

DEPARTMENT OF WATER RESOURCES**CALIFORNIA WATER COMMISSION**

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Joseph Byrne
Chair

April 23, 2013

Joe Del Bosque
Vice Chair

Andrew Ball
Member

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

Daniel Curtin
Member

Kimberley Delfino
Member

RE: State Water Project Recruitment and Retention

Luther Hintz
Member

Dear Secretary Laird:

Anthony Saracino
Member

At its April 17, 2013 meeting, the California Water Commission heard presentations from the Department of Water Resources (DWR), State Water Project (SWP) employees, and labor representatives detailing more examples of how the long-standing workforce recruitment and retention crisis continues to threaten the ability of the SWP to operate safely and deliver reliable water supplies to millions of Californians.

Sue Sims
Executive Officer

The Commission wishes to reiterate our strong support for action to resolve the salary compensation inequities between the SWP and other public and private utilities that are contributing to problem of maintaining a highly skilled and experienced workforce. We are greatly encouraged by reports that, thanks to your leadership on this issue, productive discussions to address these critical issues are taking place.

The salary gap between many SWP job classifications and their counterparts in other utilities continues to grow. For example, salaries for the Senior Water and Power Dispatcher classification are currently 65% below the median for other comparable positions in the industry. This pay disparity has numerous negative impacts on SWP operations and maintenance, some of which were presented to Commission at its April 2013 meeting:

- **State Water Project Reliability:** Since 2004, there has been a steady decrease in the Operational Availability of the State Water Project, due in large part to limited staff resources to perform maintenance and optimize operations. This directly reduces the SWP's ability to deliver water to agricultural and urban customers, particularly in light of pumping restrictions during certain times of the year to protect fragile ecosystems. The decreased flexibility also increases energy

costs that are then passed on to consumers and businesses. Between 2011 and 2012, the SWP incurred an additional \$70 million in energy costs through missed opportunities to pump water during less expensive, non-peak hours.

- SWP Apprentice Program: DWR conducts an extensive apprentice training program for its hydroelectric trades and crafts classifications at an average cost of \$300,000-\$400,000 for three to four years of on-the-job training. Currently, many, if not most of these individuals, leave DWR shortly after completing the program for significantly higher paying jobs at other utilities, effectively rendering DWR's investment worthless.
- Outside Contracts: There are many instances in which the SWP has entered into contracts with private companies to perform work that could be done by its own workforce. Addressing the recruitment and retention issue would allow the SWP to reduce contracting out in some areas, resulting in a savings to ratepayers.
- Thermalito Pumping Generating Plant Fire: While not a direct result of the actions of SWP staff, it is worth noting that damage from the fire which destroyed the plant in November 2012 will cost millions of dollars in lost power generation in 2013 and potentially hundreds of millions in clean-up costs and reconstruction. These impacts may have been significantly minimized with on-site staffing of the pumping plant, had adequate personnel resources been available.

The discussions at the Commission's April meeting, in addition to previous concerns that have been presented to us, present a compelling case that the inability to maintain the level of skill required to effectively operate and maintain the SWP has increased the risk of catastrophic infrastructure loss and requires immediate action. Failure to address these challenges will exacerbate a problem already costing water users millions of dollars annually in added costs for energy, water supplies, maintenance and repair, and contracting for services that could be performed by SWP employees.

We further recognize the need to evaluate options for organizational changes and improvements in business practices that will enhance the long term reliability of the SWP. These may include new governance models such as those proposed by the Little Hoover Commission in 2010 and the Public Policy Institute of California in 2011, as well as management changes that are expected to be identified in an administrative issues study being prepared for DWR.

The Honorable John Laird
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The Commission thanks you for your leadership and commitment to improve the SWP's critical mission capability and to protect public and employee safety, natural resources, and the reliable delivery of water to California homes, farms and businesses.

Sincerely,

A handwritten signature in black ink, appearing to read "Joe Byrne", is centered within a light gray rectangular box.

Joe Byrne, Chair
California Water Commission

cc: Mark Cowin, Director, Department of Water Resources
Carl Torgersen, SWP Deputy Director, Department of Water Resources