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Bill Pauli
California Farm Bureau Federation
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Howard Elmore
Western Growers Association
P.O. Box 2130
Newport Beach, CA 92658

Dear Sunne, Bill and Howard:

Thank you for providing us with your November 23 letters to Secretary Babbitt, Governor Wilson and Governor-Elect Davis which provide recommendations regarding the CALFED Bay-Delta program. We write to inquire whether or not this correspondence represents a change in the Ag Caucus' position regarding new water supply facility financing, as expressed earlier this year.

Your letter urges CALFED to move forward with the construction of "both surface and groundwater storage" facilities, and you recommend a "benefits-based" allocation of costs and a call for CALFED to adopt a financing approach which would provide that "contractors/users pay for that portion of storage not dedicated for the environment and other public benefits." (Page 6) The environmental community is supportive of a benefits-based approach, although we are concerned regarding current unmet mitigation responsibilities. However, earlier this year the Ag Caucus strongly objected to "any efforts to require agricultural water users to pay any additional costs to replace water taken for environmental uses through regulatory actions, or dedicated to environmental protections by legislative actions and the By-Delta Accord". (The Agricultural Water Caucus Position on a Solution for the Bay-Delta, Page 14)

The Ag Water Caucus recommendations further state that "any effort to require additional payments from agricultural water users to replace supplies taken for environmental uses...is unacceptable." (Page 15)

The difference between an authentic "benefits-based" approach and that suggested by the Ag Water Caucus document is clear. The former would require agricultural water users to pay the full costs of water received from any new water storage facilities. Such costs would range from \$300 to \$2,950 per acre-foot for new surface storage (DOI's Least-Cost CVP Yield Increase Plan, 1995). The latter approach would require state and federal taxpayers, or other water users, to provide 100 percent subsidies for the cost of new water

developed and used by agriculture, at least until water required for environmental protection over the past decade has been "made up." Given the scale of the storage projects being contemplated by CALFED, the approach described in the Ag Water Caucus document could represent billions of dollars in new subsidies.

To the extent that your November 23 document represents a change of position, it is most welcome and we would like to engage in a fuller discussion with you on this subject. Please clarify at your earliest convenience whether your organizations now all endorse a "benefits-based" approach which would require water users who receive water from new facilities to bear the full planning, interest, construction, operation, maintenance and mitigation costs of new storage facilities?

We are all working to assure that CALFED is a success. We believe that CALFED will not succeed if its plans cannot withstand economic scrutiny. The financing of water supply facilities has implications far beyond the important question of additional subsidies. Financing is also critical to the conservation and water transfer programs which we believe are essential as part of an economically and environmentally sustainable water supply reliability program. We look forward to hearing from you soon.

Sincerely,



Barry Nelson
Senior Fellow



Cynthia Koehler
Legal Director

cc: Interior Secretary Bruce Babbitt
Senator Diane Feinstein
Senator Barbara Boxer
Congressman George Miller
Senator John Burton
Senator Don Perata
Assemblywoman Dion Aroner
Deputy Administrator Bob Perciasepe, EPA
Lester Snow, CALFED