, and I would urge all of you to really
 24 talk to your constituents.
 25 It's not about signing on to everything in the

1 in -- explicit in the report for what it is that we are
 2 going to be doing next year.
 3 Mr. Chairman.
 4 CHAIRMAN MADIGAN: Mr. Secretary.
 5 Any preliminary thrusts? Tom, there's one.
 6 MR. GRAFF: Great surprise. Actually, I
 7 just wanted to agree with one of your comments, which is
 8 that water hardly appeared in the statewide election, but
 9 what I think was equally interesting, perhaps, and very
 10 encouraging, is that environment was an extremely important
 11 issue in both the Gubernatorial and Senatorial races and I
 12 think that speaks very well to the directions that we
 13 should be proceeding in this process. I hope you agree.
 14 SENATOR BABBITT: And may I infer that
 15 that is warming you up to the possibility of an
 16 enthusiastic endorsement of this report?
 17 MR. GRAFF: An endorsement of new
 18 directions.
 19 SENATOR BABBITT: Well, that's -- we are
 20 making some progress. I would encourage all of you to kind
 21 of surround him at the next break and see if we can sort
 22 of, you know, kind of up the level of communication and
 23 encouragement.
 24 CHAIRMAN MADIGAN: Alex.
 25 MR. HILDEBRAND: I'd just like to say I

1 report.
 2 What it's about is sending a signal to the new
 3 administration, to the legislature, and to the public that
 4 this is a good beginning and it is a good beginning which
 5 provides the basis for moving this issue across 1999.
 6 I think that's really, as I leave this
 7 afternoon my worst fear is that this thing may you know,
 8 just sort of get rolled out to a sort of chorus of boos,
 9 which could discourage people from really pushing, leading
 10 me to my final comment, which is, of course, having
 11 agonized through all of this we are now at the beginning of
 12 the beginning, if you will. The year 1999 is going to
 13 provide a lot of work for all of us. I obviously don't
 14 know exactly what the configuration of all of that will be
 15 but I can say with certainty that it's really important
 16 that each and every one of you stay engaged in this process
 17 and deliver on the knowledge and the leadership that you've
 18 put into this process so far.
 19 Now, you will notice that I have carefully
 20 avoided making a single statement or even intimation about
 21 the substance of the report.
 22 I'd be happy to parry any questions if you have
 23 them. I don't think there are going to be any great big
 24 surprises. I think there is a lot of good work, there's a
 25 lot of solid stuff, some very important steps implicit

1 think a lot of progress has been made on this in the last
 2 couple of months. I think the Secretary deserves a lot of
 3 credit for that and while we won't all be fully satisfied
 4 with everything we've moved a long way in the direction of
 5 where it's acceptable.
 6 SENATOR BABBITT: Thank you.
 7 CHAIRMAN MADIGAN: Richard.
 8 STEVE RICHIE: Yeah, I would like to
 9 second that comment. I very much appreciate all the time
 10 you've spent in this state making this happen.
 11 Those of us in the sportfishing community,
 12 however, were rather disappointed that we were left out of
 13 a lot of the talks that went on here, and I would, you
 14 know, perhaps you can tell me what we might say to reassure
 15 our constituencies that things like steelhead, striped bass
 16 and other species of concern to us are going to be
 17 adequately addressed.
 18 SENATOR BABBITT: what I would say to your
 19 constituency were I you is as follows:
 20 The assurance process in which the National
 21 Marine Fishery Service and the Fish and Wildlife Service
 22 are saying this process will meet legal requirements for
 23 the next seven years involve a major commitment of habitat
 24 and water flow resources directed specifically at the
 25 biological needs of the Bay-Delta system.

1 Now, there is still some work going on with
 2 respect to the details of that and it's pretty complicated
 3 and it is really regulatory and scientific in its nature,
 4 but it's going to be an impressive commitment for the next
 5 seven years, which I think is no small achievement.

6 CHAIRMAN MADIGAN: Sunne.

7 MS. MCPEAK: Mr. Secretary, Chairman
 8 Madigan and I really do want to underscore what you've
 9 heard from other means of the Bay Delta Advisory Council,
 10 our great appreciation for your commitment and your
 11 dedication, not just in the last few months but throughout
 12 the entire CalFed process, and I think you have brought the
 13 negotiations and the work to, as you put it, within
 14 striking distance and we're very encouraged by the work.

15 We want to see this forward movement so I think
 16 a number of us will be a part of that chorus that you are
 17 inviting.

18 I would like to also encourage you to sustain
 19 as much of your leadership and involvement as you can past
 20 the end of this year because we hope that the legislature
 21 and members of Congress will take very seriously the
 22 Phase II report and really get into it and start debating
 23 it and it will take, I think, the high level leadership as
 24 you have brought to encourage that kind of public discourse
 25 and education of others.

1 a good holiday and we'll see you the first of the year.

2 Thanks.

3 (Applause)

4 CHAIRMAN MADIGAN: All right. Everybody
 5 knows the drill.

6
 7 (Whereupon a recess was taken at
 8 11:11 a.m., after which the following
 9 proceedings were had at 12:47 p.m.)

10
 11 ACTING CHAIRMAN MCPEAK: Ladies and
 12 gentlemen, I apologize. I understood that Chairman Madigan
 13 was going to have to leave but I had been told two
 14 o'clock -- I understood two o'clock and I apologize. I was
 15 talking. I'm going to blame it on the press, Dennis
 16 Cuff (phonetic), the one who wants to have the public
 17 benefit corporation explained because I couldn't do that.
 18 I told him to talk to you.

19 All right. We are going to report out from the
 20 two groups and then before we go to lunch we are going to
 21 make the decision about after lunch much do we reconvene in
 22 the breakout groups to finish the discussion on the matrix
 23 unless, of course, Group 2 completed it all because Group 1
 24 did not or do we come back to the plenary session and have
 25 that discussion?

1 Thank you very much.

2 SENATOR BABBITT: Sunne, thank you.

3 I have from time to time during the last four
 4 or five months in frustration and fatigue tried to move
 5 this process by saying to people "I'm out of here by
 6 Christmas. When the decorations go up in the streets it's
 7 adios to California for the balance of this
 8 Administration".

9 Now, I didn't really mean it then and I
 10 certainly do not mean it now for simply this reason:

11 We've all got such a huge investment in this
 12 that none of us can walk next year and that includes me and
 13 that includes this Administration because if we can push
 14 across the year end with some momentum, there are a lot of
 15 loose ends in this. There are lots of things that need to
 16 be sharpened up but I think we are going to have an
 17 environment in which we can do that.

18 There is an increasing amount of interest in
 19 the legislature that's really positive. California
 20 legislature normally has been following the voters, which
 21 is nowhere. I think they are starting to merge in.

22 I'm absolutely certain that the Governor will
 23 be -- the incoming Governor will begin to phase into this
 24 and I look forward to -- yeah, I do -- I actually look
 25 forward to it. This is good stuff. So I hope you all have

1 In any case, what we are planning to do is have
 2 a facilitative discussion either as a full group or
 3 plenary -- or excuse me -- or a breakout by Mary and
 4 Eugenia for about an hour and a half.

5 We are going to probably adjourn no later than
 6 3:30 today. Okay?

7 Who is going to make -- oh, I know who is going
 8 to make the report for our Group 1. It's going to be
 9 Howard.

10 And who is making the report for Group 2? Who
 11 is?

12 STEVE RICHIE: Eugenia.

13 ACTING CHAIRMAN MCPEAK: Eugenia is going
 14 to do it. Okay. All right.

15 Does anybody have a question about what we are
 16 doing right now and what the process is going to be?

17 Okay. Then Howard.

18 MS. SELKIRK: We were going to break for
 19 lunch just at one so this time is just to reconvene the
 20 public comments.

21 CHAIRMAN MADIGAN: I'm sorry, you don't
 22 want to have a report to date. No.

23 MS. SELKIRK: We do but not until after
 24 lunch?

25 ACTING CHAIRMAN MCPEAK: I think you all

1 should fire me.
 2 CHAIRMAN MADIGAN: I have Jean Auer's slip
 3 in front of me but I know that Mr. Petry also had the first
 4 slip in this morning.
 5 So this we'll use for public comment.
 6 I think, Howard, you're off the hook for right
 7 now. We are either going to come back in the afternoon
 8 right after lunch or as a group.
 9 So, Mr. Petry, are you out there?
 10 ED PETRY: Yes, ma'am.
 11 ACTING CHAIRMAN MCPEAK: Yes, you're on
 12 for public comment.
 13 Three to five minutes. I'll signal you at
 14 three so that you can wind up in the next two.
 15 ED PETRY: That's not fair.
 16 ACTING CHAIRMAN MCPEAK: Yes, it is.
 17 Publicly announced process.
 18 ED PETRY: Okay. In regards to water
 19 supply reliability we have to look at different aspects of
 20 it. We have to look at water supply reliability. We have
 21 to look at sedimentation control. We have to look at water
 22 quality control. We have to look at things like having to
 23 clear out the San Luis San Joaquin River.
 24 Currently the Corps of Engineers is looking at
 25 a project for our levee setbacks in the San Joaquin River

1 what we have to look at is a statewide benefit in
 2 conjunction with surface water storage that would benefit
 3 the whole state.
 4 Thank you. I appreciate your time.
 5 ACTING CHAIRMAN MCPEAK: Mr. Petry, thank
 6 you. You finished within your time.
 7 Jean Auer with the EWC commenting on the EWA.
 8 JEAN AUER: Actually, my name is Gary
 9 Bobker and he always takes his full time so I'll try and
 10 hold up his honor.
 11 He had to leave today and so he asked me if I
 12 would submit a letter to you, which was written yesterday
 13 in response to meeting with Secretary Babbitt yesterday
 14 morning.
 15 It is signed by the Environmental Defense Fund,
 16 the Natural Resources Defense Council, Save San Francisco
 17 Bay Association and the Bay Institute and it is about
 18 environmental water account and it follows very closely on
 19 what David Fullerton made a presentation on today.
 20 I am not going to read it to you. I'm sure you
 21 will read it yourselves. It's only two pages. There are
 22 six major points. Most of them are covered in the
 23 discussion that I heard this morning, the water account
 24 issue should include in-stream water rights and that
 25 environmental water should not be linked to when any one

1 that wouldn't be necessary if we had control flows in the
 2 San Joaquin River that wouldn't cause all the stream banks
 3 and streambed erosions.
 4 So I'm under the impression that water supply
 5 reliability in the area of where I come from, and that
 6 would be Pinoche Southern Creek, would be of many benefits
 7 on a statewide level.
 8 You could leave 800,000 acre foot of water in
 9 the Sacramento Delta. There would be water for the
 10 Westlands Water District that consists of, well, they use a
 11 million three hundred thousand acre foot of water.
 12 The Central Valley region in dry years needs
 13 200,000 acre foot of water in the dry zones.
 14 So I think the applicable surface water storage
 15 that would have multi-use and multi-benefit, a facility
 16 like that, would be satisfactorily and the cost factors
 17 would be incurred by maybe statewide water utility tax in
 18 conjunction with the user fee.
 19 Infrastructure costs could be brought forward
 20 by matching funds, Federal funds and State funds.
 21 At the same time we have to look at being
 22 politically feasible with the applicable storage in that
 23 area.
 24 You could leave water in the Sacramento Delta
 25 by way of the California Aqueduct Southern California. So

1 particular supplier, are two of the salient points.
 2 I also was asked by Roberta to remind you that
 3 the water efficiency -- the document for the environmental
 4 water caucus was out on the table. All of the copies have
 5 been taken but it is also a part of the blueprint which you
 6 all have copies of so we'd like to commend that to you.
 7 I have eight copies. I talked to the CalFed
 8 staff and they said that they would have copies made so you
 9 all got a copy of this letter and I would say if there are
 10 any questions, Tom Graff is one of the signators and so I
 11 would refer you, but I know it's lunchtime so I would just
 12 like to make this part of the record, the packet of notes.
 13 ACTING CHAIRMAN MCPEAK: Thank you, Jean.
 14 Are there any questions of Jean or Tom?
 15 STEVE RICHIE: Why didn't she use the full
 16 time?
 17 JEAN AUER: It was a joke.
 18 ACTING CHAIRMAN MCPEAK: We are going to
 19 suggest that you speak for Gary in the future.
 20 Okay. What I actually asked Mary to do was to
 21 check to see if the lunches were box lunches, and, if so,
 22 then could we get them and reconvene in the smaller groups
 23 so that we could work through the lunchtime because that's
 24 what I'd like to suggest. You don't want to do that.
 25 Hap, you are not dedicated enough to this

1 entire process. You want to eat, sleep, do everything for
 2 CalFed (inaudible).
 3 Fifteen minutes and then reconvene.
 4 If they are not in box lunches -- what are
 5 they, Mary?
 6 MS. SELKIRK: Box lunch.
 7 ACTING CHAIRMAN McPEAK: Box lunches,
 8 okay.
 9 Here is the directive:
 10 Get your box lunch. You can take up to fifteen
 11 minutes as Hap is going to and then be back in the smaller
 12 groups to finish the discussion and let's suggest then we
 13 come back at 2:30 for a report out.
 14 Is that acceptable to all of you? Yes, Robert?
 15 MR. MEACHER: I might be mistaken but I
 16 think Group 2 finished. So do we get the afternoon for
 17 Christmas shopping?
 18 ACTING CHAIRMAN McPEAK: No. Okay.
 19 Forget what I said.
 20 Thank you.
 21 Group 1 did not so Group 2 did and maybe then
 22 what we need to do is of the plenary session but I'd still
 23 like to suggest that then let's take twenty-five minutes
 24 for our break and then be back for the full meeting. Okay.
 25 I'm sorry, twenty-five minutes for -- (inaudible)

1 ACTING CHAIRMAN McPEAK: Okay. Let's make
 2 this easy on everybody.
 3 We'll be back at 1:30 for a plenary session.
 4 Group 1 didn't do their homework. You have to
 5 go get your box lunch and go back into the room and finish
 6 and, Hap, you get as much time as you want. Okay.
 7 And all of you, thank you, we'll be back here,
 8 1:30. You are welcome to come observe Group 1 finish their
 9 homework.
 10 (Whereupon a recess was taken at 12:55 p.m.)
 11
 12
 13
 14
 15
 16
 17
 18
 19
 20
 21
 22
 23
 24
 25

1 AFTERNOON SESSION

2 --o0o--

3 VICE CHAIR McPEAK: Ladies and Gentlemen,
4 we are reconvening the Bay-Delta Advisory Council.
5 Thank you all for working hard in Group 1 through
6 lunch time. And Group 2 got to enjoy the fruits of
7 their morning labor.

8 We're going to actually start with -- we're
9 going to do the reports now and start with Group 2,
10 and Eugenia is going to do that and then Mary is going
11 to provide the report on Group 1. Howard has talked
12 her into doing that.

13 MS. LAYCHAK: Can you hear me? Okay.

14 Group 2, I'm just going to kind of go
15 through the order we have on the sheets here and we
16 went a little bit out of order, but with Group 2 we
17 started off actually with some general questions and
18 comments on the bundle as a whole, and those really
19 focused on -- first question out of the chute really
20 was whether the environmental water account should be
21 a tool in the water management strategy.

22 We also got a comment that the word "user"
23 should be replaced with "beneficiary." The water
24 supply reliability goal for CalFED should be
25 quantified and this comment was expressed as we

1 actually went through the chart.

2 And also, that there is a need for some
3 kind of consistency between the goals. In other
4 words, if you're going to use percentages in one of
5 the cells you should use percentages throughout, or,
6 if your goal is going to be kind of like water supply
7 or water yield goal, then that should be used
8 throughout. There shouldn't be a mixing and matching
9 of the types of goals as are listed now.

10 I'm going to be reading off my notes more
11 than these charts.

12 But anyhow, we started off with urban
13 conservation and the comments on that focused on
14 really need to define the purpose for the state and
15 federal dollars, and we got into some detail with that
16 and that you use loans maybe to -- to give loans,
17 grant -- or give loans to state -- to the local
18 entities to bring them up to a threshold that meets
19 their -- excuse me -- that brings them up to a
20 threshold of local economic cost efficiency, and then
21 you use grants to bring them up above that threshold.

22 The other comment is that you need to
23 identify the achievement levels. Possibly another way
24 to look at this is you identify the achievement levels
25 for each district. So there may be different levels

1 for each district depending upon how much they have
2 already achieved in terms of conservation.

3 With ag conservation there was even a
4 suggestion in the group, although the group didn't
5 agree to the -- the entire group didn't agree on this,
6 there was even a suggestion to eliminate the goal
7 altogether and to use market and pricing to help
8 determine the level of conservation.

9 The other thing is, is that when you're
10 looking at agricultural conservation goals that you
11 look at the third-party impacts, including impacts on
12 water quality, groundwater, and soils.

13 Then we jump to watershed management, and
14 there the comment -- we started getting kind of a
15 common theme on comments, is that on there you needed
16 a performance goal that was really based more on the
17 outcomes of particular projects or actions rather than
18 the actual implementation, just the implementation of
19 those outcomes and projects.

20 And some of the other comments were that
21 you really need to differentiate -- in the watershed
22 section, you really need to differentiate between the
23 actions that will provide a water supply benefit or
24 water management benefit and those that don't.

25 With water recycling, the -- one of the

1 major points there was that -- or one of the questions
2 raised was whether there should be interim milestones
3 within the seven years, so that there is incremental
4 improvement.

5 And the other was the question of whether
6 the cost was too high. Now, there was some
7 disagreement in the group as to what it was, but we
8 clarified it during the break that the capital cost is
9 about \$10,000 per acre foot. So, the question was --
10 so then the point was made in the group maybe there
11 should be some kind of cost effectiveness analysis
12 done in possibly refining the goal.

13 We then went to water transfers and there
14 again, the comment was to quantify the water gains or
15 yields. And also there was another comment there that
16 it may be too difficult to quantify the goal for
17 Stage 1 if you're going to go that route.

18 The other major comment was that there may
19 be a conflict with the water supply reliability goal
20 that's in the Phase 2 report in that the water supply
21 reliability -- there was an interpretation that the
22 water supply reliability program or goal is really
23 kind of based on increasing supply to help even out
24 the differences between supply and demand -- and,
25 Richard, help me out with this -- whereas when we are

1 looking at water transfers, those are really -- those
2 goals are really based more on a water market and use
3 of pricing. So, there may be some inherent conflict
4 or inconsistency.

5 Did I get that right?

6 MR. IZMIRIAN: Yes.

7 MS. LAYCHAK: Okay.

8 With groundwater storage, here we talked --
9 here we were talking about really working with the
10 agricultural community to measure water use. That was
11 one suggestion. We are really focused more on actions
12 here and that the agricultural community really needs
13 assistance in defining the groundwater basins and also
14 help in addressing any third-party impacts.

15 The other thing also was that when you're
16 looking at coming up with a goal, there was a question
17 as to whether it was overly modest because the
18 Environmental Water Caucus goal is between 900,000 and
19 1,000,000 acre feet.

20 The other thing that we discussed also is
21 that when you're coming up with this goal, it may be
22 important to look at ways for controlling subsidence
23 or stopping pumping or otherwise controlling the
24 impacts possibly of groundwater overdraft.

25 With surface storage, we didn't reach -- it

1 Thank you, Eugenia, that was very good.
2 MS. SELKIRK: Well, we were bad. We didn't
3 get through the complete list of performance goals, so
4 I'm just going to try to run briefly through to give
5 you some flavor for what Group 1 did focus on.

6 We got as far as storage and I'm presuming
7 that we're going to spend a considerable amount of the
8 rest of our meeting today looking at the proposed
9 performance standards on groundwater and surface
10 storage and how they are connected to other actions.

11 With regard to urban conservation, I think
12 the general consensus was that the performance goal
13 that's been proposed is appropriate. There was
14 considerable discussion about the importance to
15 clarify that the issue is not so much number of urban
16 districts that are participating in the BMP process,
17 but the actual percentage of population that's
18 reflected by the member, the signatories.

19 And this discussion on urban conservation
20 got immediately into a number of questions that people
21 had about the environmental water account, which I
22 think was true in your group as well. Dave
23 Fullerton's comments about how you might actually
24 translate urban water conservation efforts, i.e., ULFT
25 replacement into a specific amount of millions of

1 was interesting. We were all kind of all across the
2 beard on that and there was an observation made that
3 the last action on the list and the goal may be
4 inconsistent. And we got kind of tied up in that
5 discussion, and what we did -- what we did end up
6 agreeing on is that there was really disagreement,
7 first of all, over whether the last action should be
8 eliminated or changed, but also then there was
9 disagreement over the goal for storage.

10 That's it.

11 VICE CHAIR MCPEAK: Thank you.

12 Are there questions to Eugenia and the
13 Group No. 2 just on clarification. I don't want to
14 get into the debate over that until we hear from
15 Group 1, but I do want to see if any of you have
16 questions that need to be answered.

17 Okay. Yes, Hap?

18 MR. DUNNING: Is the figure really 10,000?

19 VICE CHAIR MCPEAK: Yeah, it's capital
20 costs on recycling, 10,000.

21 MR. DUNNING: Is that right?

22 VICE CHAIR MCPEAK: Yes. Which are then
23 amortized and generally thought of as about \$1,000 an
24 acre foot.

25 Okay. Mary, Group 1.

1 gallons per day or acre feet that could then be
2 devoted to the environment was a question that people
3 had considerable interest in.

4 And then we had some discussion -- we had
5 CUWA and ACWA both well represented in this room. I
6 think Byron was trying to emphasize that the Urban
7 Water Conservation Council is moving toward building
8 into CalFED a level of sanctions for -- that would be
9 consequences for not participating in the MOU process,
10 that would precede being -- that precede a district
11 being prevented from receiving CalFED benefits. Am I
12 interpreting that right?

13 Steve agreed with that, Steve representing
14 ACWA agreed with that, but I think there is still some
15 concern that -- around the issue of sanctions for
16 noncompliance, which Roberta could probably elaborate
17 on as well.

18 Another point of clarification on the
19 performance goal that the 90 percent figure would be
20 measured at the end of the conclusion of Stage 1.

21 With regard to the type and level of
22 investment, the numbers that CalFED put down, the
23 private public split, one person raised the issue that
24 he was concerned that by having heavy user investment
25 and minimal public investment, that there was the

1 least incentive to invest.
 2 Then I wanted to note, too, that Stu raised
 3 the issue which sort of percolated throughout the
 4 whole discussions on water conservation, that water
 5 conservation measures -- and Alex raised this, too --
 6 don't necessarily translate into -- you have to be
 7 clear about whether it translates in real water or
 8 reduction in supply or simply some other benefit aside
 9 from direct dedication of saved water to the
 10 environment. That's been an ongoing issue in this
 11 group as we know.
 12 A number of people expressed that they thought
 13 that the environmental water account might argue for
 14 an increase in public investment on the water
 15 conservation side. And I think that's it on urban
 16 conservation.
 17 On ag conservation we had some long discussion
 18 about what exactly -- how to more accurately refine
 19 what is meant by "percentage of districts," so there
 20 was a proposal to change the language on the
 21 performance goal to agricultural servers serving X
 22 percentage of acreage implementing plans. I think
 23 this had to do with some concern that -- you guys
 24 might want to explain it better than I can.
 25 MR. PYLE: Just that irrigation districts

1 There was also -- Stu I think raised the
 2 issue of the importance of clarifying the difference
 3 between when you're talking about an ag water user,
 4 whether you're talking about a district or a farmer or
 5 an individual grower.
 6 Pietro raised the question of whether there
 7 should be more apparent parity between urban and ag on
 8 water conservation and there was some discussion about
 9 whether the proposed acreage that CalFED is -- that is
 10 now in the CalFED document, which I believe is 5
 11 million acres, is an appropriate acreage.
 12 There was some view expressed that maybe it
 13 should be increased to be more like the 90 percent
 14 figure that is being proposed on the urban side. If
 15 there is 90 percent of the population that is within a
 16 dis -- you know, urban districts that are complying
 17 with the Urban Water Conservation Council, shouldn't
 18 there be 90 percent of the appropriate irrigated
 19 acreage.
 20 Others expressed that they thought that
 21 getting from the 3 million acres that are now -- that
 22 have now committed to AB 3616 plans, getting that
 23 figure up to 5 million in the next seven years will be
 24 a pretty substantial challenge in and of itself.
 25 So...

1 is a term that's defined in the law for a certain type
 2 of district and it doesn't cover all districts in
 3 general, so ag water servers would be more
 4 generalized.
 5 VICE CHAIR McPEAK: Okay.
 6 MS. SELKIRK: And with regard to level of
 7 investment proposed, some were concerned that there
 8 was a disconnect between the level of investment on
 9 urban versus ag. There was a proposal from Tom Graff
 10 to link levels of investment to an overall --
 11 understanding of an overall water budget.
 12 A number of folks thought that the user
 13 investment number for ag was too low, both that it
 14 didn't really reflect what -- sunken cost monies spent
 15 up to now, but also projections into the next -- the
 16 first seven years of the program.
 17 Sunne reiterated on the issue of
 18 measurement that in the course of the Babbitt
 19 meetings, there was some general agreement on a
 20 commitment to measurement of applied water with
 21 incorporating regional differences and that CalFED may
 22 want to look at increasing the level of public
 23 investment on ag water conservation practices,
 24 particularly if it's the form of grants and loans as
 25 opposed to capital costs.

1 Also, I think -- a couple of people
 2 suggested that on this matrix, that it might be useful
 3 to include a column that would show costs already
 4 spent, what, in the last -- well, '94 to date on ag
 5 and urban water conservation so we have some sense of
 6 what the level of effort already has been in both of
 7 those areas, and a general question about where do
 8 these dollar numbers come from.
 9 Let's see. So you can see why we didn't get
 10 too far down our list in the first hour.
 11 Also, there was a request made that somehow
 12 these dollar amounts distinguish between monies that
 13 have already been committed and new monies that are
 14 projected to be appropriated over the next seven
 15 years.
 16 And again on the federal state share, it was
 17 pointed out that there should be some clarification
 18 differentiating what -- how much money is being
 19 proposed for planning and how much for actual
 20 implementation of water conservation actions.
 21 All right. With regard to recycling we had
 22 Byron Buck -- we had the privilege of having Byron in
 23 the room, who is the expert on urban water recycling
 24 numbers. Number of acre feet was projected to be
 25 about right in terms of the current state of proposed

1 recycling efforts on the urban side, about 100,000
2 acre feet reclaimed in the next seven years and that
3 the split of user versus public funding was about
4 right because as Eugenia and the other group pointed
5 out, there is significant capital cost associated with
6 building and operating water recycling programs.

7 But embedded in that general consensus that
8 the 50/50 split was about right was the question as to
9 whether this was good public policy to be massively
10 subsidizing water reclamation as a significant part of
11 conservation.

12 With regard to transfers, I think there was
13 general agreement that the current performance goal
14 which really isn't a performance standard exactly,
15 it's an implementation standard, I suppose, a general
16 agreement that that's about as good as CalFED can do
17 right now, given that we don't know and won't know
18 probably for some years what water is going to be
19 construed to be transferable and how active and robust
20 the market is going to be at the end of the next seven
21 years.

22 And one member of the public also pointed out
23 that it was important to remember that the ability to
24 transfer water has to be understood and to the ability
25 to bank water.

1 That's as far as we got. We didn't get to
2 storage, so...

3 VICE CHAIR McPEAK: Very good. Are there
4 questions of Mary for clarification before we start to
5 go through the discussion?

6 Okay. Then what we want to do is see if we
7 can actually reach some agreement based on this input
8 on the matrix. We had a lot of questions raised in
9 both groups. But also, you know, I'm perhaps
10 overgeneralizing here, some concurrence with this
11 direction and in particular, there is an interest by
12 CalFED by Lester and his staff to know how does BDAC
13 react to what's here because this is going to have
14 some pretty, you know, significant input or is a
15 significant piece of the proposed Phase 2 report
16 Stage 1 actions, and the input that we give today is
17 going to find its way into work in the next week, in
18 the next, you know, 24, 48, 72 hours.

19 Couple of comments, the term beneficiary
20 was proposed in Group 2 as I understood it to be
21 replace -- to replace user. Beneficiary actually
22 applies to both of those columns, to the federal/state
23 and users. The term federal state is the public
24 beneficiary, if you will, which is -- I mean the
25 government is a proxy for the public at large or the

1 environment at large. And so that I just would like
2 to sort of explain to everyone what that was about.

3 And Bob, maybe you've made that suggestion,
4 so -- oh, okay, comment.

5 MR. MEACHER: Mr. Madigan.

6 VICE CHAIR McPEAK: Mr. Madigan did. Well,
7 he left and I override him.

8 I think -- I'm sorry, he left, I override
9 him. Thank you for clarifying that. Mike did have a
10 very important obligation back in San Diego, but I
11 think that there just is -- there's a sensitivity that
12 we -- that a lot of beneficiaries are in this process
13 and that it's not just users who are the
14 beneficiaries. I think that's where Mr. Madigan is
15 coming from. But I didn't want the point to be lost
16 that that's why we have the state and federal
17 government there because it's the public who also is a
18 beneficiary, the environment who is also a
19 beneficiary.

20 Okay. Secondly, we are -- I think there's
21 no objection, I know there wasn't from Group 1, I'm
22 going to ask for the rest of you that we have
23 displayed in future matrices the costs that have been
24 expended to date by the urban and ag sectors in
25 conservation and reclamation so that we have an

1 understanding of the investment that has been made
2 that would match any future dollars to come to the
3 table.

4 I see no objection there? Okay, that's a
5 clarification.

6 And let's now start talking about the
7 review we had on the performance standards.
8 Basically, there was a desire to have as much
9 consistency as possible to the extent that it makes
10 sense, that is express the performance statements in
11 similar terms if those terms have meaning for that
12 particular component of water management.

13 I see no objection there.

14 Let's talk about specifically where we were
15 on urban conservation now. I think there was a
16 preference to express it in terms of population
17 covered, percentage of urban population covered, and
18 the proposal has been up to 90 percent.

19 Roberta.

20 MS. BORGONOVO: In our group certainly
21 several of us expressed the view that the goals,
22 performance goals and objectives should be measurable.
23 We did talk about the fact that they could be outcome
24 based, but in some cases if that's not appropriate you
25 might have different kinds of goals and measurable

1 objectives. But that's an important concept that I
 2 would like to see incorporated.
 3 So, for example, it's really not the
 4 percentage of the population implementing the plans,
 5 but it's actually who is doing the BMPs, who is
 6 actually doing the practices that get you the water.
 7 VICE CHAIR McPEAK: That is observable
 8 implementation of the BMPs, is that what you're
 9 driving at?
 10 MS. BORGONOVO: I just think that there
 11 needs to be more work done all the way down through
 12 the performance goals column so that what we are
 13 coming to are really measurable goals so that you
 14 really know if you have moved towards the goal or not.
 15 It's -- I like moving this way, I'm just suggesting
 16 more work so that what you get are really
 17 measurable -- some kind of measurable standard.
 18 VICE CHAIR McPEAK: Okay.
 19 Rosemary.
 20 MS. KAMEI: Yes, I guess one of the things
 21 I brought up is that in terms of percentages we really
 22 need to be careful. I think that perhaps having
 23 identified certain aspects as Roberta has mentioned
 24 will help clarify what do we mean in these
 25 percentages, because we certainly don't want to

1 penalize those who have been very aggressive on trying
 2 to achieve their BMPs or by setting up percentages
 3 that will show that, well, maybe they're not moving
 4 along as fast as they could, but they have been moving
 5 along since way back when. So as long as it doesn't
 6 penalize those who are taking into account aggressive
 7 conservation.
 8 VICE CHAIR McPEAK: Okay.
 9 Hap, and then Byron.
 10 MR. DUNNING: Well, in view of the fact
 11 that groundwater storage goals and the recycling goals
 12 are in terms of acre feet and following on Roberta's
 13 comment, I wonder why the conservation goals couldn't
 14 be stated acre feet. It would seem more useful than
 15 trying to look at a percentage of how many plans are
 16 adopted or implemented.
 17 VICE CHAIR McPEAK: Okay.
 18 Byron can answer that, and I can too.
 19 MR. BUCK: Yes, essentially you can't
 20 guarantee actually the results, you can only guarantee
 21 the implementation. I would submit that this goal
 22 actually is measurable, you can just measure how many
 23 districts it takes to get 90 percent of the population
 24 covered that are adequately implementing BMPs or have
 25 certified programs that they are implementing it.

1 VICE CHAIR McPEAK: Well, in addition to
 2 that, let me comment because I think -- I agree with
 3 the direction that Hap is going in and that I think is
 4 where Roberta was, too. I mean, we have a dilemma of
 5 sorts in trying to come up with performance goals for
 6 a seven-year period where the full results may not be
 7 manifested. Okay. So, that's the first problem that
 8 CalFED is struggling with; that this is a time of
 9 investment and all of the results might not be seen
 10 and observable within that period of time.
 11 On the other hand, when we start defaulting
 12 to only process goals; that is, can you observe effort
 13 as opposed to outcome, then we also are selling short
 14 ourselves. We don't want to go through all this
 15 nosebleed and not end up with some salutary benefit
 16 for either saving water or the environment or more
 17 flexibility. So, the inability today to be precise
 18 about a goal shouldn't be the excuse for not trying to
 19 strive for it. That's, I guess, what I would like to
 20 share with you.
 21 In the case of best management practices,
 22 forgive me for always returning to my past and it's
 23 moved beyond me, I know that, and you're here and
 24 Laurie's here and others can comment on it, but what
 25 we have attempted to do is look at each of those best

1 management practice measures of which there are 20 or
 2 so on the list that each of agencies agree to
 3 implement if they were cost effective, to the extent
 4 they could, to the extent they hadn't already done it,
 5 and we could estimate based on a variety of experience
 6 what kind of savings in consumption of water would be
 7 achieved.
 8 And we added all those up and the very
 9 gross figure that we are now working with is if, you
 10 know, all of the urban areas were covered by best
 11 management programs, fully implemented, we could
 12 approach a million to a million and a half acre feet
 13 saved. That's a lot of water. That's what we are
 14 trying to do.
 15 Now, we need to be able to know are we
 16 making that progress over time and have a way of
 17 measuring that which is your point, I think, Hap;
 18 can't we set a number, we need to stipulate to that.
 19 As Rosemary was saying, some districts have
 20 already gone a long ways. I mean, they need to be --
 21 we're somewhere along that spectrum towards the
 22 million, million and a half acre feet being saved
 23 since the MOU was signed December 18, 1991, a very
 24 cold day in Sacramento here. The observable point of
 25 this that can be absolutely measured is did 90 percent

1 of the population get covered by a MOU?
 2 Now embedded in that is that process of the
 3 Urban Water Conservation Council that is holding
 4 accountable those who signed the MOU. So there is a
 5 process for the accountability and the outcome that is
 6 to be in place. Not expressed here, but probably,
 7 Lester, needs to be noted because we've got apples and
 8 oranges on this performance list here and it's
 9 uncomfortable for some of us just to be engaged in
 10 only process. Yes, we can observe did we go through
 11 the motions, but we really need to keep trying to look
 12 at what we achieve through that.

13 Ag conservation is starting from either --
 14 even a more fundamental or basic place and haven't
 15 started through the full implementation of the Ag
 16 Water Conservation Council process. And so just
 17 getting acreage covered and getting plans developed to
 18 try to estimate what the effect is going to be with a
 19 whole variety of differences applied to ag in the
 20 state is part of what, therefore, we hope to be the
 21 result of just starting in the first seven years to
 22 bring a certain amount of the land that is currently
 23 irrigated into this process.

24 Byron, do you want to come on that? How
 25 accurate does that come?

1 figure out roughly how much you have saved by your
 2 implementing actions, I hope.

3 VICE CHAIR McPEAK: I kind of think so,
 4 too.

5 MR. HALL: You can calculate it pretty
 6 closely but you can't measure it.

7 MR. DUNNING: Well, a calculation would be
 8 sufficient then.

9 VICE CHAIR McPEAK: Let me get Lester and
 10 Bob and Roberta and I want to come back to you, Steve,
 11 on how we actually can go a little farther along the
 12 line here, measuring but maybe not calculating, I
 13 guess I get that -- calculating but not measuring and
 14 then estimating.

15 Okay, Lester.

16 EXECUTIVE DIRECTOR SNOW: I want to -- I
 17 mean this is an interesting discussion, but I want to
 18 make sure we draw a sharp distinction between urban
 19 and agricultural conservation or water use efficiency.
 20 They are very different in regard to this discussion.

21 There are some situations in agriculture
 22 because of the salt sink or some other drainage
 23 situation where you can put it in terms of reduction
 24 in water applied. But in implementing ag water use
 25 efficiency measures you may see no difference in the

1 MR. BUCK: Overall I think it's well said.

2 VICE CHAIR McPEAK: Okay.

3 Now -- Hap.

4 MR. DUNNING: I still don't see why we
 5 can't -- I mean understanding these are goals and not
 6 a guarantee, and in just calculating the goals you
 7 take into account, as Rosemary pointed out, that some
 8 districts are well along the way that influences what
 9 you think remains that can be feasibly done.

10 MR. BUCK: We are talking about linkage
 11 here, though, to other actions. And so to the extent
 12 we got that, we've got to make sure there's something
 13 we can actually measure. Trying to actually measure
 14 water you don't use is a very difficult thing, so you
 15 can only really measure your performance estimates
 16 that you can then estimate how much savings you're
 17 going to get. But you will never actually know
 18 because you can't meter it.

19 VICE CHAIR McPEAK: Lester?

20 MR. DUNNING: You mean we don't know what
 21 we've saved in the past from all these programs?

22 MR. BUCK: We only estimate it. We -- you
 23 can't meter water you don't use. And that's what
 24 conservation is.

25 MR. DUNNING: Well, yeah, but you can

1 total water used, you see differences in crop
 2 production or other types of things that result from
 3 the efficiency measures.

4 So, having an acre foot target would not
 5 actually reflect what's happening in a lot of ag water
 6 use efficiency programs.

7 VICE CHAIR McPEAK: Bob.

8 MR. RAAB: I wonder why this couldn't be
 9 simple, in terms of urban conservation having a
 10 numerical standard for, let us say, indoor water use
 11 in homes. Why couldn't there be a uniform statewide
 12 urban standard that says the goal is 12 people per
 13 acre foot of water per year. That's about what I use.

14 The way I figure it, in Southern California
 15 urban use is about six people per acre foot per year.
 16 I think "household" is too loose to use as a standard
 17 because some households have one person, some have
 18 two, some have four or five or six. But if you put it
 19 on a basis of how many people use an acre foot of
 20 water, now that -- I see Byron is kind of shaking his
 21 head and I -- maybe this isn't the right standard, but
 22 it seems to me that out there somewhere there is some
 23 kind of numerical standard that can be used and you
 24 say this is your goal. If you don't make it, then
 25 you're going to go into Tier 2 or Tier 3 pricing.

1 So, Byron, tell me.
 2 MR. BUCK: You could do an indoor per
 3 capita use target that might make some sense because
 4 statewide indoor plumbing is pretty much about the
 5 same. But once you go beyond that you're in the
 6 outdoor and you've got climate differences --

7 MR. RAAB: I didn't say outdoor, Byron, I
 8 just said indoor.

9 MR. BUCK: I know. But I'm saying what
 10 we've got here is actually a measurable standard
 11 because we have gone through all the conservation
 12 tactics, deemed which ones are plausibly cost
 13 effective and the measure is: Are you implementing
 14 those that are cost effective or not? The savings
 15 become the savings.

16 The measure is: Are you doing the programs
 17 that everybody agrees is appropriate? We've
 18 essentially got the package before CalFED. I don't
 19 know why we are continuing really to debate the
 20 measure here. It's pretty much been concurred that we
 21 need to measure the BMP process and that will produce
 22 the savings.

23 We can estimate that those savings will be,
 24 but we can't measure them in the sense of metering it
 25 and holding to it that target. So it isn't

1 around the table may still take issue with.
 2 But the point is that what you're being
 3 asked to look at today is the extent to which this
 4 performance goal as it's written will capture the
 5 aggressive accurate level of effort on the urban water
 6 conservation side so that there can be a measurable
 7 way that you know whether urban conservation efforts
 8 are matched by all these other water management
 9 efforts as a goal for the first seven years, rather
 10 than getting into the specifics of specific actions
 11 and practices.

12 VICE CHAIR McPEAK: No, it's actually --
 13 well, you want to respond here, go ahead. I've lost
 14 control.

15 MR. DUNNING: I ask Mary how she can call
 16 it aggressive when it's a blank percentage.

17 VICE CHAIR McPEAK: Because it's not a
 18 blank, we are filling it in and the -- when the blank
 19 is filled in at 90 percent or something of the
 20 population being covered, the MOU process is very
 21 aggressive. That's the answer. I mean that's what --
 22 that's what they are embracing here.

23 We are dealing with perception on this
 24 matrix again, California has perfected the ability to
 25 do that. I have a symbolic discussion. I really

1 appropriate measure to actually measure the
 2 implementation effort and are people doing what they
 3 pledge to do.

4 VICE CHAIR McPEAK: Let me get one last
 5 comment from Bob and then to Mary, and then we'll go
 6 back to the process --

7 MR. RAAB: If it's a given that you've
 8 already established your goal, why isn't it in here in
 9 the performance goals instead of this blank percentage
 10 of the population?

11 MR. BUCK: What we've agreed to is
 12 everybody has to stand up to doing the BMPs; that this
 13 number of -- the percentage is not one that was part
 14 of the process still out there. How many are --
 15 what's the threshold for triggers and sanctions,
 16 that's another issue. But the concept of using the
 17 BMP process is the measure of urban conservation that
 18 has been agreed to.

19 VICE CHAIR McPEAK: Mary.

20 MS. SELKIRK: I simply was going to try to
 21 get us back on track and to note that these
 22 performance goals pertain to the totality of Stage 1
 23 actions which in the urban conservation program there
 24 is a program that's been developed excruciatingly over
 25 the last however many of years which some members

1 would suggest we try to estimate what we expect is
 2 going to be the result of the effort. I mean --
 3 because folks are not going to understand the urban
 4 conservation council process. That's, you know, what
 5 you are doing here.

6 Roberta?

7 MS. BORGONOVO: I wanted to go back to the
 8 question of baselining. It has come up in every
 9 discussion we have had, and I think that even with the
 10 idea of putting a column out there of money spent,
 11 that's really the water agency saying, "Look, this is
 12 our baseline, it's what we have spent."

13 But it's true also in all of these urban,
 14 ag, recycling, all of that, there has to be a baseline
 15 of what's being done now. The idea of a performance
 16 goal is so you can measure -- you have someplace to
 17 measure it again. So, I think baseline is extremely
 18 important.

19 I also think that in the performance goals
 20 the more explicit it is, the better it is because I
 21 think that it helps the public see where we are going.
 22 So there's a difference between what's in Phase 2 and
 23 what is put into place for the record of decision.

24 So, for example, under urban conservation
 25 if you could go back and take a look at what's there

1 and you could see that what we hope will happen is
2 that there will be actually certification of the best
3 management practices which are -- do have explicit
4 performance standards and against which you certainly
5 can estimate the amount of water saved, that takes you
6 further along. It's just that at this point, these
7 are all looking pretty vague to us, so I urge us to
8 continue down this path.

9 VICE CHAIR McPEAK: Roberta, what is your
10 baseline?

11 MS. BORGONOVO: Well, for example, I think
12 that it's important in all of the areas to take a look
13 at where you are on urban conservation. I mean one of
14 the things that's happening in urban conservation is
15 there has been a per capita drop in water use. That
16 was always something that was out there.

17 Byron is quite correct. We agreed that we
18 would go the best management practice route. But now
19 that we're doing the best management practice route,
20 we are going to the point where we can begin to
21 measure.

22 I think if you take a look on page 66 for
23 ag and water conservation, there is a table there that
24 defines the range of actions that will give you
25 different ways to measure conservation, and one of the

1 was any of the BMPs being fulling implemented.
2 Because once they are and you can still then continue
3 as you serve more people doing it more efficiently,
4 but when the BMPs are implemented we have rendered out
5 the excess water. The savings are what they are going
6 to be.

7 MS. BORGONOVO: I think you have to look at
8 the way we set the standard. I think Byron would
9 agree with this. We basically also negotiated what we
10 thought was reasonable. Certainly in all the areas,
11 both indoor and outdoor, you could go beyond what is
12 cost effective for water agency and that gets into
13 this concept of, again, the way in which you use the
14 funding, the way in which you use the grants.

15 But one of the things that I agree with is
16 that until you begin, you have a BMP process out there
17 and you have a certification process in place and you
18 begin to measure and actually see who is doing what,
19 you can't -- you'll never settle these arguments over
20 how much water can be saved.

21 That's also my feeling in the agricultural
22 sector, you have to begin someplace. You have to
23 begin to do the work. You have to have the incentive
24 so you're not always caught up in trying to do the
25 least amount possible so too much will not be expected

1 areas that everyone is looking at is: How do you look
2 at ag conservation for more than just water saved,
3 more than just water supply reliability and also the
4 water quality efforts.

5 So I think in all of these programs it's
6 important to look at them from the viewpoint of water
7 supply reliability, but also see that they are very
8 much linked to some of the other CalFED objectives.
9 And that's also a legitimate use of the money that's
10 there, to try to pursue these other objectives through
11 these different tools.

12 VICE CHAIR McPEAK: In effect the -- I
13 asked the question on baseline with respect to
14 conservation. You've heard Byron say that in net
15 effect, that what the savings are is what the savings
16 are. And I inferred from that and take a similar
17 approach that whatever can be conserved is what can be
18 conserved.

19 Now, how aggressive you're going to be on
20 it is -- has been the subject of the debate in the
21 Urban Water Conservation Council process, and having
22 been through a lot of that painfully in early years
23 and I'm grateful to those of you who have carried the
24 flag forward and actually done the implementation, the
25 baseline that I view was where we started before there

1 of you.

2 But on the other hand, I myself believe
3 that there is great potential in urban and ag
4 conservation for meeting CalFED objectives, and that's
5 not just making water available at the time that you
6 need it, but also being able to preserve the economic
7 basin and all of these other areas. So, I mean, it's
8 one of the issues that the Environmental Water Caucus
9 tried to put forward in their blueprint, is to take
10 this really broad view.

11 VICE CHAIR McPEAK: Do you want to respond
12 to that now, Byron?

13 MR. BUCK: I pretty much agree. I mean you
14 can't go beyond BMPs; that it is a money issue beyond
15 the local cost effectiveness test.

16 But just on your point, the BMPs are not
17 static, they are revised. As technology improves, we
18 have added horizontal access washing machines because
19 they are now cost effective and are saving quite a bit
20 of water. So it isn't like we sit on what we know
21 today works, we look at what might work tomorrow as
22 well.

23 VICE CHAIR McPEAK: Thank you.

24 Steve, from AQUA's point of view, is there
25 a problem within this, say, matrix of the presentation

1 of the information estimating what we expect the water
2 conservation effort to achieve through Stage 1?

3 MR. HALL: In terms of acre feet saved?
4 Well, not a philosophical objection, just a practical
5 problem, as Byron has indicated, we know within a
6 reasonable degree of certainty what certain BMPs will
7 do in a particular setting in the way of producing
8 conserved water. We cannot measure it directly. We
9 can calculate it, and we think we are pretty accurate
10 in the calculation.

11 I guess my view is very similar to Byron's,
12 that because that relationship exists between an
13 action taken and a certain volume of water conserved,
14 and because what is cost effective for one agency is
15 going to be different than what is cost effective for
16 another and because the settings are so different from
17 agency to agency, we ought to measure what we can
18 measure and what is -- what actually is meaningful to
19 measure.

20 I think in this case what is meaningful to
21 measure is, are you undertaking the BMPs or aren't
22 you? Knowing that in your particular setting certain
23 of them are going to be cost effective and they are
24 going to -- you're going to estimate how much water
25 can be saved through them.

1 population doesn't mean that BMPs are being
2 implemented. I can service your washing machine but
3 that doesn't mean your washing machine is going to
4 save water.

5 MR. HALL: Now I think I take your meaning.
6 The way I read this is that a -- that those agencies
7 that serve a certain percentage of the population, and
8 we'll use 90 for purposes of discussion, have to be
9 implementing best management practices plans, the
10 plans that have been laid out by the Conservation
11 Council.

12 We know that once, say, 90 percent of the
13 population served, once the agency serving 90 percent
14 of the population served, that they are implementing
15 the BMPs, then we have gone as far as we reasonably
16 can toward the goal because the other 10 percent are
17 served by literally thousands of water providers, most
18 of which are exceedingly small. And it is simply not
19 programmatically or cost effective to go out to a
20 private water company that's got ten hookups and say,
21 "You got to implement all these BMPs" because,
22 frankly, the water saved by doing that is not near
23 worth all the effort that it would take to do it.
24 Which is why I think we have settled on, say, a 90
25 percent because that's pretty much -- if you look at

1 Now the estimate is useful for the purposes
2 of planning. It should not be a standard by which we
3 measure compliance because of the vagaries that both
4 Byron and I have tried to describe. What you should
5 use as a standard is, are you doing the BMPs that are
6 cost effective or aren't you, recognizing that as you
7 do them you're going to create conserved water.

8 So, I would say it is reasonable to
9 estimate what you're going to conserve. It is not
10 reasonable to use that as a standard.

11 VICE CHAIR McPEAK: Yes?

12 MR. ANDREUCETTI: As a goal did we not use
13 the percentage of people implementing BMPs as the
14 goal?

15 MR. HALL: Yes. I mean I think the goal
16 that is stated here as a percentage of the population
17 served is a reasonable approach.

18 MR. ANDREUCETTI: What I'm suggesting is
19 using that terminology in lieu of what we have here.
20 It may be clearer to people.

21 MR. HALL: I'm sorry, I'm not following
22 you.

23 MR. ANDREUCETTI: In other words, you're
24 saying water retailers servicing a certain percentage
25 of population implementing plans. Just serving a

1 the agencies that are in the Conservation Council
2 today participating, they serve about 90 percent of
3 the population of California. And to go beyond
4 that -- I mean we can talk about doing it; carrying it
5 out is going to be exceedingly difficult and frankly
6 not worth the effort.

7 I mean I don't mean to be politically
8 incorrect here, but that's just the fact. If we reach
9 the 90 percent goal, we will, I think it's fair to
10 say, be in the top 10 percent in the world in terms of
11 managing water in an urban setting. That's sort of a
12 guess on my part but it's pretty educated and I think
13 it's not far off. I don't think that's a bad group
14 of -- bad company to keep. I think that's where we
15 are going to end up if we implement these BMPs. We
16 will be able to compare favorably to any place in the
17 world in terms of our ability to manage water in an
18 urban setting.

19 VICE CHAIR McPEAK: Okay. Well, we've
20 talked through one out of seven, eight here. I guess
21 seven. Let me see if I can summarize a semblance of
22 consensus, if there is one.

23 I think, Lester, I am hearing a desire to
24 try to make a distinction and also state the
25 difference between what are the performance -- process

1 performance goals and the outcome goals. And in
2 the -- when I say outcomes, I'm really now in this
3 case talking about what is it that we expect will be
4 saved. So that gets expressed here.

5 Secondly, that there is general concurrence
6 that if we were to use a process performance goal, the
7 90 percent of the population served is a reasonable
8 one. Folks need to really understand that the Urban
9 Water Conservation Council process is a very
10 aggressive one on the implementation of conservation
11 measures and that it is not static; that is
12 continually improving or looking at the opportunity
13 for conservation.

14 I haven't heard a disagreement yet on the
15 relative share here of what's being proposed for
16 potential public sector federal or state cost to match
17 what is estimated that the districts' users will put
18 in themselves.

19 MR. HALL: I don't agree with that.

20 VICE CHAIR McPEAK: Okay. Comment Byron
21 and then Steve.

22 MR. BUCK: Just something looking down the
23 line, that there's probably going to be legislation
24 necessary to actually implement a certification
25 program and the 90 percent roughly would translate

1 into what the legislature's already determined or
2 urban water agencies having to submit urban water
3 management plans, and those are those with 3,000
4 connections or serving more than 3,000 acre feet a
5 year. You could use that as the metric as well. It
6 might play a little better to the legislature since
7 they have been through that drill on urban water
8 management plans and it works out to about the same
9 population number.

10 VICE CHAIR McPEAK: Okay.
11 Steve?

12 MR. HALL: On the total funding and the mix
13 of funding, I think -- I mean I defer to Byron on
14 this. I think we might want to take a look at how
15 much total and what the mix is, and whether previous
16 investments are credited. That's the general comment.

17 More specific comment, if we want to
18 encourage the development of water for the
19 environmental water account through conservation in
20 either sector, then we are going to have to spend more
21 money because there isn't enough money on this table
22 to create that sort of volume of water.

23 VICE CHAIR McPEAK: That's right. Uh-huh.

24 MR. HALL: Because what we have done
25 through this, through the BMPs, is we've done what's

1 cost effective. So we have rung out the cheap water.
2 What's going to be left is more expensive and we have
3 to recognize that and recognize that there are ways to
4 get it, but that it's -- you know, money is going to
5 be the answer.

6 I think there is a willingness, as I
7 understand it, from the urban sector to participate in
8 that program. But, you know, the money has got to
9 show up.

10 VICE CHAIR McPEAK: I think it was
11 discussed through in at least the Group 1, that these
12 numbers as you see under the federal/state share of
13 cost for urban and ag don't take into account
14 capitalization of an environmental water account that
15 could participate in the purchasing of -- well, in the
16 further assistance to water agencies in return for
17 getting the water that is saved back to the
18 environment.

19 So that while this does include apparently,
20 according to Greg, funding for federal/state
21 government staff that do technical assistance and
22 assist further the two water agency councils and some
23 grant programs or loan programs, that it did not
24 anticipate the environmental water account which
25 should be capitalized. So that you need to put into

1 these numbers.

2 Roberta?

3 MS. BORGONOVO: I wanted to go back and
4 emphasize that in the arenas that I'm in, especially
5 urban conservation where I've spent a lot of time and
6 even in the ag sector, we are talking about a
7 self-regulating process. And I, myself, have bought
8 into that because I still think that you're asking the
9 local agencies on the ground to do the implementing.
10 That is who implements both the efficient water
11 management practices in the agricultural sector and
12 the urban sector.

13 But at the same time, it is legitimate to
14 have a measurable goal from CalFed's point of view
15 against which we measure the progress. And I think
16 that it also does begin to answer some of the
17 questions of what is the appropriate use of public
18 money, what's the appropriate use of user money, how
19 do you guide how that money comes in.

20 If water agencies have agreed to implement
21 best management practices that are cost effective, we
22 have to be able to measure that. We have to have a
23 standard for cost effectiveness, all of which we are
24 working on certainly in the urban sector where I've
25 spent a lot more time. But I think that over and

1 above that you have to make sure that if you're having
2 public money come in and it's an outright grant, it
3 really is over and above the cost effectiveness.

4 And I think that when CalFED has used an
5 incentive-based approach, which they have, I think
6 that that again is legitimate for them to set out some
7 kind of goal measurable objective under which they are
8 offering the incentives. Because again, the use of
9 the public money can go again a long way to maximize,
10 but I don't think we want to drop out the obligation
11 that districts in both sectors have already put forth
12 and we discussed that a little bit about our group. I
13 think it's in Phase 2, I just think we haven't spent
14 enough time talking about finances as Eric will
15 discuss at this higher level which we need to do.

16 VICE CHAIR McPEAK: Well, Eric keeps going
17 to the meetings and it keeps getting put off or talked
18 to at the end, so, you know, we are in denial over
19 money or at least that the effect is the same.

20 The -- that's what a part -- that's what
21 I'm trying to drive towards now, is this investment
22 equation in order to try to provide some additional
23 incentives.

24 Nobody is objecting to, let me tell you,
25 the 500 million comes from the estimate of what the

1 public urban agencies will continue to put in at about
2 70 million a year over the next seven years, 100
3 million is what is sort of the base number that we
4 think is a starting place for aggressive conservation
5 to help leverage that and assist that. It does not
6 include the environmental water account without
7 your -- without -- you know, if you don't ride on me,
8 what I've suggested to Lester and Mary is that we do
9 put into this matrix or they put into the plan
10 capitalizing the environmental water account which is
11 in addition to this.

12 We are going to -- to the extent they can,
13 they are going to start looking at what are the
14 estimates that would be achieved on what I call
15 outcomes, i.e., water saved.

16 On ag conservation, what is here, what is
17 proposed is a -- has been discussed in the two groups
18 and actually what emerged was more a proposal of the
19 amount of irrigated acreage that would be covered by
20 the MOU, the ag conservation council process. And we
21 had a pretty good discussion in the group I was in
22 over was the number of 5 million acres which has been
23 proposed by staff, reasonable or not. About 2 million
24 acres are covered now, there's about 9 million acres
25 that are currently irrigated, 1-1/2 to 2 million of

1 those acres are not within a jurisdiction, a political
2 jurisdiction, a district of some sort that would be
3 the entity for -- by which or through which a plan
4 could actually get developed. So if you look at, you
5 know, 6, 7 -- rather 7 million acres being irrigated
6 that could be covered by a plan, then trying to get to
7 5 million acres from 2 million today and get plans
8 that actually would estimate what could be done.
9 Not -- I shouldn't say that -- that would develop
10 plans on what should be done and then estimate what
11 the effect is, and the effect will be a lot different
12 from region to region in California. Five million
13 acres seems like a pretty reasonable and aggressive
14 goal. So, that's sort of where I want to get some
15 reaction.

16 And also the split here in terms of
17 matching what the users are putting in, we all think
18 that's probably maybe low, Lester, on the 100 million
19 and the amount of the 100 million to help, whether or
20 not that shouldn't be kicked up because we have
21 potential for great return there.

22 Steve?

23 MR. HALL: First an editorial suggestion,
24 instead of -- under performance goals, instead of
25 irrigation districts just put the more generic term

1 water districts.

2 VICE CHAIR McPEAK: We've already gone
3 through that, dear.

4 MR. HALL: Okay, then I'll drop it.

5 VICE CHAIR McPEAK: And if you listen to
6 what I said, we are not even talking about districts
7 now, it's amount of acres irrigated.

8 MR. HALL: Well, but you're going to have a
9 hard time working with the districts -- I mean the
10 acreage that's not in a district, but I'll leave that.

11 VICE CHAIR McPEAK: That's why it's at 5
12 million and not -- should I go through the numbers
13 again?

14 MR. HALL: No, you should not.

15 The 5 million seems reasonable, but CalFED
16 does have a focus group working on this. I asked one
17 of the members, she indicated they have not arrived at
18 a number and I strongly suggest that despite the vast
19 wisdom, knowledge and experience in this room, we
20 probably shouldn't try to guess at what the
21 appropriate number is. Let them do their job and work
22 it out.

23 That's not an attempt to put it off, I
24 just -- you know, but we're not going to be able to
25 fill in every blank in CalFED between now and next

Page 127

1 week, and this is one of those blanks we probably
2 shouldn't try to plug in because I think we're
3 inevitably going to make a mistake since we don't know
4 enough to do it.

5 VICE CHAIR McPEAK: Well, if one of those
6 members is currently in the room, and I think that she
7 is, I know she's enlightened us a lot, we were
8 desperately in need of her in our discussion. The --
9 I think the point you're making and the interest that
10 the group I was in had was to benefit from the work
11 that they are putting in. We understand that. All
12 I -- I was actually trying to explain why 5 million,
13 which comes not from me, it comes from the staff,
14 seemed like a pretty aggressive goal at the time.

15 MR. HALL: It seems like an ambitious but
16 probably realistic goal, but the problem is you put a
17 number in and pretty soon people believe that you knew
18 what you were doing when we clearly don't.

19 VICE CHAIR McPEAK: Ms. King, would you
20 approach us, please?
21 Hap?
22 I agree. I agree, Steve. I didn't mean to
23 interrupt.

24 MR. HALL: And I'm more than happy to...
25 VICE CHAIR McPEAK: I called her up but I

Page 128

1 thought you might want to make a comment before Laura
2 spoke.

3 MR. DUNNING: All right. My comment was I
4 was surprised that the -- what was the number you used
5 for the acreage not covered by any district
6 jurisdiction?

7 VICE CHAIR McPEAK: We are told by staff,
8 by Greg, that it's up to 2 million acres out of the
9 9 million irrigated.

10 MR. DUNNING: That's an awful lot and maybe
11 illustrates a defect of using the district-based
12 approach, and has anybody given any thought to ways of
13 dealing with agricultural water conservation in those
14 2 million acres? I mean they are in somebody's
15 jurisdiction, not a district but a county or somebody.

16 MR. HALL: I mean the State Board has
17 jurisdiction, are they wasting or unreasonably using
18 the water.

19 MR. DUNNING: Well, you know as well as I,
20 it takes a pretty dramatic situation before the board
21 ever says anybody's wasting water in the
22 constitutional sense.

23 MR. HALL: True.

24 MR. DUNNING: So I mean, are these people
25 just off scot-free, 2 million acres?

Page 129

1 VICE CHAIR McPEAK: Let me ask Laura to
2 comment, maybe we can come back to that because you're
3 raising a question about the respons -- equal
4 responsibility and effort throughout the state, and I
5 don't think the -- the intent of the staff was not to
6 be unfair or ignore but to recognize what the
7 mechanism was for the Agricultural Water Conservation
8 Council.

9 MR. DUNNING: I think a defect of using the
10 district-based approach seems to be. That's one
11 defect, anyway.

12 VICE CHAIR McPEAK: Right.
13 Laura, enlighten us, please.

14 MS. KING: Well, I don't know what the
15 answer is in terms of the right number. We haven't
16 discussed that number in the focus group. We have --
17 we tried to get some information on what -- how many
18 acres are already signed up and we were given some
19 information, Roberta is also a member of that group,
20 and I think the results of that were that they were
21 incomplete. We don't even have complete information
22 right now on who is already in.

23 So I think it's a number that probably can
24 be agreed upon by reasonable people, but I think you
25 would want to know what the number is right now as a

Page 130

1 starting point and I would suggest that it get kicked
2 back to the focus group.

3 VICE CHAIR McPEAK: Okay. Eric is
4 reminding me, correcting me that actually what I think
5 staff shared was that it's 3 million acres that are
6 under agreement, not -- I think I said two, so it's
7 three that we were told by --

8 MS. KING: It's in the process of changing
9 right now. There's a lot of districts that are in the
10 process of considering it and I don't think that --
11 when we discussed this in the focus group, I don't
12 think that people felt like they had a real precise
13 handle on what the number is currently.

14 VICE CHAIR McPEAK: Okay. And are you --
15 is the focus group, though, going to be able to
16 provide greater clarity and definition in the next few
17 days to give us a better performance goal than what is
18 stated here?

19 MS. KING: Well, we have one more meeting
20 scheduled for tomorrow morning and we can certainly
21 discuss it. I think the thrust of the focus group's
22 recommendation is that we do need measurable
23 objectives but that the process for defining
24 measurable objectives should be put into the
25 strategic plan, and we have got some language on what

Page 131

1 we mean by "measurable objectives."
 2 I don't think by tomorrow we are
 3 necessarily going to be ready to go to number of acres
 4 that should be signed up by a certain date. We can
 5 talk about it, but I don't know whether people will
 6 feel comfortable with that.
 7 I really want to emphasize that there's
 8 still a lot of folks that I'm talking to in the
 9 agricultural community that are very uncomfortable
 10 with any kind of discussion about measurable
 11 objectives at all, and if we try to force something on
 12 people before they feel like it's something that they
 13 can really achieve, I think that will be
 14 counterproductive. So that's part of the reason why
 15 I'm urging caution here.
 16 VICE CHAIR McPEAK: Roberta?
 17 MS. BORGONOVO: I think what we are again
 18 trying to do is put together a package that we think
 19 can bring in a broad group of people and we all agreed
 20 that we would try to work it out, put something out
 21 there, if nothing else we would try to define a
 22 process where people would be comfortable in getting
 23 there over the next year or the next two years, so
 24 that people can see where they want to go and they see
 25 that they have time for this stakeholder input. I

Page 132

1 guess I wouldn't say any more than that.
 2 VICE CHAIR McPEAK: And I know you're --
 3 the approach that you're taking and not trying to
 4 force some arbitrary number is appropriate.
 5 On the other hand, it's my experience when
 6 we don't use the knowledge and wisdom we have today to
 7 at least estimate where we are trying to go, we often
 8 don't get there. And it is entirely acceptable and
 9 appropriate, I think, in the CalFED process, to make
 10 our best effort, asterisk it and say "Here's the
 11 process we are going to go through to refine it." But
 12 we've been at this long enough that -- I'm sorry to be
 13 so impatient. So if you would ask to have their best
 14 thinking to put back in here if we are going to defer
 15 to the work group, I would appreciate that.
 16 MS. KING: Okay, we'll take that up.
 17 VICE CHAIR McPEAK: Thank you.
 18 MS. KING: Thanks.
 19 VICE CHAIR McPEAK: Let's talk -- I'm going
 20 to go to the bottom of the list. I'm making no
 21 progress starting at the top. Storage, surface
 22 storage.
 23 The proposal here is that there be about
 24 70 million from the federal and state government to
 25 work through those five items to complete

Page 133

1 investigation site selection and permitting.
 2 Lester, in terms of what the document says
 3 to date, and forgive me for not having read it all
 4 here this morning, what is the approach on -- if any,
 5 on recouping the costs from the public sector if a
 6 facility goes to construction, if there's found to be
 7 feasibility and then recouping those costs on a split
 8 between beneficiaries?
 9 Have you addressed that? Is that in here?
 10 EXECUTIVE DIRECTOR SNOW: I don't believe
 11 we have that in here. However, in previous documents,
 12 and there is no reason that we would change, the
 13 previous documents as indicated 100 percent public
 14 financing for all of the planning efforts, and once
 15 you decide to go to construction it's 100 percent
 16 beneficiary financing including reimbursement of the
 17 public expenditure.
 18 VICE CHAIR McPEAK: For that facility?
 19 EXECUTIVE DIRECTOR SNOW: Correct.
 20 VICE CHAIR McPEAK: Okay.
 21 EXECUTIVE DIRECTOR SNOW: Did we include
 22 that language, Hap?
 23 MR. DUNNING: Looks like it's here.
 24 EXECUTIVE DIRECTOR SNOW: Okay.
 25 VICE CHAIR McPEAK: Thank you, Hap.

Page 134

1 So at least that -- so one should then view
 2 the 70 million that should any facility actually be
 3 constructed, that the portion of those dollars that
 4 are expended to take that facility through the
 5 planning and permitting process would be recouped on
 6 the beneficiary side, right? Okay? So 70 -- I'm just
 7 trying to complete this matrix here that --
 8 MR. HALL: I don't have any problem, I
 9 think the money -- the amount of money is probably too
 10 low. I guess my question would be: What is the
 11 source of the 70?
 12 VICE CHAIR McPEAK: Besides the federal and
 13 state government?
 14 MR. HALL: Yeah. You've got federal and
 15 state, 70 million.
 16 VICE CHAIR McPEAK: Yeah. And --
 17 MR. HALL: Where did that number come from?
 18 VICE CHAIR McPEAK: Oh, okay. What bigger
 19 source than the state and federal government.
 20 How did you get to 70 is the question.
 21 MR. HALL: That is correct.
 22 EXECUTIVE DIRECTOR SNOW: Seventy was our
 23 original estimate from six to nine months ago on what
 24 it would take to move four or five sites through a
 25 planning and feasibility analysis. It's an old rough

<p style="text-align: right;">Page 135</p> <p>1 estimate, but to move a short list, a group of 2 potential reservoir sites through feasibility and 3 planning. 4 MR. HALL: I'm far from an expert but from 5 what I do know, I think that would get you to 6 reconnaissance and early feasibility. If you are 7 going to do what you say you're going to do, which is 8 to go through permitting, I'm told that depending on 9 the site getting a permit can cost you from 50 to 10 \$150 million for one site and I think that number's 11 got to go up, based on that. 12 Not based on -- I don't think you should 13 take my word for it. What I think you should do is go 14 and talk to people who have built reservoirs and find 15 out what it cost them and then use some range of 16 estimate based on that and based on the number of 17 sites that you think it is likely you will be able to 18 move through the permitting stage. 19 EXECUTIVE DIRECTOR SNOW: You're right, 20 Steve. I think the number probably reflects more 21 closely what it takes to get to a screened acceptable 22 site and then once you have that site, you have 23 additional work that would be necessary for permitting 24 and design. 25 VICE CHAIR McPEAK: And this says planning</p>	<p style="text-align: right;">Page 137</p> <p>1 EXECUTIVE DIRECTOR SNOW: Looking at the 2 number, as I indicated to Steve, we may increase the 3 number but that could result in monies being put over 4 into the user column. 5 MR. HALL: Well -- 6 EXECUTIVE DIRECTOR SNOW: Because once 7 you're getting to permitting, then you're probably 8 allocating to users and it implicates -- 9 MR. HALL: I don't have any problem with 10 that. 11 EXECUTIVE DIRECTOR SNOW: Okay. 12 VICE CHAIR McPEAK: Yeah, Hap? 13 MR. DUNNING: If we are looking for 14 consensus, it might be better to leave the number the 15 way it is and change the goals because I don't think 16 there is goals -- consensus on the permitting aspect 17 of it at least. 18 VICE CHAIR McPEAK: No, I think that's 19 true. There is not. I agree with you that there is 20 not consensus. I don't know that we are going to get 21 consensus on this. I'm trying to at least ferret out 22 what people are looking at in terms of the amount and 23 I wasn't suggesting leaving it at 70, I was just 24 trying to point out that that number was a piece of 25 it.</p>
<p style="text-align: right;">Page 136</p> <p>1 only, Steve. 2 MR. HALL: Well, but it says "Complete 3 investigation, site selection, and permitting." 4 VICE CHAIR McPEAK: Yeah, right. I know -- 5 MR. HALL: Which I fully support, but if 6 you don't adequately fund it you're not going to get 7 it done. 8 EXECUTIVE DIRECTOR SNOW: We will re-look 9 at that number, Steve. That's a good point. 10 MR. HALL: Thank you. 11 VICE CHAIR McPEAK: And I'm not quarreling 12 with you or disagreeing, I'm just saying I took this 13 to mean that the 70 million was the estimate on the 14 planning component of what is listed under performance 15 goals. 16 MR. HALL: I prefer Lester's response. 17 VICE CHAIR McPEAK: Okay. Well, then we're 18 going to have Lester take my place during that 19 process. 20 EXECUTIVE DIRECTOR SNOW: Well, I'm 21 probably saying something that may be splitting the 22 difference of what you guys were just talking about 23 because -- 24 VICE CHAIR McPEAK: He's being diplomatic, 25 that's right. You better side with me.</p>	<p style="text-align: right;">Page 138</p> <p>1 MR. DUNNING: But I am saying why not leave 2 it at 70 and change the goals. 3 VICE CHAIR McPEAK: Okay. You are 4 proposing that. Let's get some response to it. 5 Yes, Alex, and then Roberta. 6 MR. HILDEBRAND: We need to go back and 7 look at what it is we are trying to do here. We 8 discussed in our last meeting, as I recall, that what 9 we're legally trying to do with all seven of these 10 things is to close the gap between supply and demand 11 at some future date as of today. And we just all 12 agreed we don't know how much we are going to save on 13 urban conservation. We don't know how much we are 14 going to save on ag conservation. We don't really 15 know whether you can finance all this recycling on a 16 cost benefit basis. We don't know how much water we 17 are going to be able to transfer if we stick with the 18 no injury rule. 19 And so I had suggested at the last meeting 20 you'll recall and I later put it into a letter -- part 21 of a letter to Lester dated November 2nd, a suggestion 22 on how he might proceed in closing this gap. It's in 23 your packet, but maybe the expeditious thing is for me 24 to read to you the relevant portion of the letter. 25 The issue of water supply versus demand is</p>

<p style="text-align: right;">Page 139</p> <p>1 more involved but is a statewide concern. My 2 suggestions on this, build on a conceptual approach 3 that appeared to have fairly broaden tentative 4 acceptance in principle during last week's BDAC 5 meeting. Basically the concept is to assess a 6 plausible range of future demand for agricultural, 7 urban and environmental needs with present water use 8 efficiencies and a plausible range of potential 9 increased water reuse and increased water use 10 efficiencies to reduce that demand. 11 The remaining demand, even with optimum 12 plausible efficiency and minimum forecasted need would 13 be compared to the existing water supply to determine 14 a probable minimum future gap between supply and 15 demand. CalFED would then commit to making every 16 effort to provide this minimum increase in yield and 17 to augment the overall water supply as soon as 18 reasonably possible. 19 CalFED would acknowledge that this increase 20 in yield must come primarily from capturing and 21 storing more of the water that otherwise becomes Delta 22 outflow in excess of State Board standards. It would 23 devise the most water efficient and cost benefit 24 efficient culmination of various types of facility and 25 the coordinated operation thereof to achieve that</p>	<p style="text-align: right;">Page 141</p> <p>1 the protection of legal users of water other than the 2 transferor and compatible with land use policies and 3 reservations. 4 The high end of the forecasted range and 5 future ag demand should at least assume that in 30 6 years, we will be able to provide food and fiber at 7 the current per capita level of California's future 8 population while also maintaining our present per 9 capita contribution to the nation's food supply 10 without any dependency on net foreign imports. 11 The upper end of the range for urban demand 12 could either be the Bulletin 160 figure or some other 13 figure agreeable to urban interest groups. 14 The future environmental demand can be 15 based on the CalFED environmental program, including 16 any increase in water consumption by new wetland and 17 other habitat and any increase in water consumption 18 due to conversion of farmland or idle land to wetlands 19 and other habitat. It would also include any proposed 20 increase in Delta outflow above the State Board 21 standards. 22 I urge that this approach be considered and 23 refined, et cetera. 24 VICE CHAIR McPEAK: Thank you. 25 Roberta.</p>
<p style="text-align: right;">Page 140</p> <p>1 minimum level of water yield. 2 Additional measures to address potential 3 upper limit -- the potential upper limit of the 4 supply/demand gap would be off the table until it is 5 clear that the maximum plausible water use efficiency 6 improvements can or can't be achieved in a technically 7 financial and publicly acceptable manner. 8 CalFED would pledge that the agricultural 9 supplies needed to maintain the present level of 10 production of food and fiber, would not be depleted in 11 order to meet growing urban demand or proposed 12 environmental water supplies. Further stipulations 13 are needed to define the manner in which the future 14 agricultural, urban and environmental demand would 15 each be determined. 16 In regard to agriculture, the future water 17 supply should be sufficient to avoid continued 18 reliance on the unsustainable depletion of natural 19 resources; that is, the reliance on long-term net 20 overdraft of groundwater should be eliminated and any 21 water needed to protect the salinity of soils and 22 groundwaters by restoring and maintaining a salt 23 balance in the central valley south of the Delta 24 should be included in the ag demand, and the policy on 25 water available for transfer should be compatible with</p>	<p style="text-align: right;">Page 142</p> <p>1 MS. BORGONOVO: I think Hap wants to 2 respond. 3 MR. DUNNING: Thank you, Roberta. 4 I just wanted to point out with regard to 5 Alex's premise, his premise was that what we are doing 6 is trying to close the gap between supply and demand, 7 that that is not accepted by all participants in the 8 process, and call your attention to the fact in your 9 packet there is an EWC blueprint with regard to 10 CalFed's water supply reliability program which has a 11 somewhat different -- quite different, really, 12 definition of water supply reliability as follows: 13 Improving the predictability and 14 availability of economic benefits derived from water, 15 or restoring ecosystem health in the Bay-Delta estuary 16 and watershed, which I think is quite a different 17 slant on it than this whole business about closing the 18 gap. 19 MR. HILDEBRAND: Well, I agree that there 20 are two views here and they are so basic that I think 21 we ought to address them rather than argue about the 22 seven points. If the view is we are going to plan to 23 have a deficiency for these three areas of need, okay, 24 we can plan to have a deficiency and then we are going 25 to -- our kids are going to have to live with that.</p>

1 If on the other hand we are want our
2 children to have the same level of food production, et
3 cetera, that we have now, then you have to go the
4 other route.

5 So before we argue about all these details
6 on how much money you're going to spend for this and
7 that, we need to address that basic disagreement as to
8 whether we want to plan for our children and
9 grandchildren a standard of living comparable to what
10 we have today or whether we don't.

11 MR. DUNNING: It says improve the
12 predictability and availability of economic benefits.

13 MR. HILDEBRAND: Well, predictability, you
14 can predict a shortage. That doesn't mean that --

15 MR. DUNNING: And availability of economic
16 benefits. I don't think that's calling for a much
17 lower standard of living.

18 MR. HILDEBRAND: Well, I don't know what
19 you mean by --

20 VICE CHAIR McPEAK: Okay, thank you. We
21 actually have -- I think we have got a clear picture
22 of the different views of the world. And neither of
23 them are actually the charge to CalFED as has been
24 stated, so it's duly noted. Right, duly noted.

25 Roberta, and then back to Rosemary.

1 MS. BORGONOVO: I, of course, was also
2 going to read that definition from our water supply
3 reliability piece, but one of the issues that came up
4 in our work group is that we have asked CalFED to
5 define a water supply reliability objective, and that
6 came from one of the other members of our group.

7 I think that what we have offered is our
8 definition. And perhaps Alex is right, perhaps it's
9 exactly what we should be debating are these different
10 definitions of water supply reliability. But the
11 other part of that definition is that CalFED should
12 focus on providing water users with an economically
13 and environmentally sound suite of dry year
14 reliability strategies. So again, I think that the
15 focus again on dry year would help all of us.

16 But when it comes to the consensus, one of
17 the reasons Group 2 finished so quickly was we all
18 agreed -- we agreed that we couldn't agree on that
19 last bullet, "Permit and begin to construct if links
20 are satisfied." So, I don't think there's any
21 disagreement on investigations and site selection as
22 Hap said, but we didn't agree on those different
23 points.

24 So, I hope we can get beyond that because
25 that's a very basic disagreement.

1 VICE CHAIR McPEAK: Okay. Let's see. We
2 are not going to get beyond that, I predict, but maybe
3 we can get clarity about the positions, at least the
4 two basic positions: Those are for storage, those are
5 against. And am I clear that the position of the EWC
6 at this point is to support the 70 million but for
7 just investigation and site selection?

8 MS. BORGONOVO: I think the feasibility
9 studies are in that, but again, the --

10 VICE CHAIR McPEAK: So feasibility studies
11 you would support.

12 MS. BORGONOVO: I will pull it out.

13 VICE CHAIR McPEAK: For surface storage.

14 MS. BORGONOVO: You'll have to let me go
15 back and look to make sure we are all in sync because
16 we certainly signed onto this. But I think that the
17 issue has always been when you would get there and
18 when you would go back and evaluate the decision. And
19 so the phased decision-making we liked a lot and that
20 was in the March EIR/EIS, it's not quite there now.
21 But basically to say that you study, that's
22 reasonable. It's the moving ahead to permitting and
23 construction that's the word.

24 VICE CHAIR McPEAK: Okay. If you want to
25 confer, just so that we get from EWC what is clearly

1 the position to communicate to Lester, I would
2 encourage you to do that if you want to --
3 MS. BORGONOVO: But they've communicated.
4 They have been in these small meetings, so...

5 VICE CHAIR McPEAK: Okay. I'm trying to
6 understand that there's no -- there's no objection to
7 70 million on the planning, on the feasibility
8 studies, it's whether or not you go to permitting and
9 construction in Phase 1 -- excuse me, Stage 1.

10 I'm going to get you in just a moment.

11 MS. BORGONOVO: I also think that the whole
12 financing rules were discussed yesterday, I mean I
13 wasn't in that discussion and I would have enjoyed
14 that, but why don't you report how that went?

15 VICE CHAIR McPEAK: We can get to that --
16 hold on, Steve, just a moment.

17 Is there anyone else who is opposed to
18 storage who wants to weigh in on trying to define the
19 position of those of you who are against storage for
20 Phase -- for Stage 1.

21 Yes, Richard.

22 MR. IZMIRIAN: I'm not sure about your
23 terminology as being opposed to storage.

24 VICE CHAIR McPEAK: Opposed to
25 permitting --

1 MR. IZMIRIAN: You're talking about just
2 the statement of permitting --
3 VICE CHAIR McPEAK: Surface storage --
4 opposed to what is proposed -- if you are opposed to
5 what is stated here, which is on surface storage
6 investigation, selection, and permitting, and even
7 construction in Stage 1, I'm trying to get an
8 understanding of what the position is for Stage 1.
9 I'll get all three of you in right order.
10 MR. IZMIRIAN: I think I can pass.
11 VICE CHAIR McPEAK: You can pass.
12 MR. IZMIRIAN: Well, we're --
13 VICE CHAIR McPEAK: You are in agreement
14 with what you heard?
15 MR. IZMIRIAN: I'm in agreement with
16 Roberta and Hap.
17 VICE CHAIR McPEAK: And Hap, okay.
18 Now it's Rosemary, Steve and Eric. And if
19 you could, if -- I want to get out on the table, the
20 comments on this proposal from CALFED for those people
21 who are generally in support of surface storage. I
22 know that it's oversimplifying to divide you into two
23 camps, but that's sort of what I hear.
24 Wait a minute. Hap, what do you want to
25 say?

1 MR. DUNNING: If you want something firm,
2 there is this document, if people would read it, and
3 on page 32 it speaks very directly to this. Now this
4 is a November 5th document and I know there have been
5 a lot of discussions with Lester and others in the
6 last few weeks, but can I just read what it says in
7 black and white?
8 VICE CHAIR McPEAK: I think I have read it
9 and I don't think it answers my question, but go ahead
10 if you think it answers the question.
11 MR. DUNNING: It says "Complete least cost
12 and equivalent" -- this is under the heading of
13 "Supply Benefits. "Complete least cost and
14 equivalency analyses and develop willingness to pay
15 formulas for potential new or expanded surface storage
16 facilities. Require water users to pay the full
17 planning cost for any such studies."
18 Why doesn't that answer your question?
19 VICE CHAIR McPEAK: Is it -- it doesn't say
20 70 million. Is 70 million the number you're
21 supporting or not?
22 MR. DUNNING: It's as to the performance
23 goals that I'm speaking.
24 VICE CHAIR McPEAK: Performance goals
25 you've addressed. What is your personal --

1 MR. DUNNING: It doesn't have a number.
2 VICE CHAIR McPEAK: Yeah, and --
3 MR. DUNNING: And I don't know how much it
4 costs to do those things. I would say whatever it
5 costs.
6 VICE CHAIR McPEAK: Whatever it costs,
7 okay.
8 MR. DUNNING: I don't know whether that
9 number is 50 or 70 or 90, but whatever it costs to do
10 those things.
11 VICE CHAIR McPEAK: Okay. Thank you for
12 that clarification because that's -- that does clarify
13 what you were saying about performance goals. Okay,
14 thank you.
15 Rosemary.
16 MS. KAMEI: I just wanted to respectfully
17 disagree with Hap. I think that in terms of a
18 performance goal just leaving it open-ended as to
19 planning, I mean there's a lot of planning that needs
20 to occur, especially in terms of site selection and
21 perhaps maybe not getting all of permits but at least
22 getting things on target if and when we need permits.
23 So I would like to, you know, speak in
24 favor of having it as part of the Stage 1. As to what
25 the exact numbers are, I think that if Lester can come

1 back and give us more information as to the 70 and
2 what it would be for users, that would be helpful.
3 VICE CHAIR McPEAK: Okay. So you're
4 generally in agreement, Rosemary, with the actions and
5 the performance goals?
6 MS. KAMEI: That is correct.
7 VICE CHAIR McPEAK: Okay.
8 Steve.
9 MR. HALL: As to the language, I'm
10 satisfied. It does say under "Actions" that you will
11 permit and begin to construct if links are satisfied.
12 The performance goal is through permitting, so long as
13 the goal doesn't preclude you going to construction,
14 assuming the conditions are met. I'm okay there.
15 For the reasons that I gave earlier, the
16 number needs to be higher, and if you need to include
17 some user money in that to the extent it's
18 appropriate, I don't have any problem.
19 VICE CHAIR McPEAK: Okay.
20 Eric.
21 MR. HASSELTINE: Based on what I'm hearing,
22 I thought maybe we could bifurcate the action and
23 goals here under this particular heading into a group
24 that's got most of it that seems to not have any of
25 the controversy. The controversy seems to be

1 centering on the permitting construction which is sort
2 of at the end of it.

3 VICE CHAIR McPEAK: Uh-huh.

4 MR. HASSELTINE: So I was suggesting maybe
5 a Part A, that would draw the line right above "permit
6 and begin to construct" and that would be the actions
7 for Part A, and then Part B would simply be the
8 permitting and the actual construction if the links
9 were satisfied. Then that could carry over along the
10 lines of what Steve and Lester were previously talking
11 about, in terms of the performance goals as well, and
12 then the investment, the 70 million would still stay
13 with Part A, and then whatever the right numbers were
14 for the permitting and construction and whoever the
15 assignee would be to pay those, would come in under
16 Part B.

17 That seems to be where we have the
18 disagreement and if we could get through to an
19 agreement on Part A, I think we would have made some
20 progress.

21 Now the only thing troublesome about that
22 is the thing that Hap just read in which it said that
23 the user was going to pay for the planning. And
24 that's not what this particular table says, nor is it
25 I think the view that most of us have, including

1 it's getting us closer, and forgive my clumsiness on
2 trying to figure out where the hell we are at, but I
3 have a better picture that whatever of that 70 million
4 that would be spent on the investigations and site
5 selection, all of those points that you put into
6 Category A before you get to permitting, would be a
7 portion of that assigned to a facility that might get
8 constructed gets paid back.

9 MR. HASSELTINE: If it didn't get
10 constructed, then there would be --

11 VICE CHAIR McPEAK: Then it doesn't get
12 paid back. That's the rub here, that's right.

13 MR. HASSELTINE: But the key is that you
14 have to be willing to put the money up front because
15 otherwise it probably doesn't happen.

16 VICE CHAIR McPEAK: Okay. Does that -- do
17 you think that's consistent, Hap, with what you've
18 said?

19 MR. DUNNING: It's accept to me, but I
20 don't want to speak for all of EWC.

21 VICE CHAIR McPEAK: Let me get first Stuart
22 on this and then to Roberta on it.

23 Stuart.

24 MR. PYLE: Just seems like a complication
25 that's not actually needed. I think what's in this

1 Secretary Babbitt who stated yesterday in which he
2 indicated that shared financing of these types of
3 programs are a common practice and were probably going
4 to be what is followed here. But I -- and I don't see
5 really why that raises a problem, given Lester's
6 indication that that money would be paid back if in
7 fact we moved to Step B.

8 VICE CHAIR McPEAK: Okay.

9 MR. DUNNING: Paid back, then aren't you
10 paying it?

11 MR. HASSELTINE: Yeah, but they don't pay
12 until afterwards.

13 VICE CHAIR McPEAK: I would agree with your
14 interpretation and that's why I started out the
15 questioning to Lester about what did the Phase 2
16 document say because as I view it, the Phase 2
17 document as it was now read by Lester does close this
18 gap between user pay or shared funding for the
19 studies; it's users would end up paying for the public
20 dollars that go into the facilities that may get --
21 that if they get constructed, they get paid back.

22 Realize that there's likely to be -- if
23 it's -- whatever the number is, let's say 70 million
24 for the sake of an example, to do what -- Eric, I
25 think you have a brilliant suggestion here that maybe

1 paper and what is in the Stage 1 document now is okay.
2 In the earlier documents, particularly the August
3 document, there were some objectionable conditions
4 that were placed on there for a party to participate
5 in the storage activities and I don't see those now,
6 and I hope they are not in there and not cropping up
7 again.

8 But I agree with everything that Steve Hall
9 has said here in terms of the surface storage program,
10 that it needs to be carried throughout the permitting.
11 I think that's a necessary part of it. If these -- if
12 there are storage projects that the users and
13 beneficiaries are really anxious to see move into
14 construction within the seven-year period, I think
15 that should be enabled, so then possibly the costs
16 will need to go up. But I think I just support what
17 Steve Hall has said up to this point.

18 VICE CHAIR McPEAK: Okay. I was trying to
19 find the pieces of this that most people could agree
20 with, recognizing that there is not going to be
21 agreement today unless a miracle happens either for
22 storage or not for storage, going to construction or
23 not going to construction during Stage 1. And there
24 is -- I realize it would make it a little bit more
25 complex the proposal that Eric made but at least

1 clarifies where we have got consensus within that
 2 surface storage area, and that can be helpful.
 3 I -- I'm accepting the fact we've got a
 4 gulf that's not going to be bridged probably, but we
 5 are finding a greater common ground within the
 6 approach on at least the investigations and site
 7 selection. That's why I was proposing that we try to
 8 see if we can't move a little bit there to have a
 9 broader center for Lester.
 10 Steve?
 11 MR. HALL: Well, I appreciate the
 12 distinction and very much appreciate your efforts,
 13 along with Secretary Babbitt's, to find some common
 14 ground here. It's hard and thankless work. And I
 15 think Eric's is a common sense suggestion, though,
 16 frankly, I -- while I appreciate it, I don't support
 17 it because it sets up a distinction here and I think
 18 it's an artificial distinction, just as the
 19 distinction between surface storage and groundwater
 20 storage is, I think, an artificial distinction in that
 21 there are good groundwater projects and bad ones and
 22 there are good surface projects and bad ones. The
 23 fact of the matter is in terms of planning, it should
 24 be a relatively logical, seamless process to go
 25 through permitting.

1 that we are having obviously is not the first time
 2 this has come up and is a discussion going on even in
 3 other arenas and it's -- to use Eric's strategy, it's
 4 the transition from A to B that has been a big deal
 5 issue in all the discussions that I've been in every
 6 day for the past two weeks. And actually, as we
 7 speak, we are trying to craft language that better
 8 describes that issue.
 9 It is significant, though, that there seems
 10 to be broad agreement on what Eric called A. That is
 11 not an insignificant issue and I think that's
 12 important for us to take back to Secretary Babbitt and
 13 George Dunn, and I think that's a nice piece of
 14 information.
 15 What we are busy working on is that
 16 actually between A and B, there is a technical issue
 17 and it's called a 404 permit and compliance with
 18 Section 404 of the Clean Water Act. And that's where
 19 we are trying to describe that mechanism by which you
 20 would move from your best site that you just evaluated
 21 into the full permit and construction and the
 22 relationship to having implemented all these other
 23 measures that are considered alternatives under 404.
 24 And that's the reference in that last phrase under
 25 actions to "if links are satisfied." So that's what

1 Now there are some decision points along
 2 the way, really, that very clearly rule out you do
 3 reconnaissance, you do pre-feasibility, then you do
 4 feasibility, then you go to the real hard digging,
 5 figuratively speaking, of design and construction and
 6 permitting, and there is a clear demarcation there.
 7 But for us to, for the sake of consensus,
 8 draw the line between the easy parts and the hard
 9 part, I don't think is good planning. I understand it
 10 may be good politics, but I don't think it's good
 11 planning and I think we are going to find ourselves
 12 where what we are doing is setting up another
 13 political decision point between feasibility and
 14 actual design and construction and permitting, and
 15 that's not something that we want to see in Stage 1.
 16 We think if there is a project that meets
 17 the CalFED objectives, you should not then make a
 18 secondary political decision about whether you go or
 19 no go. We think if it meets the test of CalFED it
 20 ought to go. And I know there is going to be a
 21 response to that one.
 22 VICE CHAIR McPEAK: Okay. Including maybe
 23 me. But Lester, Lester pulls rank and then it's
 24 Roberta and Bob.
 25 EXECUTIVE DIRECTOR SNOW: This discussion

1 we are trying to work with.
 2 When we listen to the ag urban
 3 representatives and environmental representatives,
 4 that is the point of disagreement and we are trying to
 5 develop some language that shows a path that has some
 6 certainty that isn't just another blind alley down the
 7 road from an ag urban perspective. At the same time,
 8 it is not a certainty of locking into a bad surface
 9 storage project down line. And we don't know what
 10 kind of success we are going to have on that, but we
 11 are trying to craft some language that works through
 12 that issue.
 13 Again, I don't want to minimize the
 14 significance of agreeing on the first three bullets
 15 and trying to move forward on the screening process.
 16 VICE CHAIR McPEAK: And I must admit that
 17 when I started through this discussion and asked
 18 everybody to clarify their position, maybe I'm just --
 19 I am dense, I didn't understand we might -- that there
 20 might be what I perceive to be a new level of common
 21 ground because from where I sit, a whole bond measure
 22 got blown up over lack of agreement over what is now
 23 called A.
 24 So, you know, there was World War III
 25 happening in August and we lost a lot of money that

1 could have gone to efficient water use because we
2 couldn't come to agreement around not 70 million but
3 something less than that. So I find it significant.

4 MS. BORGONOVO: Can I ask you to define A,
5 B and C, again? I mean are you looking at the
6 bullets?

7 VICE CHAIR McPEAK: No, we didn't come to C
8 yet. No, this was artificial. There is no A and B
9 drawn here. That was Eric's way of saying under
10 surface storage there are five items under the
11 actions.

12 MS. BORGONOVO: Right.

13 VICE CHAIR McPEAK: And as Hap read the
14 most recent communication, the blueprint from the EWC,
15 what we sort of agreed on or agreed the interpretation
16 of that was support of the items, the first four.

17 MS. BORGONOVO: Identify local partners,
18 develop environmental documentation --

19 VICE CHAIR McPEAK: Documentation, the
20 feasibility field studies, site selection, and
21 beneficiaries getting -- okay, that's what we thought
22 was consistent and that whatever money was
23 appropriate. And when I was pressing Hap, he said,
24 "Well, we don't know, but if it's 70 million, it's 70
25 million. Maybe it's less. Maybe it's something

1 else."

2 Then Eric proposed, "Well, there is a
3 difference -- there is agreement essentially on -- in
4 this room on the first four. There was disagreement
5 around the last one."

6 And what Steve is saying, is that you don't
7 want -- the people who advocate storage don't want to
8 inadvertently set up another political hurdle. We
9 understand that maybe those who oppose storage would
10 want to set up another political hurdle. And I'm not
11 trying to make this more difficult or complex, as
12 Stuart said, I was trying to get more definition and I
13 confess my ignorance, it seemed to me like we were in
14 a new position and that's what I thought you were
15 trying to communicate to me.

16 MR. PYLE: Could you or Eric repeat what
17 the trigger is to get from A to B?

18 VICE CHAIR McPEAK: No trigger. No
19 trigger. We're not setting up a trigger. We're
20 just -- he wasn't proposing a trigger. He was just
21 saying I think there is agreement here on this item.
22 We are not proposing anything else.

23 MR. HASSELTINE: The one other factor,
24 which was also different between what I called A and
25 B, was the discussion about the investment and the

1 fact that there were additional costs with the
2 permitting and construction which are not shown here
3 and which would in fact be in part, if not all, borne
4 by the users. So it seemed like that was a natural
5 way just to show that that's sort of Step 2 of this
6 program.

7 You're absolutely right in that we don't
8 want a trigger or we don't want to set up any
9 obstacles or make it disruptive. That wasn't the
10 intention at all. The intention is that you flow
11 smoothly into that, but that the -- you're now talking
12 about a different type of action in a different type
13 of funding.

14 VICE CHAIR McPEAK: It is -- excuse me.
15 Roberta and Bob and then Steve are in line, however,
16 in order to rescue me, Mary and Patrick are going to
17 try to step in.

18 MS. SELKIRK: I was just going to try to
19 reiterate what Lester said earlier before he left
20 about the work that's been going on right now as we
21 speak on crafting a 404 compliance process that might
22 include other language that tries to -- that speaks to
23 the transition from the A actions to the B action.
24 And that includes, as you know, 404 compliance has a
25 whole set of tests that have to be met to determine

1 whether or not a particular project is going to meet
2 the test of being the most practicable environmentally
3 sensible way to approach storage.

4 MR. WRIGHT: Yeah, and I only add to that,
5 in effect, that implies -- it doesn't imply but there
6 is a threshold there, so regardless of how it's
7 written right now there is a threshold between A and B
8 that has to be crossed and we need to clarify for
9 folks what that threshold is.

10 In addition to that, the phrase "if links
11 are satisfied" is true of every program element in
12 CalFED, so it's not as if we are calling out this
13 particular box in particular to say that this one
14 doesn't move forward until X, Y, Z. That's true of
15 ecosystem protection. That's true of levees. That's
16 true of the whole bundling concept that we are moving
17 towards. Unless we are moving towards meeting our
18 goals in all program areas, we've got a problem. This
19 isn't any different. So that language, my
20 understanding is, is in part intended to address that
21 issue, not the 404 regulatory issue. The fact that
22 all program areas have to move forward together.

23 The other point that I would make which is
24 somewhat different, is to emphasize Steve --
25 reemphasize Steve's point about this distinction that

1 everybody is making between surface storage and
2 groundwater storage. I personally think the more that
3 we can collapse those discussions, the better off we
4 are.

5 It is certainly easier from a regulatory
6 perspective and other perspectives to make a case for
7 the need for storage in general. It's going to be
8 very hard to make the fish program work. It's
9 certainly -- groundwater storage is part of the EWC
10 agenda, it's part of the water users agenda. The more
11 we can move towards agreement on the need to move
12 forward and to fund storage in general and then take
13 some time to work out the appropriate mix of
14 groundwater and surface storage, I think that's
15 probably a formula that is more likely to generate
16 broad-based support than having a whole separate
17 category and findings for surface storage which is
18 going to be much more polarizing for both sides.

19 So I'm hopeful that even in the next week
20 that we might try to move in that direction.

21 VICE CHAIR McPEAK: The lineup of
22 speakers -- the lineup of speakers we have are Roberta
23 and Bob and Steve, and I'm -- in order to avoid me
24 summarizing and misstating your positions, if Roberta
25 and Bob together would take the burden of clarifying

1 gone in the last two days. All of us are at a
2 disadvantage in that I believe they're still working
3 on that and if they can come up with something that
4 satisfies all the three groups that are there, that
5 would help all of us.

6 But what basically we said in the water
7 supply reliability blueprint was, complete least cost
8 and equivalency analysis and develop willingness to
9 pay formulas for potential new or expanded surface
10 storage facilities. Require water users to pay the
11 full planning costs for any such studies. And that's
12 why I referenced the finance rules.

13 So I think that it does go to the
14 70 million and I don't know how that's turning out,
15 but Hap just spoke to me about site selection. At one
16 point, there was discussion within the CalFED family
17 again of looking at the site selection from a very
18 broad programmatic view and how that would be done
19 versus looking at specific site selection. So I
20 really don't know where the environmental community is
21 on that.

22 I think that these big rules are the
23 important rules, are there going to be user fees up
24 front even for the planning, what are the pay back
25 rules, how will it go forward? And I agree with you,

1 where you're at on this. And Steve, if you would take
2 the burden of clarifying where essentially your
3 viewpoint is coming from. And then if anybody who
4 puts themselves in any camp -- I've already heard a
5 lot, Alex, from what you're saying of our approach,
6 you don't like the whole approach -- I would take some
7 further comments. But I think we are trying to now
8 summarize where BDAC is on this issue.

9 And so, Roberta and Bob, you're on to try
10 to make sure the record is clear about your position.

11 MS. BORGONOVO: I wanted to go back to the
12 big issues that we always discuss in the finance group
13 and where we had the disagreement, and the first issue
14 was always the split between public money and private
15 money. I don't know if we call it user. I agree with
16 you, Sunne, user fees is more easily distinguished
17 because it's distinguished between federal, state,
18 bond money, versus, user fees.

19 But the second issue was, would there be
20 user fees up front. And the third issue was, if there
21 were new storage, groundwater or surface, and it was
22 to be used for the environment, that who would pay for
23 that? And the environmental community has always said
24 that's mitigation and that should be from user fees.

25 So I don't know where the negotiations have

1 Sunne, I was very disappointed that that wasn't worked
2 out in the finance committee before the water bond
3 came up. It needs to be worked out before CalFED
4 moves forward.

5 VICE CHAIR McPEAK: Bob?

6 MR. RAAB: Two points here. My
7 understanding from -- my understanding of the
8 Environmental Water Caucus blueprint is that in the
9 first stage there should be a focus on demand
10 management and other means of developing more water
11 without any go ahead on surface storage projects.

12 The other thing, if I'm not mistaken, just
13 in the last -- just the day before yesterday, there
14 was a memo sent out and circulated to EWC that I think
15 said that -- in effect posed a question, why should
16 the public pay for planning feasibility studies and so
17 on for new storage projects in Stage 1?

18 And as a final note, on page 83, I think
19 there's a key question posed in the second sentence of
20 the first -- or the second paragraph. It says, "In
21 principal, public money will be used to finance
22 storage projects only to the extent that the storage
23 creates public benefits."

24 Now who decides to start doing feasibility
25 studies on a project as to whether these are public

1 benefits or not? Supposing CalFED says it's public --
2 there are public benefits involved and the
3 Environmental Water Caucus says, "Oh, no, there are
4 not," how would we go about resolving that issue?

5 EXECUTIVE DIRECTOR SNOW: Let me try to hit
6 a couple of parts of that. Obviously the ultimate
7 decision makers on what public funds are appropriate
8 for are the congress and the state legislature because
9 whenever you're after public monies you must go
10 through a legislative process to get them, and so
11 ultimately they are the arbiter of what is appropriate
12 or not.

13 The rationale for using public money for
14 storage feasibility studies is pretty simple and
15 straightforward and there's two aspects to it. One,
16 the general thought is that when you are looking at
17 identifying the best sites, least environmentally
18 damaging, most broadly advantageous sites, you want an
19 objective review of all of the options and a fair
20 comparison.

21 Typically when users historically are
22 looking at surface storage sites, they start off the
23 investigation with knowing which site they prefer, and
24 they have an interest in seeing a particular site over
25 other sites.

1 Also, when you have public investment to
2 pursue that, it's probably okay to make a decision
3 there are no good sites and you pull away from it.
4 Again, if you require users to front the money, they
5 have a sunk cost that can be recovered by continuing
6 with the project.

7 In general, and I think Secretary Babbitt
8 has made this point as well, the public is probably
9 better served by having an objective review and
10 evaluation of alternative sites than forcing advocates
11 to then study those sites and move forward.

12 MR. RAAB: Just a quick response, Lester.
13 You mentioned that storage facilities don't go forward
14 unless the congress and/or the state legislature
15 approves. But I was really getting at --

16 EXECUTIVE DIRECTOR SNOW: That's not what I
17 said.

18 MR. RAAB: Sorry.

19 EXECUTIVE DIRECTOR SNOW: What I said is
20 who determines that public monies are made available
21 would be the legislature and congress.

22 MR. RAAB: Okay. That's fine. The point I
23 was going to make is -- or intended to make was when I
24 asked at what point would CalFED decide to make
25 recommendations for state and/or federal legislation?

1 Would it be done with or without the concurrence of
2 the Environmental Water Caucus or would that be a
3 factor? How would that -- how would that play out?

4 EXECUTIVE DIRECTOR SNOW: The CalFED
5 documents already have a recommendation of using
6 public money for planning feasibility for surface
7 storage. I mean that is in the document.

8 MR. RAAB: But that is not, as far as I
9 know, the concurrence of this one stakeholder, the
10 Environmental Water Caucus or the public interest,
11 whatever.

12 EXECUTIVE DIRECTOR SNOW: That is correct.
13 VICE CHAIR McPEAK: Steve?

14 Hap, you wanted to elaborate on that?

15 MR. DUNNING: Well, I just wanted to try to
16 relate Roberta's comment to what I think you were
17 doing earlier. It seems to me you were trying to find
18 a consensus point with regard to this material on
19 surface storage and Eric was talking about A and B and
20 there was this question where we're drawing the line,
21 and did I understand you to say we'd draw the line
22 after the fourth bullet? And I think what's coming
23 out is it can't be drawn there as a consensus process.

24 Many people would support all five, but if
25 we are trying to work out where EWC is, I think I have

1 the sense it's higher than four and I'm not sure it's
2 easy to just pick one of these bullets and draw a line
3 under it and say that's it. It's not so easy to
4 relate the programmatic commentary on equivalency
5 analysis and things like that to this particular list.

6 So I think some more work needs to be done
7 to figure out how much of that can be viewed as
8 consensus as opposed to nonconsensus material.

9 VICE CHAIR McPEAK: Okay, thank you.
10 Steve?

11 MR. HALL: Oh, boy, Sunne, if -- I'm going
12 to leave this up to you to some extent. I'm -- I
13 agree with what Patrick said earlier, I thought he
14 said it very well, that the tendency is to try to
15 carve out the controversial items and leave, you know,
16 in an attempt to get consensus.

17 But the problem is the controversial items
18 simply become more concentrated and more
19 controversial, and the fact is we ought to be looking
20 just as CalFED is looking at a blend of resource
21 options in order to solve the problem, the storage
22 component needs to be a blend of ground and surface
23 water and attempting to carve out either types of
24 storage or the extent to which you will do planning in
25 an effort to achieve consensus.

1 I think Hap identified the fact that there
 2 isn't a lot of consensus on any level of activity with
 3 respect to surface storage. And I mean, I -- I was
 4 going to give you some background on why we think what
 5 we think, but in the interest of time, I know you
 6 wanted to get out of here about 3:30, we have tested
 7 your considerable consensus skills and Eric's
 8 creativity and though we appreciate your work, we are
 9 probably not going to reach agreement this afternoon
 10 on this. And I'd recommend that we just leave the
 11 document as it is, note -- duly note the comments
 12 received on all sides, and move on.

13 VICE CHAIR McPEAK: Actually, that's all I
 14 was trying to do. I -- I had abandoned consensus
 15 about four months ago, so I don't know what I've
 16 miscued here today, I was only trying to get clarity
 17 of consultation from the factions here at BDAC to
 18 CalFED. And I'm -- am I to understand, therefore,
 19 from Steve, your position, that as is stated here,
 20 except for the concern you raised regarding the amount
 21 of money that needs to be added to the planning
 22 dollars, that you generally are in concurrence as an
 23 advocate of storage with the way this is stated?

24 MR. HALL: Yes, I am. I mean there are
 25 things I would change but I can live with this. And

1 note what Steve said regarding this as a piece of a
 2 balanced package, with the cost sharing and the
 3 linkages as a part of an overall balanced package.

4 That is a significant change, in my humble
 5 opinion, by the groups. Not consensus, not unanimity
 6 around this issue at all, but a movement.

7 Hap?

8 MR. DUNNING: I wanted to ask Lester, I've
 9 only had a chance to look at parts of this document we
 10 got today, but in the final document will there be any
 11 attempt to indicate the areas where there is fragile
 12 or nonexistent consensus for the readers, for the
 13 public, or is it all kind of presented as a piece,
 14 that this is all there and is this the whole --

15 EXECUTIVE DIRECTOR SNOW: The main way that
 16 are were going to show that is indicate the issues
 17 that have to be dealt with in '99 in order to get to a
 18 successful record of decision. In most of the things
 19 that we have discussed where there is disagreement can
 20 be manifest in that way.

21 VICE CHAIR McPEAK: I also heard two other
 22 things out of the reports, and I think that just I
 23 want to repeat, the reports of the two work groups.
 24 This, too, may not have total concurrence around the
 25 room, but Patrick noted the need to look at the

1 we -- and I want to note that that includes cost
 2 sharing which is stated here, and linkages which is
 3 likewise stated here.

4 I should also note --

5 VICE CHAIR McPEAK: Which is movement two.

6 MR. HALL: Right.

7 VICE CHAIR McPEAK: Yes. I'm sorry. I
 8 didn't mean to interrupt.

9 MR. HALL: -- as Patrick said, that the
 10 linkages apply across the board. If there isn't a
 11 balanced package, I think I can speak for the ag and
 12 urban caucuses on this, we will not support moving
 13 forward with some elements, whether it be
 14 conservation, though we clearly support that,
 15 ecosystem restoration, though we likewise support
 16 that, unless there is a balanced package and we
 17 believe this is part of that.

18 VICE CHAIR McPEAK: So I actually -- I'm
 19 not going to summarize your comments. I'm only going
 20 to make one last observation for the record to share
 21 with Lester and Mary. I may have not listened closely
 22 enough four months ago, but I do hear new things,
 23 different things regarding this component of the
 24 overall CalFED solution and I would commend the
 25 section out of the EWC blueprint that Hap read and

1 relationship of groundwater and surface storage and to
 2 deal with storage in an integrated fashion. And I
 3 think there is a greater appreciation or a growing
 4 appreciation of the interrelationship there.

5 There is also out of the work group I
 6 wasn't in, Eugenia reported someone had proposed, I'm
 7 not sure it was the group's consensus, that price
 8 signals or water -- voluntary water market can be very
 9 helpful with respect to conservation and that that
 10 comment was made under transfers. And I want to -- I
 11 want to personally associate myself with whoever made
 12 that comment.

13 Was it Richard?

14 MR. IZMIRIAN: Guilty.

15 VICE CHAIR McPEAK: Good. See, I can agree
 16 with all types of people around this room.

17 MR. IZMIRIAN: Generally looking at the
 18 whole matrix, my notation was that there really is a
 19 lack of market-based mechanisms for water allocations
 20 and that there is an incompatibility between a
 21 market-based, an open market-based approach and an
 22 approach based on filling the gaps, a subsidized
 23 development of water projects. I think that's very
 24 critical on what kind of triggers would create
 25 something like surface water storage or any kind of

1 storage, for example.

2 And when you look at the EWC blueprint,
3 it's based on that supply reliability definition
4 that's based on a market approach rather than a
5 filling the gaps approach, and that's -- that's a
6 distinction that I wanted to see. And you can apply
7 those to each one of these items as you go down the
8 list.

9 So thank you for noting that.

10 VICE CHAIR McPEAK: Okay.

11 I think in the interest of both not getting
12 into another thorny debate and time, that perhaps we
13 should conclude this section of our report or our
14 meeting rather and go to public comment, unless there
15 is anyone else who wants to make some final
16 observations about this document.

17 Alex?

18 MR. HILDEBRAND: I'm in substantial
19 agreement with what Steve said, but I emphasize two
20 points. Dave Fullerton explained this morning how we
21 can synchronize and operate the existing facilities to
22 get more bang for our buck. But we're artificially
23 here separating groundwater storage and surface
24 storage and other means of increasing water supply
25 whereas they should be a package and that -- or again

1 we have an asterisk down here, it just popped into my
2 mind and I guess I need a clarification, is this 270
3 million for the 30 years or the first seven years?

4 MR. HASSELTINE: Seven.

5 MR. MEACHER: First seven?

6 MR. HASSELTINE: Yeah.

7 MR. MEACHER: Thank you.

8 The other comment I have is that even
9 though it probably doesn't appear here, is that I
10 think based on the conversations that unfortunately,
11 Sunne, you missed yesterday, regarding some of our
12 potential outcomes of the watershed program, that I'd
13 like Lester to review next year's budget. I think
14 that the low end figure of \$4 million is woefully
15 short of what we want to do if we want to achieve our
16 ends in that, I think the high end was 11 million for
17 next year. And under these performance goals, Sunne,
18 that successful completion of demonstration projects I
19 think is only a component of the program.

20 VICE CHAIR McPEAK: Right.

21 MR. MEACHER: I would also like to make a
22 suggestion that Gene here -- is he still here?

23 VICE CHAIR McPEAK: Yes, Gene is still
24 here.

25 MR. MEACHER: -- that Gene be drafted to

1 synchronized for optimum yield.

2 And lastly, I cannot predict that I can
3 support a CalFED program that identifies a whole lot
4 of new water demands and does not identify the water
5 supply needed to supply -- to meet those goals.

6 VICE CHAIR McPEAK: Okay. Duly noted. All
7 right.

8 Yes. I'm sorry, Robert.

9 MR. MEACHER: Would you like me to comment
10 then in the interest of time on the watershed stuff in
11 something in writing --

12 VICE CHAIR McPEAK: Oh, no, if --

13 MR. MEACHER: -- rather than make everybody
14 sit through my --

15 VICE CHAIR McPEAK: I think, Robert,
16 actually we should take the comments you want to share
17 and do it now. Is it something less than an hour's
18 dissertation?

19 MR. MEACHER: Oh, it's -- you know me, I'm
20 brief.

21 VICE CHAIR McPEAK: Okay, thank you. Then
22 I would invite your comment now so it's on the record.

23 MR. MEACHER: Well, I guess what has just
24 come to my revelation here, I guess, is -- or
25 realization is the estimated investments. Once again,

1 fill Martha's place on the watershed committee. Gene
2 was the state conservationist for the Soil
3 Conservation Service before Furley Reid (phonetic) and
4 would be a wonderful asset to that process. I believe
5 there's still a meeting scheduled for that group, and
6 under that -- and it was he that brought up the point
7 that there is no need to reinvent the wheel; that
8 there's probably -- that he can remember from his
9 tenure with the old Soil Conservation Service many
10 projects that they have already done around the state
11 that would verify the value of investment in
12 watersheds that -- that I know a lot of urban users
13 and other folks around the table have been wanting to
14 see some specific results before they make that
15 reinvestment.

16 That's it.

17 VICE CHAIR McPEAK: Good. Actually Bob,
18 thank you, because this, too, needs to be refined on
19 the performance goals and to be consistent with
20 everything else that we said about the others, so,
21 thank you.

22 Gene, would you like to volunteer or do you
23 want to be appointed over your objection to co-chair
24 that?

25 MR. ANDREUC CETTI: I would probably like to

1 know what I'm volunteering to do.
 2 VICE CHAIR McPEAK: Well, we are then
 3 temporarily appointing you over your reservations.
 4 Why don't you -- Bob, you would be co-chairing with
 5 Bob, and so I think that --
 6 MR. HALL: This is like the Army. They
 7 don't explain it to you, you just go.
 8 MR. ANDREUCETTI: Just do it, huh?
 9 Thank you.
 10 VICE CHAIR McPEAK: Okay, thank you.
 11 Thanks, Bob.
 12 Any other comments from BDAC members before
 13 going to public comment?
 14 Yes, Mary.
 15 MS. SELKIRK: In case some people are going
 16 to leave ahead of time, this has to do with the next
 17 BDAC meeting. You all got a memo from Robin about
 18 hotel accommodations. Since we don't have an exact
 19 schedule yet for the next BDAC meeting in January in
 20 Bakersfield, I'm going to suggest that you all make
 21 room reservations for two nights because you can
 22 always cancel. But she needs to hear from you by the
 23 God awful date of the 27th of December. So that's why
 24 I want to encourage you to keep that in your radar
 25 before the holiday season gets completely

1 overwhelming.
 2 VICE CHAIR McPEAK: Is there really a
 3 shortage of rooms in Bakersfield in January?
 4 MS. SELKIRK: It's the rate. It's the
 5 rate.
 6 VICE CHAIR McPEAK: Okay, thank you. I'm
 7 sorry.
 8 You'll put us up, won't you, Stuart? Can I
 9 stay with you?
 10 (Discussion off the record)
 11 MR. PYLE: Can I make one comment?
 12 VICE CHAIR McPEAK: Yes, Stuart.
 13 MR. PYLE: If people are planning to go
 14 Bakersfield, bear in mind that this will be in
 15 January.
 16 VICE CHAIR McPEAK: Foggy.
 17 MR. PYLE: Bear in mind that it's in San
 18 Joaquin Valley and that fog often occurs in January,
 19 and there are no direct flights from Sacramento to
 20 Bakersfield. There are direct flights from San
 21 Francisco and Los Angeles airports, but also bear in
 22 mind that when you're booking those, that you could
 23 get scheduled out because of the fog. So you might
 24 want to make sure you have an alternative way and your
 25 time allows you to get there by your alternative.

1 VICE CHAIR McPEAK: Okay. Let me press my
 2 luck for a moment. I actually love Bakersfield. I
 3 mean I vacation there, so you know how I think. But I
 4 like to do that when it's a little warmer. I'm
 5 understanding that we really should be in the South
 6 San Joaquin Valley and we should meet there, but we
 7 are doing that in part so we get around the state and
 8 that you were willing to host us. Can we do that a
 9 little later in the year?
 10 MR. PYLE: Could we do it like in April or
 11 May?
 12 VICE CHAIR McPEAK: Yeah.
 13 MR. PYLE: It would be great with Howard
 14 and me. Howard, would you like to --
 15 VICE CHAIR McPEAK: Howard, would you be
 16 offended if we asked you to extend your hospitality a
 17 little later in the year?
 18 MR. FRICK: Fine with me.
 19 MR. MEACHER: Howard says we have a
 20 barbecue at his place.
 21 VICE CHAIR McPEAK: Okay, thank you.
 22 Because I agree with you, I grew up there.
 23 MR. PYLE: We could give you a great show
 24 in April when things start getting green.
 25 VICE CHAIR McPEAK: Yeah, a great show is

1 what I want.
 2 Okay. We -- I think Howard and Stu have
 3 made a great suggestion, so we'll move it. Okay.
 4 MR. DUNNING: Do you want to go to San
 5 Diego instead?
 6 VICE CHAIR McPEAK: I have no idea. You
 7 know, this is a sign of hope eternal that they're even
 8 scheduling another BDAC meeting, in my opinion, so --
 9 MR. MEACHER: Disregard the memo.
 10 VICE CHAIR McPEAK: Disregard the memo but
 11 not the time. You better hold these dates on your
 12 calendar is what I think. Hold the dates and we'll
 13 charge -- we'll charge the CalFED staff with finding a
 14 very interesting appropriate place for the January
 15 meeting, provided, provided we get past the Phase 2
 16 document and there still is a CalFED program. So that
 17 should be incentive enough for all of you to sort of
 18 wave the flag next week.
 19 I think we have -- we have now moved to the
 20 point of public comment, right? We have got
 21 Mr. Petrie again on conveyance.
 22 (Discussion off the record)
 23 MR. PETRIE: Briefly, if we're going to be
 24 talking about surface water storage and surface water
 25 reliability, and I think if we talk about a multiple

1 use facility and a use that would provide waters for
2 everybody in the state, and it's hard to believe that
3 that can't come about. And in doing so, then you got
4 a multi way of a pay back for the facility and that's
5 going to take a lot of water.

6 Now the other thing that I'd like to convey
7 in this short period of time, is a way of conveying
8 water from the east side that could be stored on the
9 west side in the central valley that causes all kinds
10 of flood flows in the San Joaquin River. And that's
11 what an east/west cross canal coming out of the
12 Mendota pool to the California Aqueduct by way of
13 Delta Mendota canal, CCID main and the outside canal,
14 and that's up to 4600 cubic second foot capacities in
15 those channels and the (inaudible) good fishing, could
16 reach No. 4 and put it up in (inaudible) Pinoche
17 Creek.

18 I thank you.

19 VICE CHAIR McPEAK: Ed, thank you very
20 much. You have packed an awful lot into very short
21 sentences and comments today. Thank you.

22 MR. PETRIE: You're welcome.

23 VICE CHAIR McPEAK: Ladies and gentlemen,
24 thank you for bearing with us for this year, for four
25 years. Oh, I'm sorry, we have one more. Is it Cary

1 Wright?

2 MR. CARY WRIGHT: Yes, ma'am.

3 VICE CHAIR McPEAK: Yes.

4 MR. CARY WRIGHT: Thank you, Sunne.

5 VICE CHAIR McPEAK: Sorry, Cary.

6 MR. CARY WRIGHT: I'll be very brief.

7 I stood on the Capitol, I guess you said it
8 was four years ago.

9 VICE CHAIR McPEAK: No, it was '91. It was
10 seven -- yeah, seven years ago.

11 MR. CARY WRIGHT: As you well know it was
12 raining and cold.

13 VICE CHAIR McPEAK: Raining and cold,
14 foggy.

15 MR. CARY WRIGHT: I think my statistics are
16 there were about 112 of us out here and I signed for
17 the San Diego County Authority and my own agency,
18 Sweetwater (phonetic) Authority.

19 I guess I'll just say briefly that I'm a
20 little dismayed about the time that you took to talk
21 about conservation this morning because you can talk
22 about theory and philosophy, but what I'm talking
23 about is what is happening and what we have done, and
24 there's a lot of them. There's -- this is exactly
25 still the way it is, the baseline is 1989. I have

1 35,000 meters, 160,000 people, we're second largest in
2 San Diego County, and every time a person gets the
3 bill they get the baseline and they get the current.

4 Now, for those that use more, you move on
5 up into the cost ratio and you go up through the four
6 stages, but at that time and after those BMPs, and we
7 even bought trucks and had water cops, we got to 23
8 percent. We are still at about 12 percent and water
9 has gone up and is consistently going up.

10 Now as you know, water is now --
11 desalinated water is now available in Florida at below
12 \$960 an acre foot and the technology on that is
13 moving. My own agency, to get independent of Northern
14 California and the metropolitan and the CWA, is the
15 second in San Diego County to have a brackish water
16 plant, and it will go on line in about three or four
17 months.

18 But I want to emphasize we start talking
19 about these costs, you spent a lot of time on costs
20 and how much water costs to the people. \$632 after we
21 get the rebate from the feds and the metropolitan, now
22 that is a lot of money for water. Why are we doing
23 it? We want to get shed of this problem, although I
24 do want to interject here that people that I'm
25 familiar with in my agency, and I should say Secretary

1 Babbitt's coming down there because we are a leader in
2 this endangered species there and we have a CMBC
3 program, it's a program for watershed management and
4 habitat and so forth, so I'm just saying that I'm
5 trying to give recognition to our area and that he
6 thinks it's important to come down to Otay which is
7 right on the border, that's not my agency, it's a
8 neighbor agency, and take a look at that.

9 So I think the main thing is that our
10 bills, every time you said -- you know, whose -- Byron
11 is over there, I think -- we had people come to the
12 board meeting during the public hearing and they said,
13 "Hey, look, don't tell me how to use my water. If I
14 want to wash three cars and the guy next-door wants to
15 mow his lawn, fine." And he said, "If I take my whole
16 allocation and throw it up in the air and let it fall
17 on me at the first of the month, that's my right,
18 that's what I want to do with my water."

19 Some of the things you're talking about
20 here, the costs that I've heard about these water, I
21 really don't think Southern California can handle it.
22 We are still at 23 -- we are still about 12 percent
23 from that, and when we got to 23, people come in
24 crying and begging about their roses. We had to get
25 into that thing about putting the quarter in the

1 machine at Von's to get the water.
 2 This gang here, the two people I want to
 3 pay credit to today, and I won't leave out Northern
 4 California because I have been to Plumas County and
 5 they've got a lot of problems there that I think
 6 Southern Californians are willing to pay a fair share
 7 for, and that's watershed management and that's
 8 ecosystem restoration. And I don't think they're
 9 opposed to paying it up front.
 10 But when I hear other people here about
 11 loading other costs, user fees, you're just going to
 12 force us in -- in my opinion, you're going to force us
 13 into a situation of ocean desal, and the depressed
 14 northern counties they are going to lose out. We want
 15 to help. This is a total state.
 16 So I'm going to end by saying I really want
 17 to pay tribute to Byron and Steve Hall who just gave
 18 you, I thought, a very fair view of what's going on.
 19 Thanks for listening. And I particularly want to
 20 thank you, Sunne, and Lester and Mary and the other
 21 people of the CalFED staff.
 22 VICE CHAIR McPEAK: Thank you, Cary.
 23 Is there anyone else who wishes to address
 24 BDAC today?
 25 Okay. Well, then let me just again say to

1 REPORTER'S CERTIFICATE
 2 State of California)
 3) ss.
 4 County of Sacramento)
 5
 6 I certify that the foregoing proceedings
 7 in the within-entitled cause were reported at the time
 8 and place therein named; that said proceedings were
 9 reported by me, a duly Certified Shorthand Reporter
 10 of the State of California, and were thereafter
 11 transcribed into typewriting.
 12 I further certify that I am not of counsel or
 13 attorney for either or any of the parties to said cause
 14 of action, nor in any way interested in the outcome of
 15 the cause named in said cause of action.
 16 IN WITNESS WHEREOF, I have hereunto set my
 17 hand this 15th day of December, 1998.
 18
 19
 20 THOMAS J. LANGE
 21 Certified Shorthand Reporter
 22 State of California
 23 Certificate No. 4689
 24
 25

1 you thank you for your patience this year, for the
 2 last four years for your involvement, and have a very
 3 safe and happy holiday season. We are hereby
 4 adjourned.
 5 (The proceedings were adjourned)
 6
 7
 8
 9
 10
 11
 12
 13
 14
 15
 16
 17
 18
 19
 20
 21
 22
 23
 24
 25

1 REPORTER'S CERTIFICATE
 2 State of California)
 3) ss.
 4 County of Sacramento)
 5
 6 I certify that the foregoing proceedings
 7 in the within-entitled cause were reported at the time
 8 and place therein named; that said proceedings were
 9 reported by me, a duly Certified Shorthand Reporter
 10 of the State of California, and were thereafter
 11 transcribed into typewriting.
 12 I further certify that I am not of counsel or
 13 attorney for either or any of the parties to said cause
 14 of action, nor in any way interested in the outcome of
 15 the cause named in said cause of action.
 16 IN WITNESS WHEREOF, I have hereunto set my
 17 hand this 15th day of December, 1998.
 18
 19
 20
 21
 22
 23
 24
 25
 26
 27
 28
 29
 30
 31
 32
 33
 34
 35
 36
 37
 38
 39
 40
 41
 42
 43
 44
 45
 46
 47
 48
 49
 50
 51
 52
 53
 54
 55
 56
 57
 58
 59
 60
 61
 62
 63
 64
 65
 66
 67
 68
 69
 70
 71
 72
 73
 74
 75
 76
 77
 78
 79
 80
 81
 82
 83
 84
 85
 86
 87
 88
 89
 90
 91
 92
 93
 94
 95
 96
 97
 98
 99
 100
 101
 102
 103
 104
 105
 106
 107
 108
 109
 110
 111
 112
 113
 114
 115
 116
 117
 118
 119
 120
 121
 122
 123
 124
 125
 126
 127
 128
 129
 130
 131
 132
 133
 134
 135
 136
 137
 138
 139
 140
 141
 142
 143
 144
 145
 146
 147
 148
 149
 150
 151
 152
 153
 154
 155
 156
 157
 158
 159
 160
 161
 162
 163
 164
 165
 166
 167
 168
 169
 170
 171
 172
 173
 174
 175
 176
 177
 178
 179
 180
 181
 182
 183
 184
 185
 186
 187
 188
 189
 190
 191
 192
 193
 194
 195
 196
 197
 198
 199
 200
 201
 202
 203
 204
 205
 206
 207
 208
 209
 210
 211
 212
 213
 214
 215
 216
 217
 218
 219
 220
 221
 222
 223
 224
 225
 226
 227
 228
 229
 230
 231
 232
 233
 234
 235
 236
 237
 238
 239
 240
 241
 242
 243
 244
 245
 246
 247
 248
 249
 250
 251
 252
 253
 254
 255
 256
 257
 258
 259
 260
 261
 262
 263
 264
 265
 266
 267
 268
 269
 270
 271
 272
 273
 274
 275
 276
 277
 278
 279
 280
 281
 282
 283
 284
 285
 286
 287
 288
 289
 290
 291
 292
 293
 294
 295
 296
 297
 298
 299
 300
 301
 302
 303
 304
 305
 306
 307
 308
 309
 310
 311
 312
 313
 314
 315
 316
 317
 318
 319
 320
 321
 322
 323
 324
 325
 326
 327
 328
 329
 330
 331
 332
 333
 334
 335
 336
 337
 338
 339
 340
 341
 342
 343
 344
 345
 346
 347
 348
 349
 350
 351
 352
 353
 354
 355
 356
 357
 358
 359
 360
 361
 362
 363
 364
 365
 366
 367
 368
 369
 370
 371
 372
 373
 374
 375
 376
 377
 378
 379
 380
 381
 382
 383
 384
 385
 386
 387
 388
 389
 390
 391
 392
 393
 394
 395
 396
 397
 398
 399
 400
 401
 402
 403
 404
 405
 406
 407
 408
 409
 410
 411
 412
 413
 414
 415
 416
 417
 418
 419
 420
 421
 422
 423
 424
 425
 426
 427
 428
 429
 430
 431
 432
 433
 434
 435
 436
 437
 438
 439
 440
 441
 442
 443
 444
 445
 446
 447
 448
 449
 450
 451
 452
 453
 454
 455
 456
 457
 458
 459
 460
 461
 462
 463
 464
 465
 466
 467
 468
 469
 470
 471
 472
 473
 474
 475
 476
 477
 478
 479
 480
 481
 482
 483
 484
 485
 486
 487
 488
 489
 490
 491
 492
 493
 494
 495
 496
 497
 498
 499
 500
 501
 502
 503
 504
 505
 506
 507
 508
 509
 510
 511
 512
 513
 514
 515
 516
 517
 518
 519
 520
 521
 522
 523
 524
 525
 526
 527
 528
 529
 530
 531
 532
 533
 534
 535
 536
 537
 538
 539
 540
 541
 542
 543
 544
 545
 546
 547
 548
 549
 550
 551
 552
 553
 554
 555
 556
 557
 558
 559
 560
 561
 562
 563
 564
 565
 566
 567
 568
 569
 570
 571
 572
 573
 574
 575
 576
 577
 578
 579
 580
 581
 582
 583
 584
 585
 586
 587
 588
 589
 590
 591
 592
 593
 594
 595
 596
 597
 598
 599
 600
 601
 602
 603
 604
 605
 606
 607
 608
 609
 610
 611
 612
 613
 614
 615
 616
 617
 618
 619
 620
 621
 622
 623
 624
 625
 626
 627
 628
 629
 630
 631
 632
 633
 634
 635
 636
 637
 638
 639
 640
 641
 642
 643
 644
 645
 646
 647
 648
 649
 650
 651
 652
 653
 654
 655
 656
 657
 658
 659
 660
 661
 662
 663
 664
 665
 666
 667
 668
 669
 670
 671
 672
 673
 674
 675
 676
 677
 678
 679
 680
 681
 682
 683
 684
 685
 686
 687
 688
 689
 690
 691
 692
 693
 694
 695
 696
 697
 698
 699
 700
 701
 702
 703
 704
 705
 706
 707
 708
 709
 710
 711
 712
 713
 714
 715
 716
 717
 718
 719
 720
 721
 722
 723
 724
 725
 726
 727
 728
 729
 730
 731
 732
 733
 734
 735
 736
 737
 738
 739
 740
 741
 742
 743
 744
 745
 746
 747
 748
 749
 750
 751
 752
 753
 754
 755
 756
 757
 758
 759
 760
 761
 762
 763
 764
 765
 766
 767
 768
 769
 770
 771
 772
 773
 774
 775
 776
 777
 778
 779
 780
 781
 782
 783
 784
 785
 786
 787
 788
 789
 790
 791
 792
 793
 794
 795
 796
 797
 798
 799
 800
 801
 802
 803
 804
 805
 806
 807
 808
 809
 810
 811
 812
 813
 814
 815
 816
 817
 818
 819
 820
 821
 822
 823
 824
 825
 826
 827
 828
 829
 830
 831
 832
 833
 834
 835
 836
 837
 838
 839
 840
 841
 842
 843
 844
 845
 846
 847
 848
 849
 850
 851
 852
 853
 854
 855
 856
 857
 858
 859
 860
 861
 862
 863
 864
 865
 866
 867
 868
 869
 870
 871
 872
 873
 874
 875
 876
 877
 878
 879
 880
 881
 882
 883
 884
 885
 886
 887
 888
 889
 890
 891
 892
 893
 894
 895
 896
 897
 898
 899
 900
 901
 902
 903
 904
 905
 906
 907
 908
 909
 910
 911
 912
 913
 914
 915
 916
 917
 918
 919
 920
 921
 922
 923
 924
 925
 926
 927
 928
 929
 930
 931
 932
 933
 934
 935
 936
 937
 938
 939
 940
 941
 942
 943
 944
 945
 946
 947
 948
 949
 950
 951
 952
 953
 954
 955
 956
 957
 958
 959
 960
 961
 962
 963
 964
 965
 966
 967
 968
 969
 970
 971
 972
 973
 974
 975
 976
 977
 978
 979
 980
 981
 982
 983
 984
 985
 986
 987
 988
 989
 990
 991
 992
 993
 994
 995
 996
 997
 998
 999
 1000
 1001
 1002
 1003
 1004
 1005
 1006
 1007
 1008
 1009
 1010
 1011
 1012
 1013
 1014
 1015
 1016
 1017
 1018
 1019
 1020
 1021
 1022
 1023
 1024
 1025
 1026
 1027
 1028
 1029
 1030
 1031
 1032
 1033
 1034
 1035
 1036
 1037
 1038
 1039
 1040
 1041
 1042
 1043
 1044
 1045
 1046
 1047
 1048
 1049
 1050
 1051
 1052
 1053
 1054
 1055
 1056
 1057
 1058
 1059
 1060
 1061
 1062
 1063
 1064
 1065
 1066
 1067
 1068
 1069
 1070
 1071
 1072
 1073
 1074
 1075
 1076
 1077
 1078
 1079
 1080
 1081
 1082
 1083
 1084
 1085
 1086
 1087
 1088
 1089
 1090
 1091
 1092
 1093
 1094
 1095
 1096
 1097
 1098
 1099
 1100
 1101
 1102
 1103
 1104
 1105
 1106
 1107
 1108
 1109
 1110
 1111
 1112
 1113
 1114
 1115
 1116
 1117
 1118
 1119
 1120
 1121
 1122
 1123
 1124
 1125
 1126
 1127
 1128
 1129
 1130
 1131
 1132
 1133
 1134
 1135
 1136
 1137
 1138
 1139
 1140
 1141
 1142
 1143
 1144
 1145
 1146
 1147
 1148
 1149
 1150
 1151
 1152
 1153
 1154
 1155
 1156
 1157
 1158
 1159
 1160
 1161
 1162
 1163
 1164
 1165
 1166
 1167
 1168
 1169
 1170
 1171
 1172
 1173
 1174
 1175
 1176
 1177
 1178
 1179
 1180
 1181
 1182
 1183
 1184
 1185
 1186
 1187
 1188
 1189
 1190
 1191
 1192
 1193
 1194
 1195
 1196
 1197
 1198
 1199
 1200
 1201
 1202
 1203
 1204
 1205
 1206
 1207
 1208
 1209
 1210
 1211
 1212
 1213
 1214
 1215
 1216
 1217
 1218
 1219
 1220
 1221
 1222
 1223
 1224
 1225
 1226
 1227
 1228
 1229
 1230
 1231
 1232
 1233
 1234
 1235
 1236
 1237
 1238
 1239
 1240
 1241
 1242
 1243
 1244
 1245
 1246
 1247
 1248
 1249
 1250
 1251
 1252
 1253
 1254
 1255
 1256
 1257
 1258
 1259
 1260
 1261
 1262
 1263
 1264
 1265
 1266
 1267
 1268
 1269
 1270
 1271
 1272
 1273
 1274
 1275
 1276
 1277
 1278
 1279
 1280
 1281
 1282
 1283
 1284
 1285
 1286
 1287
 1288
 1289
 1290
 1291
 1292
 1293
 1294
 1295
 1296
 1297
 1298
 1299
 1300
 1301
 1302
 1303
 1304
 1305
 1306
 1307
 1308
 1309
 1310
 1311
 1312
 1313
 1314
 1315
 1316
 1317
 1318
 1319
 1320
 1321
 1322
 1323
 1324
 1325
 1326
 1327
 1328
 1329
 1330
 1331
 1332
 1333
 1334
 1335
 1336
 1337
 1338
 1339
 1340
 1341