



San Diego County Water Authority

4677 Overland Avenue • San Diego, California 92123-1233
(858) 522-6600 FAX (858) 522-6568 www.sdcwa.org

November 15, 2016

Secretary John Laird
California Natural Resources Agency
1416 Ninth Street, Suite 1311
Sacramento, CA 95814

MEMBER AGENCIES

Carlsbad
Municipal Water District
City of Del Mar
City of Escondido
City of National City
City of Oceanside
City of Poway
City of San Diego
Fallbrook
Public Utility District
Helix Water District
Lakeside Water District
Olivenhain
Municipal Water District
Otay Water District
Padre Dam
Municipal Water District
Camp Pendleton
Marine Corps Base
Rainbow
Municipal Water District
Ramona
Municipal Water District
Rincon del Diablo
Municipal Water District
San Dieguito Water District
Santa Fe Irrigation District
South Bay Irrigation District
Vallecitos Water District
Valley Center
Municipal Water District
Vista Irrigation District
Yuima
Municipal Water District

OTHER REPRESENTATIVE

County of San Diego

RE: Cost Impacts and Benefits of California WaterFix to San Diego Ratepayers

Dear Secretary Laird:

As you are aware, the Water Authority and its 24 member agencies have a strong record of leadership in water supply investments and water use efficiency. The direct result has been our execution of sound policies and the implementation of fiscally responsible programs and projects. Over the past 25 years, we successfully diversified our supply portfolio, strengthened drought and emergency preparedness and increased our water use efficiency.ⁱ The San Diego region's per capita water use dropped by almost 40 percent between 1990 and 2015. And we significantly reduced our demands on the Sacramento-San Joaquin Bay-Delta (Bay-Delta) by decreasing our purchases of Metropolitan Water District (MWD) water -- our only source of Bay-Delta supply.ⁱⁱ Today, our purchases of MWD water -- at 187,000 acre-feet -- represent only about a quarter of what we purchased in 1990,ⁱⁱⁱ and by 2035, we project less than 90,000 acre-feet of our region's supply will come from MWD. More important, as detailed in the Water Authority's 2015 Urban Water Management Plan, we will be managing our MWD purchases within MWD's "existing programs," which does not count upon California WaterFix (WaterFix). By 2040, we estimate that less than 7 percent of San Diego's supplies will come from the Bay-Delta.

The Water Authority has invested nearly \$3 billion over the last 25 years to increase local water supply reliability, including development of new supplies, such as seawater desalination, that reduce our dependence on Bay-Delta supplies, increased storage capacity, and upgraded conveyance systems. These improvements are above and beyond the investments made by our member agencies in water recycling, reuse and desalination projects that further reduce the region's reliance on Bay-Delta supplies.

With this as backdrop, we were surprised and disappointed when we read a commentary in *The San Diego Union-Tribune* by Department of Water Resources Director Mark Cowin that not only grossly overstated San Diego's reliance on Bay-Delta supplies, but was also dismissive of our agency's comprehensive and thoughtful review of the proposed Twin Tunnels project. A response to Director Cowin's commentary is attached (Attachment 1).

The Water Authority's position on the Bay-Delta is clear: we support cost-effective and environmentally sustainable Bay-Delta solutions. Because our ratepayers will be required to pay for a substantial piece of any solution, we also need to ensure the solution implemented is in their best interest. Although numerous key stakeholders and state officials have discussed and shared their perspectives with the Water Authority's Board of Directors, so far, we are unable to recommend a position to our Board due to lack of answers to key questions, including:^{iv}

- How much water will our region receive?
- What portion of the cost will our ratepayers be obligated to pay?
- Which agencies statewide will commit to paying for the WaterFix?
- How will our ratepayers be protected from paying a disproportionate share of the project's cost?
- Will project costs for our ratepayers negatively impact local water supply development?

For the last several years, we have asked these questions of you, of Director Cowin and of MWD. To date, no answers have been forthcoming. These are the same questions we raised with you again in August 2015, when you spoke with our Board. You acknowledged our concerns and said that until negotiations among water contractors are concluded, these questions cannot be answered. At that same meeting, Deputy Secretary Karla Nemeth then sought to reassure our Board of Directors by saying: "I just want to say very, very clearly that no water agencies, including the San Diego County Water Authority, is going to be asked to support a project when it does not have a financing plan a complete understanding of the costs."

You may be aware that we recently invited Dr. David Sunding to speak to our Board on a November 15, 2015 report "CalWater Fix Economic Analysis" he prepared for the Natural Resources Agency. We learned about the existence of this report in [APNewsBreak: California water tunnels would need US funding](#),^v which described that California WaterFix is "economically feasible only if the federal government bears a third of the nearly \$16 billion cost because local water districts may not benefit as expected." While Dr. Sunding described WaterFix as an "insurance policy" to protect existing supplies, it is unclear whether this insurance policy is a one-size-fits-all policy, or an insurance policy that water agencies can purchase depending on their particular needs and shortage tolerances. Through the Water Authority's diversification strategy, we have reduced our region's reliance on Bay-Delta supplies and have invested our ratepayers' money in our own insurance. How can agencies like the Water Authority that have made such investments avoid paying other agencies' insurance premium?

It is our understanding from Dr. Sunding that the assumptions used for projecting the San Diego County Water Authority's (and other MWD member agencies') future demands for Bay-Delta water were derived from MWD's 2015 Integrated Resources Plan (IRP). You should know that

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MWD's IRP only includes local supply projects that have already been completed or were under construction. As such, the IRP – and Dr. Sunding's analysis – ignores the reality that MWD's member agencies plan to develop hundreds of thousands of more local water supplies over the next 25 years – projects and plans that are included in each agency's 2015 Urban Water Management Plan. As a result, Dr. Sunding's analysis may significantly overstate Southern California's future demand for water from the Bay-Delta.

We look forward to engaging in constructive dialog with the Natural Resources Agency to help achieve a Bay-Delta solution that provides the water supply and financial assurances we seek for the San Diego region. I would appreciate the opportunity to discuss these issues with you in greater detail. To that end, my staff will be contacting your office to schedule a meeting. In the meantime, if you have any questions, please call me.

Sincerely,



Maureen A. Stapleton
General Manager

Attachment 1: Water Authority Response to Director Cowin's commentary

ⁱ Through mid-2015, prior to start of State Water Resource Control Board's mandatory water use reductions.

ⁱⁱ The exact amount of Bay-Delta water the Water Authority receives in any given year depends on how much water MWD purchases from the State Water Project, and how MWD operates its system; in recent years, about 20 percent of the Water Authority's supply flows through the Bay-Delta, and in this fiscal year, only about 3 percent of the Water Authority's supplies came from the Bay-Delta.

ⁱⁱⁱ The 485,000 acre-feet reduction in MWD purchases from 1990 to 2016 is largely attributed to the Water Authority's investment in the largest agricultural-to-urban water transfer achieved through conservation programs and our investments in seawater desalination, both of which were paid for by San Diego ratepayers, except for a \$200 million grant from the state for the All-American and Coachella canal lining projects.

^{iv} A variation of these questions were embodied in the following letters found at the webpage <http://www.sdcwa.org/water-authority-letters>:

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- Water Authority BDCP Draft EIR/EIS Comment Letter - July 28, 2014
 - Water Authority BDCP Cost Allocation Letter - June 27, 2014
 - Water Authority BDCP Comment Letter - May 30, 2014
 - Water Authority BDCP Funding and Financing Letter - February 5, 2014
 - Water Authority BDCP Analysis Letter - October 7, 2013
 - Water Authority BDCP Presentation and Questions Letter – September 4, 2013
 - Water Authority BDCP Draft Chapter 8 Letter – July 30, 2013

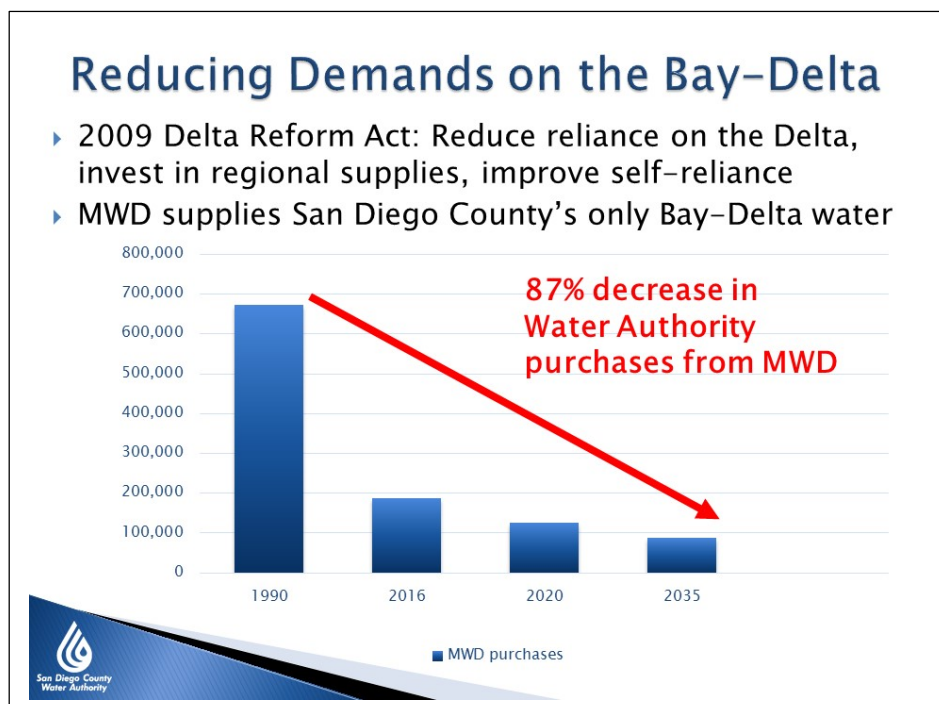
^v <http://wtop.com/government/2016/09/apnewsbreak-california-water-tunnels-would-need-us-funding/>

Water Authority Responds to Director Cowin's Commentary

A commentary by the director of California's Department of Water Resources in The San Diego Union-Tribune grossly overstated San Diego County's reliance on Bay-Delta water supplies and dismissed our region's fact-based approach to water supply planning.

Based on that faulty information, the commentary then suggested that the Water Authority should simply fall in line and endorse the state's twin-tunnel project before critical cost-benefit questions are answered. We have been a pivotal player in major water agreements such as the 2003 Colorado River Quantification Settlement Agreement, along with legislation and policy decisions for decades. The Water Authority supported the 2009 Delta Reform Act, which established the co-equal goals of water supply reliability and ecosystem restoration in the Bay-Delta. We also played a key role in the development of the 2014 state water bond that included funding for ecosystem restoration. And we have been aggressively reducing reliance on the Bay-Delta for many years (see chart).

Over the past five years, our board has investigated Bay-Delta challenges and potential solutions from every angle in dozens of public meetings – one of the most active efforts anywhere in the state to sort out these complex issues. Key stakeholders and state officials have discussed the Bay-Delta on numerous occasions with our



Board of Directors, which hasn't taken a position for or against any project. We have a list of core questions that we believe everyone statewide should be asking about the state's proposed \$17 billion twin-tunnel project in the Bay-Delta, now known as California WaterFix:

- How much water will our region receive?
- What portion of the cost will our ratepayers be obligated to pay?
- Which agencies statewide will commit to paying for the WaterFix?
- How will our ratepayers be protected from paying a disproportionate share of the costs?
- Will costs for our ratepayers negatively impact local water supply development?

Unfortunately, the [Oct. 29 commentary](#) failed to answer any of those questions, while making numerous faulty assertions. So let's go through that commentary and address DWR's key mischaracterizations and misstatements.

DWR	The Facts
<p>"In fact, by 2040 the San Diego County Water Authority (SDCWA) estimates 80 percent of their supply will be imported even with water efficiency savings and increased local supplies."</p>	<p>The Water Authority's 2015 Urban Water Management Plan shows that with the development of potable reuse and other local supply projects by our member agencies, imported water will only comprise about 50 percent of our region's water supply in 2040. That's down from 95 percent in 1990.</p> <p>Our reliance on the Bay-Delta will continue to shrink (to an estimated 7 percent of our water supplies in 2040) because we and our member agencies have embraced conservation, while adopting water recycling, seawater desalination and other diversified supplies paid for by ratepayers. San Diego County water ratepayers have invested more than \$2 billion over the past decade to develop new supplies and enhance our stored water reserves for dry years and emergencies. It is startling for DWR to publicly question local efforts to meet the very goals it has put forth by effectively asserting the Water Authority and its member agencies won't develop the supplies we plan to develop over the next 25 years.</p>
<p>"... it is disconcerting to see a deepening undercurrent of skepticism from the SDCWA about maintaining a reliable supply from the North."</p>	<p>The Water Authority's Board of Directors has consistently supported efforts to find a responsible Bay-Delta solution and has undertaken one of the most extensive reviews of DWR projects of any water agency in California. What DWR calls skepticism is actually due diligence on behalf our ratepayers. Instead of criticizing our water agency's planning efforts, DWR should answer the numerous reasonable questions that our Board of Directors has been raising for five years.</p>
<p>"As one state, we either find water solutions together or we will collectively suffer the grave consequences."</p>	<p>While the Bay-Delta is important to the State Water Project, it's incorrect to suggest that it has the same costs and benefits for every water agency or every region of the state. Different regions of California have vastly different water supply and demand portfolios, and the state should not treat all regions as if they are the same. In fact, California law and the state's Water Action Plan compel regions to develop additional local supplies to decrease reliance on the Bay-Delta, and the Water Authority has done that like no other agency in California. Due to our multi-billion-dollar</p>

	<p>investments in locally controlled supplies, we have enough water to meet demands after five years of drought – and for at least three more dry years under the state’s “stress test.”</p>
<p>“In wetter times, Sierra water can be more than half of what comes out of your tap.”</p>	<p>This statement is false. During no year in the past three decades has Bay-Delta water been more than half of the water supply in San Diego County – not even close –and there’s no way that could happen for the foreseeable future. Over the past decade, Bay-Delta water has been about 24 percent of our region’s water supply, and that number dwindled to 4 percent last year. In 2040, only 7 percent of the San Diego region’s supplies, at most, are projected to come from the Bay-Delta.</p>
<p>“In the months ahead, Metropolitan will come to a decision on whether to modernize the State Water Project.”</p>	<p>The State Water Project is owned by the State of California. MWD is not the final arbiter of the Bay-Delta, as this statement implies. State ownership is best for accountability and for ensuring the project is operated in the best interests of all Californians.</p>
<p>“If we do nothing, the state and county’s initial investment will have been for naught.”</p>	<p>It is counterproductive and cynical to suggest that the Water Authority supports doing nothing. We have never said or implied that “do nothing” is our preferred alternative. Instead, we have consistently supported efforts to improve water reliability and the environment in the Bay-Delta dating back to before the Cal-Fed planning process in the 1990s.</p>
<p>“Yet at this pre-decisional stage, the emphasis on ‘concerns’ emanating from San Diego County — as opposed to any balancing mention of potential water benefits — is unique and noteworthy.”</p>	<p>This is precisely the time to be asking fundamental questions about costs and benefits. Good government requires addressing them before key decisions are made so there’s confidence in the process and the result. Waiting to ask these questions until after the fact would be a disservice to our ratepayers and residents statewide. Numerous water agencies and other groups in California have been asking similar questions about the twin tunnels project for the past few years. They include dozens of county governments, non-governmental organizations and water districts in and around the Bay-Delta. The implication that the Water Authority is alone in raising these questions and concerns is untrue.</p>

<p>“For San Diego County and all of Southern California, saying no to WaterFix would risk the region’s largest imported water source.”</p>	<p>The Bay-Delta is not the San Diego region’s largest imported water source, accounting for only 4 percent of our region’s supply last year. It has produced an average 24 percent of our water supplies over the past decade. That number has declined in recent years as regional water use dropped and new locally controlled sources came online. (It’s projected to continue declining as new sources of local supply come online.) Our largest current source of water is the Colorado River, accounting for about two-thirds of our supply in recent years.</p>
<p>“It could reverse the benefits of years of supply diversification.”</p>	<p>The impetus for the Water Authority’s 25-year drive to diversify our region’s water supply portfolio was the 1987-1992 drought that slashed water supplies from the Bay-Delta and led to 31 percent cutbacks in the Water Authority’s water supplies from the Metropolitan Water District of Southern California – the only source of Bay Delta water in San Diego County.</p> <p>In 1990, the year before the devastating supply cutbacks, the Water Authority purchased 673,000 acre-feet of water from MWD, and MWD’s supplies accounted for 95 percent of all water used in San Diego County. As the graphic above shows, the Water Authority has cut its dependence on supplies from MWD – and, therefore, the Bay-Delta – by 72 percent, and will continue to reduce that dependence even more by 2035. No other water agency in Southern California has done more to cut its dependence on Bay-Delta water than the San Diego County Water Authority. That’s exactly what the State of California has demanded water agencies do through both state law and policy. The Water Authority’s success should be applauded, not subjected to editorial criticism by the director of the California Department of Water Resources.</p>
<p>“It could increase reliance on the Colorado River that has been in a near ceaseless drought so far this century.”</p>	<p>The Water Authority was the driving force behind the landmark 2003 Colorado River Quantification Settlement Agreement. In that agreement, the Water Authority secured 280,000 acre-feet annually of highly reliable Colorado River water with higher priority water rights than the Metropolitan Water District’s Colorado River supplies. While drought on the Colorado River remains a significant concern, California’s Colorado River rights are superior to those of Arizona and Nevada. By shoring up California’s entitlements to Colorado River and settling decades of disputes among water agencies and among the seven states that share the Colorado River,</p>

	<p>the Quantification Settlement Agreement relieved pressure on the Bay-Delta.</p> <p>Currently, MWD and other water-right holders on the Colorado River are negotiating a shortage-sharing agreement in case the drought continues. The draft agreement would contractually limit MWD's water supply from the Colorado River under some conditions, which could increase pressure for more supplies from the Bay-Delta.</p>
<p>“The Brown administration is trying to advance a comprehensive solution, via our Water Action Plan. The goal is to continue to diversify water supplies in San Diego County and elsewhere via conservation and new local supplies.”</p>	<p>San Diego County was successfully developing a comprehensive water supply diversification strategy long before the Brown Administration started encouraging that kind of approach. We have been the poster child for meeting Water Action Plan goals during the Brown Administration. And we will continue to pursue a diversified water supply portfolio for decades to come. Our efforts in sustainable water management have been widely recognized by The Wall Street Journal, think tank Carpe Diem West, the Association of Municipal Water Agencies, and many others.</p>

In 2012, the Water Authority’s Board of Directors adopted policy principles that reiterated its support for actions and projects that meet the co-equal goals of water supply reliability and environmental restoration. Those principles call for upgrades that are cost-effective, correctly sized and can secure long-term funding sources. They say that any fix should:

- Support the co-equal goals of environmental restoration and water-supply reliability
- Provide regulatory certainty and predictable supplies
- Improve the water deliveries during wet years
- Allocate costs based on the benefits received
- Require a firm funding commitment by all parties
- Support continued state ownership and operation of the State Water Project

[Click here](#) to read the Water Authority Board’s Bay-Delta Policy Principles.