

**DEPARTMENT OF WATER RESOURCES****CALIFORNIA WATER COMMISSION**

1416 NINTH STREET, P.O. BOX 942836  
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**Anthony Saracino**  
Chair

July 3, 2012

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Vice Chair

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Member

**Daniel Curtin**  
Member

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Member

**Kimberley Delfino**  
Member

**Luther Hintz**  
Member

The Honorable John Laird  
Secretary for Natural Resources  
1416 Ninth Street, Suite 1311  
Sacramento, California 95814

Julie Chapman, Director  
Department of Personnel Administration  
1515 S Street, North Building, Suite 400  
Sacramento, California 95811

Dear Secretary Laird and Director Chapman:

**Sue Sims**  
Executive Officer

In a letter dated March 29, 2011, the California Water Commission urged the Brown administration to take action to resolve a serious workforce recruitment and retention crisis that is impacting the reliability of the State Water Project (SWP) operations and the safety of its employees. We understand that the Department of Water Resources (DWR) has brought this issue to the Department of Personnel Administration's attention, and has met on numerous occasions with yourselves and other Administration officials to provide additional information. The California Water Commission wishes to express its ongoing support for a reasonable and expedited resolution to this important matter.

Over the past year, recruitment and retention for personnel in the specialized hydroelectric power trades and crafts classifications have continued to pose a major challenge to DWR. The salaries already define the bottom of the pay range for the hydroelectric industry in California, and the 5% salary reduction for all state employees in the FY 2012/13 budget will only exacerbate the problem. Due to the issues resulting from this pay disparity between the state and other public and private utilities, DWR has been unable to fill many of its authorized positions. For instance, 93 new positions were approved for FY 2011/12 but approximately one-third of those positions were not filled due to lack interest from qualified candidates. Impacts of a limited and less experienced workforce include a significant backlog of maintenance needs and an ongoing decline in operational availability (OA), as well as greater challenges in meeting regulatory requirements and maintaining a world-class safety program.

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Julie Chapman, Director  
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For example, between 2005 and 2012, the OA of SWP pumping units dropped from 92% to 77% in part because of the lack of staff to maintain, repair, and operate the system at full capacity. In addition to threatening the reliability of the SWP to make deliveries for water supply, reduced OA also threatens the ability of the SWP to meet downstream temperature requirements for fish and other ecosystem needs more difficult. The reduced OA also restricts the SWP's ability to manage power use effectively, shifting additional pumping loads into the higher priced "on-peak" electricity market which results in higher water delivery costs. DWR estimates that these excess energy costs caused by lower OA have added approximately \$50 million in operational costs in 2011 alone. Furthermore, the SWP's ability to be flexible in managing its power resources can, at times, allow the SWP to provide wide public benefit by helping stabilize California's power grid, so when SWP OA is restricted, the opportunity to provide this key additional public benefit can be lost.

DWR believes its recruitment and retention issues, and the many resulting challenges, can be significantly resolved by aligning pay for skilled trades and crafts workers with industry standards. The increased cost to address these issues and achieve pay parity is estimated at approximately \$12 million annually. ***These additional costs would have no impact to the State's General Fund as the costs would be paid from SWP funds received through water delivery charges to State Water Contractors*** (who have also sent letters urging the administration to help resolve these same issues). This is a fraction of the annual energy and compliance costs currently being incurred by the SWP because of these issues, and even more importantly, it represents a prudent and necessary investment to maintain the safety of our personnel, equipment and the public.

The California Water Commission once again urges the Administration to address this critical issue facing our state's water system.

Sincerely,



Anthony Saracino, Chair  
California Water Commission

Attachment (March 29 Letter)

cc: Mark Cowin, Director

DEPARTMENT OF WATER RESOURCES  
**CALIFORNIA WATER COMMISSION**  
901 P STREET, P.O. BOX 942836  
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MAR 29 2011

Honorable John Laird  
Secretary for Natural Resources  
California Natural Resources Agency  
1416 Ninth Street, Room 1311  
Sacramento, California 95814

Ronald Yank, Director  
Department of Personnel Administration  
1515 S Street, North Building, Suite 400  
Sacramento, California 95811-7258

The California Water Commission is deeply concerned about a workforce recruitment and retention crisis that is impacting the State Water Project (SWP), and its ability to safely operate and maintain critical facilities and provide reliable water supplies to 25 million Californians and over 700,000 acres of farmland.

At our January 19 meeting, the Department of Water Resources (DWR) provided information to the Commission on its inability to recruit and retain necessary numbers of qualified personnel, particularly in the highly specialized hydroelectric power trades and crafts classifications which are responsible for performing the daily operations and maintenance of the SWP infrastructure. Despite a statewide unemployment rate of 12 percent, qualified workers are not applying for these DWR positions, underscoring both the limited talent pool and DWR's non-competitive salaries for these classifications.

The skills required to run the country's largest state-owned water and power utility - such as purchasing power, scheduling water and power deliveries, and operating and maintaining the SWP's complex infrastructure - are in great demand from private and other public utilities. This is especially true since deregulation of California's energy market in the mid-1990s. However, DWR's civil service pay scales simply have not kept pace with other utilities to attract and retain employees with these highly specialized skills. According to recent salary surveys, DWR's total compensation packages for employees in these classifications are by far the lowest among comparable water and power utilities in California. This problem has been compounded in recent years by numerous administrative actions including furloughs, salary cuts, overtime restrictions, and hiring freezes in response to the State's ongoing General Fund deficit, despite the fact that 100 percent of the SWP operations and maintenance costs are borne by the SWP contractors and their ratepayers, not the General Fund. The need for these highly-skilled employees continues to grow, and yet DWR continues to lose people to similar jobs in higher paying utilities.

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Ronald Yank, Director

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DWR conducts an extensive apprentice training program for its hydroelectric trades and crafts classifications. Through the program, apprentices complete three to four years of on-the-job training to reach the journey level. This training represents a significant financial investment for the State, yet many of these employees leave DWR shortly after graduation for significantly higher paying jobs at other utilities.

DWR has been seeking resolution of the pay parity issue with previous administrations for more than 10 years, without success. In the absence of resolution, DWR has been forced to rely heavily on overtime to conduct necessary maintenance and on contracting out millions of dollars of work. The impacts of the recruitment and retention crisis are evident and, if not addressed, will certainly become more severe, perhaps even catastrophic. Staff shortages and inexperience have resulted in a serious backlog of deferred maintenance and increase the probability of operational errors and equipment malfunctions that jeopardize public safety and SWP reliability. For the first time in its 50-year history, the SWP missed water deliveries last fall. Critical equipment was out of service due to the lack of staff needed to perform necessary maintenance and repairs. DWR reported to the Commission that the SWP was unable to export tens of thousands of acre feet from November 2010 through January 2011 due to forced outages at its Delta pumping facilities, increasing the risk that these water supplies may not be available to farms, families and communities later this year. This could result in higher costs passed on to ratepayers for replacement water supplies.

In addition, the decline in operational reliability is increasing the cost of water for SWP customers through higher costs to meet the SWP's electrical power demands. The SWP is the largest single consumer of electricity in California. To reduce energy costs, pumping is generally scheduled "off peak" when energy demands and prices are lowest. However, limited pumping capacity due to the shortage of operations and maintenance staff is restricting the ability to manage power uses efficiently, forcing more pumping loads into the higher priced "on-peak" electricity market. DWR estimates that SWP energy costs will increase between \$25-30 million for 2011 without the ability to optimize the pumping schedules.

DWR has outlined the issues in a letter to the Department of Personnel Administration dated February 18, 2011 (attached). In the last several months, both the Little Hoover Commission and the Public Policy Institute of California have recommended reorganizing SWP governance as a long-term solution to a number of issues. While this may represent a long-term solution, the Commission sees the need for more immediate action on compensation and labor relations issues by the Administration and the Legislature and to address the current recruitment and retention issues and reverse the troubling decline in SWP operational reliability.

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Ronald Yank, Director

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Consistent with its statutory authority to review the operation of the SWP and report to the Legislature, the Commission is asking Legislature and the Administration to quickly resolve this recruitment and retention crisis. The present situation is not sustainable. California owes its economic development to the forward-thinking leaders of the 1950's and 1960's, and to the employees who operate and maintain the SWP. Yet these workforce issues continue to impact the reliability of California's water system, the state's economy, its farms, and its people.

Sincerely,

A handwritten signature in black ink, appearing to read 'Anthony Saracino', written over a horizontal line.

Anthony Saracino, Chair  
California Water Commission

California Water Commission Members:

- Andrew Ball
- Joseph Byrne
- Dave Cogdill
- Daniel Curtin
- Joe Del Bosque
- Kimberley Delfino
- Luther Hintz
- Paul Kelley
- Sue Sims, Executive Officer

Attachment