



GOVERNOR GRAY DAVIS

September 22, 1999

The Honorable Bruce Babbitt
Secretary, U.S. Department of Interior
1849 C Street, NW
Washington, D.C. 20240

Dear Secretary Babbitt:

Thank you for coming to Sacramento a few weeks ago to discuss the CALFED Bay/Delta Program, along with other critical water issues affecting California.

As we discussed, I believe we have made crucial progress on the Colorado River agreement, and we have the opportunity to make crucial progress on CALFED with continued leadership at the highest levels. I very much appreciate your commitment to personally engage in this important process and I reiterate my pledge to do the same.

I am pleased to report that significant actions were taken in the final days of California's Legislative Session that will assist in moving forward both CALFED and California's 4.4 Plan for the Colorado River. First, I supported, and the Legislature approved, a \$1.97 billion water bond measure that will appear on the statewide ballot in March of 2000. In addition to funding important projects such as safe drinking water, wastewater treatment, flood protection, watershed restoration, groundwater storage, and water conservation and recycling, the bond will provide \$430 million to fund CALFED-related projects, such as fish screens, water quality projects, and water supply reliability projects.

I fully expect completion of the Colorado River Agreement in the next few weeks. However, in order to avoid any undue delay, the Legislature at my request approved legislation that establishes an October 15, 1999, deadline for the Metropolitan Water District of Southern California, the Imperial Irrigation District, and the Coachella Valley Water District to adopt a quantification agreement regarding their respective Colorado River entitlements. If an agreement is not reached by October 15, I, or my designee, will promulgate a quantification settlement by January 1, 2000.

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The Honorable Bruce Babbitt
September 22, 1999
Page two

To maintain momentum on the CALFED Program, I propose a follow-up meeting before the end of the year. The meeting would focus on tracking our progress in developing a final plan by next spring, with special attention to the key issues we discussed on August 18. These include:

- Development of a framework for an Environmental Water Account (EWA) by the end of the year. As you know, the EWA based upon the concept that flexible management of water project operations could achieve fishery and ecosystem benefits more efficiently than a completely prescriptive regulatory approach.
- A framework for completion of the Integrated Storage Investigation (ISI) by the end of this year. The ISI, which must be finalized by early next year, will evaluate the potential for surface storage, groundwater storage, conjunctive use programs, and power facility reoperation to meet CALFED's water supply reliability goals. Together with expanded water use efficiency and water transfer programs, this integrated approach to assessing California's water storage needs is an essential component of CALFED's overall water management strategy.
- Actions to reduce the potential of repeating this year's conflict between water diversions and protection of Delta smelt and other listed species. These include a commitment that project operations and regulatory actions will be coordinated through the CALFED Program, and that conflicts will be elevated promptly to the state and federal leadership team before action is taken. The EWA and ISI programs should provide more flexibility to reduce future conflicts over annual water project operations.
- Actions to reduce conflicts when the federal Trinity River and "(b)(2)" provisions of the CVPIA are implemented. These include early implementation of projects to improve water supply reliability, including the South Delta Improvements Program, conjunctive use projects, and water transfers and water use efficiency programs, and coordination of their implementation with appropriate state agencies and CALFED.
- Reauthorization of the federal Bay-Delta Environmental Enhancement and Water Security Act in order to secure continued federal funding for the CALFED program.

The Honorable Bruce Babbitt
September 22, 1999
Page three

Thank you again for your time and attention to these issues. I look forward to working closely with you and the Clinton Administration to develop a comprehensive and balanced strategy to manage California's water resources.

Sincerely,

A handwritten signature in black ink that reads "Gray Davis". The signature is written in a cursive style with a large, stylized "D" at the end.

GRAY DAVIS

cc: The Honorable Dianne Feinstein, U.S. Senate
The Honorable Barbara Boxer, U.S. Senate
The Honorable George Miller, U.S. House of Representatives
The Honorable Grace Napolitano, U.S. House of Representatives
The Honorable Cal Dooley, U.S. House of Representatives
The Honorable Ken Caivert, U.S. House of Representatives
The Honorable Richard Pombo, U.S. House of Representatives
The Honorable George Radanovich, U.S. House of Representatives
The Honorable Elton Gallegly, U.S. House of Representatives
The Honorable John Doolittle, U.S. House of Representatives

Attachment 2

The following is a summary of current efforts underway in CALFED to complete development of the Water Management Strategy Framework by the end of this year. The status of CALFED's Integrated Storage Investigation effort is described in the above memo.

1) Economic Evaluation of Water Management Alternatives

The screening report has been completed, with a public workshop to be held on November 30, 1999. The report provides information about the mix of supply enhancement and demand reduction measures that would be selected under a least-cost planning approach.

2) Riverine Processes Study

This study will help assess the impacts of any change in diversions from the Sacramento River and identify a range of flows that will restore a functioning riparian ecosystem in the reach of the river between Red Bluff and Chico Landing. The final white paper will be completed in early December.

3) Hydroelectric Facilities Re-operation Investigation

The initial study is finished and concludes the potential for large, system-wide benefits is small, while the potential for local benefits related to water supply reliability and fish habitat is much greater. A draft report was presented in a public workshop on October 21, 1999, with the final draft to be released by the end of November 1999.

4) Groundwater Investigations

CALFED and DWR have developed a work plan to help identify the proper role of conjunctive use in a comprehensive Water Management Strategy, and to pursue feasibility evaluations of conjunctive use and groundwater banking opportunities. Grant applications will be issued by the end of 1999 for funding for providing CALFED technical assistance to locally-sponsored conjunctive use pilot projects.

5) North of Delta Offstream Surface Storage Study

Progress report to be issued by DWR in February 2000.

6) Onstream Storage Investigation

USBR is in the process of studying the feasibility of raising Shasta Dam by 6.5 feet. Investigation will continue through 2000.

7) Reservoir Site Screening Study

The report documenting the process by which CALFED has narrowed its evaluation from 56 to 12 surface reservoir sites will be complete by December 15, 1999.

Actions to reduce conflict between Delta exports and fish in WY2000.

Three groups of actions have currently been identified for this purpose. They are summarized below.

Action	Amount acre feet	Estimated Cost
1) SWP export modification Export for CVP during February to mid-April (Joint point of diversion) Increase export limit by 500 cfs in late summer	up to 200,000 up to 90,000	CVP operational cost SWP operational cost
2) South-of-Delta groundwater and groundwater storage space	approx. 150,000	Avg cost \$210/af Total cost: \$32,740,000
3) Supply-source shifting (water must be repaid)	up to 150,000	\$75/af Total cost: \$12,600,000

Environmental documentation is required for both actions to modify SWP delta exports (Item 1).

- The U.S. Bureau of Reclamation expects to release the environmental assessment for the joint point of diversion by mid-December for public review.
- An interagency team is currently determining the requirements for permitting and the associated environmental impact assessment for increasing the SWP export by 500 cfs. DWR is expecting to be the lead in preparing the assessment.

Lack of funding for acquiring groundwater, groundwater storage space, and alternative sources of supply for supply-source shifting (Items 2 and 3) has prevented further negotiation with the potential sellers. The CALFED Policy Group has approved expenditure of \$10 million of non-ecosystem funds to initiate negotiations to secure near-term measures having immediate utility in Water Year 2000 and beyond. This funding will further negotiations. CALFED agency staff will also assess other tools that may be identified now that funding is available. Within the next few weeks, the measures will be prioritized, critical path actions identified, and a negotiating team established. Emphasis will be placed on ways to leverage the \$10 million to increase the ability of the actions to stabilize water supply.