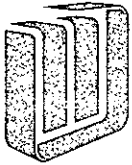


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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
EXECUTIVE SECRETARY

Karen E. Dahl
EXECUTIVE SECRETARY

February 25, 1992

To: Board of Directors (Water Problems Committee--Action)
(Executive Committee--Action)
From: General Manager (Special Committee on Legislation--Action)
Subject: Support in Principle for Central Valley Project
Reform Legislation

Report

Recently, Senator J. Bennett Johnston (D-Lou.), Chairman of the United States Senate Committee on Energy and Natural Resources, developed draft reform legislation for the Central Valley Project (CVP). Like previous Senate bills, S.2016 (Seymour) and S.484 (Bradley), the Johnston draft seeks to provide fish and wildlife benefits and promote the transfer and use of CVP water outside the traditional service area boundaries of the project. A copy of the Johnston draft and a brief summary of its provisions are attached for your information.

To protect and enhance fish and wildlife resources, the Johnston draft incorporates many of the specific environmental projects included in S.2016. In addition, the Johnston draft assigns 1.5 million acre-feet (MAF) per year from existing CVP supplies to fish and wildlife purposes in the Central Valley. (At present, the CVP typically delivers about 7 MAF per year; it is not clear how the responsibility would be shared.) This water would be used to meet fish and wildlife water needs either through a contract with the State of California or as directed by the Secretary of Interior (Secretary) in consultation with a Fish and Wildlife Advisory Committee created under the Act.

Like S.484, the Johnston draft provides for new contracts to sell up to 100,000 acre-feet per year of CVP water for municipal and industrial purposes to the highest bidder. To promote water transfers, upon renewal of a CVP contract, the draft provides that all of the water would become available for transfer by either the contractor or individual water users to the extent authorized by state law. Such transfers would require purchasers outside the CVP service area to pay the full cost of the transferred water (as defined in the Reclamation Reform Act of 1982) and an additional payment to a Restoration Fund (Fund), created by the Act, equal to 25 percent of the

transferred water or 25 percent of the difference between the price paid by the transferee for the water and the price the water user would have paid to the Secretary. Payments to the Fund would be used to pay for additional environmental improvements and to address the adverse economic and social consequences, if any, resulting from transfers.

The Johnston draft also provides for the renewal of CVP contracts for a term of twenty years, but only after the Secretary analyzes the cumulative impacts of the contract renewal per federal and State environmental laws. Upon contract renewal or amendment, CVP contractors would be required to implement a variety of water management programs, including metering of all water use, water pricing reforms, and agricultural water conservation Best Management Practices. In addition, the draft would require that full-cost water rates be charged for water used to grow federally subsidized crops that are in surplus supply. These crops would also have a lower priority for CVP water during shortage years.

Other provisions of the Johnston draft would require the Secretary to conduct modeling studies to improve scientific understanding of water-related environmental issues. These studies would address, among other issues, the use of alternative water diversion methods from the Delta, including isolated facilities. Finally, the draft provides for studies of the possible eventual transfer of the CVP to the State of California or to the CVP contractors.

In December 1991, your Board voted to support S.2016 in principle and requested that staff continue to work with all involved legislators and parties. Just as S.2016 contained features desirable from Metropolitan's perspective, preliminary review of the Johnston draft indicates that it also contains significant provisions that could be beneficial to Metropolitan. Accordingly, it is recommended that your Board support in principle the Johnston draft. The draft eliminates many of the provisions that were potentially harmful to Metropolitan in S.484 and incorporates many of the positive fish and wildlife provisions of S.2016. The water transfer provisions of the Johnston draft differ from those negotiated in S.2016, which were the result of a negotiated compromise between CVP agricultural and urban interests. While Metropolitan should continue to support, in principle, the water transfer provisions of S.2016, the water transfer provisions of the Johnston draft, with some refinements, would also serve Metropolitan's interests.

CVP reform legislation will continue to undergo negotiation and change, and Metropolitan staff will continue to work with all parties. Areas of particular interest in the

ongoing discussions include the precise rules governing the transfer and use of water outside the CVP service area and the impact of various provisions on the amount of CVP water potentially available for transfer; provisions that could affect the timeliness and amount of potential water transfers; the amount of water available under new contracts for sale outside the CVP service area; and provisions to assure that drinking water concerns are reflected in actions to improve the environment and in any studies of the Delta conducted under the Act.

Board Committee Assignments

This letter is referred to:

The Water Problems Committee for action because of its authority to make recommendations regarding water policies, pursuant to Administrative Code Section 2481(a);

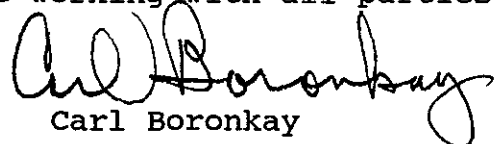
The Executive Committee for action because of its authority to study, advise, and make recommendations with regard to policies and procedures to be considered by the Board under Administrative Code Section 2417(e); and

The Special Committee on Legislation for action because of its authority to study, advise, and make recommendations with regard to State or federal legislation.

Recommendation

WATER PROBLEMS AND EXECUTIVE COMMITTEES, AND THE SPECIAL COMMITTEE ON LEGISLATION FOR ACTION.

That your Board support, in principle, Central Valley Project reform legislation as proposed by Senator J. Bennett Johnston and direct staff to continue working with all parties.


Carl Boronkay

THQ:kmk

Attachments

THQ:JOHN

MWD STAFF SUMMARY OF JOHNSTON DRAFT

1. Selected Purposes of the Act include:

- o to protect, restore, and enhance fish, wildlife, and associated habitats in the Central Valley and Trinity River Basin;
- o to address impacts of the Central Valley Project (CVP) on fish, wildlife and associated habitats;
- o to improve the operational flexibility of the CVP;
- o to increase water-related benefits provided by the CVP through expanded use of voluntary water transfers and improved water conservation;
- o to study transfer of the CVP to non-federal interests;
- o other purposes.

(See Section 2 page 1)

2. Fish and Wildlife Provisions

- o Reauthorizes CVP to include fish and wildlife as a project purpose equal to other authorized purposes including water supply for irrigation, municipal and industrial (M&I) uses, and power generation.
- o Sets objective of doubling natural production of anadromous fish by year 2002.
- o Provides 1.5 million acre-feet (MAF) per year of CVP water supply for implementing the fish and wildlife provisions of the Act, not including water required by the Act on the Trinity River and water required for refuges. Allows for the State to manage, under contract, the 1.5 MAF for fishery purposes.

- o The Secretary of Interior (Secretary) is authorized to develop and implement many of the same fishery improvement projects contained in the Seymour bill, including:
 - (a) Tracy Pumping Plant mitigation;
 - (b) Contra Costa Pumping Plant mitigation;
 - (c) Shasta Dam temperature control device;
 - (d) Correction of fish passage problems;
 - (e) Rehabilitation of Coleman Fish Hatchery;
 - (f) Rehabilitation of spawning gravels; and
 - (g) Modification of Delta Cross Channel Gate operations for striped bass.

- o Would establish a biological assessment program to monitor fish and wildlife resources and assess the results of measures taken.

- o Would require operational criteria to maintain minimum carryover storage to protect and restore anadromous fish. This would probably require a significant portion of the 1.5 MAF.

- o Would create a "Central Valley Fish and Wildlife Advisory Committee" to make recommendations to the Secretary with regard to fish and wildlife restoration actions. Secretary would have final decision.

- o Would create a "Central Valley Project Restoration Fund" with deposits from donations and revenues provided under the Act including \$30,000,000 from annual operation and maintenance charges on all sales of project water and power.

- o Would allow for delivery of firm water supplies of suitable quality to maintain and improve wetland habitat.

(See Section 6 pages 7 through 15)

3. Water Transfer Provisions

- o All new, renewed, or amended CVP contracts shall provide that all CVP contract water may be transferred by the CVP contractor or the individual water user to other non-CVP water users or agencies to the extent allowed by State law.

- o The bill goes no further than State law in facilitating water transfers. No transfers could occur until contracts are renewed.

- o New contracts for up to 100 TAF per year of CVP water would be allowed for M&I uses. Contracts go to highest bidder for at least \$100 per AF.

- o Water transferred for M&I uses must be repaid at the greater of cost of service or federal M&I rates.

- o Transfer water appears to only be available from CVP contractors (not water rights holders or exchange contractors) with a 25 percent "environmental tax" on net proceeds or transferred water.

- o Secretary may agree to transfer up to one-half of the revenue collected from the water transfer tax to the State to mitigate third party impacts, if any.

(See Section 4 pages 3 through 6)

4. Agricultural Water Management

- o All new, renewed, or amended CVP contracts must require meters for groundwater and surface water within five years.

- o All new, renewed, or amended CVP contracts must require compliance with applicable agricultural drainage water quality standards.

- o Pricing for all new, renewed, or amended contracts will have price reforms based on an increasing block rate.

- o All new, renewed, or amended CVP contracts must require development of water conservation "Best Management Practices".

(See Section 5 pages 5 through 7)

5. Surplus Crops

- o Full cost will be charged for CVP water (except for exchange and water rights contractors) used on crops in a federal acreage-reduction program, unless the crops are needed for reserves.
- o Shortages on CVP system would first be applied to agencies (except for exchange and water rights contractors) that have crops in an acreage-reduction program, equal to the amount of water used on those crops.

(See Section 6 pages 15 through 16)

6. Other Provisions

- o Establishes a "Fish and Wildlife Advisory Committee" to make recommendations to the Secretary regarding fish and wildlife restoration measures. (Section 10 pages 18 through 20)
- o Requires analysis of alternative Delta water diversion methods and facilities, including isolated facilities, to support the Secretary's efforts in fulfilling the requirements of the Act. This provision is significant since isolated facilities will be needed if the Act's fishery objectives are to be met. (Section 6 page 15)
- o Establishes a "CVP Transfer Advisory Committee" to study and report on transfer of the CVP to the State. (Section 11 pages 20 through 22)