

BEFORE THE STATE WATER RESOURCES CONTROL BOARD
WATER RIGHTS HEARING REGARDING
Amendment of the City of Los Angeles Water Right Licenses
for Diversion of Water from Streams
That are Tributary to Mono Lake

TESTIMONY

OF

TIMOTHY HUGHES QUINN

DIRECTOR

STATE WATER PROJECT AND CONSERVATION DIVISION

THE METROPOLITAN WATER DISTRICT

OF SOUTHERN CALIFORNIA

Sacramento, California

October 20, 1993

STATE WATER RESOURCES CONTROL BOARD

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CHAIRMAN CAFFREY AND MEMBERS OF THE STATE WATER RESOURCES CONTROL BOARD:

Thank you for the opportunity to appear before you today to testify on behalf of the Metropolitan Water District of Southern California regarding the decision before the State Water Resources Control Board to amend the water right licenses of the City of Los Angeles for the diversion of waters tributary to Mono Lake.

I serve as the Director of the State Water Project and Conservation Division at The Metropolitan Water District of Southern California (Metropolitan), a public agency charged with the responsibility of providing more than half of the water supplies for the nearly 16 million people within its 5,200 square mile service area. The City of Los Angeles is one of the 27

member agencies of Metropolitan and in recent years has purchased about two-thirds of its supplies from Metropolitan. At Metropolitan, my specific duties include oversight of activities related to the State Water Project and Bay-Delta affairs, water transfer negotiations in the Central Valley, and Metropolitan's conservation programs.

1.0 OVERVIEW

Water policy in the western United States has undergone traumatic change in recent years as water managers, regulators, and other involved parties have tried to adjust to new economic and environmental realities. To better respond to changing circumstances, Metropolitan and other urban interests have strongly supported fundamental reforms in water policy to create a more flexible water management system, thereby allowing reasonable adjustments as water is reallocated to meet changing priorities. Accordingly, Metropolitan supported the historic Central Valley Project (CVP) Improvement Act (Title XXXIV of P.L.102-575) as a means to promote voluntary water marketing and to begin the restoration of important Central Valley fisheries and wildlife resources. Similarly, Metropolitan continues to support voluntary water marketing legislation for non-federal waters in California, and we have been strong leaders in promoting water reclamation and recycling, conservation, groundwater conjunctive use and cleanup, and other actions to substantially increase local water resources and reduce projected

demands for imported water in Southern California.

In the Central Valley, Metropolitan was a key member of the recent urban coalition that sought to support efforts through Draft Water Rights Decision 1630 (D-1630) to begin the process of restoration for the Bay-Delta environment, even at a significant cost of water to existing users, so long as flexibility was provided to allow adjustments to minimize the economic cost of achieving reasonable environmental objectives.

In the specific case of Mono Lake, environmental organizations have argued for decades that Mono Lake is a valuable natural resource that warrants restoration and preservation. At the same time, the economic stakes for the people of Los Angeles are significant, since they could be required to forego power revenue and pay for supplies to replace those lost to protect and preserve Mono Lake.

My purpose in this testimony is to assist the State Board by indicating what actions may be required by Metropolitan to obtain replacement supplies in the event the State Board should decide to amend Los Angeles' water rights licenses in a manner that significantly reduces the supplies available to the City.

From a policy perspective, Metropolitan believes that the decision to protect Mono Lake is strikingly similar to the challenges that confront environmental issues in the Central Valley. To the extent that a workable and reasonably flexible water management system is maintained in California, particularly

in the Central Valley and the Bay-Delta system, we believe that replacement supplies could be obtained should the environmental merits of the case warrant a reallocation of water from Los Angeles to Mono Lake. If, however, future regulations substantially impair flexibility to adjust to new water use priorities, reduced supplies for Los Angeles could adversely affect the other member agencies of Metropolitan and the California economy.

Particularly during the next five years, actions by the State Board which significantly reduce supplies available to Los Angeles will result in increased demands on Metropolitan. Metropolitan currently intends to take all appropriate actions in order to operate the Colorado River Aqueduct at capacity. Therefore, adjustments to reduced supplies from the Los Angeles Aqueducts will likely result in some increased deliveries through the California Aqueduct. As explained in more detail later in this testimony, these additional supplies would be obtained from a combination of increased Central Valley water transfer activities and increased State Water Project (SWP) supplies when available under the Endangered Species Act (ESA) and other constraints on SWP operations. To the extent that the State Board and other State and federal regulatory agencies allow reasonable flexibility in SWP and CVP operations and access to an effective voluntary water market, it is Metropolitan's view that we can obtain additional supplies to replace water required to protect or restore Mono Lake without significant adverse impacts

on our member agencies.

2.0 METROPOLITAN'S WATER SERVICE RELIABILITY OBJECTIVE

Metropolitan is responsible for the maintenance of a water supply infrastructure and for the development of adequate water supplies to sustain the health of a regional economy that produces more than \$400 billion in output annually and supports more than seven million jobs. To assure that we provide adequate protection for the Southern California regional economy, the Metropolitan Board of Directors has adopted a quantified reliability of service objective.

The Metropolitan objective for the reliability of water service establishes a goal of meeting 100 percent of "full-service" demand at least 90 percent of the time. Full-service demand is defined as wholesale demand for imported water, after accounting for implementation of water management programs and best management practices within the service area. The reliability goal further accounts for the possibility of shortage and will require maintenance of contingency plans to reduce demands during drought years. However, Metropolitan's objective is to require extraordinary demand reduction only infrequently, with moderate demand reduction programs occurring only about 8 percent of all years and serious rationing with economic consequences comparable to those occurring during drought year 1991 occurring less than two percent of the time.

In effect, this reliability objective expresses Metropolitan's strong commitment to meet the water requirements

of the region, despite changing circumstances in the future. Accordingly, as environmental and other priorities change, Metropolitan is prepared to develop innovative strategies to maintain reliable water service for the Southern California economy.

3.0 INTEGRATED RESOURCES PLANNING

To determine the best means of meeting the reliability of service objective, Metropolitan has during the past year engaged in an extensive strategic planning exercise. As an integral part of the strategic plan, Metropolitan is using Integrated Resources Planning (IRP) techniques to analyze alternative "resource mixes". Each resource mix defines alternative levels of investment in a variety of internal water management strategies, such as conservation, reclamation and reuse, groundwater recovery, desalination and others, and in external water management strategies, including supplies from both traditional sources and water marketing. Ultimately, the IRP process is intended to identify a resource mix that can meet the region's reliability requirements in a manner that is economically sound, as guided by least-cost planning principles, and which is environmentally responsible.

While the IRP process will not be complete until spring, 1994, the planning process itself has already underscored two basic observations. First, it is clear that any viable resource mix for the region will include a wide range of different water management strategies, including significant

investments both in local water resources and in continued dependable supplies through our import systems. Second, the IRP process illustrates the common sense notion that any significant change in the amount of water services available from one resource in the mix will require an offsetting change elsewhere in the resource mix. It is from the perspective of this integrated planning process that Metropolitan views the implications of decisions to restore and preserve Mono Lake.

4.0 CONSEQUENCES OF REDUCED SUPPLIES FROM THE MONO BASIN

Particularly during the next five years, any significant reduction in the amount of water available from the Mono Basin will translate into increased demands for water from Metropolitan. Regardless of a decision regarding the protection of Mono Lake, Metropolitan and other Southern California water management agencies have already committed to an extremely aggressive program of water conservation consistent with the Best Management Practices (BMP) Memorandum of Understanding and to the most ambitious water reclamation and reuse effort in the western states. In the next three to five years, it is speculative as to how successful efforts would be to increase significantly the amount of water from such local resources beyond the levels to which the region is already committed due to the minimum time required for planning, permitting, design, and construction of facilities. Consequently, in the near term, replacement water for supplies dedicated to Mono Lake will likely have to come from Metropolitan's two import systems, the Colorado River Aqueduct

and the California Aqueduct.

4.1 Colorado River Supplies

During the past decade, Metropolitan has operated the Colorado River Aqueduct at or near capacity. Currently, however, Metropolitan's firm rights to Colorado River water amount to only about 620,000 acre-feet (AF) annually. Regardless of the outcome in the Mono Lake case, Metropolitan intends to take all appropriate steps to maintain Colorado River deliveries at 1.2 million AF in the future. This can be accomplished through: (1) the use of water apportioned to but unused by Arizona and Nevada; (2) access to surplus water when available; and (3) implementation of water transfer programs in cooperation with the California agricultural districts which use Colorado River water and possibly with the other basin states.

Successful negotiations regarding recent water transfer programs provide increased assurance that Metropolitan will be able to rely on full deliveries of Colorado River water in the future. These negotiations have resulted in a major water conservation program in the service area of the Imperial Irrigation District and agreements with landowners and lessees in the Palo Verde Irrigation District on a test land-fallowing program that will provide Metropolitan with approximately 200,000 AF of additional Colorado River supplies at Metropolitan's option before the year 2000.

4.2 California Aqueduct Supplies

Since the Colorado River Aqueduct is likely to be

operated at capacity, replacement supplies for Mono Lake will have to be made available from sources in the Central Valley for delivery through the California Aqueduct. These additional supplies will arise from increased water transfer activities and, to the extent feasible, from increased deliveries of SWP water under Metropolitan's State Water Contract.

4.2.1 Additional Water Transfer Supplies

To assure the ability of urban areas to obtain reliable water supplies under changing conditions, Metropolitan has strongly supported policy reforms to create a viable market for the voluntary transfer of water between willing sellers and willing buyers. In breakthrough legislation, the CVP Improvement Act allows individual water users to transfer a portion of their allocated supply of CVP water under specified conditions. Metropolitan continues to support State legislation that would extend market-based reforms to other non-federal water used in California.

During recent years, water transfers have increasingly become a practical and effective source of reliable water supplies. In 1991, the Governor's Drought Emergency Water Bank demonstrated the power of market incentives when it was able to purchase more than 800,000 AF of supplies under drought-stressed conditions in a few months time. In 1992, Metropolitan entered into a short-term agreement with the Semitropic Water Storage District in Kern County which provides for the wet-period banking of Metropolitan's SWP entitlement water. A long-term agreement

with Semitropic is the subject of an Environmental Impact Report currently under preparation. Also in 1992, Metropolitan entered into an agreement for the transfer of SWP entitlement water under certain conditions with the Dudley Ridge Water District, an agricultural State water contractor located in Kern and Kings counties.

More recently, the benefits of the CVP Improvement Act have been manifested in water transfer proposals from farmers who use CVP water. At its September, 1993, meeting, the Metropolitan Board of Directors will consider a first-ever agreement with a water user to transfer CVP water. Under this option agreement, Metropolitan would commit to take delivery of up to 35,000 AF of water in amounts of up to 5,000 AF annually during 7 years of a 15 year agreement.

Such efforts to promote voluntary water marketing hold considerable promise for a more flexible water management system, which will be essential to meet changing environmental, urban, and agricultural water needs. However, to assure that the urban economy is able to reasonably develop replacement supplies as water is dedicated to environmental uses, in the Mono Basin or elsewhere, access to a geographically broad water market will be required.

In particular, it is essential that urban areas have access to voluntary market transactions both with sellers which divert water in or upstream of the Delta and with sellers which rely on water exported from the Delta. The importance of

maintaining a broad water market was emphasized by the urban water agencies in their joint comments on D-1630, and the State Board recognized the legitimacy of this concern with revisions in the draft decision that would have facilitated transfers from water abundant areas above the Delta to water short areas receiving export water from the Delta during the late summer and early fall.

Similarly, such flexibility in the water allocation system is essential to assure the reasonable development of replacement supplies for any water that the State Board decides to dedicate to Mono Lake. If actions by State or federal regulatory agencies restrict voluntary water transfers, for example, by substantially limiting water transfer activities to buyers and sellers south of the Delta, then the development of replacement supplies will be correspondingly more difficult and costly. Access to a geographically diverse water market will be even more important in obtaining Mono Lake replacement supplies during a potential "fill" period while the elevation of Mono Lake increases. Mono Lake diversions would be severely restricted during this "fill" period, which could last up to 10 years for the Draft Mono Basin Environmental Impact Report's (DEIR) preferred, elevation 6383.5 alternative.

4.2.2 Additional SWP Deliveries

Despite increasing operational constraints due to Endangered Species Act considerations and possible Bay-Delta standards being proposed by the United States Environmental

Protection Agency, during some years Mono Lake replacement supplies will be available from additional SWP deliveries. During 1993, for example, relatively wet conditions allowed the project to meet all delivery requests and additional deliveries might have been possible within the constraints imposed to protect the Delta smelt and winter-run salmon. Under such conditions in the future, additional deliveries of SWP water at a relatively low cost could be available to replace any supplies lost due to protections required by the State Board for Mono Lake.

5.0 REPLACEMENT SUPPLIES OVER THE LONGER-TERM

Over a longer period of time, improvements in the Bay-Delta system, if implemented, would allow greater flexibility to provide the estimated 41,000 AF of annual replacement supplies that would be required on average to maintain the elevation of the lake. Delta improvements, already required for the environmental protection of the Bay-Delta estuary, would significantly increase prospects for inter-regional voluntary water marketing activity. Improved Delta facilities would also facilitate wet-period banking which would economically provide additional supplies, given sufficient south-of-Delta storage capacity. If environmentally and economically sound decisions are made to protect California's water management system, over the longer term it should become easier and less costly to make any adjustments that may be required as a result of this decision.

Finally, longer periods of time will allow significant increases in the development of programs to increase available supplies from conservation, reclamation and reuse, groundwater recovery, and other local resources. However, as noted above, existing plans for the development of these local sources are already extremely aggressive. Metropolitan is generally ahead of the implementation schedule for urban conservation BMPs developed by the California Urban Water Conservation Council. Full implementation of the BMPs, along with savings from conservation efforts begun during the 1980s, are estimated to increase annual conservation savings in Metropolitan's service area from current levels of about 250,000 AF annually to about 830,000 AF annually by 2010. Similarly, Southern California already reclaims 240,000 AF of water annually -- far more than any other urban area in the country -- and plans to increase annual reclamation and reuse to an estimated 670,000 AF by 2010. Additional programs to increase water savings beyond these planned levels could result in significant investment and cost impacts to the region.

To the extent that funds for local water resource development are available from State or federal sources, as has been proposed in State legislation (A.B. 444) and federal legislation (Title XVI of P.L. 102-575), such measures play an important role by providing financial assistance to the water rate payers of Southern California who will incur higher energy and water bills if the State Board requires actions that reduce Mono Basin supplies for the City in order to generate

environmental benefits that are enjoyed by residents throughout California and the nation.

Ultimately, as the population and economy of California grow, urban areas, north and south, will require more, not less, imported water. This fact alone implies that restraints on the amount of water available from one import system within a region will affect the amount of water that future water managers seek to develop in the other import systems. Ultimately, a decision to protect and preserve Mono Lake, as proposed in the DEIR, will require some tradeoffs in the Central Valley.

In the near term, Metropolitan believes that replacement supplies are reasonably achievable, if we maintain adequate flexibility in the Bay-Delta system and access to a sufficient water market. To the extent that sound policy decisions are made regarding the Bay-Delta by involved State and federal regulatory agencies, over the longer-term California has the ability to adjust water use through conservation and development of local and imported resources in a manner consistent with the difficult environmental and economic balancing decisions that the State Board must make.

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