

**CALFED WATER TRANSFER ELEMENT**  
**Outline of Water Transfer Policy Framework**

**I. Introduction**

- The purpose of the water transfer element is to provide a policy framework to facilitate and encourage a properly regulated water market, to move water between users, including environmental uses, on a voluntary and compensated basis.

- The policy framework is designed to achieve improvements in the water transfer process, to facilitate the further development of a statewide water transfer market, and to provide protection and assurances to source areas who might be adversely impacted by water transfers.

- Water transfers are a daily occurrence...
  - Every year, several hundred TAF is transferred...
  - Transfers are part of water mgmt landscape...
  - Transfers are not a substitute for water supply improvements; transfers do not create new water.
- A. Role of Water Transfers in Water Management Strategy
- There are several water management tools - briefly describe water management strategy
  - Water transfers are used for short term reliability
  - Water transfers can be used for long term reallocation
- B. Relationship to Conjunctive Use and Surface Storage
- Transfers do not operate in a vacuum; have to be looked at in the context of total surface storage and conjunctive use programs; ref to discussions on these
  - May need additional facilities to maximize benefits of water transfers
  - Projections on water transfer needs; two types: dry year short term supply needs; all years, long term reliability needs (use data from context memo to provide ranges)

- Transfers are a way of improving water supply reliability for in-basin needs, environmental purposes and exports; transfer can also result in water quality improvements
- Water transfers are linked to water use efficiency. It is not a CALFED objective to increase the economic efficiency of water in the sense of causing water to move from relatively lower value uses to relatively higher value uses per unit of water. However, a more efficient water transfer market should result in some level of increased economic efficiency in the use of water as water gravitates by market force to higher value uses.
- Water transfers are not efficiency measures per se but water transfers may encourage more efficient use of water and produce revenue which can be applied to investments in efficiency improvements.
- Water transfers are also linked to storage and conveyance facilities. On the one hand, more storage may lead simultaneously to less demand for water transfers (because more storage should improve local and project contracts supplies).

C. Water Transfer Law and Policy, State and Federal

- Brief summary of key points: Gov's water policy; basic law on transferable water (state law and CVPIA); use of conveyance facilities (State wheeling law and federal Warren Act provisions (use material prepared for Machado hearing and other prior documents)

II. CALFED Approach to Water Transfers

A. Policy, not program

- CALFED will not be in the business of buying or selling water or regulating the market
- CALFED policy framework will include recommendations for implementation by member CALFED agencies or for processes to resolve issues
- May include recommendations for legislation on clearinghouse and other issues

B. Objectives (from July 17, 1997, discussion paper)

### **III. Development of Water Transfer Policy**

- A. BDAC Policy Direction on Water Transfers  
(Prior document on this)
- B. Role and Function of Work Group  
(Prior documents on this)
- C. Issues identified in July 17 Discussion Paper  
(Incorporate excerpt or summary version of that paper)
- D. Priority Issues Identified by Work Group
  - Third party impacts and groundwater protection;
  - transferable water; instream/environmental issues)  
(Include summary versions of issue papers)
- E. Development of Solution Options  
(Discussion Paper No. 2 on Third Party Impacts and Groundwater Protection)

### **IV. Specific Issues and Solution Options**

#### **A. Environmental, Economic and Water Resources Protection**

Issue: Third Party Impacts

Solution Options: Discussion Paper No. 2; Clearinghouse Process; Mitigation measures

Issue: Groundwater Resource Protection

Solution Options: Discussion Paper No. 2; Clearinghouse Process; Conjunctive Use Programs; Local Control (Ordinances)

Issue: Instream Flow (1707) Transfers

Solution Options: Transfer Registry; Instream and Environmental Water Rights; Agreement on Tracking and Accounting Methods

Issue: Environmental Protection in Source Area

Solution Option: Agreement on limited use of programmatic EIR's and more project specific analysis; Mitigation measures

Issue: Area of Origin/Watershed Priorities

Solution Option: "Modification" of transferable water rules; permit streamlining for in-basin transfers

Issue: Rules/Guidelines for Environmental Water Transfers

Solution Option: Consistency with transfers for consumptive uses; multiple benefit mechanisms

**B. Technical, Operational and Administrative Rules**

Issue; Transferable Water and the "no injury rule"  
Solution Options: Agreement on application of rules;  
interagency process for development of uniform criteria

Issue: Operations Criteria and/or Carriage Water Requirements  
Solution Options: Isolated conveyance facility

Issue: Reservoir Refill Criteria  
Solution Option: Agreement on refill percentage

Issue: Permitting Process  
Solution Options: Process streamlining; "pre-approval" of  
certain types of transfers

**C. Wheeling and Access to Federal and State Facilities**

Issue: Priority of transferred water in existing project  
facilities (no capacity in other than dry years)  
Solution Options: disclosure of transfer windows and risk  
factors

Issue: Priority of transferred water in new facilities  
Solution Options: Dedicated capacity in new facilities

Issue: Wheeling Costs  
Solution Options: Agreement based on trial court decision in  
MWD validation case (issue is how to recover capital costs)

**V. Integration of Solution Options into a Policy Framework**

This part will describe how various solution options are  
integrated to address multiple issues and create a cohesive  
water transfer policy framework.

A. Some issues involve the need to provide a certain level of  
protection from the effects of a water transfer market: e.g.  
third party impacts, protection of groundwater resources,  
protection of water rights and area of origin priorities, and  
environmental protection. The clearinghouse may provide a  
means of addressing these issues. (Incorporate clearinghouse  
discussion paper.)

B. Some issues involve real or perceived impediments to the efficient operation of the water transfer market: e.g., different interpretations of transferable water; carriage water and reservoir refill; wheeling costs and access to facilities; the regulatory, permitting and approval processes. One aspect of the CALFED policy framework may be that the responsible agencies should provide additional disclosure of their calculations for determination of transferable water, carriage water and reservoir refill criteria. Another might be disclosure of the transfer windows and risk curves for moving transfer water across the Delta.

C. Some issues deal with problems related to water transfers for instream or other environmental purposes. The CALFED water transfer policy framework may include proposals for accounting and tracking of instream transfers, or possible the creation of instream or environmental water rights.

D. A fourth component of the policy framework would be recommendations for any legislative changes necessary, for example, to set up and provide funding for the clearinghouse or to provide accounting or registry mechanisms for environmental water transfers.

#### **VI. Implementation and Assurance Issues**

A. Do we need changes in the scope of regulatory authority over transfers? Transfers often require approvals or permits at several levels: the water agency, the county, the federal or state project operator, the State Water Resources Control Board. Some transfers are exempt from CEQA. Others are not. Some transfer are subject to the jurisdiction of the State Board. Others are not.

- Should State Board jurisdiction over water transfers be expanded?

- What is the appropriate role of DWR and USBR in approving transfers (separate from issue of wheeling and access to project facilities)?

- Should some types of transfers be exempt from CEQA analysis. If so, which ones?

B. Who pays for transfer capacity in new facilities? How are costs recovered?

C. If legislation is needed, what is the process for negotiation of new laws or regulations?

D. What is the time frame for implementation? Is there a staging or phasing aspect to any of this? What is the linkage between new facilities and transfers? Is there a linkage between transfers and ERP actions?