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July 17, 1996

Mr. John Davis
Special Projects Officer (MP-120)
2800 Cottage Way
Sacramento, CA 95825

Dear Mr. Davis:

Comments of the Environmental Defense Fund regarding the Administrative Proposal for Urban Water Supply Reliability are attached. Thank you for the opportunity to comment.

Sincerely,

Spreck Rosekrans
Economic Analyst

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Comments of the Environmental Defense Fund on the CVPIA Administrative Proposal for Urban Water Supply Reliability

July 16, 1996

The Environmental Defense Fund agrees substantially with the Bureau's discussion of issues pertaining to urban water supply reliability. In addition to comments on the Bureau's "proposed solutions", EDF suggests that additional language be added to the Administrative Proposal which clarifies the role of "Urban Water Supply Reliability" with respect not only to the CVPIA's environmental provisions, but also to the CVPIA's transfer provisions. While these other issues are subjects of their own Administrative Proposals, recognizing the key linkages between proposals may help facilitate integrated project operations and policies which best serve all project purposes.

This Administrative Proposal should reflect that one of the CVPIA's stated purposes is to use water transfers "to increase water-related benefits provided by the Central Valley Project".

After criteria for meeting the environmental obligations of the CVP under CVPIA during various hydrological and storage conditions are established, the Bureau should determine how to allocate available supplies among urban water supply and agricultural contracts. Once urban water districts are provided with the quantities of water they can expect to receive, they can proceed with their own planning processes to balance supply and demand. The CVPIA was written with the expectation that water transfers be used to secure reliability where it has the highest value. The Bureau should encourage and facilitate those transfers which are consistent with Section 3405 of the CVPIA.

The Administrative Proposal should acknowledge that the CVPIA does not directly address urban water supply reliability, and that the provisions of the CVPIA are but one of many factors which may affect urban water supply reliability.

Urban water supply reliability is certainly an important issue and worthy of careful consideration by the Bureau and by stakeholders. However, the scope of this proposal does go beyond the effects of CVPIA, recommending policies for any type of shortage allocation. All other Administrative Proposals directly address specific provisions of the CVPIA.

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Many factors may prevent the delivery of 100% of CVP contract entitlements, creating the need for the Bureau to allocate shortages among its contractors. For example, naturally occurring dry hydrological cycles, combined with the minimal environmental protections afforded by D1485, would not allow full project deliveries in many years. In addition, restrictions on project operations caused either by Biological Opinions under the Endangered Species Act or by Water Rights Order 95-6 of the SWRCB implementing the Bay/Delta Accord further decrease the ability of the CVP to deliver 100% of contract entitlements, irrespective of CVPIA provisions.

The Administrative Proposal should make clear that urban water supply reliability issues are a matter of allocating shortages among contractors and should not influence fulfillment of the environmental requirements of the CVPIA.

The CVPIA specifies that the 800,000 acre-feet of dedicated yield be measured against a set of "baseline" conditions in place in October 1992. This baseline includes the conditions of D1485 and D1422, the Winter Run Biological Opinion, level II refuge supplies, and specified minimum releases to the Trinity River. As specified by the CVPIA and in the "b2 guidelines" developed by the USBR and USFWS, water deliveries may be up to 800,000 acre-feet less than those available under baseline conditions unless all the goals of the Anadramous Fish Restoration Program are met.

Once the environmental provisions of the act are met, the Bureau is free to operate the CVP for the purpose of delivering water to its contractors. The apportionment of shortage allocations between Urban and Agricultural supplies is properly a matter of Bureau policy and is the principal subject of this Administrative Proposal for Urban Water Supply Reliability.

Shortage allocations should establish a minimum level of reliability for urban supplies.

There are many reasons why shortages imposed under urban water supply contracts should be lower than those imposed under agricultural service contracts. Indeed, contracts for many urban water districts specify that no water shortage can be imposed on them until a 25% shortage is imposed on agricultural service contractors. In addition, urban contractors have paid higher rates than CVP agricultural contractors for many years with a valid expectation of a higher level of reliability. Further, urban users have less flexibility to reduce water use beyond a certain point, and in some cases, severe shortages may put public health and safety at risk.

Other sources developed by a contractor should be considered in shortage allocation only in times of extreme drought.

Contractors should be encouraged to develop long term plans which balance supply and demand, with contingencies for extended dry periods. If the Bureau were to consider

contractors' other supplies when allocating shortages, the incentives for comprehensive planning on the part of the contractor would be lessened.

The Administrative Proposal's suggestion of a second tier for contractors with inadequate other supplies is only reasonable during extreme conditions, e.g. if average residential use in the district were to fall below 40 gallons per day per person. Even in such cases, the contractor should be expected to pay a premium well above their normal rate for such special treatment.

Once baseline shortage criteria have been established, the Bureau should, as specified by CVPIA Section 3405, facilitate transfers between willing sellers and buyers, on either a long- or short-term basis, as a means to serve the needs of both urban and agricultural users.

Transfer of a water entitlement should not affect its shortage criteria.

Voluntary transfer of contract supplies must not affect overall project operations as specified. Therefore shortage provisions should not change if water is transferred from agricultural to urban use.

However, transfers which exchange deliveries in wet and average years for reliable supplies dry year deliveries should be permitted, as long as they are in accordance with 3405(a)(1)(I) and do not result in an increase in overall diversions and/or depletions.