

**CALFED NEWS, DECEMBER 1998**

**SAVING THE DELTA: CALFED PLAN CARRIES \$4 BILLION PRICE TAG**

Contra Costa Times - December 16, By Denis Cuff, staff writer

State and federal resource agencies will unveil a \$4 billion plan this week to rebuild the Delta's wild fisheries and levees and make drinking water supplies safer and more stable for 22 million Californians.

*It would be the first phase of the most ambitious ecosystem restoration project in the nation.*

"It is a good beginning," said Interior Secretary Bruce Babbitt, the chief broker in heated negotiations conducted in Sacramento this month to wrap up details of the package scheduled for release Thursday or Friday.

The plan postpones for years decisions on building a Peripheral Canal around the Delta or adding reservoirs.

Negotiators for urban, agricultural and environmental groups said many parts of the proposal are likely to go forward much as they were mapped out last week by CalFed, the team of agencies established to save the Delta. The proposal will undergo a year of public hearings and review before the 14 agencies on the team make a final decision.

State, federal taxpayers and California water users would pick up the estimated \$4 billion-plus price tag of the project.

The seven-year plan calls for keeping, but improving, the problem-ridden method of moving water by pumping it from the Delta, a pool of rivers and sloughs between the Central Valley and San Francisco Bay.

The pumping sucks up and starves salmon, undermines fragile island levees and leaves many organic contaminants in drinking water. Environmental regulators can order pumping cutbacks, which in turn lead to unstable water supplies.

The CalFed plan proposes to spend \$1.8 billion on new water conservation and recycling in cities and agricultural areas in an attempt to satisfy users' thirst while reducing their demand for Delta water.

CalFed also wants to spend \$1 billion to widen Delta rivers to create better fish habitat, \$250 million to fortify flood-prone island levees and still more money to control pollution and improve habitat in rivers upstream of the Delta.

Although CalFed planners say the state needs more water storage, they are recommending further studies to determine if it should be held in underground aquifers or in new reservoirs.

Urban water and business leaders say they believe new water storage projects could help spare fish from harmful pumping.

"When you look at ways to shift pumping around to help fish, you can't do that without more storage," said Tim Quinn, deputy general manager of the giant Metropolitan Water District in Southern California.

Urban water leaders said Tuesday they are pleased CalFed is proposing a goal to improve drinking water.

That could be done through improving Delta water, developing high tech filters or lining up higher quality new supplies, according to CalFed's proposal.

"This is providing suppliers alternatives to ensure safe water supplies for their customers without forcing them to accept the Peripheral Canal," said Walter Bishop, general manager of the Concord-based Contra Costa Water District. "We think this CalFed proposal is a good start, although we have a long way before everything is done."

Some environmentalists said the CalFed plan is flawed because it fails to overhaul California's largely unregulated ground water regulations that allow landowners to pump with few restrictions.

"How can we talk about storing water underground if we can't prevent a local landowner in an area from pumping out all the water for himself?" asked Zeke Grader, executive director of the Pacific Coast Federation of Fisherman's Associations.

CalFed planners said the proposal is a broad framework, and many details still need to be ironed out. ##

### **CALFED PLAN CHALLENGED**

San Joaquin Record - Dec 16, 1998

California's sport angling organizations, supported by major environmental groups, has requested CalFed executive director Lester A. Snow to modify and expand CalFed's draft Ecosystem Restoration Program Plan to restore the Sacramento-San Joaquin River system's steelhead population to 1967 numbers.

Specifically, the angling groups have challenged CalFed plans, which omit the existence of steelhead found in the Stanislaus, Tuolumne and Merced rivers, all tributaries to the San Joaquin River. Their appeals have been sent to Interior Secretary Bruce Babbitt.

A Federation of Fly Fishers letter expresses fears that Central Valley steelhead shortly may become extinct, citing dams and water diversions since the mid-1960s for the "near catastrophic drop" in the steelhead population.

Department of Fish and Game statistics indicate there were an estimated 13,488 naturally spawning steelhead in the Sacramento River in 1967. By 1993, the count had dropped to 553 spawners. Hatchery-reared steelhead dropped from 15,312 to 1,511 during the same period.

The sport angling organizations have been invited by CalFed to be a part of the decision-making discussions concerning the Sacramento-San Joaquin River system. They include: Northern California and Southwest councils of the Federation of Fly Fishers, California Sport Fishing Protection Alliance, California Trout and Trout Unlimited.

For information, contact Charles Bucaria, (916) 443-3791. ##

### **KEY WATER REPORT SET FOR RELEASE: DISAGREEMENT REMAINS OVER CALFED BLUEPRINT**

Sacramento Bee - Friday, Dec. 18, by Nancy Vogel, Staff Writer

A report that sets the stage for the investment of billions of dollars in California's plumbing system over the next 30 years will be released today at the Sacramento Convention Center by Interior Secretary Bruce Babbitt and Gov. Pete Wilson.

The product of hundreds of meetings of California's water elite, it is considered progress by most. But it doesn't herald peace in California's water wars.

Environmentalists don't like the fact that it allows for construction of new reservoirs. Farm groups don't like the strings attached to those new reservoirs.

But irrigators, urban water districts and business groups say they're generally satisfied. All interests are still talking -- outside a courtroom -- and to many, that is a success.

"It's really a very significant breakthrough," said SunneMcPeak, president of the Bay Area Council, a group of major employers.

Today's report is the most significant milestone yet for CalFed, a team of experts from 16 federal and state agencies who were pulled together in 1994 to find ways to make the Sacramento-San Joaquin Delta a more reliable source of water for California and a healthier place for native fish.

In recent months, the toughest negotiations among representatives of cities, farms and environmental groups centered on language concerning new reservoirs.

As of Thursday, the CalFed document essentially said that no new dams will be built that block streams. But existing dams may be raised (Shasta and Friant are under serious consideration). And new off-stream reservoirs -- sites to which water is pumped and held -- may be built in the next seven years. Eleven sites are under consideration, several of them on the west side of the Sacramento Valley. Decisions on specific reservoirs will be made after studies are finished next year.

That is unacceptable to some environmentalists, who say CalFed has yet to make a convincing case that California needs new reservoirs.

"I'm worried that the governor and secretary are going to oversell the degree of consensus that exists," said Tom Graff, senior attorney with the Environmental Defense Fund. "We laid out our concerns and few of them have been resolved."

Tim Quinn, deputy general manager of the Metropolitan Water District of Southern California, said that somehow urban and farm water users must convince environmentalists that California needs a new era of environment-oriented reservoir-building.

"They're afraid we're going to slip back into the 1950s," Quinn said, "and we need them to make damn sure that we don't."

CalFed also expects to help create more groundwater banks -- places where water is stored underground to be pumped up later. But development of new storage, above or below the ground, will be tied to "demonstrated progress" on water conservation. How to measure success in that arena is another dilemma for CalFed to work out next year.

CalFed generated surprising consensus with its decision to put off a peripheral canal. Such a canal -- the subject of a bitter 1982 statewide referendum -- would draw water from the Sacramento River a few miles below Sacramento and route it around the Delta to the government water project pumps near Tracy.

The new report essentially says that no canal will be built unless, after seven years, experts agree that myriad other actions -- from upgrading water treatment plants to installing better fish screens -- fail to achieve CalFed's goals.

One of the most innovative ideas in the CalFed report is to create an "environmental water account" of money, water and access to reservoirs, to be used on behalf of fish. The account manager could buy, sell and move water, just as cities and irrigation districts do. CalFed officials say it would do more for fish, with less water, than rigid regulations.

But who would fund the account isn't clear, like so many details still facing CalFed.

"There is no peak on the mountain that is CalFed," said Quinn. "We're never going to get to the top, but we are gaining elevation."

CalFed's work affects the whole state. Delta water, captured before it slips out to the Pacific Ocean, is the elixir of a \$27 billion agriculture industry. Two of three Californians get at least some of their drinking water from the Delta. The winter run of chinook salmon that goes through the Delta is endangered, and every other other salmon run in the Delta is similarly listed or proposed for listing.

Specifically, CalFed's goals are: Restore Central Valley rivers so that they can once again support a full complement of wildlife; fix the mismatch between Delta flows and demand for the water by finding more ways to store and move the water when it's abundant; improve the quality of Delta water, which is high in salts and organic material that generate potentially harmful byproducts when treated for drinking; and strengthen the Delta levees built a century ago.

To accomplish this, CalFed expects to spend \$4.4 billion or more from Congress, the state Legislature, bonds and fees on water users over the next seven years. The CalFed report to be released today is the basis of more detailed environmental studies to be completed in late 1999. Major projects folded within those plans, such as dam construction, will require separate studies.

"The real value of the report is that it sharpens the debate and narrows the disagreement so that the starting point for our negotiations next year is much closer," said Richard Golb, executive director of the Northern California Water Association.

Babbitt personally guided negotiations in the last month, along with Wilson chief of staff George Dunn. Keith Brackpool, head of farming outfit Cadiz Inc. and Gov.-elect Gray Davis' adviser on water, has monitored the talks. ##

### **1 WATER WAR NEARLY OVER, BABBITT SAYS**

**Resources: Secretary announces pact to reduce threats to Colorado River supply, but blasts parties in San Joaquin Delta talks.**

Los Angeles Times - Friday, Dec. 18, by Tony Perry, Frank Clifford, Times Staff Writers

LAS VEGAS—It was a day of good news and bad news for California as Interior Secretary Bruce Babbitt on Thursday assessed his attempts to end California's seemingly endless water wars in a speech to 1,000-plus water officials from seven states that depend on the Colorado River for survival.

Even as he announced a "peace accord" between two feuding water agencies in Southern California whose bitter dispute has threatened the entire state's water future, he revealed that the 4-year-old struggle to find a solution to equally complex and important water and environmental issues in the Sacramento River-San Joaquin Delta has come up short.

Babbitt announced that the Imperial Irrigation District and the Coachella Valley Water District have agreed on major issues that have been points of contention between the two neighbors since 1934.

Although several key points remain, Babbitt was confident that the two agencies can reach agreement in the next six months, with his office acting as a goad.

"I am not going away, I'm going to continue the pressure," said Babbitt, who has threatened to reduce the amount of water California takes from the Colorado River unless the state learns to be more efficient and, in effect, do more with less.

Although little known to the public, the Imperial Coachella feud is classic in water circles and, given the domino effect of water issues, could block the historic water transfer between Imperial and San Diego.

That transfer has been praised by Babbitt and Gov. Pete Wilson as the linchpin of the state's ability to have sufficient water in coming decades by reallocating water from water-rich farm areas to thirsty coastal communities.

"I am very impressed that Imperial and Coachella have at last discovered their fraternal bonds," said Babbitt. He called their newfound cooperative spirit "a minor miracle."

But no such familial warmth has yet been achieved in the negotiations between water agencies, agricultural interests and environmentalists in solving the problems of the delta.

The delta and the Northern California rivers that feed it make up the state's largest watershed, a 61,000-square-mile system that provides water for 22 million Californians. It also is the principal irrigation source for the state's \$24 billion-a-year agricultural industry, while supporting one of the richest ecosystems on the continent with close to 1,000 plant and animal species.

Babbitt had hoped fervently to join Wilson on Friday to announce an agreement under the joint federal and state project called Calfed that would lay out a final blueprint for a 30-year project to ensure the equitable distribution of water from the delta to agriculture, growing urban areas from San Francisco south and to the environment of the delta. The idea is to serve the needs of a big and growing state, simultaneously improving water quality and keeping enough volume in the delta to repair an ecosystem so starved for water in the past it has been in danger of collapse.

It was a dream deal promised with great fanfare in 1995 when Babbitt and Wilson brought the "stakeholders" together, put the Calfed bureaucracy at their disposal and invited them to come up with a formula that would end an escalating water war between environmentalists, agribusiness and urban water agencies.

Instead of announcing the end of the war Thursday, Babbitt called the parties "intransigent" and said they are not yet to the point of signing an agreement "and I'm not sure we ever will be." Babbitt has spent considerable time in Sacramento attempting to broker a Calfed compromise.

By their own admission, the environmentalists were the spoilers.

They would not sign on to an approach they thought all but committed taxpayers to an old-fashioned, multibillion-dollar public works project that might well guarantee sufficient supply to agricultural interests and metropolitan areas but would require diversions potentially harmful to fisheries and the delta ecosystem.

Moreover, critics of the plan argued that Calfed was relying on inflated forecasts of water demand while overlooking the water savings achievable through conservation, recycling, new irrigation technology, ground water banking and water marketing.

Touting the performance of low-flush toilets, horizontal axis washing machines, drip irrigation and water pricing formulas that discourage profligacy, Peter Gleick of the Pacific Institute, a Bay Area think tank, said that Calfed and the state's Department of Water Resources grossly underestimated potential water savings.

"DWR estimates that in 2020 the shortfall between supply and demand will be 2.4 million acre-feet. We think the errors in their analysis show far more than 2.4 million in potential water savings."

#### Activist Criticizes Officials' Reasoning

Gary Bobker, one of the environmental holdouts in the Calfed process, said the impasse could be explained by one word: "storage."

"There is an engineering logic to the idea that you can build a lot more flexibility into the system if you can bank more water in more pots," said Bobker, a policy analyst with the Bay Institute. "What is not proven is whether you can take more water out of the system and bank it without doing harm to the environment."

Lester Snow, who directs the Calfed process, disagrees.

"I think it's fair to say conservation alone won't do it," he said, adding that even if more reservoirs are built, there will be no net gain in such facilities.

"After we are done, fewer streams will be blocked by dams. We have torn one down already, and we have identified four or five more to take down."

Bobker and other environmentalists readily acknowledge that environmental gains have been made.

"I think there are a lot of areas in the Calfed process where amazing progress has been accomplished," he said.

Close to a billion dollars has been committed to ecological restoration including rehabilitation of marshes and wetlands, replanting of riverside forests, the construction of fish ladders to help migrating salmon and the installation of fish screens to prevent fish from being drawn into irrigation canals.

The turmoil in the southeast corner of the state, meanwhile, dates to 1934, when the federal government was taming the Colorado River to transform the area from a forbidding and unprofitable desert into a land of homes, farms and economic growth. In a nutshell, Coachella feels it got cheated in the allocation of Colorado River water and the feeling has been festering for six decades.

Unless it gets more water from the Colorado River, Coachella has threatened to sue to block the San Diego Imperial Irrigation District deal.

The agreement announced Thursday includes more water for Coachella and a concession by Imperial to agree to a cap on the amount it draws from the Colorado River. But issues involving timing and cost remain; the negotiations also include the mighty Metropolitan Water District of Southern California, water wholesaler to 16 million people in six counties.

Before MWD will agree to pay for \$50 million or more of storage facilities to keep Coachella happy, it wants assurances of more Colorado River water through new rules for the operation of Lake Mead, the system's main reservoir. That will take agreement from the six other Colorado River-dependent states, which look upon California with suspicion and annoyance.

"There are seven sovereign states on the river, not one sovereign state and six lesser partners," said Patricia Mulroy, general manager of the Southern Nevada Water Authority. "California needs to remember that."

Still, Mulroy and other officials sent a letter to Babbitt expressing interest in changing the Lake Mead rules to aid MWD as long as their states also profit. Negotiations may begin as early as next week. ##

#### **CALFED PROPOSALS - NEW DAM AMONG WATER OPTIONS**

Fresno Bee Dec. 18, by Mark Grossi

Four years of water wrangling will yield the same recommendation today that San Joaquin Valley farmers have been making since the 1980s: Build another dam in California.

Perhaps in Fresno County.

A sweeping \$4.4 billion plan to retool California's water system over the next seven years was tentatively adopted Thursday by state and federal authorities in an effort to balance the needs of environmentalists with the demands of agriculture and cities.

Dam construction is one of many recommendations in the report being released today in Sacramento by the Calfed Bay-Delta Program. The historic program was formed in 1994 to rejuvenate Northern California rivers, balance supplies statewide and settle decades of fighting over water.

Without Calfed - more than a dozen government agencies working with farmers, environmentalists, fishing interests and cities - a new dam might not be a serious option, no matter how practical it seemed.

"A new dam just makes sense," Kings County farmer Jim Verboon said Thursday. "The ability to control more water and transport it is good for the consumers and the environment. When a drought comes, the environment needs water, too."

No specific locations are expected to be named today, but Calfed is studying 15 sites. The potential projects include enlarging Friant Dam, east of Fresno, and building a dam on the Panoche-Silver Creek stream, west of Mendota.

Any decision to build or enlarge a dam could be years away. Also unknown: The cost of both projects. Some estimates say it would take \$800 million to raise the Friant dam; others say the Mendota project could cost between \$1 billion and \$2 billion.

The Calfed proposal will be the focus of public hearings and further negotiations during the next few months. It is aimed at improving flows and water quality in the environmentally fragile Sacramento-San Joaquin River Delta east of San Francisco, as well as ensuring stable water supplies for farms and cities.

The delta, the nexus of several rivers, is the conduit for 80% of California's drinking water.

Environmentalists believe state and federal water policies, including pumping, have damaged the delta, but farmers, municipal and industrial water users and others believe more water is needed in the south to accommodate growth and agriculture.

The proposal to be offered today reportedly includes about \$1.8 billion for conservation and recycling projects, nearly \$1 billion to restore fish and wildlife habitats, more than \$500 million for levee and watershed improvements and perhaps \$230 million to study storage options, including dams and reservoirs.

State and federal authorities would split about \$2.5 billion in costs and the water users would pay about \$1.9 billion.

The Friant proposal could raise the dam another 140 feet and perhaps double Millerton's 520,000 acre-foot capacity. The Panoche-Silver Creek construction could hold up to 3 million acre-feet of water - enough to supply 20 cities the size of Fresno for a year.

The recommendation to consider building dams is the lightning rod in the politically charged Calfed proposals, which have been nudged along this fall by Interior Secretary Bruce Babbitt.

This is Calfed's so-called "preferred alternative." It is one step in a 25- to 30-year process likely to be buffeted by political spin among farmers, environmentalists, cities and industry.

For instance, Friends of the River, based in Sacramento, said earlier this week that enlarging dams or building new ones may do more harm than good.

Betsy Reifsnider, executive director of Friends of the River, said: "More concrete and more damage to rivers is simply not the right approach to balancing reasonable water use and reliability with restoration of fisheries, habitat and ecosystems."

In Central California, however, an additional supply of fresh water anywhere near the San Joaquin River could mean a boost for the environment. If more water could be captured at Millerton, some could be released to help fish and habitat in the San Joaquin.

A Panoche-Silver Creek reservoir could benefit Mendota residents and possibly those living 40 to 50 miles downstream on the San Joaquin, said Mendota resident Ed Petry, who has been attending the Calfed meetings.

The reservoir also could prevent winter flooding, which often carries selenium-laced sediment into Mendota. Selenium is a trace element essential for humans and wildlife but toxic in high doses.

In drier months, the reservoir would hold irrigation water for farmers and tap water for Southern Californians.  
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## **\$4.4 BILLION PLAN FOR DELTA REPAIRS TO BE UNVEILED; WATER SHARING, ECOSYSTEM PROTECTION**

San Francisco Examiner - December 17, 1998

A \$4.4 billion plan representing the last chapter of the Wilson administration's effort to reshape California's water policy will be announced Friday in Sacramento.

But it will come amid indications that the debate is not over.

Gov. Wilson, Interior Secretary Bruce Babbitt and leaders of the urban, agricultural, environmental and regulatory communities are gathering to unveil a new draft of the CalFed plan for repairing the Delta and ending the water wars.

It calls for spending the money over the next seven years for ecosystem and fishery restoration, conservation and recycling, watershed management and water quality, repairing Delta levees and surface storage.

But despite three months of end-game negotiations among stakeholders, farmers and environmentalists are still beating plowshares into swords and disagree on fundamental issues.

"It's a marker, but it's not a done deal," said Anson Moran, chief of San Francisco's Public Utilities Commission.

Because of intransigence on both sides, some stakeholders worry that the entire CalFed process, a 14-agency state-federal partnership launched in 1995 to solve ecological problems in the Delta and Sacramento-San Joaquin river system, is in jeopardy.

The main issue: dams and who'll pay for them.

The so-called draft document's "preferred alternative" includes a recommendation for more feasibility studies of surface storage - that is, dams and off-stream reservoirs. It suggests that more will be needed but does not say how they should be financed, and it postpones indefinitely consideration of a peripheral canal - taking water from the Sacramento River and routing it south via an isolated facility to the state and federal water project pumps near Tracy.

Babbitt has made an unusual personal time commitment to nudge along the CalFed talks during the past three months. He has tried to give the process a sense of urgency with a year-end deadline that environmentalists don't share.

"The Wilson administration is very interested in having everything wrapped up while the governor is still in office, but that's not reality," said Gary Bobker of The Bay Institute. "This doesn't represent any kind of agreement among the stakeholders on the CalFed deal."

The plan to be discussed Friday estimates that the cost of the CalFed program over the next seven years will be shared by users - that is, the agencies and their members that actually apply and consume water developed by the state and federal water projects. The estimate is that users will pay \$1.935 billion and that the federal and state shares will be \$1.27 billion and \$1.23 billion, respectively.

The plan allocates \$1.8 billion to conservation and recycling, \$965 million to ecosystem restoration for improving fish and wildlife habitat, \$250 million for repairing Delta levees and water quality and \$270 million for watershed management. It also allocates \$230 million for studies of storage, which would include items such as raising Shasta and Friant dams, creating off-stream storage at Los Banos Grandes in Merced County and creating a groundwater bank at Madera Ranch in Madera County. ##

## **NEW CALIFORNIA WATER PLAN GETS TENTATIVE OK**

Associated Press - Friday, December 18, 1998

SACRAMENTO -- A sweeping \$4.4 billion plan to retool California's water system over the next seven years was tentatively adopted Thursday by state and federal authorities in an effort to balance the needs of environmentalists with the demands of agriculture and cities.

The draft plan, the product of years of negotiations between state and federal officials and an array of special interests, was scheduled to be unveiled today by Gov. Pete Wilson and U.S. Interior Secretary Bruce Babbitt.

The proposal, which will be the focus of public hearings and further negotiations over the next few months.

Called CalFed by bureaucrats, it is aimed at improving flows and water quality in the environmentally fragile Sacramento-San Joaquin River Delta east of San Francisco, as well as assuring stable water supplies for farms and cities.

The delta, the nexus of several rivers, is the conduit for 80 percent of California's drinking water, including water that is sucked out of the delta at its southern edge and shipped to Central and Southern California.

Environmentalists believe state and federal water policies, including pumping, have damaged the delta, but farmers, municipal and industrial water users and others believe more water is needed in the south to accommodate growth and agriculture.

The proposal offered Friday reportedly includes about \$1.8 billion for conservation and recycling projects, nearly \$1 billion to restore fish and wildlife habitats, more than \$500 million for levee and watershed improvements and perhaps \$230 million to study storage options, including dams and reservoirs.

State and federal authorities would roughly split about \$2.5 billion in costs, and the water users would pay about \$1.9 billion.

In March, CalFed released a draft environmental review, listing three potential solutions on how to transfer the water, store it and foster efficient use. The costs were estimated at about \$10 billion over the next 25 to 30 years.

The draft report to be unveiled Friday steers a middle course. It calls for a number of improvements but it does not include, at least in the short term, the most controversial water proposal in California - the peripheral canal.

But the canal, rejected by voters 16 years ago, remains an option over the long term. That canal would skirt the delta and deliver surplus water from the north to the south, bypassing the delta and its aging levee network. ##

## **REPORT ON STATE'S WATER FUTURE NONCOMMITTAL**

San Diego Union-Tribune Dec. 19, by Bill Ainsworth, staff writer

SACRAMENTO -- Gov. Pete Wilson had hoped that a report by a state and federal water agency, CalFed, would be one of the last significant achievements of his administration.

The plan was supposed to lay out the details for increasing the state's water supply and improving its quality for the next 30 years.

Instead, the report released yesterday by CalFed put off the controversial decisions about water for years to come.

In effect, the report was watered down -- because of disagreements between environmentalists on one side and urban and agricultural water users on the other.

Environmentalists adamantly oppose the building of any more reservoirs or dams, arguing that more focus on conservation and efficiency could reduce demand.

Agricultural and urban interests say more off-stream storage is critical for meeting the growing demand for water.

The report suggested planning for new water storage, but didn't make any clear commitment.

Still, just that vague statement prompted a dispute between Wilson and environmentalists.

Conservationists rejected the report, saying that building new dams is the wrong way to go.

"CalFed still hasn't wrestled with the fact that there are cheaper alternatives, particularly water transfers, conservation and ground water management," said Tom Graff of the Environmental Defense Fund.

Wilson attacked his opponents, calling them "obstructionists."

"We cannot allow obstructionists to degrade the quality of life in their misguided attempts to forestall future growth," he said.

The Republican governor said that new reservoirs and storage facilities are needed to increase the water supply for the state's growing population, which is projected to double by the year 2040.

U.S. Interior Secretary Bruce Babbitt declined to take a position on the issue and urged the two sides to continue talking.

"This is about consensus. It's long. It's slow. It's frustrating, but it's the only way," he said here yesterday.

The report did spell out a \$4.4 billion plan that includes \$1 billion in repairing levees, and recommends spending money to improve water quality, increase water conservation and make more use of water transfers.

The report also recommended restoring the faltering ecosystem of the San Francisco Bay Delta, through which two-thirds of the state's water supply passes.

But the report delayed a decision on what a previous document had suggested would be the most efficient way of improving the quality of water that goes to Southern California: a peripheral canal.

Such a canal would bypass the Delta, which contains salt water that adds harmful bromides to the water as it travels south, water officials say.

In 1982, a proposal to build a 44-mile long peripheral canal around the Delta sparked a contentious ballot fight between north and south that ended with the canal narrowly defeated. ##

#### **CALIFORNIA WATER PLAN SHOWN OFF**

##### **Squabbles Among Farmers, Environmentalists Slowed Progress To A Dribble**

San Francisco Chronicle Dec. 19, by Alex Barnum, Chronicle Staff Writer

With a fragile truce in California's water wars still holding, Governor Pete Wilson U.S. Interior Secretary Bruce Babbitt presented a draft \$4.4 billion plan yesterday for solving the state's water problems well into the next century.

But after three years of contentious discussions among environmentalists, farmers and urban water districts, Wilson and Babbitt acknowledged that the proposed plan was not as far along as many had hoped. Some of the toughest issues have yet to be decided.

"We've made some progress, . . . (but) it's not all that we should have made, and not all that we need to make," said Wilson, who leaves office in January. Wilson had hoped to leave a signed agreement on the water plan as part of his legacy.

Babbitt, who was praised by many of California's traditional foes in water disputes for his close involvement in the plan, described the progress as "slow and frustrating."

Nonetheless, the draft report was the most significant milestone yet for CalFed, a team of 14 state and federal agencies that is trying to develop ways to restore the Sacramento-San Joaquin River Delta while meeting the state's long-term water needs.

Final approval of the CalFed plan is expected in December 1999, with implementation to begin in 2000.

The delta, a maze of islands and sloughs 50 miles east of San Francisco, is the heart of the state's water system. It once teemed with salmon and other fish, but now some of those species are threatened with extinction: Giant pumps divert delta water to two of every three Californians and 4 million acres of farmland, killing fish in the process. Farms and cities want to increase diversions, but environmental restrictions will not allow it.

The most contentious issue is the CalFed plan's call for new reservoirs to store water during wet years for use during droughts. No new dams would be built, but the existing Shasta, Friant and Los Vaqueros dams might be raised, and 11 sites in the Central Valley would be considered for off-stream reservoirs to which water would be pumped.

Having already given up some of their water to stem fish declines, farmers are adamant about the need for new reservoirs. Urban water agencies, such as the Metropolitan Water District of Los Angeles, and business groups, including the Bay Area Council, support the idea.

"We can reduce (our water use) by only so much," said Bill Pauli, president of the California Farm Bureau, representing the state's \$27 billion-a-year agricultural industry.

Proponents say new reservoirs would have important ecological benefits. But environmental groups vigorously oppose the idea, fearing that it represents a return to the dam-building era that caused many of the delta's ecological problems.

The plan "leans toward support for new dams without determining whether they are needed, what they would cost, who would pay for them, or how they could damage the environment," said Tom Graff, senior attorney for the Environmental Defense Fund in Oakland. Environmentalists argue that the state's water needs could be met through water conservation programs, a market-oriented water transfer system and groundwater storage.

In fact, the CalFed plan proposes spending \$1.8 billion on water conservation and recycling projects and \$675 million for proposals to expedite the transfer of water. Construction of new reservoirs would be tied to progress on conservation.

Another controversial issue is a proposal to build a 44-mile canal around the eastern flank of the delta to improve water quality for the 22 million Californians who get some or all of their water from the delta. A similar plan was defeated in a 1982 statewide referendum.

The draft CalFed plan puts off a decision on the canal for seven years, although it would remain an option for the long term. In the interim, the plan calls for widening some river channels and installing fish screens as a way to improve delta plumbing.

There are measures that are popular with all stakeholders. Included are \$250 million to shore up delta levees, \$250 million to improve watershed management and nearly \$1 billion to restore fish and wildlife habitats.

Money to pay for the plan will come from Congress, the state Legislature, bonds and fees on water users. Some of the money has already been appropriated.

The draft plan can be viewed on the Internet at <http://calfed.ca.gov>. ##

### **WATER PLAN STIRS CAUTIOUS OPTIMISM**

Bakersfield Californian Dec. 19, 1998 by Vic Pollard, Sacramento Bureau

SACRAMENTO - Farm water officials in the San Joaquin Valley said they are cautiously optimistic that a tentative plan issued Friday to fix California's biggest plumbing system will eventually result in improved irrigation water supplies.

Although some major issues remain unresolved, the \$4.4 billion plan is designed to solve the chronic water supply and environmental problems of the Sacramento-San Joaquin Delta, the vast estuary east of San Francisco Bay that is a drinking water supply for two-thirds of California and an irrigation source for 7 million acres of farmland.

On Friday, Gov. Pete Wilson and U.S. Interior Secretary Bruce Babbitt officially unveiled the plan, the product of four years of work by a coalition of state and federal officials known as CalFed and negotiations among all the state's major water users.

Both Wilson and Babbitt acknowledged the plan is far from complete because deep disagreements remain on some key issues.

Most major environmental groups are sharply critical of CalFed's proposal to study the feasibility of building or enlarging some dams to increase the total supply of water for farms and cities. They contend there is already plenty of water to go around if it is used more efficiently.

Nevertheless, the two officials joined most other user groups in saying the plan represents an important milestone in the planning process. In addition, it summed up the Wilson administration's portion of the work so far and handed it over to incoming Gov. Gray Davis to carry on.

"This report is only a starting point," said Wilson, who expressed disappointment that agreement on all the issues could not be worked out before he leaves office.

Babbitt, a former governor of Arizona who personally took charge of the federal side of the negotiations this year, said he was unprepared for the difficulty of forging a compromise between the factions in California's water wars.

"But I believe, based upon this passage through your extraordinary culture of contention over the last several months, that we can get there," he said.

Valley agricultural water officials, who want CalFed to provide them with water supplies that won't keep getting cut back because of droughts and environmental restrictions, guardedly expressed agreement.

"This isn't a perfect document," said Kern County Water Agency Manager Tom Clark. "There are a lot of things in it that we don't like, but it does provide a basis to keep working on it."

Richard Moss, manager of the Friant Water Users Authority, said, "It lays out a flexible plan on how there could be continuous improvement in water supply, water quality and the Bay-Delta environment. While there are some aspects of the plan with which we do not agree, the plan denotes progress and presents a fairly well-balanced approach to most Bay-Delta issues."

Although they were disappointed the plan did not include a firmer commitment to new storage facilities, the valley officials said they were most encouraged by its innovative approach to managing the water needed for environmental protection.

Over the past decade, irrigation supplies have been repeatedly cut back when federal and state regulatory agencies deemed more water needed to be left in the delta to protect endangered fish species.

The CalFed plan calls for an Environmental Water Account, under which a designated agency would have a specified amount of water to use for environmental protection. The water could come from a variety of sources, such as purchases from willing sellers or exchanges with water agencies. "For the first time," Clark said, "the environmental regulatory agencies will have to operate on a (water) budget."

Currently, he said, their "budget" is unlimited because they can legally take as much water as they think they need from agricultural and urban users, even in drought years when supplies are short. ##

#### **\$4.4 BILLION STATE WATER PLAN UNVEILED; PROJECT AIMS TO RESTORE BAY, DELTA, ENSURE SUPPLY**

San Jose Mercury News Dec. 19, by Paul Rogers, Staff Writer

SACRAMENTO -- Marking a historic point in California's eternal battles over water, Gov. Pete Wilson and U.S. Interior Secretary Bruce Babbitt on Friday released a \$4.4 billion plan to restore the environment of San Francisco Bay and its delta, while also providing a more reliable water supply for farms and cities.

A blueprint for the next seven years -- and ultimately the next 30 -- the plan represents the most expensive environmental restoration project in the United States, broader even than efforts to improve the health of the Everglades or Chesapeake Bay.

The long-awaited document, however, fell short of expectations that Babbitt and Wilson had set in 1994, largely because of bitter divisions among environmentalists, farmers and the Wilson administration over the need to construct new dams.

"We have made some progress," said Wilson at a mid-morning news conference. "Not all that we should have made, in my judgment, and certainly not all that we need to make."

Babbitt characterized the new water plan as a halfway point in a mountain expedition.

"This is about consensus," he said. "It's long. It's slow. It's frustrating. But it's the only way."

Roughly \$1 billion of the plan's \$4.4 billion price tag is already accounted for from Proposition 204, a 1996 water bond passed by state voters, as well as from congressional funding. Raising the other \$3.4 billion could be difficult. The money would come from new bonds, federal money and user fees on farmers and residents, authorities said.

Four years ago, Wilson had hoped to have a final plan, signed by all the interest groups and containing a finished environmental impact study, by now. Yet two weeks before he leaves office, there is no signed agreement and the environmental study is not started.

Joking about California's legendary fights over water, Babbitt added: "In the water wars, when Californians organize a firing squad, they form a circle facing inwards."

The document contains recommendations for repairing more than 1,100 miles of levees in the delta, restoring fish runs and improving drinking water purity. It also calls for increased water conservation, water recycling and studies -- but not construction -- of new dams.

#### Peripheral Canal

It includes a study, but not a commitment to build, the so-called Peripheral Canal, a controversial 44-mile-long canal that would take water around the eastern edge of the delta more easily from the Sacramento River to Tracy, where it is pumped to Southern California towns and Central Valley farms.

Friday's announcement featured a who's who of water interests in California.

Four years ago, Wilson and Babbitt brought together 14 state and federal government agencies to create an agency called "CalFed," along with farmers, environmentalists and urban water officials. Their goal was to end more than 30 years of fighting over the delta, a vast maze of marshes and sloughs between Sacramento and San Francisco Bay.

The delta is the most important fresh water source in California, a largely arid state where two-thirds of the water comes from Sierra snowmelt, rivers and rainfall in the north and two-thirds of the demand is in the south. The delta provides drinking water to 22 million Californians, as well as irrigation for the Central Valley, which produces 45 percent of the nation's fruits and vegetables. It is in steep decline, however.

Once thick with millions of migrating birds and teeming with salmon, the delta's problems began in the late 1800s when farmers and builders drained and filled its wetlands.

Today, the delta provides a home to more than 400 plant species, as well as 54 types of fish, 225 bird species and 52 mammal species.

#### Environmental damage

Yet huge diversions of water have driven two fish, the winter-run Chinook salmon and delta smelt, to the endangered list and caused other widespread environmental damage.

Wilson had hoped to make the CalFed plan, which he praised as a "balanced program," a key part of his legacy.

Yet he was clearly disappointed that the plan includes only studies -- and not commitments to build -- any new reservoirs. Environmentalists and federal officials critical of taxpayer costs and ecological impacts had strongly resisted big concrete projects during negotiations.

Putting the 157-page plan into action will be the responsibility of Congress and Gov.-elect Gray Davis.

Wilson noted that California's population is projected to nearly double to 59 million by 2040. Those people will need water, he said.

"We really cannot allow obstructionists to degrade the quality of life for present residents in their misguided effort to forestall future growth," Wilson said.

Environmentalists, however, say construction of new dams are a waste of taxpayer money and a threat to the environment.

They opposed language in the CalFed plan that calls for spending \$70 million to study 14 potential new dam projects. Those projects include enlarging Shasta reservoir or building huge new off-stream reservoirs in Colusa County or Merced County, projects that each would cost at least \$1 billion.

"Unfortunately," said Tom Graff of the Environmental Defense Fund, in Oakland, "CalFed is leaning toward support for new dams without determining whether they are needed, what they would cost, who would pay for them or how they could damage the environment."

Graff and other environmentalists said there is plenty of water for California's growing population -- at a much lower cost to taxpayers -- through conservation on farms, recycling by cities, groundwater storage and voluntary water sales from farms to cities.

Operating under a system of water rights and subsidies that began 100 years ago to encourage settlement of the arid West, farmers now consume 79 percent of California's water, according to the state Department of Water Resources. At the same time, farmers generate less than 10 percent of the state's \$995 billion economy.

Roughly 46 percent of agricultural water goes for four crops: rice, cotton, hay and alfalfa to feed cattle. Combined, those crops contribute \$3 billion annually to the state's economy, or as much as Hewlett-Packard Co. makes every 26 days.

#### Conservation

The CalFed plan calls for farmers to cut projected water use by an additional 6 percent by 2020, with cities to conserve roughly 10 percent.

Farmers, however, fear that if too much water is cut back or transferred to cities, small towns will collapse economically.

Agriculture is going to support "an active and bold" program to increase voluntary water sales from farmers to cities, said Dan Nelson, executive director of the San Luis & Delta Mendota Water Authority.

But farmers have limits, he added.

"We already have the highest unemployment rates in the state," he said. Among the CalFed plan's other recommendations:

\*Improving water quality: calls for in-depth studies and tougher standards for mercury, salinity, organic carbon and selenium; recommends projects to reduce pesticides, bromides and control farm erosion, clean up mercury from abandoned 19th-century mines.

\*Levee protection: would fund projects to shore up banks, exterminate burrowing rodents and fix erosion damage. This is to address fears that in a major earthquake, levees could fail.

\*Ecosystem restoration: Already CalFed has spent \$130 million on installing fish screens, buying farmland and flooding it, planting trees and removing small dams that impede fish.

\*Water efficiency: would provide financial incentives and advice to improve water conservation in farms and cities, as well as recycling.

\*Water transfers: changing laws to make it easier for farmers to voluntarily sell waters to cities. Government, environmental groups and others also could buy water for a new "Environmental Water Bank" and leave in the delta for fish.

"What we're doing is intelligent," said Felicia Marcus, regional administrator of the U.S. Environmental Protection Agency in San Francisco. "Anybody who thinks there's one big answer to this is eating something different for breakfast than the rest of us." ##

#### **\$4.4 BILLION PROPOSED FOR DELTA CONSERVATION BUT STATE AND FEDERAL PLANNERS AGREED TO GIVE NO COMMITMENT FOR A RESERVOIR** Contra Costa Times Dec. 19, by Denis Cuff, staff writer

State water leaders welcomed a \$4.4 billion Delta restoration plan Friday as the first step toward making California water healthier and more reliable and bringing back wild fish populations.

Those same leaders, however, joined Gov. Pete Wilson in predicting a long, tough road ahead to convert the complex blueprint into action.

"This makes progress toward providing a safer, more reliable water supply for fish, families and farmers," Wilson said "It's a first step."

Underscoring battles still to be fought, the lame-duck governor criticized environmentalists cool to the plan as "obstructionists" who fight new reservoirs in "an unrealistic belief that can stifle inevitable growth."

Environmentalists said California has not proved it needs new reservoirs because it has not exhausted opportunities for conservation, recycling and storing water underground.

In a compromise, state and federal planners rolled out their CalFed Bay Delta Program on Friday with no commitment to build reservoirs or a canal.

The proposal calls for big spending to expand conservation, widen rivers to help fish, fortify flood-prone Delta levees, and establish a "water account" to buy water for release in rivers when fish need it most.

Farmers, city officials and environmental leaders agreed on the need to refine details and guarantees to solve their problems. But all said they saw some progress in resolving the stubborn, interrelated Delta problems that include unreliable water supplies, poor water quality and declining fish.

"It's mixed bag. There is a lot of good in the plan," said Gary Bobker, senior policy analyst with the Bay Institute. "It improves habitat and advances this idea of a water bank to provide water for the environment."

Urban water leaders say they are pleased the plan sets numeric goals to limit salty and organic material in Delta water that transform into a suspected carcinogen, bromate, during water treatment.

"We're optimistic about this plan because never before has there been such a balanced attempt at a comprehensive solution to the Delta problems with such broad consensus," said Walter Bishop, the Contra Costa Water District general manager.

Bishop said he is encouraged that CalFed proposes more flexibility in shifting the timing of Delta water pumping to protect fish.

Managers with the Fresno-based Westlands Water District and Los-Angeles based Metropolitan Water District also welcomed the plan.

"CalFed is a mountain with no peak, but we're gaining elevation," said Tim Quinn, a Metropolitan General Manager.

Quinn's agency has complained CalFed was not doing more to promote the Peripheral Canal to shunt high-quality Sacramento River water around the Delta to Tracy pumps that send it to Southern California.

However, he said Friday his district is willing to wait to see if other measures can make Delta water purer and safer.

Sunne McPeak, the Bay Area Council president, said CalFed's goals to improve fisheries and water quality are a big improvement over the old Peripheral Canal plan that California voters rejected in 1982.

McPeak co-chaired a successful statewide referendum against the canal and used a motto then that California needed policy before plumbing.

"We now have the policy to proceed with the plumbing," McPeak said.

She said Friday's report and environmental report are important because they must go through public review and win approval before CalFed can proceed with many projects to protect the Delta.

To find out more about CalFed's Delta plans, check the Web site at <http://calfed.ca.gov/> or call 800-700-5752. ##

## NEW DELTA WATER PLAN AIMS AT CONSENSUS

San Joaquin Record Dec. 19, by Dianne Barth, Capitol Bureau Chief

SACRAMENTO -- U.S. Secretary of the Interior Bruce Babbitt and Gov. Pete Wilson released a scaled-back plan to fix California's water problems Friday, providing the details of a proposal that includes major improvements to the Delta but doesn't shut the door on eventual construction of a peripheral canal.

The plan, still in draft form, includes millions of dollars for Delta ecosystem restoration, conservation, recycling watershed management and levee repairs.

It stops short of calling for new dam construction but does allow for the expansion of a number of existing reservoirs and underground-storage facilities, including a proposal by the Stockton East Water District to bank water in depleted groundwater tables.

The proposal would spend \$4.4 billion over the next seven years on infrastructure repairs and projects popular with urban users as well as environmentalists. But Babbitt said the state's water divisions continue to run deep.

"In water wars, when Californians form a firing squad, they form a circle facing in," Babbitt said.

Babbitt characterized the report as a work in progress and a first step toward consensus on water -- but conceded some of the most controversial areas, such as water storage, have yet to be resolved. Describing the state's water interests as "intransigent," he said he continues to hold out hope agreement on the most critical issues can eventually be reached.

"Based on my passage through (California's) culture of contention, I believe we can get there," he said, adding the project involves wide-ranging interests and was bound to take more negotiating than expected.

The document is the work of CALFED, a team of experts from 14 federal and state agencies who have worked for the past four years to put together a plan to make the Sacramento-San Joaquin Delta a cleaner, more reliable source of water.

The Delta provides drinking water to two-thirds of the state, including Southern California, where the Los Angeles Metropolitan Water District has insisted the estuary is too contaminated to meet clean-water standards. The water district backs an earlier plan to build a 44-mile peripheral canal to skirt the Delta and send fresh Sacramento River flows south via the state aqueduct.

So far, opposition from San Joaquin County, including Sen. Patrick Johnston, D Stockton, and Assemblyman Michael Machado, D-Linden, has quelled any immediate plans to build a peripheral canal. The report issued Friday calls for significant improvements to Delta water quality over the next seven years but includes provisions allowing construction of a separate conveyance system if water standards are not met through alternative steps.

In fact, the \$230 million targeted for the Delta includes \$10 million to \$15 million for a model of a Delta bypass that would put CALFED in a position to build a peripheral canal in five or six years if it had to. CALFED director Lester Snow said that doesn't mean the so-called Delta ditch is inevitable, and he hopes the conservation measures contained in the report will dramatically improve water quality.

But MWD spokesman Tim Quinn said he sees the draft report as a framework for meeting the south state's needs, including construction of a Delta bypass if Los Angeles continues to be unhappy with the quality of water they receive.

Construction of the canal would require approval from a special panel of water experts and from lawmakers.

In remarks that show how far apart Wilson and environmentalists are on the Delta, Wilson predicted earlier in the week that a peripheral canal will have to be built sooner, he said, rather than later.

"I'd like to see the state say, 'Let's just do it,' and step out smartly doing the things we have to do," Wilson said. "But there isn't the consensus to do that."

On Friday, Wilson -- citing new population forecasts that show California will reach 58 million people in the next 50 years, doubling the state's 1990 population -- said he wished the CALFED report also included new dam capacity and more offstream storage.

"Some people are dedicated to the proposition that we can do it all by conservation and recycling," Wilson said, referring to opponents to new offstream storage as obstructionists. "We cannot."

The report does include 14 possible sites for increased storage, including behind Friant Dam on the San Joaquin River, that Snow expects to be whittled down to four or five over the next couple of years.

The draft was signed off by major urban and farm water users, but environmentalists stayed off the report, charging it relies too much on new storage projects to increase supplies and not enough on conservation.

"We are not questioning the CALFED process and the importance of the Bay-Delta issue," said Betsy Reifsnider, executive director of Friends of the River, which advocates for the American River. "The problem lies with the solutions CALFED appears to be emphasizing. More concrete and more damage to rivers is simply not the right approach to balancing reasonable water use and reliability with restoration of fisheries, habitat and ecosystems."

The Sierra Club and nearly every other environmental group that worked with CALFED during the past four years opposed the draft report and declined to appear with Wilson and other agency officials at the news conference.

There was speculation the groups, which had a difficult relationship with Wilson, are hoping for better results from Gov.-elect Gray Davis.

Friday afternoon, the California League of Conservation Voters, one of the biggest environmental groups in the state, sent out invitations to an inaugural event for the Democratic governor-to-be featuring a color-coded map featuring "Gray" Davis in the Capitol, "green" trees in the mountains and "blue" water in the Delta.

A final plan for the CALFED project is due a year from now after a series of public hearings. But about \$100 million in ecosystem-restoration projects, such as upgrading water-treatment plants, installing better fish screens and creating a special environmental account on behalf of fish protections are planned for next year.

The full Bay-Delta solution, expected to cost \$10 billion, is planned to go into effect from 2000 to 2030.

#### **S.J. GROUPS SEE CONCEPT AS BEST YET**

San Joaquin Record - December 19, By Jim Nickles, Staff Writer

Each time the CALFED Bay-Delta Program has updated its plans, they have gotten better for Delta farmers and San Joaquin County water interests, representatives of those groups said Friday.

Stockton East Water District, for instance, is now identified by CALFED as a possible site for a groundwater-recharge project -- something the district has lobbied for for years, General Manager Edward Steffani said.

"That's great," he said. "We have worked hard to get that recognition. That may give us an opportunity to do a demonstration project. That's what we need -- a fairly large-scale demonstration test."

Under the concept, the eastern county's depleted groundwater basin could be used as a below-ground reservoir for storing excess river flows in years of heavy runoff. That could boost supplies for the entire state as well as San Joaquin County farms and cities.

CALFED is moving in the right direction for Delta farmers, but a lot of work remains to be done, said Alex Hildebrand, who owns a farm in the Manteca area and serves on CALFED's citizens board, the Bay-Delta Advisory Council.

"Each version has gotten better from our perspective," he said.

The biggest gain is postponement of a proposed "isolated facility" -- commonly known as a peripheral canal - that would ferry Sacramento River flows around the Delta to the export pumps near Tracy, depriving the estuary of fresh water.

But farmers are still worried not enough is being done to plan new on-stream storage, which is the only feasible way to hold water back during brief periods of high flow, Hildebrand said.

"If they don't (build more dams), they'll just take the water away from agriculture," he said.

Under the draft document released Friday, in order to move toward a peripheral canal, CALFED would have to satisfy a number of conditions, including review by two independent panels of scientists and approval by state and federal lawmakers, said Tom Zuckerman, a lawyer for the Central Delta Water Agency. In previous versions, a canal seemed preordained as the ultimate solution to improve water-quality and fisheries, he said.

"I'm encouraged by the direction they are going," Zuckerman said. ##

**PG&E'S TRANSFER OF PLANTS DEBATED: BATTLE IS SHAPING UP OVER HYDROELECTRIC SHIFT**  
Sacramento Bee - Tuesday, Dec. 22, By Carrie Peyton, Staff Writer

Setting the scene for a fractious battle over water, power and land, Pacific Gas and Electric Co. has formally declared its intention to shift control of all its hydroelectric plants to an unregulated sister firm.

The sweeping move would affect electric rates for millions of Northern Californians and bring increased competitive pressure to a chain of dams and power plants that dot the Sierra and Cascades from east of Fresno to east of Redding.

Under the proposal, U.S. Generating Co. of Bethesda, Md., also called USGen, would purchase a network of powerhouses and dams and 100,000-plus acres of watershed land from PG&E.

The proposed transfer would fit into the strategy PG&E has to be a distribution utility only, leaving power generation to other companies, including its own affiliate.

PG&E contends that under California's 2-year-old electric restructuring law, the state Public Utilities Commission must end regulation of the company's hydroelectric plants before 2002.

But some water, consumer and environmental advocates believe the law allows room for interpretation by the PUC.

They have begun to form a loose alliance to lobby to keep the hydroelectric system regulated.

Others believe keeping the 3,900-megawatt system in the hands of a subsidiary of Pacific Gas and Electric Corp., a San Francisco-based holding company that owns both PG&E and USGen, might mean comparatively few changes.

In the short run, any sale could reduce electric bills of everyone who gets power from PG&E, including residents of much of Yolo, El Dorado and Placer counties.

Because the sale price would be subtracted from the billions that customers are paying in competitive transition costs, it could lessen the time left for the "CTC" charge to appear on their bills.

Nevertheless, consumer advocates range between wary and appalled.

"We hate it. We think that's the worst of all situations," said Nettie Hoge, executive director of The Utility Reform Network, a ratepayer watchdog group that wants the plants to stay regulated.

Otherwise, Hoge said, the new owners will be able to deliver and withhold power in ways that play the newly competitive electric market, wringing out "excess profits" when demand is highest.

There is a federal safety net to set price caps while kinks are worked out of the new electric market, said Terry Winter, chief operating officer of the state transmission agency, the Independent System Operator. But those caps have been hundreds of times higher than traditional prices.

Hydroelectric plants, because they can spill more or less water through their turbines on very short notice, are especially well-suited for providing certain kinds of emergency and backup power that already have been the target of price manipulation accusations.

"These are enormously valuable systems and they're going to become increasingly valuable because of the ease with which they can respond," said Elena Schmid, director of the PUC's Office of Ratepayer Advocates.

Her office has made no recommendation yet on the plants' fate, but wants to ensure two things:

First, water interests and others who might not normally be involved should be brought into sale discussions because the impacts on land use, water rights and other river issues are so far-reaching.

And any price set needs to benefit electric ratepayers.

In a Dec. 11 filing with the PUC, PG&E proposed that five appraisers be used to set prices on the network of 68 powerhouses, close to 200 dams, and the accompanying land, water contracts and other property.

Then the middle three appraisals would be averaged, and under PG&E's interpretation of electric restructuring law the utility would be automatically entitled to transfer the system to USGen at that price, with no further PUC involvement.

State regulators are not expected to share that view. Instead, said one, if things get as far as that, the PUC is likely to impose a number of conditions on new owners before any transfer could occur.

The outcome will be shaped by two still-unnamed new commissioners, who will become the first Democratic appointees to the five-member PUC in 16 years.

State lawmakers' input is also expected to be intense. Bills passed during the last session made it increasingly clear that "the Legislature can tell us what to do," said PUC President Dick Bilas.

PG&E's proposed method "just scares the bejabbers out of everybody because the opportunity to low-ball that is so severe," said Rich Ferguson, energy chairman for the California Sierra Club.

Among those asking regulators to go forward carefully is the Association of California Water Agencies.

"Whoever controls the PG&E hydro facilities . . . has their hand on the spigot for the fresh water in California and can do considerable mischief," it wrote the PUC in a plea for "deliberate, careful and undivided commission attention."

Lon House, ACWA energy adviser, said its member agencies want to fend off any possible threats to rights they hold to low-cost water. In addition, he said, the agency is concerned that a new owner might sell off open lands that now contribute to water quality, or charge water users more for keeping them pristine.

PG&E owns more than 100,000 acres of what it has designated as watershed land. Right now it would need state PUC approval to sell that land, just as it would to sell other assets.

USGen would not need PUC approval, although it would need the Federal Energy Regulatory Commission's OK to dispose of any watershed land actually included in the FERC dam license. That represents well under half the land involved, according to PG&E officials.

Regardless of which part of PG&E owns the hydro, said Leslie Everett, a PG&E vice president, "We're going to continue to work cooperatively with the environmental organizations and the land use organizations. We're in California for the long haul."

A group of state and federal agencies that have been meeting with the utility in an effort to ensure that the watershed is protected are untroubled by the potential sale, said John Schmidt, executive director of the state Wildlife Conservation Board.

"Maybe this is good," he said. "It gives us more chance to work" to designate key sites and come up with purchase funds.

Some water officials agree with PG&E's contention that keeping the system intact, under one owner, could be better for the environment and for river operations than selling it off piecemeal through PUC-sanctioned auctions, the way the utility has sold other power plants.

Friends of the River probably won't even take a stand on the issue because the new owners are just as likely as the old ones to put costs ahead of the environment, said Maureen Rose, a policy advocate for the group.

"Whether it's going to be PG&E or USGen, either way they're going to be coming in saying, 'We need to make as much money as possible so we don't just throw it back to the ratepayers.'" ##

#### **EDITORIAL: CALFED'S BIG DAY - COUNTY WATER INTERESTS GAIN IN DRAFT PLAN, BUT PERIPHERAL CANAL STILL ALIVE**

San Joaquin Record - December 22, 1998

Don't look now, but the big, bad monster known as CALFED -- while yielding to several San Joaquin County water interests at least for now -- may turn out to be a menace-in-waiting.

There's a lot of good in the draft report issued last week, but dam construction and the dreaded peripheral canal are still around, and Southern California's water needs may be driving the process.

Unveiled last week, the initial CALFED proposal -- known in the language of water bureaucrats as Revised Phase II Report -- is a scaled-down plan to fix the state's water needs with a primary focus on making the Sacramento/San Joaquin Delta a cleaner, more reliable source of water.

Touting the plan's virtues were outgoing California Gov. Pete Wilson and U.S. Interior Secretary Bruce Babbitt. Wilson sounded more like the former mayor of San Diego than governor when he said of the Delta bypass, "Let's just do it."

As it is, CALFED proposes \$10 million to \$15 million for a canal model that would put the agency in a position to build the actual conveyance in five to six years if needed.

CALFED officials, a team of experts from 14 different state and federal agencies, did, however, listen in other areas when San Joaquin County spoke. For years, Stockton East Water District has wanted to be identified for a groundwater-recharge site. That designation now exists.

CALFED's proposal could actually turn out to be the salvation of the county's depleted aquifer, with plans calling for its use as underground storage for other regions -- sort of a water waystation. The county is already the state's water switching yard, so why not?

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The county also can look at other CALFED goals and methods and find small victories:

- \* Improving Delta water quality is a top priority.
- \* Levee restoration is a goal.
- \* Water conservation and recycling are mandates.
- \* Ag interests were heard; officials are backing off plans to convert farmland into additional wildlife habitat. Plans, instead, call for better use of existing state and federal property.
- \* Overall Delta changes will be made in small, more-manageable increments -- allowing for ongoing evaluation and adjustment.
- \* Millions will be spent on the Delta's ecosystem restoration.

In addition to the back-burner plans for a canal, surface storage -- additional dams, possibly along the San Joaquin River -- remains a thorny topic. That issue, understandably, has divided interests within the county and around Northern California.

For years, Northern Californians have justifiably argued that the state's water flows south toward the Los Angeles Basin and the giant Metropolitan Water District. The sarcastic joke has been that it flows toward the dollars. Based on CALFED's draft and Wilson's attitude, that's still true. What we can hope for now is the preliminary efforts make a huge difference and serve to stem the tide before it becomes a flood. ##

#### **EDITORIAL: FRIENDS OF RIVER AND THE DAMS**

Modesto Bee - Wednesday, Dec. 23 (Also published December 17 in Sacramento Bee)

The environmental group Friends of the River has put its reputation at risk by falsely demonizing CalFed, the historic and worthy effort over the future of the Sacramento-San Joaquin Delta and the state's water supply. In doing so, it has crossed the line between aggressive advocacy and outright fear-mongering.

In a new missive entitled "Rivers at Risk," the group describes how CalFed "has identified 23 new or enlarged dam and canal projects supposedly needed to ensure future water supply reliability." Proposals "identified in the state water plan or under consideration by CalFed agencies" include "building large, new dams on the Yuba, American, Cosumnes, Mokelumne and Carmel rivers." Among the projects Friends of the River puts on CalFed's supposed list are the long-controversial Auburn dam on the American, for example, and the Parks Bar Dam on the Yuba.

But Friends of the River doesn't distinguish the wildest dam dreams of some stakeholders in the CalFed process from a smaller list of comparatively benign projects that CalFed seeks merely to review, not necessarily to build. A recent CalFed document identified not 23, but 15 possible sites to consider for above ground water storage in Northern California. How many are new dams on the Yuba, American, Cosumnes, Mokelumne and Carmel rivers? Not one.

Friends of the River also states that "CalFed dam engineers are studying raising the existing Shasta Dam and reservoir by up to 200 feet." This is the proverbial half of the story. In fact, CalFed, the proposal under preliminary study would raise the dam not 200 feet, but 6.5 feet.

Only one of CalFed's 15 storage options (again, merely ideas) requires a new reservoir on a river (the Bear River in Sutter County). Most options involve either raising existing dams or building reservoirs away from rivers, pumping water into them in wet years. That may not fire up the environmental activists like talk of building Auburn Dam. That's because CalFed doesn't seek another water war, but some semblance of peace.

A consensus-building effort such as CalFed demands a new code of behavior from all participants. It is essential to ask tough questions, such as what any new storage project would cost, who would get the water and who would pay for it. It is impossible to inflame the public with misleading information and still expect to remain a credible player in the process. Rivers need friends, but they need the truth, too. ##

#### **EDITORIAL: WATER PEACE - DAVIS APPOINTMENT COULD END THE CEASE-FIRE**

San Diego Union-Tribune - December 26, 1998

Water war or peace in California may depend a lot on whom Gov.-elect Gray Davis chooses as his director of the Department of Water Resources.

This division of the state's Resources Agency is responsible for managing water systems that are crucial to cities and the environment. Not only does the Department of Water Resources run the California Aqueduct, but it also helps manage the water supply from the Northern California Bay-Delta in conjunction with the federal government.

Fixing the Bay-Delta is the most important water issue facing Davis. A cease-fire in the decades-old water war among agriculture, cities and environmentalists has allowed progress on the Bay-Delta through a joint state and federal program called CalFed. The next water resources director will be tasked with carrying out the CalFed plan, and with helping to maintain the peace.

If Davis appoints someone who is too much in the environmental camp, farmers and business groups may revolt. If he chooses an agricultural supporter, which isn't too likely, environmentalists would reach for their guns.

Davis named a moderate environmentalist, Mary Nichols, as Resources Agency secretary. She'll be the boss of the water resources director. But the Resources Agency is a mega-entity, with so many departments and divisions that the secretary doesn't have day-to-day input on water policy. In the Wilson administration, David Kennedy was the state's water czar. His boss, Douglas Wheeler, who headed the Resources Agency, deferred to Kennedy on water issues.

The governor-elect has staked a claim to centrist politics. He must maintain that position when it comes to choosing a new water resources director, or he could set the spark that re-ignites California's water war. ##

#### **EDITORIAL: A WATER COMPROMISE - CALFED IS WISE TO TAKE EASY STEPS FIRST ON SUPPLY**

San Diego Union-Tribune - December 27, 1998

The politics of water in California is much like the natural power of water itself. Like the wearing away of rock by a stream, change occurs slowly. But a massive shift, like a tidal wave or flood, is always bad news.

That's why slow and cautious progress laid out by the latest report of CalFed, the state and federal water agency whose task is to rebuild the Bay-Delta, is the best policy. The Bay-Delta, a vast water system that includes the San Francisco Bay and waterways flowing into it, is the main southbound conduit for Northern California water. Farmers, cities and the outgoing administration of Gov. Pete Wilson may not like CalFed's go-slow approach because it doesn't mandate new dams and canals. Environmentalists may not like it because it doesn't rule them out, either.

However, everyone should listen to the counsel of U.S. Interior Secretary Bruce Babbitt, who has a better grasp of western water politics than any other Interior secretary in history: "This is about consensus. It's long. It's slow. It's frustrating. But it's the only way."

While environmentalists, farmers and cities don't agree on the issue of building dams and canals, they do agree on most other aspects of the CalFed plan for the delta, including billions of dollars in levee repairs, water quality improvements, conservation efforts and habitat restoration. The plan by CalFed officials, led by Director Lester Snow, the former general manager of San Diego County Water Authority, is to begin with the

measures everybody agrees on, and see how well they work to improve the habitat for fish and protect agricultural and urban water supplies.

If they don't work, a better case then can be made for more water storage projects, and for a smaller version of the proposed Peripheral Canal to take water around the delta and pump it into state and federal water systems.

From our vantage point in San Diego, at the end of all water pipes, we support new water storage projects and the delta canal. But an attempt to force that viewpoint could, like a tidal wave or flood, have disastrous results.

The CalFed process has provided a cease-fire in the decades-old water wars involving agriculture, cities and environmentalists. It has provided an opportunity to work out our differences at the bargaining table, and not in court or in pitched political battles like the 1982 fight over the Peripheral Canal, which ended up benefiting no one.

So far, a lot of progress has been made in CalFed, although many in the media and Sacramento like to focus on the remaining differences rather than the agreements. If a fight were to erupt now over dams and canals, it could jeopardize all of CalFed's successes.

Better to follow Snow's lead and proceed slowly. While farmers and environmentalists may attack each other in public, the truth is, they're still talking. It would be nice if hostile rhetoric could be abandoned in favor of consensus building. And if the CalFed process of constructive engagement between adversaries continues, maybe significant progress will be made.

Until then, all sides in the water wars should continue negotiating instead of firing lawsuits or ballot measures at each other. If we proceed with CalFed and the Bay-Delta measures don't provide the needed changes, we'll be in a much better position to argue for water storage projects and the delta canal in the future. ##

#### **EDITORIAL: CALFED ON RIGHT COURSE**

Contra Costa Times - December 27, 1998

Since 1994, 14 diverse federal and state agencies, known as CalFed, have been designing a comprehensive plan to preserve the Delta, the source of water for two-thirds of Californians. With so many competing interests devising a plan that satisfies everyone is a monumental challenge. In fact, it has been a considerable achievement just keeping urban water users, agricultural interests, environmentalists and recreation advocates at the same table.

No one expected CalFed to solve all of the problems of water supply, purity and storage, ecological balance, conservation, and economic considerations in a single plan.

And it hasn't.

But CalFed took a major step in the right direction last week in announcing plans toward achieving its twin goals of preserving the Delta environment and providing a dependable source of water for urban and agricultural use.

The initial phase of the plan focuses on environmental preservation, as it should. If the Delta's ecology is not protected, Californians could lose a major source of water as well as a natural treasure. The first stage of the CalFed program would allot \$4.4 billion to rebuild the Delta, assure water quality and study possibilities for water storage both in above-ground reservoirs and underground aquifers.

CalFed's seven-year plan calls for continuing to take water from the Delta, much the way it has in the past. However, the Delta itself would be improved. About \$1.8 billion would be spent on water conservation and recycling in urban areas and in agriculture.

To improve the Delta, CalFed calls for spending about \$1 billion to widen rivers to create a better fish habitat, particularly along the shores of the rivers. The plan also seeks \$250 million for to fortify flood-prone levees and another \$520 million for water quality and watershed management.

Walter Bishop, district manager for the Contra Costa Water District, which takes its water from the Delta, is pleased with CalFed's progress because of its emphasis on water quality.

He's right, maintaining high quality water is crucial to any overall CalFed plan, as is protecting the Delta, making sure fish and other wildlife habitat are preserved.

Despite its attention to ecology, it is environmental interests who are most critical of the plan, fearing it will lead to a spate of new dam building somewhere down the road. However, the plan call only for a study of 14 potential dam sites along with studying the feasibility of more underground water storage.

Some environmentalists also worry about CalFed's lack of plan to regulate the use of ground water by landowners who currently pump with few restrictions. That is a legitimate concern that can be a part of the planned \$230 million study of water storage.

A major factor in determining California's water storage needs is how effectively urban and agricultural users can conserve and recycle water, and that is being done first.

Water storage is one of the two most controversial problems CalFed will deal with in the future. The other is whether to build a fresh-water aqueduct, or smaller version of the failed Peripheral Canal, around the Delta.

Instead of including these divisive issues in its plans now, CalFed wisely chose to set a course that goes part of the way toward reaching its goals in the next few years. Then it will have a better idea of how to proceed in the future on storage and water diversion.

What CalFed has done is remarkable for three reasons. It has held a coalition of one-time enemies together, it has offered a viable course toward preserving the Delta environment, and it has begun a process to protect water quality while using it more efficiently.

If this first step proceeds as planned, we all will have a better idea of how to proceed on water storage and diversion, if it is needed. What's is most important is that all water interests stay on board, regardless of their concerns. ##

#### **EDITORIAL: STATE WATER TORTURE**

Modesto Bee - Monday, December 28, 1998)

A retiring California water official named Robert Potter spent 43 years watching the state come to political grips with its most important natural resource. In truth, it wasn't much of an evolution. As he told outgoing Gov. Wilson, who later shared Potter's insights at a press conference, the experience has been more like living the same year 43 times.

As sure as the sun, Californians representing the environment, farmers and cities have fought over the water of the Sacramento-San Joaquin Delta. Four years ago, a ray of hope emerged with an agreement on how to temporarily share this water among competing interests. The permanent solution was to have arrived by now, from CalFed, the collective brains of these stakeholders plus 14 government agencies. The organization was to answer long-standing questions about how California can more wisely pump, convey, store, conserve and sell Delta water for humans while providing the necessary water and habitat for the estuary and its tributaries.

By this month -- so stakeholders once thought -- CalFed was to complete a comprehensive, consensus-based Delta plan the likes that the Robert Potters of the water world had never seen.

But there will be no Delta epiphany this season.

After a seemingly endless number of negotiating sessions described as a "death march," CalFed on Dec. 18 gave birth to a status report. That may seem a modest accomplishment, but simply agreeing on where differences have narrowed, where they have not and how to proceed is a meaningful achievement. What is daunting about the status report, however, is what it shows of how far the Delta debate still has to go.

For example, the CalFed process may still be years from answering how best to convey water through the Delta to provide adequate fresh water both for fish and the aqueduct pumps that feed Central Valley farming and Southern California. Where are the best sites to store additional water in Northern California, either above or below ground? CalFed merely has sites worthy of further study, no final proposals. What are the smartest ways to conserve water and to identify willing sellers and purchasers of water? Again, there is no answer.

Perhaps the lasting value of this CalFed document (it will be upstaged by a draft environmental impact report next year) is that it reinforces just how complex a political, environmental and engineering problem the Delta poses. Progress will not occur in huge single gulps, as was once envisioned of CalFed, but in agonizingly small doses, all the subject of intense debate.

"It's long. It's slow. It's frustrating," said Interior Secretary Bruce Babbitt, who has attended numerous CalFed meetings and discovered California water's "extraordinary culture of contention." In the end, however, the long grind, said Babbitt, "is really the only way." ##

#### **SUTTER VOICES OPPOSITION TO REMOVAL**

Marysville Appeal-Democrat - December 30, By Harold Kruger, staff writer

Englebright Reservoir gained another ally Tuesday night - Sutter County.

County supervisors adopted a resolution criticizing proposals to alter or remove the dam, 24 miles upstream of Marysville.

"I don't see how anybody, through fisheries improvement, could support the removal of Englebright Dam," said Supervisor Dick Akin.

"It would destroy a lot of the habitat with the silt that would come down the river. If it didn't come down, it would have to be trucked out."

CalFed, the state-federal consortium of agencies who want to improve the delta and San Francisco Bay, sees the Yuba River as prime habitat for endangered steelhead and chinook salmon.

Removing Englebright or creating a "dry dam" that would allow water to flow through or around it are two options being discussed to allow fish to reach the upper Yuba.

"Somebody has to be looking for something to do if they want to remove Englebright Dam," Akin said.

Building a fish ladder on the dam also is an option.

"There's been a lot of focus on the Yuba River," said Leslie Gault, the county's senior civil engineer.

"What it looks like to me, this will be a sacrificial lamb."

The resolution "entreats CalFed to cease evaluating the removal or alteration of Englebright Dam and to develop alternative ways of improving fisheries habitat through comprehensive analysis of, and reasoned choice amongst, all possible means."

Calfed currently is soliciting public comments on Englebright to determine what studies, if any, should be done. A public meeting is set for Jan. 14 in Penn Valley.

So far, Yuba County supervisors, Levee District 1, Reclamation District 784 and Englebright boat owners have voiced opposition to any alternative that would materially alter the dam.

Environmental and fishing groups support efforts to increase spawning habitat in the river and back the Calfed studies. ##