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October 4, 2018

The Honorable Holly J. Mitchell
JLBC Committee Chair
California State Senate
State Capitol, Room 5080
Sacramento, CA 95814

Dear Senator Mitchell,

First off, I want to thank you for the manner in which you conducted the JLBC Oversight Hearing regarding the State Water Contract extension. We are grateful for your fair and balanced leadership.

I wanted to share three items with you so that when you return in December, oversight of DWR budgeting and CA WaterFix contracts is taken up once again by your committee.

1) First, University of the Pacific economist Dr. Jeff Michael has evaluated the most recently released cost-benefit analysis completed for CA WaterFix and has found once again significant flaws within it. From a Restore the Delta perspective what makes this new WaterFix analysis so problematic is that it is based on assumptions that are NOT found within DWR's case-in-chief presented to the State Water Resources Control Board regarding tunnels operations. In fact, recently we had to join in an objection to the Board that we are not being given time during the water permit hearings to provide testimony about this most recent analysis. Whether one is for or against the tunnels, the gaps and inconsistencies in the public documentation of this project makes it near impossible for the public and legislators to evaluate the pros and cons of the project. You can read Dr. Michael's analysis here:

<http://valleyecon.blogspot.com/2018/09/new-waterfix-economic-analysis-is-even.html>

2) In addition, please find attached a letter that our coalition sent to the Department of Water Resources last week regarding the State Water Contract extension. In it, we note that since the close of public comment on the Draft EIR (DEIR) for the SWP Contract Extension on October 17, 2016, significant changes and new information regarding the SWP Contract Extension project have come to light. As a result, CEQA requires that DWR issue a revised and updated subsequent DEIR for public review and comment. Consequently, we believe that a second JLBC Hearing on the State Water Contract extensions will be needed.

3) Our policy analyst Tim Strohshane has evaluated the recent DWR bond prospectus. He has found that while the total costs for Oroville Dam Spillway Response and Restoration are \$1.1 billion prior to any federal reimbursement, DWR has received only \$73 million to date in federal reimbursement. Will Californians ultimately pay for these repairs? While there is no question that repairs are needed, what are the budgeting implications with delays in federal reimbursement? And what if the reimbursements never come?

More importantly, while most recent DWR revenue bond issue does not name CA WaterFix by name, it includes in Appendix I of the prospectus, a “Delta Facilities Program” that has cost \$230.3 million through this present revenue bond issue AZ. DWR estimates it will need an additional 423.4 million for a total capital expenditure of \$653.6 million. (Appendix I-2 table, PDF page 236.) A few pages later it is described this way: “Delta Facilities Program. The Delta Facilities Program consists of projects and measures in the Sacramento-San Joaquin Delta area, and in the vicinity of rivers and tributaries to rivers that flow into the Sacramento-San Joaquin Delta, that are designed to (1) increase water supply by increasing the efficiency of water transfer through the Delta, (2) improve water quality, and (3) reduce or mitigate for fish losses caused by pumping. The projects and measures include dredging, channel improvements, flow control structures, seismic studies and environmental mitigation measures.” (my emphasis added)

Item #1 sounds euphemistic for the tunnels project, and even if it is boilerplate language left over from the original Proposition 1 in 1960 authorizing the State Water Project, DWR argues elsewhere the tunnels are just an extension of the State Water Project. Thus, we are not convinced that this is NOT a loophole for Delta tunnels project funding, and needs to be compared to what is being put forward by the Delta Construction Finance Authority in its JPA financial plan for the Delta tunnels. We believe this worthy of further investigation. I am attaching the Bond Prospectus for your review.

If you have any questions regarding these items, please feel free to contact me. I also hope that staff members have time to review our recent report *The Fate of The Delta* on Delta environmental justice communities. In the report, we document how DWR has failed to define, identify, and engage with the Delta's significantly large environmental justice community in planning for California WaterFix.

Yours in service,

Barbara Barrigan-Parrilla
Executive Director
Restore the Delta

Cc: Senate President pro Tempore Toni Atkins

Attachments: DWR Bond Prospectus
Coalition Letter to DWR