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August 28, 2017

Nury Martinez, Chair and Council Member
Energy, Climate Change, and Environment
Committee

Paul Krekorian, Council Member
Energy, Climate Change, and Environment
Committee

Mitch O'Farrell, Council Member
Energy, Climate Change, and Environment
Committee

Paul Koretz, Council Member
Energy, Climate Change, and Environment
Committee

Gilbert A. Cedillo, Council Member
Energy, Climate Change, and Environment
Committee

Subject: Risks of California WaterFix Participation to the City of Los Angeles

Dear Chair Martinez, and Honorable Energy, Climate Change, and Environment Committee Members of the Los Angeles City Council:

Restore the Delta has been involved with nearly all facets of the California WaterFix project, including from its inception as the tunnels project of the Bay Delta Conservation Plan unveiled by Governor Jerry Brown in July 2012. We understand that your Committee, and the Los Angeles City Council soon, are being asked to approve participation in the California WaterFix tunnels project (WaterFix). If constructed and completed, WaterFix would be integrated into the operations of both the State Water Project (SWP) and the federal Central Valley Project (CVP). Our comments here strive to describe briefly the acute risks of the City of Los Angeles participating in WaterFix through its membership in the Metropolitan Water District of Southern California, and offer critical comments on the Office of Public Accountability (OPA) analysis provided for your deliberations.

Decision making about WaterFix will be all about managing risk and evaluating facts as best we all know them now—while filtering unfounded rumors, half-truths, and glossy presentations short on substance. The scale of WaterFix is so large that risk issues arise in many contexts—legal, organizational/management, intergenerational, environmental justice, economic/fiscal, scientific, and social. The Los Angeles Department of Water and Power's Office of Public Accountability ratepayer advocate analysis of WaterFix is exceptionally limited as to its value, since it omits key information about a variety of these other risks.

Regulatory risk: Nowhere in this report is there mention of the fact that until the State Water Resources Control Board (SWRCB) approves a water rights change petition for WaterFix, the California Department of Water Resources and U.S. Bureau of Reclamation will not even have permission to put their big “straw in the Sacramento River.” Nor does the OPA analysis mention the fact that terms and conditions for such a permit approval (if it is in fact approved), which must include new, appropriate Delta flow criteria, which may significantly alter premises upon which OPA’s analysis is based—especially about WaterFix project yield and participation by other parties.

CVP contractor participation: The OPA analysis assumes participation of all CVP south of Delta contractors in WaterFix with a cost split of 45 percent CVP and 55 percent SWP (Table A-2). In dry years, the analysis then alters this participation rate would split to 68 percent SWP and 32 percent CVP. The situation now, however, is that no single CVP contractor has acted to participate in WaterFix. The OPA analysis should have included a 0 (zero) percent participation rate by CVP contractors to indicate what a reasonably possible rate impact would be on Los Angeles single family home residents of 100 percent SWP contractors’ shouldering the burden of financing and benefiting from WaterFix.

Water payment discount: Assuming that CVP contractors would participate, however, the OPA analysis includes a 30 percent dry-year discount on water payments by CVP contractors in exchange for a 20 percent cut in their allocations of WaterFix supplies. No other cost analysis assumes such a generous assumption to agricultural contractors that we have seen. This violates the “beneficiary pays” principle, by introducing a subsidy from urban contractors and their customers to agricultural contractors for WaterFix financing.

Heavy LADWP reliance on MWD imports in dry years: The OPA analysis assumes that LADWP would rely heavily on MWD for imported water in dry/drought years, to the tune of about 345 TAF out of overall city demand of about 565 TAF (Table A-3), despite for most other years LADWP expects to keep Los Angeles’ use of imports from MWD to under 15 percent of total LADWP demand. (Table A-3.) We checked the Ratepayer Advocate’s use of drought year import numbers for LADWP against the 2015 LADWP urban water management plan (UWMP). LADWP’s UWMP local supplies in a single bad dry year would still be about 399 TAF, and in a four-year drought scenario would still be 309 TAF. Committee members should probe this assumption in the OPA analysis; RTD believes drought-period import reliance by the City of Los Angeles is significantly overstated in the OPA analysis, and lacks justification.

Moreover, the OPA analysis fails to indicate how much of the 345 TAF of MWD drought-year imports are attributable to WaterFix usage. As stated in its EIR/EIS, WaterFix would be used in “big gulp” storm years; WaterFix would be used far less in drier years, while dry year imports would be obtained by LADWP presumably from south-of-Delta storage in the SWP. The OPA analysis fails to account for the marginal cost of this imported water, instead using a much rosier average figure for the potential cost of purchases of imported water from MWD in drought years.

The OPA analysis is for a “median single family resident household” in LA. We urge Committee members to recall briefly what this means: The statistical median is the middle value of the universe of households sorted by income. Half the single-family households would have costs greater, half the households lower costs; it does not mean that all single-family households would have the same affordable-seeming WaterFix costs. In part this is because single-family

homes typically need landscape irrigation. There is no accounting by the OPA analysis omits landscaping needs. The study also does not clarify that WaterFix surcharges for imports are likely **in addition** to baseline MWD water rates charged to member agencies for Tier 1 and Tier 2 imported water.

Despite assuming that WaterFix debt service would be paid from MWD-levied property tax increases, Table A-6 of the OPA analysis shows that in dry years, a typical WaterFix single-family home customer in Los Angeles can expect to see a nearly **1,600 percent increase** in their water rate WaterFix surcharge over normal years from LADWP (from \$0.18 per month for the “baseline” variable water cost per SFR to \$3.05 in “worst case” dry years). (**The increase is nearly 3,200 percent for a swing from wet year conditions to dry.**) In addition, MWD sees a **33 percent increase in its property tax rate** in dry years from “baseline” for WaterFix as well. While these are increases in small numbers, when they get multiplied by 589,991 Los Angeles single-family households (footnote c of Table A-4), **that becomes an annual wealth transfer of about \$5.52 million in wet years and \$8.92 million in dry years from Los Angeles single-family households to MWD** through the property tax alone. And that does not count the water property tax paid by industries and municipalities to MWD for WaterFix. So, WaterFix carryover storage (from wet year big gulps to dry year usage) apparently will not prevent steeply increased water payments to MWD from its service area residents.

We urge the Los Angeles Energy, Climate Change, and Environment Committee to recommend that the Los Angeles City Council vote to oppose participation in the California WaterFix project. There are too many risks, excessive costs—even for single-family households—and the Department of Water and Power’s fiscal resources would be far better invested in other, more reliable and cost-effective water supply alternatives than WaterFix.

Sincerely,

 Barbara Barrigan-Parrilla Executive Director	 Tim Stroshane Policy Analyst
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cc: Adam R. Lid, Legislative Assistant, City of Los Angeles