April 26, 2018

Armando Quintero, Chair
California Water Commission
P.O. Box 942836
Sacramento, CA 94236-0001

Re: SUPPORT - Inland Empire Utilities Agency Chino Basin Conjunctive Use Environmental Water Storage/Exchange Program

Dear Chairman Quintero:

We are writing on behalf of the entire California salmon fishing industry to express our support for funding for the Inland Empire Utilities Agency proposal to the Commission. The IEUA project could provide high priority benefits for Bay-Delta salmon runs. Specifically, the project could provide needed dry and critical year pulse flows for outmigrating juvenile salmon on the Feather River.

The Golden Gate Salmon Association represents the entire California salmon fishing industry, including commercial, party boat and recreational fishing, salmon related businesses, restaurants, a Native American tribe and the many families and communities, both coast and inland, that rely on the Bay-Delta salmon run, California’s largest. The Pacific Coast Federation of Fishermen’s Associations represents commercial fishing interests, including port and fishermen’s marketing associations, with members from San Diego to Alaska. IEUA’s proposal comes at a critical time for our industry. The past decade has seen the two greatest crises in the history of California’s iconic salmon fishery. From 2008-2009, our salmon fishery was shut down, putting tens of thousands of people out of work and causing economic impacts of more than a billion dollars per year. In recent years, the drought and poor water management has caused another decline, resulting in a severely restricted salmon season in 2017 and 2018.

This dire situation requires prompt action and creativity. The CWC process provides such an opportunity. However, we urge the Commission to be cautious
and to fund only projects that promise credible environmental impacts, with low risk of additional environmental harm. The IEUA project meets this test.

**Summary of Recommendations:** At your upcoming meeting, we urge the CWC to take the following actions regarding the IEUA application:

- Raise the IEUA PBR to reflect the following specific recommendations.
- Do not reject “real world” water transfer prices, in favor of modeled future prices.
- Determine water transfer prices in the spring of 2018.
- Integrate full implementation of SGMA - including meeting 1-2 MAF of potential new agricultural demand for transfers – into projections of future transfer prices.
- Analyze the performance of the federal water acquisitions programs for both salmon and for wildlife refuges since the passage of the CVPIA. In particularly, focus on the effectiveness of these programs in providing incremental Level 4 refuge supplies and supplemental water for salmon through voluntary water acquisitions.
- Integrate into your analysis of the IEUA proposal the low risk of unintended environmental damage from the project.
- Integrate SJR 7 and other state mandates to restore salmon into your final funding decision.

We offer the following detailed comments and recommendations regarding the IEUA proposal and the CWC review of that proposal.

**Specific, High Priority Ecosystem Benefits:** IEUA proposes to dedicate environmental water to provide dry and critical year spring pulse flows for salmon from Oroville Dam on the Feather River. The Feather is formerly one of California’s great salmon producing rivers. However, it has been highly degraded by water development and the loss of historic floodplains. DWR has committed to an ambitious habitat restoration program, once the Oroville FERC license is renewed. However, we believe that one of the missing components in that agreement is a mechanism to ensure that pulse flows are provided when spring run and fall run juvenile salmon are ready to migrate to the ocean. Such pulse flows speed outmigration, increase turbidity, decrease predation losses, increase floodplain inundation and expand food production. These pulse flows can produce more, larger and healthier juvenile salmon, with a greater chance of surviving to adulthood.

Pulse flows on the Feather would benefit naturally reproducing fall run and spring run salmon and steelhead, as well as the two million hatchery raised spring run and the one million hatchery raised fall run salmon that are targeted by hatchery managers for release in the Feather River basin.
Following requests from our organizations, DWR recently provided a pulse flow on the Feather, to assist in the outmigration of juvenile hatchery raised spring run salmon. The IEUA project could provide a mechanism to provide reliable, high priority pulse flows in the years when they are most difficult to obtain.

**Transfers as an Alternative to the Proposed Project:** The CWC’s economic reviewers found, in developing the initial draft PBR, that: “voluntary water transfers could be used to provide the same timing and amount of water as provided by the CBEWP.” We strongly disagree with this conclusion. In fact, the federal program cited by CWC reviewers clearly supports our position.

Staff’s April 20 response to IEUA’s appeal of the draft PBR states that “(t)he Water Acquisition Program, implemented by the U.S. Bureau of Reclamation and the U.S. Fish and Wildlife Service, has operated for twenty years, and other purchase programs in the recent past….demonstrate that such programs are feasible.” (P. 3). However, staff’s analysis does not discuss the performance of these programs in detail.

We urge the CWC to examine these federal water purchase programs carefully. They clearly demonstrate that reliance on voluntary agreements, rather than dedicated water supply, is far less effective at providing ecosystem benefits.

**CVPIA Program to Acquire Water for Salmon:** One key federal water acquisition program is the Central Valley Project Improvement Act voluntary water purchase program (Sec. 3406(b)(3)) to provide benefits for fish and wildlife, including salmon. The CVPIA Restoration Fund provides a potential funding source for this program. However, over the past 25 years, this program has failed to provide significant, reliable benefits for salmon.

The overall CVPIA Anadromous Fish Doubling Program failed to double naturally spawning salmon production by 2002, as required by the Act. Yet despite this lack of progress, DOI has not successfully used the water acquisition program to help meet the needs of salmon. One of those needs, inadequate spring flows in dry years, has been well know for decades. Certainly, DOI can be faulted for not maximizing the effectiveness of this program. However, over the past 25 years, this acquisition program has failed to provide significant benefits for salmon. In particular, it has failed to provide the spring pulse flow benefits proposed by this program.

**Level 4 Refuge Supply Program:** The other key Department of the Interior Central Valley water acquisition program is intended to provide the incremental Level 4 refuge water supplies required by the CVPIA. This program has relied largely on short term transfers. As a result of this reliance, Interior failed dramatically to meet the CVPIA requirement to provide full level 4 supplies by 2002. From 2007-2015,
this program has provided less than one third of legally mandated incremental Level 4 refuge supplies. Over the past 25 years, wetlands and waterfowl advocates have repeatedly advocated for long-term agreements. Nevertheless, the program has largely failed to provide legally required wetland water supplies. In response, waterfowl and wetlands advocates worked closely with the Contra Costa Water District to provide a dedicated supply through the proposed expansion of the Los Vaqueros Reservoir. In 2016, a group of water agencies, in collaboration with these same wetlands advocates, also successfully launched the North Valley Regional Recycled Water Program, which will provide dedicated Level 4 refuge water supplies. In this way, the IEUA proposal to dedicate water to salmon needs is similar to the Contra Costa Water District proposal to dedicate water to wetland and waterbird needs through the proposed Los Vaqueros expansion.

**Environmental Water Account:** The EWA represents another effort to provide new environmental benefits through voluntary transfers. Unfortunately, this effort also proved to be unsuccessful. In fact, there is evidence that this program itself resulted in unintended environmental damage. As a result of this poor performance, the EWA was discontinued.

Simply put, over the past 25 years of experience in the Central Valley, compelling evidence has emerged that voluntary transfers are not as effective in providing pulse flows for salmon as the IEUA proposal would be. It is true that some water users have been more successful in obtaining benefits from voluntary water transfers. However, the past quarter century of experience in the Central Valley has shown that voluntary transfers are far less effective in providing environmental benefits than the dedication of water to specific environmental benefits.

**Future Transfer Prices:** We agree with IEUA’s responses to the conclusions of the economic reviewers regarding future prices regarding voluntary transfers and offer the following additional perspectives.

We believe that economic reviewers have significantly underestimated future transfer prices. In fact, we believe that rising prices will create additional new obstacles to providing ecosystem benefits through voluntary transfers in the future. In particular, reviewers responding to the IEUA appeal found that 2014 and 2015 represented an “extreme drought” and that the water transfer prices paid during those years are not predictive of future prices. We do not believe these real world prices should be rejected, in favor of prices predicted by a model. Fortunately, the CWC has an opportunity to validate our concerns. We understand that transfer prices early in 2018 remain high. We urge the CWC to investigate this, as it could

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test the reliability of the model used by reviewers, with regarding to future transfer prices.

In addition, as SGMA requirements are fully implemented, Central Valley water users will seek ways to eliminate an average annual groundwater overdraft of 1-2 MAF. This will inevitably increase competition for water, raise prices and increase the cultural obstacles to transferring water away from agricultural uses. Thus, the SGMA program, badly needed though it is, is likely to significantly increase average water transfer costs and create new obstacles to transfers for ecosystem purposes.

**Low Risk of Unintended Environmental Impacts:** California has a long history of storage projects that have caused severe environmental damage, particularly to our critical salmon runs. In fact, some of these storage projects, such as on the Trinity River, were sold to the public in significant part on the basis of claimed environmental benefits. In reality those benefits have been illusory. Claims of environmental benefits from proposed storage projects are not new. We thank the CWC for careful analysis to ensure that claimed benefits from the projects you fund are credible.

IEUA proposes to generate water to benefit the environment by developing Southern California water recycling and groundwater storage. This approach to storage significantly reduces the risk of unintended environmental impacts from generating new environmental water. This is important, because the CWC can only fund projects for net environmental benefits. One of the best ways to ensure net environmental benefits is to design storage projects that generate “new” water in a manner that avoids initial environmental impacts. The IEUA project does this.

This approach is not shared by all proposals to the CWC. Other proposed projects would generate water through large diversions from important salmon producing systems. In these cases, before it can assess potential ecosystem benefits, the CWC must contend with the potential ecosystem impacts of these proposed projects. The long record of environmental damage from storage projects highlights the importance of this task.

By generating water through recycling and groundwater storage, IEUA’s proposal dramatically reduces the uncertainty associated with evaluating potential impacts from the project, making the task of assessing potential benefits more straightforward and less uncertain.

**Required Exchange Agreements:** It is important to note that there are a few areas where additional agreements and analysis are required for the IEUA project to succeed. Specifically, this project relies on exchanges with MWD and DWR, to deliver anticipated salmon benefit. We are pleased that MWD has written a letter of support for the project. In addition, the State Water Board’s salmon doubling
requirement for the Bay-Delta, as well as SJR 7, which urges state agencies to make salmon restoration a priority, give DWR strong direction to enter into an agreement to provide Feather River spring flows for salmon.

The project also should enter into an agreement with the CVP to ensure that the water released pursuant to this project, and protected by Section 1707 (See discussion below) is not recaptured by the CVP through reoperation of Shasta Dam, Folsom Dam or other facilities. And finally, IEUA proposes to enter into an agreement or program regarding the continued release of water to the Santa Ana River.

Our organizations look forward to working with IEUA to obtain these agreements.

**Protecting Instream Flows:** The project application indicates that the pulse flows released from Oroville Dam would be protected under Section 1707. We recommend that this Section 1707 protection be extended through the Delta, where these added flows would provide additional benefits. (This action would also assist in the implementation of new dry and critical year outflow standards, when those needed standards are adopted by the State Board.) If the public pays for this water, it should be used to provide environmental benefits all the way to the Bay. However, if the Section 1707 protections do not prevent recapture of this water as it passes through the Delta, then any recapture should be carefully modeled and monitored, and the cost allocation between public and private benefits should be adjusted accordingly.

We believe that the CWC schedule allows adequate time for these agreements and additional analysis before the final allocation of Proposition 1 funds.

**Economic Value of the Salmon Fishery:** We are pleased that the CDFW and CWC review upheld the increased emigration benefit that the project would provide. However, we are disappointed that the CWC review reduced the economic value of this benefit from IEUA’s claimed $215.8 million to $76.0 million. We understand that this valuation is based on alternative methods to provide this benefit. (See discussion above.) However, we urge the CWC to consider the economic value of the California salmon fishery and the importance of Sacramento Basin fish to that industry.

Attached is a 2012 analysis by Southwick Associates that concludes that the economic value of the California commercial and recreational salmon fisheries from 2004-2006 was $1.4 billion per year, with an employment benefit of 23,000 jobs. The value of a fully restored fishery is significantly greater. The vast majority of the salmon caught by the state’s salmon fishing industry are produced by the Sacramento Basin, including the Feather River.
The vulnerability of this industry is highlighted by the 2008-2009 closure of salmon fishing in California. We are, today, experiencing another salmon crisis, with low projected adult salmon populations and severely limited fishing seasons. Unless prompt and effective action is taken to restore Sacramento Basin runs, permanent damage to the fishing industry, and the communities and families it supports, could result.

**State Mandates for Salmon Restoration:** We also encourage the CWC to consider the multiple state mandates for salmon restoration. In particular, last year, the California legislature passed SJR 7, which encourages state agencies, including the CWC, to make collaborative salmon restoration a high priority. The IEUA proposal represents just such an opportunity.

**Water User Benefits:** Finally, it is important to note that this project would also provide multiple benefits for water users, in addition to salmon. It would create a new climate and drought resistant local Southern California water supply. This new water source would provide emergency supply benefits, as well as improved water quality. Thus, this project demonstrates that it is possible to design storage projects that provide significant environmental and water user benefits. However, as in this case, those storage projects will look significantly different from, and will be operated significantly different from, traditional water storage projects.

We urge the CWC to adopt a final Public Benefit Ratio that reflects the project’s significant potential benefits and to award the project with an appropriate share of funding. GGSA and PCFFA congratulate IEUA for developing a creative, 21st century water storage project.

Sincerely,

John McManus
GGSA

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PCFFA

Cc: Halla Razak, IEUA