

CVP M&I Water Shortage Policy Review Stakeholder Workshop #3 Summary

July 20, 2010
Sacramento, California

Objectives of the WSP Review Process:

- Review CVP M&I Water Shortage Policy (WSP) status
- Enhance understanding of WSP
- Obtain input from CVP contractors and public (Stakeholders)
- Help guide decisions on WSP

Objectives of Today's Workshop:

- Review additional CVP M&I WSP implementation factors
- Gather stakeholder input
- Plan / discuss next steps

I. Historical Use Adjustment for Growth

- A. If a growth adjustment to the averaged historical use is made based on the growth that occurred since the last year of the three unconstrained years, this adjusted historical use does not adequately capture growth in the service area over the entire period of the unconstrained years. All three years should be adjusted to capture growth before being averaged.
- B. If the three years are spread apart, the gap between the years will amplify the effect on the average given larger changes in population. The current averaging approach might work over a consecutive three-year period, but would not work over years that are spread apart.
- C. Contractors could use the growth rate that was predicted in the contractor's master plan.
- D. In areas with substantial growth from year to year, an unconstrained delivery in a previous water year could be substantially less than water deliveries needed in the current year.

II. Historical Use Adjustment for Extraordinary Water Conservation

- A. Why are non-BMP conservation measures not considered for the extraordinary water conservation adjustments? These are also legitimate conservation measures.



- B. Why is the extraordinary water conservation adjustment limited to 2%?
- C. Any additional conservation achieved by the growing population is not accounted for given that the conservation adjustment is made on unadjusted historical use.
- D. The 14 CUWCC BMPs are not sensitive to individual contractor issues. How will existing policy become sensitive to the CUWCC flex track system?

III. Historical Use Adjustment for Non-CVP Water

- A. The use of non-CVP supplies is considered in the adjustment to historical use for the three unconstrained years. What if in an unconstrained year Reclamation is selling Section 215 water? Is there a benefit to the Project in that case?
- B. Agricultural contractors feel that adjustments to historical use for the use of non-CVP supplies is effectively taking water from ag contractors and is not a benefit to the project.
- C. Currently Reclamation has an allowance of 10% of conveyance losses in the calculation for public health and safety. Different utilities have different loss rates, but losses also usually include unmetered users (e.g., fire suppression). Would Reclamation allow utilities to separate unmetered uses from conveyance losses?
- D. The WSP is disincentivizing investment in recycled water because it is not counted in adjustments for the use of non-CVP water. If more contractors recycled water, the Project water would go further.
- E. The policy needs to have clear and reasonable incentives for recycled water use.

IV. M&I Stakeholder Working Group Presentation

- A. 100% allocations would be applied to M&I contract total.
- B. Allocations below 100% would be applied to the lesser of:
 - 1. Averaged adjusted historic use
 - 2. Contract total
- C. Adjustments would be made to each historical use year before averaging of the three years.
- D. Population growth adjustments would be applied to use in each unconstrained year proportionally to the observed growth.
- E. Historical use should consider the exact quantity of non-CVP supplies used. Reclamation should work with contractors to make historical use calculations that do not penalize contractors for water supply actions



made in response to low early CVP allocations. This proposal does not penalize contractors for the use of non-CVP supplies in 100% allocation years when historical use adjustments are made for non-CVP use. Some non-CVP supplies have sustainability issues, some have reliability issues, and some cannot be used for drinking water. This needs to be taken in to account when providing adjustments based on non-CVP supplies.

- F. Recycled water would be considered a non-CVP supply in all cases.
- G. Contractors would determine their own adjusted historical use and public health and safety level each year. Contractors should calculate the public health and safety levels consistent with existing criteria and local circumstances.
- H. Reclamation should, in consultation with the contractor, calculate public health and safety level if the contractor cannot calculate the value themselves.
- I. Reclamation should make allocations based on public health and safety levels without considering non-CVP supplies, except for years with extraordinary circumstances.
- J. Extraordinary circumstances are those when, without adjustments, Reclamation is unable to make full public health and safety deliveries.
- K. Some contractors have fundamental problems with the concept of historical use. Historical use currently disincentives conservation and promotes growth.
- L. The SWP is designed based on a fair share approach that could be utilized for the CVP.
- M. M&I contractors identified avoiding disincentivizing conservation as a key driver.
- N. The WSP should treat the American River Division the same as the rest of the CVP system.

Comments on the Stakeholder Presentation

- A. Potential recycled water impacts to the CVP system will need to be modeled.
- B. There are potential advantages for water districts to create non-CVP supplies as long as the expanded portfolio benefits the system.
- C. In years with reductions to CVP deliveries, contractors would also likely suffer from reductions in non-CVP supplies.
- D. The stakeholder's proposed policy was developed based on the contractors understanding of the 2001 Policy's implementation



procedures. The contractors have disagreed with Reclamation's explanation of how the Policy is implemented.

- E. The contractors feel that Reclamation doesn't have answers for how to address all the Policy implementation issues that might arise if it is ever implemented.
- F. The stakeholder group feels that it has made some fundamental suggestions to Reclamation on how to implement the existing Policy and wants consistent and clear feedback from Reclamation on how the Policy is implemented.
- G. Whatever policy comes out of this outreach process will need to be analyzed in an environmental document to understand potential impacts.
- H. Non-CVP sources are vastly more expensive than the CVP supply and there is no incentive to develop alternative supply under the current WSP.
- I. Contractors do not want to build a water supply portfolio that has a component (the CVP) that shrinks.

II. Discussion of An Equal Shortage Allocation Between Irrigation and M&I Contractors

- A. There would be an equal allocation to irrigation and M&I contractors until public health and safety levels were triggered.
- B. Public health and safety levels would be reached much more frequently under this scenario.
- C. This suggested policy could create a market that priced water like a commodity. A risk is that water would only be available to the highest bidder.
- D. Some contractors indicated that this approach could hinder economic development in the CVP service area.
- E. Agricultural contractors would appreciate a clause in their contracts similar to public health and safety provisions to guarantee minimum water supplies to keep trees/permanent crops alive.
- F. Alternatively, it was suggested that agricultural contractors could have limits put on conversion of row crops to tree crops.
- G. Reclamation should look at how much water would actually be provided to agricultural by cutting municipal supplies.
- H. M&I contractors would enter into an M&I deficit given that smaller M&I allocations under this proposal would reduce payment against the M&I interest debt.



III. Reclamation Action Items

- A. The meeting summary from the second workshop needs to be finalized and uploaded to the Reclamation website. *[complete]*
- B. Reclamation's goal is to provide feedback to the stakeholders group on the next steps within the next few weeks. *[complete]*
- C. Stakeholders group would like clarification on whether the decision about the future steps for the WSP rests with the Mid-Pacific Region or with the Commissioner.

