Natural Resources Defense Council
Environmental Defense Fund
Save The Bay
The Bay Institute of San Francisco

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Dear Mike and Steve:

As you know, we strongly support the development of a CALFED water management program that provides water for ecosystem restoration and improved water supply reliability for water users. We firmly believe that it is possible to develop a program that can achieve these twin goals. To this end, the environmental community prepared a Blueprint for an Environmentally and Economically Sustainable CALFED Water Supply Reliability Program.

The Water Management Development Team (WMDT) process will play a critical role in determining CALFED's ultimate success in this area. The scope of the WMDT includes the previously proposed Environmental Water Account, as well as efforts to address water supply reliability issues. To assist CALFED, we offer the attached suggestions regarding the keys to a successful WMDT effort.

We look forward to working with you to develop an equitable and economically and environmentally credible CALFED water management program.

Sincerely,

Barry Nelson
Natural Resources Defense Council

Spreck Rosekrans
Environmental Defense Fund

Cynthia Koehler
Save The Bay

Gary Bobker
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KEYS TO A SUCCESSFUL WATER MANAGEMENT DEVELOPMENT EFFORT

1. BASELINE AND WATER ALLOCATION

A. CALFED Must Establish a Clear Baseline for an Environmental Water Account. An EWA cannot work without clarity regarding both the regulatory and the water supply baseline. By definition, an account of this kind tracks "ownership" of water. If all parties do not share a common understanding of where things stand initially, the effort is doomed to conflict. Existing laws, regulations and project operations clearly set forth the appropriate baseline regarding water supply and required environmental protection and restoration. Actions such as improved flows for the Trinity River and Delta restoration measures under the CVPIA are obligations that pre-date CALFED. Calls from some water users to devote water supplies generated by CALFED to "make up" for these actions are without legal basis, would violate CALFED's decision principles and would doom the Ecosystem Restoration Program to failure. CALFED must clearly delineate the foundation upon which the Water Management Development Team (WMDT) will build. *Recognizing the environmental and water supply baselines is a key to assuring that CALFED produces a balanced package with real ecosystem and water supply reliability benefits.*

Recently, DOI acknowledged the importance of this issue in a letter to the Metropolitan Water District, which stated that "the (water) transfers contemplated by the state (as part of the California Plan) cannot occur unless there is a baseline upon which conservation and transfers can be measured" (Letter from David Hayes to Philip Pace, Feb. 1, 1999). Baseline issues are no less important in the Bay-Delta than they are in Southern California.

B. CALFED Must Clearly Indicate Who Will Get The Water. CALFED is no longer pursuing an account designed to provide water for environmental purposes separately from efforts to provide water for other purposes. The WMDT is reviewing potential tools to generate water supply reliability benefits for consumptive and environmental uses. CALFED decision-makers have not indicated how water generated from these tools would be allocated among different uses. *CALFED must clearly indicate who will receive the water from the final package of tools. This allocation process must be developed simultaneously with potential tools.*

2. ECOSYSTEM RESTORATION

A. Mitigation Must Come Before Allocation of "New" Water. Many of the water supply tools under consideration by CALFED (such as new surface storage, joint point of diversion and the relaxation of Delta pumping limits) could result in significant environmental harm. If these tools were implemented, it would be necessary to dedicate some of the water generated to mitigate for these impacts. Mitigation costs should be counted on the water supply

reliability side of the ledger, not as ecosystem restoration. *The WMDT product must clearly distinguish between water required for full mitigation and water available for ecosystem restoration, ESA or other purposes. Given the short timeline, CALFED should give priority to tools that would not cause environmental impacts.*

B. Allocation of Environmental Water: Discussion of an Environmental Water Account has been focused largely on resolving Delta Endangered Species Act issues. However, ecosystem restoration will require water significantly beyond ESA requirements if CALFED is to achieve its broad ecosystem restoration goals in the Delta and upstream. All of the water necessary to achieve these goals in Stage 1 must be developed through the water management tools under consideration by the WMDT. Therefore, *CALFED must allocate "new" environmental water to the full range of CALFED's ecosystem restoration goals, not just to ESA compliance.*

3. INSTITUTIONS AND ASSURANCES

A. An EWA Requires a Biologically-Based Decision-Making Process. If an EWA is to succeed, the manager of the environmental water must make biologically-based decisions that are in the best interest of the ecosystem. Many of these decisions are likely to be controversial and subject to intense political pressure. *CALFED must craft an institutional structure that insures the ecological integrity of the decision-making process, particularly if that process is intended to provide confidence that new flexible protections are in the best interest of the ecosystem.*

B. Assuring Promised Benefits. The Trinity River provides a classic case study of the perils of "flexibility" and the difficulty of translating assurances of ecosystem benefits into on-the-ground results. *The WMDT product must be designed to provide appropriate assurances that ecosystem benefits will actually be realized.*

4. ECONOMICS AND FINANCE

A. The WMDT Effort Must Incorporate the Beneficiary Pays Principle. Although CALFED has adopted a beneficiaries pay principle, this principle is not yet reflected in the development of tools in the WMDT. *A clear, specific financing strategy for these tools, built on a meaningful baseline, must be developed simultaneously with the evaluation of potential tools.* If no interested party is willing to pay for potential tools, they should be eliminated from consideration.

B. Economic Analysis Must Inform Decision-Making: To date, the WMDT has ignored economic issues, such as the cost of different water supply options. CALFED has undertaken an Economic Evaluation of Water Management Alternatives to provide basic economic information to inform decision-making. This effort is beginning to produce results, confirming that some water management strategies are unjustifiably expensive and are well beyond the willingness to pay of most or all stakeholder groups. *CALFED must incorporate basic economic principles if it is to produce an implementable result from the WMDT process.*

5. RESPONDING TO CHANGING CONDITIONS AND COMMUNITY GOALS

A. Compatibility with Adaptive Management. The adaptive management approach acknowledges that no planning process has perfect foresight. Some water management tools are more compatible with allowing managers to change course to respond to future conditions. Other tools are less compatible with this approach, either due to the amount of time required for scientific, legal and policy review to make adaptive decisions (e.g. X2 standards) or due to large step functions in investment (new surface storage). *CALFED must evaluate the extent to which water management tools will allow the final CALFED plan to be adaptively managed.*

B. Compatibility with Additional Goals of Paying Beneficiaries. Water users evaluate potential water management tools on the basis of water quality benefits, local economic and community benefits, the extent to which tools will strengthen local autonomy and other local goals. Although many water users have suggested additional goals for water management tools, it is the desires of paying beneficiaries that will determine if the final CALFED water management plan will be implemented. *CALFED's WMDT plan must acknowledge that those who pay for these tools will evaluate the extent to which they further additional local goals.*

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