

Post-it® Fax Note	7671	Date	# of pages
To	Mary Selkirk	From	Barry Nelson
Co./Dept.		Co.	
Phone #		Phone #	
Fax #		Fax #	

May 4, 1999

To: Susan Kennedy
Tal Finney
Linda Adams
Patrick Wright

Fr: Barry Nelson

Re: Funds for CALFED Storage Studies in the Governor's Budget

I have heard from a variety of sources that the Governor's budget is likely to include \$10 million for CALFED's Integrated Storage Investigation program. Given the furor which surface storage funds caused last year in the bond act context, and given the fact that CALFED is currently preparing a draft preferred alternative, I wanted to make sure that you are aware of the environmental community's concerns regarding CALFED's current analysis of storage.

Attached is an environmental community letter regarding CALFED's Integrated Storage Investigation (ISI). We support the concept, but the current proposal needs substantial revision. I recommend the following approach regarding funding for CALFED's ISI:

- 1.) Determine the extent to which current funds are available and adequate. Prop. 204 and other sources have provided funding for the evaluation of storage. I do not believe that CALFED has demonstrated a need for an additional \$10 million for this fiscal year.
- 2.) Encourage CALFED to revise the ISI to address the environmental community's concerns.
- 3.) If any ISI funding is included in the budget, require those funds to be reimbursed by water users, should new storage be constructed, and require up-front cost sharing by water users.

This last point is particularly important. DWR continued to pursue the Los Banos Grandes project long after it became clear that it was not feasible. State Water Project users were paying for this work, which eventually led them to turn against the project. Were it not for the fiscal accountability which water user funding provided, DWR might still be aggressively pursuing this project.

Requiring matching funds from water users for the ISI would breathe some life into the CALFED "beneficiary-pays" principle. Developing a financing package based on this principle will be one of the major challenges to the development and financing of a viable CALFED program.

I would be pleased to meet with you regarding the budget and CALFED's approach to the evaluation of storage. Please let me know if you need more information.