

M&I Shortage Policy - Central Valley Project

POSITION #4: Application of M&I Shortage Policy to Project Water made available for agricultural purposes that is subsequently converted to M&I purposes.

BACKGROUND:

- C The CVPIA Administrative Proposal for Urban Water Supply Reliability dated June 9, 1997 (Urban Reliability Policy), states that Interior believes the final M&I Water Shortage Policy should apply only to that portion of CVP water used historically for M&I purposes and identified as projected M&I demand as of September 30, 1994.
- C Any permanent transfer or assignment of CVP water that occurs after September 30, 1994 that converts water used for agricultural purposes to M&I purposes should retain the agricultural shortage.
- C September 1994 was selected because it was the end of the fiscal year in which the draft M&I Water Shortage Policy was released for comment. Capital costs including capital interest were allocated to the M&I purpose based on those 50-year delivery schedules. A contractor that has historically paid for an expected build-up of M&I deliveries will have M&I reliability for those deliveries.
- C An urban contractor could request a permanent conversion from an agricultural water to an M&I water be authorized with the M&I reliability shortage, provided it could be demonstrated there were no adverse impacts (water supply or financial) to agricultural or other urban water supplies.
- C Agricultural interests believe the water shortage criteria applied to agricultural water converted to M&I water through assignment or transfers should not change because of such conversion or transfer. If urban reliability is applied when water is converted or transferred to M&I, other agricultural contractors will be impacted negatively.
- C If reliability is increased when water is converted or transferred to M&I, other agricultural contractors as a group face the impact not only of relatively gradual conversion within their service area, but the magnified impacts of deeper shortages on an ever-smaller base, whether or not the particular contractor has been involved in any conversion. Such contractors have almost no ability to plan for or control these impacts, whereas once M&I contractors know that the reliability of converted water retains its original status, they are in position to plan for and acquire whatever quantities they need to assure the desired level of reliability.
- C Some urban contractors 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. Urban interests believe that increased reliability could be earned by water supply contractors with a proven history of efficient conservation.

ADMINISTRATION POSITION:

- C The 75 percent reliability shall apply only to that portion of CVP water used historically for M&I purposes and identified as projected M&I demand as of September 30, 1994. An urban contractor could request a permanent conversion from an agricultural shortage to an M&I water reliability shortage be authorized. Reclamation must determine that such a conversion would result in no adverse impacts to agricultural or other urban water supplies.