

# United States Department of the Interior



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**U.S. Bureau of Reclamation  
Mid-Pacific Region  
2800 Cottage Way  
Sacramento CA 95825-1898**

June 14, 1996

Dear Workteam Member/Interested Party:

Subject: Administrative Proposal for Urban Water Supply Reliability

At the March 29, 1996, Central Valley Project Improvement Act (CVPIA) Public Forum meeting, the Interior Department committed to prepare draft administrative proposals on each of the twelve issues identified as significant areas of concern by stakeholders during the "Garamendi Process" on CVPIA implementation.

Enclosed for your review and comment is our draft administrative proposal for the subject issue. We will be contacting the members of the workteam in the near future to schedule a meeting or series of meetings to discuss this proposal.

Written comments on the draft proposal should be submitted by the close of business Monday, July 15, 1996, to John Davis, U.S. Bureau of Reclamation, 2800 Cottage Way, Sacramento, California 95825.

Sincerely,

Roger K. Patterson  
Regional Director  
U.S. Bureau of Reclamation  
Mid-Pacific Region

H. Dale Hall  
Assistant Regional Director  
U.S. Fish and Wildlife Service  
Pacific Region

CVPIA ADMINISTRATIVE PROPOSAL  
URBAN WATER SUPPLY RELIABILITY

Draft 6/14/96

**I. INTRODUCTION**

In January 1993, Central Valley Project (CVP) urban contractors met with Reclamation to discuss the impacts of the 4 previous years of drought on urban communities and to relay their concern that urban contractors needed a reliable contract water supply for future drought contingency planning. Additionally, the drought highlighted the different Municipal and Industrial (M&I) contract shortage provisions<sup>1</sup> that existed among M&I contractors and the potential inequities that could exist when Central Valley Project (CVP) water was allocated using such shortage provisions. The urban contractors also pointed out that one of the purposes of the Central Valley Project Improvement Act (CVPIA) was to achieve a reasonable balance among competing demands for the use of CVP water including M&I needs. As a result of this meeting, Reclamation undertook development of a CVP M&I water shortage policy. The goal of the M&I water shortage policy was to provide a minimum level of water supply that, in combination with M&I contractors drought water conservation measures, would sustain urban areas during drought situations.

The draft M&I water shortage policy was released to all interested parties, organizations, contractors and agencies for comments on February 17, 1994. This policy was expected to be an interim policy until ongoing studies associated with the CVP yield and the Programmatic Environmental Impact Statement required under CVPIA were completed. This draft interim policy identified three levels of water supply: a regulatory level where the minimum water supply would be the greater of 75 percent of contract entitlement or 85 percent of historic usage; a hydrologic shortage with a minimum level of 75 percent of historic use; and finally, a public health and safety water supply level that would be triggered when CVP water supplies were severely constrained.

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<sup>1</sup> CVP M&I contractual shortage provisions range from those that are silent to apportionment of CVP water supply between agricultural and M&I contractors to those calling for agricultural contractors to have their water supply reduced by 25 percent of contract supply before any water shortage can be imposed on M&I contractors.

On October 12, 1995, California State Senate Bill 1011 (California Act) was signed into law. This California Act amended various provisions of California Water Code by requiring specific items in urban water planning. Section 9 of the California Act requires urban suppliers to prepare a contingency analysis whereby urban suppliers must detail specific actions that they must take during water shortages, including up to a 50 percent reduction. Section 11 of the California Act requires urban water suppliers to accomplish an assessment of the reliability of its water service to its customers.

Actual M&I deliveries in 1994 were approximately 336,000 acre-feet (19 percent) of total CVP water deliveries of approximately 1,759,000 acre-feet. Projected M&I demands in the year 2022 is approximately 683,000 acre-feet which translates into 18 percent of total deliveries of 3,859,000 acre-feet<sup>2</sup>.

## **II. ISSUES**

Thirteen issues (see Attachment A) were identified by the Urban Reliability Team (see Attachment B). Three key issues are addressed in this paper.

**A What minimum level of reliability should be provided to urban water contractors?** Urban contractors need a reliable water supply to sustain the urban economy and support urban populations. Additionally, urban contractors believe that long-term infrastructure and land use planning, as well as manufacturing, commercial, or residential capital investment, cannot be supported by short-term administrative policies affecting the reliability of urban water supplies. The urban contractors support their position by stating that: M&I contractors pay higher rates including higher cost allocations for CVP water than agricultural contractors; urban areas have more gross regional product than agricultural service areas; agricultural areas have greater ability to tolerate and adjust for water shortages (urban areas can reduce use during water shortages, but the flexibility to reduce water use past a certain point is severely limited); and lastly, urban areas need to know the reliability of CVP

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<sup>2</sup> Actual deliveries and projected demands were obtained from the 1996 CVP Irrigation and M&I ratesetting books. Total deliveries include only M&I and agricultural demands and excludes deliveries of CVP water to Sacramento River water right contracts, Exchange Entity contracts, and Friant Division contracts.

supplies in order to determine the investment needed to firm up supplies of water as part of their drought contingency planning process.

Agricultural contractors believe that the CVP already is overly constrained and that the guarantee of any such minimum level of reliability to one class of CVP contractors will impact agricultural water service users and should require a reallocation of the CVP. Agricultural contractors believe that urban contractors should firm up their reliability through voluntary water transfers. Agricultural contractors believe that CVPIA gave M&I contractors access to agricultural water and that any additional reliability should be through a willing buyer and seller arrangement. Additionally, agricultural interests argue that "fairness" dictates that an additional preference for CVP water is not justifiable given the demands<sup>3</sup> on the CVP water supply by the CVPIA, ESA, and Bay-Delta. Furthermore, agricultural interests believe that if a preference<sup>4</sup> is given to urban contractors in water allocations during drought years, then agricultural interests should be compensated. Lastly, if a preference is given to urban contractors because they are paying a higher cost for the water, then there may be some agricultural contractors with particularly high value crops that may want to pay more for greater water supply reliability from the CVP.

Potential solution. Experience from the last drought has shown that urban contractors need a minimum level of water supply reliability. Reclamation, however, believes this minimum level of reliability only should be provided to those urban contractors who have implemented significant water conservation practices.

Reclamation plans to simplify the draft M&I water shortage policy to show the minimum level of reliability to be 75 percent of historic deliveries adjusted for growth<sup>4</sup>. This simplified shortage policy will give urban interests the information that they need for water operation planning and yet give Reclamation the flexibility to operate and

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<sup>3</sup> Agricultural interests reference section 3406(b)(2), refuge water supplies and Trinity River flows; ESA requirements on pumping, temperature control, and gate closures; Bay/Delta Accord requirements for increased outflow and restricted pumping; Folsom Reservoir reoperation, new demands on the system by new contracts or contractors that have not exercised their contract to date (PL 101-514 contracts, EBMUD).

<sup>4</sup> Adjusted for growth refers to a process whereby Reclamation reviews historical delivery records for past water usage and allows contractors to provide documentation to support any increases in the historical record baseline populations/industry.

manage the CVP during times of water shortage. The public will have the opportunity to comment on this policy before it becomes final.

Reclamation wants to implement such a policy in a way that minimizes impacts to agricultural contractors. An analysis will be done to quantify such impacts and explore possible mitigation measures before this policy is finalized. Reclamation plans to have the impact analysis completed by September 1996. The goal for finalizing the M&I water shortage policy is December 1996.

**B. How should other water supplies developed by a contractor be considered/protected in urban shortage allocations?** Some CVP contractors have a number of sources of water supply. Others rely entirely on the CVP for water supply. In making allocations to M&I contractors during shortage years, should Reclamation take into account the availability of these other supplies? Should the reliability of CVP water supply given to a contractor who relies solely on the CVP be greater than the reliability of CVP water supply given to a contractor who has developed other water supplies? Additionally, should the CVP provide a level of reliability to M&I contractors who have other sources of supply when the result would be reduced deliveries to agricultural contractors?

Urban contractors believe that the availability of other water supplies should not be taken into account by Reclamation in making allocations to M&I contractors. According to urban contractors, additional investments in alternative or supplemental sources of supply were not intended to increase the yield of the CVP, but to minimize current and future shortages within the contractor's service area. Urban contractors believe that even if the shortages are limited to 25 percent of supply, some urban populations will not tolerate the mandatory rationing, conservation, and economic disruption that may be required to achieve a 25 percent reduction in water use. Urban contractors further stated that by including available supplies from other sources, Reclamation would substantially diminish the value of existing investments and deter the development of new sources of supply. There would be no incentive for contractors to develop long-term water transfers, water banking programs or other projects that increase the availability of dry year supplies. Lastly, urban interests contend that all M&I contractors are allocated CVP costs on an equal basis, and therefore, it would be inequitable to create differences in the allocation of

benefits. Urban contractors also recognize that there may be times when water supply conditions are so critical that all sources of supply must be taken into account when making CVP allocations, such as when the CVP cannot deliver a minimum supply to the wildlife refuges or when deliveries to agriculture are so low that maintenance of trees and vines is in jeopardy.

Other urban contractors stated that they do not have the financial resources to develop alternative sources of supply, and they need greater protection in shortage situations.

Agricultural contractors are concerned that limited CVP water supplies may be given to an M&I contractor that has the resources and capability of developing its own reliability. They question the wisdom of giving such M&I contractors that benefit at the expense of other CVP contractors.

Potential solution. Under Reclamation's current policy, the decision of whether Reclamation will consider other sources of water supply available to its M&I contractors depends on the overall water year type and CVP system operational constraints. For example, in years of critical water availability, Reclamation has asked M&I contractors to identify the minimum amount they need to supplement their other sources of water supply. Under such situations, the water allocation may drop below 75 percent of historic usage to those M&I contractors.

The availability of other water supplies is part of the decision making process. By basing the allocation on 75 percent of "historic use," we partly incorporate the impact of other water supplies. However, Reclamation will need to work with the contractors with diversified water supplies on a contractor-by-contractor basis to insure that Reclamation's policy does not encourage water use simply to increase an Urban contractors historic use amount for purposes of having a larger allocation during critical water years.

Reclamation recognizes that M&I contractors need a minimum level of reliability and yet that level should not be so high that it becomes a disincentive to M&I contractors to firm up other sources of water supplies. To encourage M&I contractors to firm up their existing supplies, Reclamation could propose a two-tier level of reliability. The first tier would be given to M&I contractors as a reliability level regardless of other supplies. The second tier would be a higher percentage, but would require an M&I contractor to pay a charge for this additional level of reliability. In essence, the CVP could be the "other source of supply" for some M&I contractors.

**C. What should be the reliability of water converted or transferred from irrigation to M&I use?** The issue is what shortage criteria to apply to agricultural water converted to M&I water through contract assignment or water transfers.

Agricultural interests believe that the reliability of water converted should not change. If reliability is increased when water is converted or transferred to M&I, other agricultural contractors will be impacted negatively.

Some urban interests believe that the reliability associated with the conversion of water from agriculture to M&I use could be permitted provided that the changes occurred over a specific number of years. Water supply contracts could be renegotiated for increased reliability from such conversions. Additionally, urban interests believe that increased reliability could be earned by water supply contractors with a proven history of efficient conservation.

Areas of emerging consensus. There was general consensus that converted or transferred water would retain the shortage provision applicable to the water before the conversion/transfer occurred.

Potential solution. Reclamation agrees with maintaining the same shortage criteria as was applicable to the water before the transfer or conversion occurred. This approach is consistent with section 3406(d) of the CVPIA, the shortage criteria for the purchase of water for level IV refuge deliveries.

## Attachment A

**Urban Water Supply Reliability Issues**

1. In balancing the water supplies of the Central Valley Project among competing demands, what minimum level of reliability should be provided to urban water supplies? (includes rationale; historical practice; existing contracts; existing rules; regulations, statutes, policies; etc.)
2. What should be the basis of shortage allocations? Historic use? Contract quantity?
3. Should the cause of shortage (e.g. drought, regulatory) be a factor in urban water supply allocations?
4. How should other supplies developed by a contractor e.g., water banking be considered/protected in urban shortage allocations?
5. What quantity of water is involved in providing reliable CVP urban water supplies: (a) currently; and (b) in future?
6. What should be the reliability of water converted or transferred from Irrigation to Municipal and Industrial use?
7. What is/should be the priority and relationship between CVP urban water supply reliability and other Project purposes: (a) dedicated 800,000 acre-feet; (b) refuge water supplies; (c) water rights settlement/exchange contractor deliveries; (d) ag service contract deliveries?
8. Should reliability provided to CVP urban contractors be uniform or vary by region?
9. What is/should be the priority and relationship between CVP urban water supply reliability and allocations to irrigation or urban water users in areas of origin?.
10. How can/should the Bureau of Reclamation minimize the impacts of providing reliable urban water supplies current year, water banking, groundwater, conjunctive use on other purposes?
11. If providing urban water supply reliability results in greater shortages for other Project purposes, is some form of compensation or adjustment appropriate?
12. Are constraints on the use or transfer of water received in shortage years appropriate?
13. How should an urban water supply reliability policy apply to: (1) existing contracts; (2) amended contracts; (3) renewed contracts; (4) new contracts; (5) interim contracts; (6) interruptible water supply contracts?

## Attachment B

**URBAN WATER SUPPLY RELIABILITY TEAM**

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Joan Maher, SCVD, (Chair)

Al Donner/David Briggs,  
Contra Costa Water District

Dan Nelson, SIJDM Water Authority

Dick Moss, Friant Water Users Authority

Spreck Rosekrans/Katrina Schnider, EDF

Dante Nomellini, Central Delta  
Water Agency

John Davis, USBR

Diane Friend, San Joaquin River Coalition

Jim McKevitt, USFWS

Nicole Sandkulla, EBMUD

Ronnie Weiner/Hal Candee, NRDC

Laura King, USBR

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