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Memorandum

Date: December 2, 1997

To: BDAC Water Transfers Work Group

From: Michael G. Heaton

Subject: Water Transfers Clearinghouse

In its meetings so far, the BDAC Water Transfers Work Group has focussed on two major policy issues: third party economic impacts and protection of source area groundwater resources.

The challenge for the Work Group and CALFED is to address the stakeholder concerns about these issues in a way which is consistent with Program objectives and solution principles. One tool which is often discussed is the development of a process which would assist the local decision making agencies in analyzing the benefits and adverse impacts of transfers, both short term and long term, project specific and cumulative. This process might take the form of an "information clearinghouse". It would not require any change in existing regulatory authority or water rights law, but it would provide an expertise, resources, advice and recommendations to local agencies and other interested parties, so that decisions could be made with all parties in possession of complete and accurate information. The clearinghouse could also function as a market broker, by making information available to interested buyers and sellers about water transfer supply and demand.

This paper outlines how a clearinghouse might work in the Sacramento Valley. Presumably, a similar institutional approach might be useful on the San Joaquin system, or in the Delta or other parts of the state.

A. Possible functions of a water transfers clearinghouse for the Sacramento Valley:

1. Collect, develop and analyze baseline data on existing conditions, particularly in terms of groundwater levels and quality, groundwater recharge rates, groundwater - surface water relationships, and streamflow accretion and depletion rates.

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2. Develop data on range of surface water and groundwater supplies available for transfers, long term and short term, from the Sacramento Valley, and describe source of water, type of transfers, time or periods of availability, etc.

3. Make all data available to the public.

4. Collect information on proposed transfers of all types involving water from Sacramento Valley watershed (except intra-District transfers).

5. Provide public notice on all proposed water transfers and provide a forum (if not otherwise provided) for public discussion and comment on proposed transfers.

6. Provide technical analysis on groundwater - surface water interface. Eventually develop a model on the groundwater - surface relationship in the Sacramento Valley.

7. Provide advice and assistance to local decision makers on technical analysis, environmental impacts and economic impacts. For groundwater transfers, this would include, for example, modeling data on impacts to groundwater or groundwater quality, affects on streamflow accretions and depletion, and estimates of recharge times. For surface water transfers, it might include analysis of water quality impacts and third party economic impacts. This could include financial assistance if funds were available.

8. Provide cumulative impact analysis of transfers on a stream or watershed basis.

9. Provide recommendations to decision makers on ways to avoid, minimize or mitigate environmental or economic impacts.

10. Develop and administer monitoring programs to determine impacts of transfers on groundwater conditions, water quality, agricultural production, environmental conditions, etc.

11. It is also possible that the clearinghouse functions could be expanded to include those of a market broker for sellers and buyers of water. The clearinghouse could, for example, "post" information about water available for sale for the use of potential buyers, and circulate requests for purchase among potential sellers.

12. Alternatively, the clearinghouse could operate as a bank, receiving deposits (sales) of water to be held for withdrawal (purchase). This might also be done with option contracts for water.

13. The clearinghouse could also develop a set of priorities or guidelines on transfers which could be used by decision makers. For example, the general outline of a priority scheme might be (a) intra-District transfers, (b) intra-basin transfers, © instream transfers, (d) out of basin transfers.

B. Who performs these functions?

1. One of the concerns repeatedly expressed by some stakeholders is that DWR and USBR could not function effectively as a clearinghouse due to their obligations to their contractors. While some have expressed reluctance at the idea of increasing the scope of the State Water Resources Control Board jurisdiction, it may be logical for the State Board to assume the responsibility for these functions. This would NOT necessarily mean any expansion of the Boards' water rights authority (although that may logically follow at some point).

2. Another possibility is the formation of a joint powers authority of local district and counties in source water areas. [There might be one such authority for the Sacramento Valley, another for the San Joaquin system and a third for the Delta.]

3. Another possibility is that the clearinghouse function could be performed by a non-governmental entity, such as the University of California, or a specially formed private, not for profit corporation. Local agencies could contract with this entity for its services.

4. Another possibility is that the clearinghouse functions are performed by local agencies, without formation of a new entity or a state agency.

C. How does the transfer clearinghouse concept advance CALFED objectives?

1. The clearinghouse provides baseline data on water supplies available for transfer and the circumstance or conditions under which water can be transferred.

2. The clearinghouse provides a "neutral party" to analyze transfer impacts and provide information to public.

3. It makes transfers "easier" if the public has more information; this should reduce the level of political distrust.

4. As a market broker, it provides a central point for sellers and buyers to obtain information.

D. How would the clearinghouse be funded?

1. Initially, funding would have to be provided by the State, as part of the CALFED program budget.

2. At some point, a surcharge could be added to transfers to cover the expense of clearinghouse operations and administration (i.e, buyers or sellers of transferred water would pay).

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