



November 13, 2008

Mr. Mike Chrisman
Resources Secretary
Chair, Delta Vision Committee
1416 9th Street, Suite 1311
Sacramento, CA 95814

Re: Recommendations for the Delta Vision Strategic Plan

Dear Secretary Chrisman:

The Environmental Defense Fund is pleased with progress to date of the Delta Vision process. We are supportive of many of the recommendations made by the Blue Ribbon Task Force in its Strategic Plan and we recognize the urgent need for California to protect the Delta ecosystem and its communities, and to provide reliable water supplies for cities and farms throughout the State.¹

We believe that the Task Force's finding and recommendations have been especially well-received because they took their charge to be an independent body seriously. The Strategic Plan, in particular, was developed with contributions from numerous experts and stakeholder interests, but does not appear to be favored by any particular interest group.

We recommend the Delta Vision Committee continue with the balanced approach that the Task Force has taken, and suggest that the administration work closely with the legislature to implement the goals and strategies that comprise the Strategic Plan. It will be difficult to make progress and to convert the Task Force's recommendations into State law if some of the plan's elements are omitted at the expense of others.

We urge the Delta Vision Committee to prioritize and accelerate the process for improving the Delta's flow and water quality standards, as described in section 3.4 of the Task Force's Strategic Plan. The existing standards, under the State Water Resources Control Board's water rights order D-1641, are widely recognized as inadequate. Due to concerns that the continued existence of pelagic species in the Delta is at risk, the export pumps in the south Delta are now being managed by the federal courts. We ask the Delta Vision Committee to recommend that the State Board work closely with the California Department of Fish and Game to adopt and

¹ See the attached editorial opinion, "The Delta's Wake-up Call", published in the San Francisco Chronicle on November 3, 2008.

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implement new standards in the shortest possible timeframe. Surely, taking all reasonable steps as soon as possible to prevent extinction should be part of pursuing the Task Force's co-equal goals. Indeed, in the context of the Delta Vision, it's counterintuitive to expect to plan facilities and diversions without a comprehensive understanding of the needs of the Delta ecosystem, in particular the flow needs.

In the months ahead, the legislature and Governor will need to determine how the plan will be financed. We agree with the statement made by DWR Director Lester Snow, in testimony before the Task Force, that the finance plan is as important as the governance plan. We strongly recommend, as a matter of fair and efficient public policy, and particularly in light of the current fiscal climate, that a successful Delta Vision will ultimately require an approach that spends taxpayer dollars only to achieve tangible public benefits and that water agencies pay the full costs of their water supply projects.²

As you know, Environmental Defense Fund has been working closely with water contractors, government agencies and other NGO's to develop a Bay-Delta Conservation Plan. This process is evaluating the feasibility of dual conveyance to assure the reliability of continuing water exports from the Delta. We especially urge the Delta Vision Committee to support Task Force Action 5.1.1 to build "upon the Bay-Delta Conservation Plan effort "to assess dual conveyance, by allowing the BDCP to complete its assigned task before moving forward with plans for a peripheral canal.

Thank you for your consideration of these views. We look forward to helping to implement the Delta Vision.

Sincerely



Laura Harnish
Regional Director

² See "Environmental Defense Fund: Recommended Finance Principles for the Delta Vision" (June 2008)

SFGate.com

The delta's wake-up call

Spreck Rosekrans

Monday, November 3, 2008



Wake up, California. Do not hit the snooze button again!

It's been clear for decades that the San Francisco Bay-Delta estuary is in peril. The largest estuary on the West Coast is suffering - from ever-increasing water diversions, pollution and invasive species - to the point where scientists talk openly about the extinction of entire fish species. It is clear that potential failure of the delta's fragile levee system threatens delta communities and could disrupt the water system that supplies part of the drinking water to 23 million Californians and much of California's agricultural lands as well.

Last Friday, the governor's Delta Vision Task Force released its strategic plan addressing the bay-delta's ecosystem and water-supply problems. The plan represents a clear-eyed break with the past. The task force recognizes that protecting the environment of the delta is just as important as providing reliable water supplies to cities and farms. The task force urges California to base its water future in the reality that water is a limited resource, that enormous water diversions have adverse consequences, and that ecosystem collapse is not an acceptable option.

The Delta Vision report offered by the task force emphasizes the urgent need for expanded habitat and freshwater flows to restore salmon and other decimated fisheries. Its recommendations for improving water-use efficiency, eliminating disincentives for sustainable groundwater management and encouraging sales of water between willing buyers and sellers, so long as local communities are not harmed, are long overdue.

The task force's recommendations for a peripheral canal raise questions from both an environmental and a financial perspective. We understand that a canal would enable continued delivery of water from the Sacramento Valley to cities and farms further south, even in the event of a levee failure. But the canal would vastly diminish the flow of freshwater into the delta. The task force's vision does not include a plan for assuring that its design and operation would protect not only salmon and other fisheries, but delta agriculture and communities as well.

We are also concerned by the plan's recommendations to pursue additional dams, in part because recent proposals would build them at taxpayer expense without any clear understanding as to how the additional water supply would be distributed. Recent history has shown that when water agencies pay for their own supply projects, they usually find alternative investments such as conservation, groundwater management and cleanup, and purchases from willing sellers to be

more cost-effective investments than new dams and reservoirs.

Ultimately, success or failure will depend on whether agencies, the California Legislature and communities can work together effectively. We are intrigued by the task force's recommendations for agency reform - including a new council to govern the Delta Vision's coequal goals of water supply and environmental restoration - though simply adding one more agency could be counterproductive if not done right.

The Delta Vision plan now moves to the governor and the Legislature. To avoid the mistakes of the past, they must build on the foundation of balance between the ecosystem and water supply. We urge lawmakers to spend taxpayer dollars only to achieve tangible public benefits. Further subsidies are likely to continue the inefficient distribution of water that has led California to its famously costly and fruitless water wars.

The Delta Vision report is far from perfect, but ignoring it would put both the delta and California's water supply at risk. If we hit that snooze button, the next wake-up call might come too late.

Spreck Rosekrans is a senior analyst with the Environmental Defense Fund in San Francisco and a member of the Delta Vision Stakeholder Coordination Group. To read the Delta Vision report, go to links.sfgate.com/ZFGO

<http://sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/11/03/EDJF13S5TP.DTL>

This article appeared on page **B - 5** of the San Francisco Chronicle

Environmental Defense Fund

Recommended Finance Principles for the Delta Vision

June 2008

While the specific infrastructure components and other program elements of Governor Schwarzenegger's Delta Vision have not yet been revealed, all stakeholders would agree that significant investments will be required and that the identification of sufficient sources of funding is likely to be a critical hurdle. Clearly, without financing, no major projects and programs will proceed.

The purpose of this document is to recommend an approach to the allocation of financing responsibilities with respect to different program elements that will require investments. We recommend that the Blue Ribbon Task Force adopt a clear set of "Beneficiary Pays" principles as part of its Delta Vision that will encourage efficient use of water supplies and be practical to implement.

Program Elements Requiring Funding

At this stage in the process, it would appear that the elements of the Delta Vision that would lend themselves to distinct financing principles include the following:

- Land acquisition for physical habitat restoration and floodplain improvements
- Levee improvements and maintenance
- Water agency programs and projects
- Environmental water operations
- Science
- Emergency management actions
- Potential new conveyance facilities
- Potential new storage facilities

Funding Sources

While there is any number of ways to distribute costs for the various program elements, there are limited sources of funds. Primary sources are likely to be public funds from the State treasury, derived through annual appropriations or general obligation bonds, and water agencies that derive supplies from the Delta and the rivers that feed it. There may be a role for federal funds, but we advise the Blue Ribbon Task Force to be careful not to assume any role for federal funds that is speculative or overly optimistic. There are a host of other parties that should, in our view, play a role in funding some program elements, notably levee maintenance, in addition to the State and water user funds identified above.

Different geographic areas and different economic sectors of California will benefit to different degrees from water supplies derived from a restored Delta. To the maximum feasible extent, we believe that all costs of projects should be borne by project

beneficiaries, and costs should not be shifted to groups that do not benefit. There are certain types of investments likely to be required for the Delta Vision whose benefits are public in nature, and can justifiably be financed with public funds. However, the lion's share of the cost anticipated for a "Delta fix" and the commensurate benefits is primarily associated with water supply and should be therefore by paid for by the water recipients. Departing from this principle would eliminate critical incentives that result in efficient water use and in the development of appropriate programs and projects whose benefits truly exceed their costs.

We recommend that the costs of the fixing the Delta that are related to water delivery systems, including related costs of environmental mitigation and restoration, be financed by agencies that deliver water and ultimately be passed on to retail customers. There is an obvious distinction between water agencies whose supplies are derived from Delta diversions and agencies whose supplies are diverted upstream of the Delta. Below we refer to "water export agencies" and a "broad-based water use fee" to distinguish the different recommended funding responsibilities for these categories. In both cases, we recommend that fees collected be proportional to the volume of water diverted.¹

Assigning financial responsibility

Adhering to the "Beneficiary Pays" philosophy, we recommend that the following principles be applied in financing elements of the Delta Vision. Our recommendations are summarized in Table 1, and compared to those of the Association of California Water Agencies, as expressed by Director Tim Quinn in his report: "Financing the Delta Vision" (4-25-08).

Land acquisition for physical habitat restoration and floodplain improvements

Most habitat and floodplain loss that has taken place in the Delta over the past 150 years has occurred as a result of water supply development. It is difficult to define clearly, however, what agencies derived the benefit of the loss of various components of habitat and floodplain loss. Therefore, we recommend that the responsibly for restoration of these lands be distributed 75% through a broad-based water use fee (applied to all agencies whose supplies are diverted from the Delta watershed.) and 25% through public funds.

Levee improvements and maintenance

We recommend that agencies that divert from the Delta pay their fair share of maintaining and replacing the Delta levees on which they depend. The share of Delta levee repair costs assigned to these agencies should reflect the extent to which the levee repairs are essential to ensuring uninterrupted diversions. We expect the remainder of levee costs will be divided between the federal government, the State, Delta communities,

¹ In order to be fair, we recommend that CVP water contractors receive credit for their pre-existing and ongoing contributions to the CVPIA Restoration Fund.

railroads, PG&E, Caltrans, EBMUD, the Ports of Stockton and Sacramento, and others who continue to have legal responsibilities for levee maintenance and replacement. We recommend that Delta Vision give high priority to determining how to finance necessary levee improvements where responsibility is unclear and/or sufficient funds are not available.

Water agency programs and projects

We believe water agencies will invest most wisely if they pay for their own supplies. Therefore we recommend that local agencies pay the full cost of any programs or projects that provide water supply to their customers. This principle applies to water conservation programs and reclamation projects, as well as any storage and conveyance projects. We note that storage and conveyance projects typically require significant mitigation costs which must, of course, be included in the cost of the project and paid by the beneficiary.

Environmental water operations

Any vision to implement the Blue Ribbon Task Force's co-equal goals of ecosystem restoration and reliable water supply will require a clear focus on water operations within the Delta. We recommend that operating and staffing costs associated with achieving maximal effectiveness in meeting these co-equal goals be financed by a combination of those who divert water before it gets to the Delta and those who divert water from the Delta.²

Science

For the most part, it should be possible to assign responsibility for ongoing scientific research in accordance with a Beneficiary Pays approach. Studies related to in-Delta water quality, hydrodynamics, fisheries etc. should be financed by agencies that divert water from the Delta. Studies related to environmental performance upstream of the Delta should be financed by a broad-based water use fee. It could be appropriate to use public funds to finance some aspects of Delta-related research, such as the potential to sequester carbon on Delta islands to offset the effects of global warming.

Emergency management actions

Water export agencies will be the chief beneficiaries of emergency actions taken to manage a catastrophic failure of the Delta and should therefore pay the majority of costs associated with emergency responses. We recommend that water export agencies provide 75% of the associated cost, with public funds providing the remaining 25% of the cost.

² Environmental Defense Fund has proposed that water supply operations be coordinated by a Delta Water Master. See "Increasing the Flexibility of Environmental Water Supply Operations in the Delta", revised May 14, 2008.

Potential new conveyance facilities

Any new conveyance facility would be built for the benefit of agencies that would derive water from it. We therefore, recommend that these agencies pay the full cost of the facility, including mitigation costs.

Storage with public benefits

The Blue Ribbon Task Force has recommended the development of new storage. As previously stated, we believe that new storage for water supply should be pursued only if the water agencies that would benefit are willing to pay the full cost, including environmental mitigation. Some recent proposals have suggested that new storage might be developed and managed to enhance environmental flows when they are needed most. While we are skeptical that storage would indeed be built and operated for such environmental benefits, we believe that the purpose of any such project would be to mitigate for already-developed projects that are presently diverting more natural flow from the watershed than is sustainable. Accordingly, we recommend that if such projects are to be considered, they should be financed by a broad-based water use fee.

Table 1
 Parties Responsible for Financing a Delta Vision

<u>Program Element</u>	<u>ACWA Recommendation</u>	<u>EDF Recommendation</u>
Land acquisition and restoration	Public funds	Broad-based water use fee (75%) and public funds (25%)
Levees	Unknown	Water export agencies, public funds, federal government, other interests
Water agency programs and projects	Public funds pay up to one half, agency pays remainder	Water agencies
Environmental water operations	Unknown	Water export agencies and a broad-based water use fee
Science	Unknown	Water export agencies, broad-based user fee and public funds
Emergency actions	Unknown	Water export agencies (75%) and public funds (25%)
Conveyance facilities	Water export agencies	Water export agencies
Storage with public benefits	Public funds	Broad-based water use fee