

98-383



San Diego County Water Authority

A Public Agency

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November 10, 1998

Lester A. Snow
Executive Director
CalFed Bay-Delta Program
1416 Ninth St.
Sacramento, CA 95814

By fax: 916-654-9780

Re: Early review draft of Water Transfer Program Appendix

Dear Lester:

Thank you for the opportunity to review the draft of CalFed's Water Transfer Program Appendix and the summary for the draft revised Phase II Report. Overall, the San Diego County Water Authority finds these to be worthwhile documents that thoroughly examine the issues at hand. We agree with the assertion in the summary that water transfers are an important water management tool in California and have the "potential to play an even more significant role in the future."

In general, the Authority believes that the institutional framework proposed by CalFed must encourage and facilitate water transfers, not place more roadblocks in their path. It should provide fair, timely procedures for determining the availability of conveyance capacity and offer appropriate protection or mitigation for impacts caused by transfers. Our specific comments follow:

- The introductions to both the summary and the appendix contend that a water transfer is not a source of water, but rather a "mechanism to reallocate existing supplies." To say that the physical act of transferring water does not create a new supply is an act of semantics. If one agency conserves water that otherwise would be lost for future use and transfers that water to another agency, a new supply is created *de facto* for those receiving the water.
- Section 1.2 (The Role of Water Transfers in Water Management) refers to transfers designed to help meet existing or projected water demand over the

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*Comments on water transfer documents**Page 2*

long term. This item states that such a transfer reduces the "long-term quantity available to the seller." This implies a loss to the agency selling the water. However, when the seller conserves the water for a transfer it will not lose anything in terms of production, nor will its service area suffer a significant economic impact.

- Section 1.2.1 (Relationship to Other Program Components) identifies insufficient storage and conveyance capacity as a potential impediment to transfers. It cites the example of water conserved during irrigation system that must be stored until adequate capacity opens to convey the water later in the year. However, in this example there may not be any shortage of storage capacity, because water already must be stored for future irrigation needs.
- We agree with the recognition in Section 1.2.1 that transfers help to encourage the efficient use of water. In this light, we suggest that "Encouragement of water-use efficiency" be added to the "Water Transfers Functions and Benefits" box on page 1 of the Water Transfer Program Summary of the Phase II Report.
- Section 2 (Water Transfers Defined) of the appendix notes that "hundreds of thousands of acre-feet of water are transferred between willing parties" every year in California. While accurate on its face, this statement distorts the situation that CalFed needs to address. As the section goes on to state, almost all the water transferred in California today goes from one agricultural agency to another, generally within the same basin. Most of the current interest in transfers revolves around transactions between agricultural and urban agencies. Very few of these transfers have taken place, especially during normal supply conditions, and the problems that require solutions involve such deals.
- Section 3.4 (Technical, Operational and Administrative Rules) should address protection of water rights. Some interested parties who have questioned potential long-term transfers fear such transactions will result in the eventual loss of their rights to the water being sold.
- Section 3.4 also should consider the question of lower-priority uses of water. For example, if an agency with a higher priority to water conserves some of its supply, it should be able to transfer that water to another agency. CalFed may be able to help clarify the situation and in so doing help to encourage water conservation and water transfers.

*Comments on water transfer documents**Page 3*

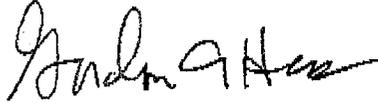
- Section 3.5 (Wheeling and Access to Federal and State Conveyance Facilities) This section should recognize that access to regional conveyance facilities is necessary if California is to enjoy an efficient statewide water market. Not all transfers require the use of federal or state facilities.
- Section 3.5 asserts that "there is not predictable capacity" for transfers in the State Water Project (SWP) and Central Valley Project (CVP). We agree that conveyance capacity for transfers is limited and unpredictable when water is being moved from north of the Delta to south of the Delta. Conveyance capacity often is available on a predictable basis in other reaches of the SWP. Once the institutional constraints are removed, a full-fledged market can exist for transfers that take place south of the Delta without additional conveyance capacity.
- This same section also looks at the question of how wheeling costs should be calculated. It offers one "potential solution option," but ignores the most obvious solution - follow state law (sections 1810-1814 of the State Water Code -- "Joint Use of Capacity and Water Conveyance Facilities") regarding what an agency may charge for wheeling water through its facilities.
- The list of criteria that CalFed is using to guide its policy-level recommendations concerning transfers includes the following: "The impact on the fiscal integrity of the districts and on the economy of agricultural communities in source and receiving areas cannot be ignored." This item needs clarification. What type of impacts on the receiving areas are contemplated?
- The Water Transfers Information Clearinghouse (Section 4.4.1) is a potentially useful resource. It is important that the clearinghouse have a limited scope that focuses on the collection, assembly and dissemination of information on transfers to interested parties. It should be a neutral informational resource without any regulatory, advisory or advocacy role. It should provide information for use by interested parties. It should not perform research or offer recommendations regarding specific transfers.
- Section 4.6.1 (Forecasting and Disclosure of Available Capacity) notes that the state and federal governments will "forecast and disclose potential conveyance capacity ... for cross-Delta water transfers." This information will be vital to transfers that move water across the Delta, but many potential transfers in the future will not cross the Delta but will nonetheless require access to state or federal conveyance facilities. The forecast and disclosure provisions therefore should include all reaches of the SWP and CVP.

Comments on water transfer documents

Page 4

Again, we appreciate the chance to give you our comments on the draft CalFed's Water Transfer Program Appendix and summary for the draft revised Phase II Report. Please contact me if you have any questions about our comments.

Sincerely,



Gordon A. Hess

Director, Imported Water Department

Attachment: San Diego County Water Authority CalFed Water Transfer Policy Principles