

DEPARTMENT OF WATER RESOURCES

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April 7, 2004

Honorable John L. Burton, Chairman
Senate Rules Committee
State Capitol, Room 500
Sacramento, California 95814

ATTN: Nettie Sabelhaus
Rules Committee Appointments Director

Dear Chairman Burton:

This is in response to your letter of March 24, 2004 requesting responses to questions to help provide background for my confirmation hearing. The following are responses to each of the 20 questions:

1. **Goals for Tenure as Director, Department of Water Resources**

California water development has a history rich in legendary conflict and visionary leadership. My goal as Director is to promote management of our water resources to contribute to a vital economy, healthy environment, and high quality of life. While it is not possible to anticipate all the issues that will face us, some of my specific areas of attention will be:

Flood Management. The challenge of protecting the lives and property of Californians from flood damage has become increasingly complex. I will examine strategic approaches and specific programs in five areas: emergency response; risk management; maintenance of existing flood projects, including the respective roles of local agencies and the State; floodplain management for multiple benefits, along with a more rapid program of mapping; and capital outlay, for both existing and new flood projects.

CALFED Program. This program is our best opportunity to move forward collaboratively with a variety of resource management efforts related to water and the environment. I will place a very high priority on collaborative implementation of all CALFED program elements.

California Water Plan (Bulletin 160). I will work to complete the Water Plan Update such that it becomes a framework for effective regional water resource plans that integrate transfers, conservation, reuse, storage, and other aspects of water and resource management. DWR must provide a useful bulletin and other tools to help local water managers carry out integrated resource planning.

Effective Power Management. I will work to efficiently perform all statutory, legal, and fiduciary responsibilities regarding management of the State's long-term power contracts and servicing of power revenue bonds. This will include streamlining the way DWR recovers its revenue from utilities to lower costs to ratepayers, monitoring electricity market and gas supply forecasts, maintaining due diligence oversight on contracts, seeking opportunities to improve contract terms through renegotiations, and pursuing opportunities to assign the long-term contracts to the Investor-Owned Utilities.

FERC Relicensing. By January 31, 2005, DWR must submit an application to the Federal Energy Regulatory Commission for relicensing of the Oroville facilities that are the centerpiece of the State Water Project. I will work to retain the license for continued cost-effective operation of the Oroville facilities, address concerns raised by FERC and stakeholders, and demonstrate that reservoir operation can support both water supply reliability and a healthy ecosystem.

Salton Sea Restoration and QSA Implementation. DWR and the Resources Agency have recently increased their involvement in Salton Sea restoration, pursuant to legislation passed last year as part of the Quantification Settlement Agreement. Protection of the fish and wildlife resources dependent on the Sea will be a critical element of the QSA, and I will work with other involved agencies to apply the best science and engineering to this challenging restoration project.

San Joaquin River Restoration Strategy. There are huge challenges associated with San Joaquin River restoration, but also great opportunities to improve the ecosystem along this highly modified river. I believe that DWR can bring the various interests together to develop and implement restoration strategies on the San Joaquin.

Regional Program Support. Water managers around the State are learning that they can optimize their water supply reliability by developing integrated resource management actions at the local and regional level. I will use the resources and expertise of DWR to support these kinds of efforts, such as the Sacramento River Water Management Agreement, and implementation of Chapter 8 of Proposition 50.

Storage Program. Increased water storage, both groundwater and surface, can improve the reliability and flexibility of our water supplies. If projects are developed and operated properly, they can also contribute in a positive way to ecosystem restoration efforts. I will work to identify and develop a variety of storage projects that can achieve multiple benefits and garner the support of the spectrum of stakeholders.

Management of the State Water Project. DWR is responsible for the operation and maintenance of water infrastructure that stretches nearly the length of California. The age of the system, and modern security concerns, present challenges that did not exist before. I will work to ensure that the SWP continues to be a reliable source of water for California farms and communities.

2. **Priorities for change and reorganization.** I have undertaken an assessment of DWR responsibilities and organization in order to identify ways we can improve services and effectiveness. However, consideration of major changes or “blowing up boxes” will await the results of the California Performance Review process.
3. **Institution of user fees.** A fundamental priority of the CALFED Program is to maintain a balanced and integrated program. Developing a long-term finance plan that enables the Program to continue implementation in a balanced manner is critical to achieving Program goals. Working with a group of consultants, a panel of financial experts, and stakeholder input, the Bay-Delta Authority is currently developing a set of finance options for each program element, consistent with the “beneficiaries pay” provision of the CALFED Record of Decision. These finance options include a variety of user fee options. The CBDA has been working on a series of reports that will culminate in a final draft Financing Options Report expected to be available in summer 2004. I am committed to working with CBDA, other agencies, stakeholders, and the Legislature in the development of a fair and equitable finance strategy.
4. **Federal participation in CALFED.** The CALFED Record of Decision envisioned that the program would be challenged by an uneven flow of resources and support from the involved agencies; that is why balancing provisions figure so prominently into the CALFED plan. At this point, the contributions of the federal government have lagged behind State contributions, but over a 30-year implementation period it is anticipated that balance will be regained. We do currently enjoy the active participation of federal agencies in all aspects of the CALFED program.

5. **Water operations and Delta water quality.** DWR is working hard with other State and federal CALFED agencies, Delta interests, and other stakeholders to define a Delta Improvements Package that all the interests can support. Our CALFED Record of Decision commitment to “continuous improvement in Delta water quality” must be a part of that package. DWR will meet the Delta standards that depend on operation of the State Water Project, and we will work with the Bureau of Reclamation to help meet standards that are more strongly influenced by operations of the Central Valley Project. At the Senate Agriculture and Water Resources Hearing on March 30, 2004, I committed to the development and implementation of a lower San Joaquin River salinity management plan to improve conditions in the South Delta.
6. **Delta actions and the CALFED Record of Decision.** The CALFED RoD calls for balanced implementation of the CALFED program. In the Delta, this includes improving the environment to recover threatened and endangered species, making continuous improvements in Delta water quality, increasing conveyance capacity of the Delta pumping plants, assuring adequate water levels for agricultural diverters, and improving levee system integrity. We need to make progress in all of these areas simultaneously. Improvements in water quality prior to increased pumping are not inconsistent with the RoD, nor does the RoD require such improvements as a precondition. However, as stated above, I have committed to develop and implement a plan to improve salinity levels in the south Delta.
7. **Stakeholder involvement in formulation of Delta actions.** The elements of the Napa discussions, along with other Delta actions proposed as part of the CALFED program, have been incorporated into an open collaborative CALFED process where they are getting a full airing prior to a decision. DWR along with other CALFED agencies have initiated work on a Delta Improvement Matrix, which will be utilized to fully engage stakeholders on implementation issues and strategies.
8. **Schedule for completion of a Delta action plan.** We are proceeding with the development of a Delta Improvements Package including some elements from the Napa discussions. We have prepared a preliminary draft of actions and associated schedules that we have shared with stakeholders. We have discussed with them the potential linkages among these actions. We will brief the Bay-Delta Authority on the status of this approach on April 7 and 8. Within a month or two we expect to have a draft implementation agreement regarding a Delta Improvement Package to be shared with stakeholders and discussed at a subsequent CBDA meeting. Our goal is to have a strongly supported Implementation Agreement completed by mid to late summer 2004.

9. **Napa discussions and the Delta Improvements package.** The discussions that DWR, Reclamation, and some of our respective project contractors had at Napa were aimed at improving our cooperation as we operate the State and federal water projects, and will contribute to the formulation of a Delta Improvements Package. The Napa discussions were a starting point, and broad agreement on a Delta Improvements Package is the logical next step.
10. **Surface storage planning under budget constraints.** We do not expect to reduce the number of projects under consideration immediately, because each of the 5 projects under consideration – out of the 60 or so that CALFED first considered – may offer important water management and environmental benefits. However, recognizing funding limitations, it is my intent to focus our resources on projects that represent the best opportunity for water management flexibility, local support, and partnerships.
11. **Implementing the principle of “beneficiaries pay.”** DWR and Reclamation analysis of various surface storage proposals is proceeding with the funding that is available to our respective agencies. For each potential reservoir, we can consider a range of operating criteria and potential beneficiaries. Until our analysis progresses, it will be difficult for any potential beneficiary to understand the benefits and costs of investment in a particular project. CALFED envisioned that surface storage planning would proceed with public funding, to be reimbursed by identified beneficiaries once implementation decisions were made. That model is still valid, except that we may ask potential beneficiaries to help fund additional analysis if funding shortfalls significantly hamper our progress.
12. **Discontinuing work on projects with inadequate support.** When State and federal agencies have completed sufficient feasibility analysis so that we can make comparative evaluations of the projects, and potential beneficiaries can make informed decisions about financial participation, we will discontinue work on any project that does not garner support. It would be premature to drop any projects from consideration at this time.
13. **Restoring and recovering fish and wildlife resources.** It is essential that that we enhance fish and wildlife resources and maintain a trajectory toward recovery of species that depend on the Bay-Delta. Consistent with the CALFED commitment to adaptive management, that means continually looking at aspects of fish and wildlife resource needs such as flow, physical habitat restoration, and water quality improvement, and providing what is

- needed to achieve recovery. I am committed to improving overall fish and wildlife conditions in the Bay-Delta system.
14. **Adaptive management and quantification of environmental flows.** As stated in the previous response, we must base our decision making on adaptive management. This means that we use the current state of our knowledge and the current state of the fisheries to determine flow needs – as well as other habitat needs – necessary to maintain a trajectory toward recovery. Using all the CALFED tools available to us, we believe we are meeting the flow needs of fish. I commit to continue working with the CALFED agencies to secure resources necessary to recover species in the Bay-Delta.
 15. **Completing a Restoration Strategies Report.** This issue involves a very complex situation on the San Joaquin River. DWR, the Bay-Delta Authority, and Reclamation have all provided funding to entities working on San Joaquin River water management in a settlement effort to resolve protracted litigation. The original grant funding was for the purpose of preparing a water supply report, a restoration strategies report, and an integration report that would blend the first two documents into recommendations for restoration. In April 2003, settlement talks broke down among litigants on the San Joaquin; the parties returned to court and stopped work on the program. At that time, the water supply report was completed and made available to the public and the restoration strategies report was nearly complete. Since May 2003, DWR has been working with Reclamation, the Natural Resources Defense Council, and the Friant Water Users Authority to develop a process to complete the restoration strategies report, and all four parties have expressed a desire to complete the report. Based on discussions with the interested parties, DWR intends to proceed with the restoration investigation in two stages. First, complete the existing reconnaissance level report as quickly as possible and make it available for public and scientific review. This effort, using the original contractor, may take three to six months. The second stage includes the scoping and implementation of a more comprehensive assessment of restoration strategies. This step will require the development of a more collaborative management structure to include DWR, the Department of Fish and Game, Reclamation, FWUA, and NRDC, and incorporate peer review by an independent science panel and greater stakeholder involvement. An open evaluation of the opportunities and challenges for restoring the San Joaquin River needs to be completed. We will work with the parties to accomplish that goal.

16. **San Joaquin River storage in the CALFED context.** DWR has been working to develop the groundwater element of the CALFED program. Since 2000, we have disbursed \$210 million in grants and loans to 135 agencies, and have entered into 17 cooperative planning agreements with local agencies throughout the State. DWR staff has been working with Reclamation to develop the conjunctive management element to be considered as part of the upper San Joaquin Storage Investigation. I am committed to an integrated approach to storage in the upper San Joaquin system.
17. **CALSIM II and public input.** DWR worked with the CALFED Science Program to obtain independent peer review of the CALSIM II model. The peer reviewers released their report in December 2003. Generally, this report is very supportive of CALSIM II. The review panel strongly supports the approach taken in CALSIM II and makes constructive recommendations on its improvement. The recommendations address technical issues, training and documentation, increasing adaptability of the model, and adding a Graphical User Interface. The peer reviewers describe their effort as a strategic review. They recommend following up with a more thorough technical review. DWR, with Reclamation, is doing just that. DWR has completed a draft work plan, which addresses all significant comments in the report. A workshop will be held Friday, April 9, 2004 to discuss the proposed work plan as a response to recommendations from the report. DWR recognizes that the CALSIM II model, like any analytical tool, can always be improved. I am committed to an open process for model refinement.
18. **Using CALSIM II in decision-making.** Simulation models such as CALSIM II are exceedingly complex. Such models are continuously refined so that they better predict the response of the system to various potential changes. Whenever models are used, they are tools to inform decision makers; the models do not make the decisions, nor can model output be used in decision making without analysis and interpretation. We will make water policy and operational decisions based on the best information and tools that we have available. We will always temper model output with judgment and experience. No significant decision should ever be based solely on model output. Analytical models such as CALSIM help inform us, and provide comparative information, but do not make the decisions for us.
19. **Water Plan assumptions and estimates.** DWR has fundamentally reformulated and expanded the process and content of the next Water Plan Update in response to new requirements of Senate Bill 1341 (Burton), Senate Bill 672 (Machado), and significant public comment. We have developed a new planning framework for this and future Water Plan Updates. This new framework includes: (1) extensive consultation with a public advisory

committee; (2) Water Portfolios, expanded water balances that include the entire hydrologic cycle; (3) Regional Reports; (4) multiple Future Scenarios; and (5) expanded and diverse set of Resource Management Strategies. DWR has made tremendous strides in opening the water planning process up to public involvement and scrutiny, at least in part due to prompting from the Legislature. With respect to Senator Burton's SB 1341 of 2000, DWR did its best to comply with the law, submitting a report identifying the assumptions and estimates that were available at the time the report was submitted in December 2001, and identifying other items that were still under development. With guidance from the Water Plan Update public advisory committee, DWR established an "Assumptions and Estimates" page on the Water Plan Update website. The "Assumptions and Estimates" page began as the report submitted to the Legislature in 2001, and has been continuously refined and updated since then. DWR has made significant strides in opening up the planning process through the advisory group, the website and other means. Today, I believe the Water Plan Update website is one of the best examples we have of openness and transparency in State government decision-making. I invite members of the committee to view the website at: <http://www.waterplan.water.ca.gov/AandE/>. Alternatively, DWR would be happy to provide a demonstration for any member of the Legislature.

With respect to the timetable for completion of the next Water Plan Update, DWR released a working draft of the bulletin on January 30 of this year, received public comment, and expects to release a new public review draft on July 15, 2004. Concurrently, I will review the status and content of the Water Plan Update in detail and determine a final schedule for completion. The current published schedule calls for the compilation of additional comments, public hearings, and completion of a final Water Plan by the end of this calendar year. I am mindful that this would be one year behind schedule, and I will push to complete the bulletin as rapidly as possible without sacrificing the collaborative process we have established.

20. **Integration of CALFED and the Water Plan.** The CALFED process did much to guide California's future approach to water management, highlighting the need for the State to work more closely with local agencies in the development of water supply strategies. DWR is integrating the CALFED approach into an updated Water Plan. A key element of this Water Plan is to provide a State framework that is consistent with, and implemented through, diverse regional and local strategies to manage water, maintain reliability, and protect the environment.

The Water Code states that the Water Plan cannot mandate actions or authorize spending for its recommendations. As a strategic plan, the Water Plan does not make project-specific or site-specific recommendations. Consequently, DWR and the Legislature must take further action to provide funding and to adopt the actions recommended in this Water Plan. Some of

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this subsequent project planning is being carried out through our CALFED implementation.

The Committee's questions identify major topics of concern and my responses are meant to facilitate meaningful discussion on these topics. While the Committee has identified a substantial list of issues, it is by no means exhaustive. I shall do my best to respond to any DWR management and water-related concerns, which members may wish to raise.

I look forward to meeting with you on April 14, 2004. If you have any questions, please call me at (916) 653-7007.

Sincerely,

Lester A. Snow
Director