

# State Water Contractors

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February 25, 1998

Lester A. Snow  
Executive Director  
CALFED Bay-Delta Program  
1416 Ninth Street, Suite 1155  
Sacramento, CA 95814

Dear Lester:

This is in reply to your invitation at the January 29, 1998 BDAC meeting to submit comments on the CALFED staff draft paper on permanent land retirement. This issue was discussed at length at the BDAC meeting, and obviously has major policy implications among water users. Our view is that permanent land retirement as a component of the CALFED program violates a number of the CALFED "solution principles" (Equitable, Implementable, Reduce Conflicts in the System, No Significant Redirected Impacts). As such we agree with your conclusion that it should not be a component of the program.

This being said, it was clear from your presentation that your staff will continue to fine-tune the analysis of impacts of permanent land retirement to meet the anticipated requirements of your Section 404 evaluation. In the spirit of ensuring that the technical aspects of the analysis are correct, we offer the following comments:

1. Water savings for land retirement in the Tulare Lake Bed should not be assumed as resulting in Delta export reductions. Tulare Lake Basin Water Storage District has a State Water Project entitlement of 118,500 acre-feet -- the rest of their water supplies are from local sources. The assumption that taking 140,000 acres out of production in Tulare Lake will result in 400,000 acre-feet per year of reduced Delta diversions seems greatly in error.
2. It is not clear how reduced Delta diversions will result from land purchases, especially in the magnitudes suggested. The means for assuring this result needs to be explained, particularly in the context of the water supply arrangements that exist between landowners and the water districts in which they belong.
3. It is not clear why reduced water use would not result in reduced groundwater overdraft rather than reduced Delta diversions.

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Directors

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4. The financial analysis of the costs associated with permanent land retirement seems to ignore two critical cost factors. The first is local water distribution debt service (needs to be repaid, potential impacts to other local water users, etc.). The second is ongoing financial obligations of the State Water Project (SWP) and Central Valley Project (CVP). In the case of the SWP, the current Delta Water Rate is about \$23 per acre-foot of contractual entitlement. This translates into close to \$70/acre/year ongoing costs for the basic water supply (assuming that full SWP entitlement amounts are available every year, which of course is not correct). Added to this is the substantial ongoing debt service for SWP conveyance facilities. Moreover, we expect the Delta Water Rate to continue to increase, with a significant (major) future factor being the SWP share of CALFED implementation costs. Accordingly, we do not believe your land and water acquisition cost assumptions are in the ballpark.
  
5. According to the CALFED analysis, 15,000 new local jobs will be created, offsetting most of the 22,000 local jobs lost. What are these new jobs? Great doubt was expressed at the BDAC meeting by a number of BDAC members as to whether there is a reasonable chance that these new jobs would be created.

On the whole, it appears to us from a technical standpoint that the current draft analysis substantially overstates the reductions in Delta diversions and greatly understates the costs. I hope these comments are useful to you as the staff analysis is refined. Please let me know if you have any questions about these comments or would like to discuss them further.

Sincerely,



Steve Macaulay  
General Manager

c: Member Agencies