California Water: *the* LOOMING CRISIS

— MARCH 2000 —

When the next drought occurs, Californians will experience much greater water shortages and related economic impacts than during the last drought. Federal regulatory actions in recent years have reduced water supplies by an amount equal to the annual use in Los Angeles, San Diego and San Francisco combined. These actions have degraded the quality of California's water as well.

Over the past decade, enormous investments have been made to improve the ecosystem of the Sacramento-San Joaquin Delta, a rich environmental resource and the hub of California's water supply system. Urban, agricultural, business and environmental interests have all supported these necessary environmental investments.

We have not paid similar attention to the state's water supply and water quality infrastructure.

Federal and state agencies will make decisions over the next few months that can refocus our attention of the reliability and quality of our water supply. The jobs and quality of life of residents throughout the state depend on these agencies making the right choices.

Recent events, however, highlight a troubling trend:

- In the spring of 1999, in the middle of a fifth straight wet year, federal regulators reduced Delta water supply operations for the benefit of Delta smelt, a protected species. Silicon Valley industry and San Joaquin Valley growers faced the threat of imminent water shortages due to the drought-like reductions in Delta water supplies.

- In early fall of 1999, farmers south of the Delta who depend on the federal Central Valley Project were told for the first time they would receive only half of their historic supplies in a "normal" water year.

- Dry-year water supplies to cities and farms dependent on the Delta — roughly two-thirds of the state — have been reduced by 1.4 million acre-feet over the past decade. Those supplies have been reallocated for environmental purposes. Pending regulatory actions threaten to **double** those water losses.

- Delta water quality already ranks low in national comparisons. Fishery protection measures have shifted the time when water can be exported for human use, resulting in even poorer quality water. Water agencies treat all drinking water so it is safe and healthy, but such measures will make this task increasingly difficult and expensive in the future.

California cannot afford to address problems in the Delta ecosystem at the expense of its trillion-dollar economy. State and federal leaders need to act to restore balance to water policy and improve water supply and quality. We can have a balanced program that protects the environment, increases water supplies and improves water quality. Immediate action is required to ward off the worst impacts of this looming crisis.

"Recent factors since the last drought, such as additional listings under the federal Endangered Species Act and the Delta smelt crisis, magnify the potential for a severe water shortage in future years."

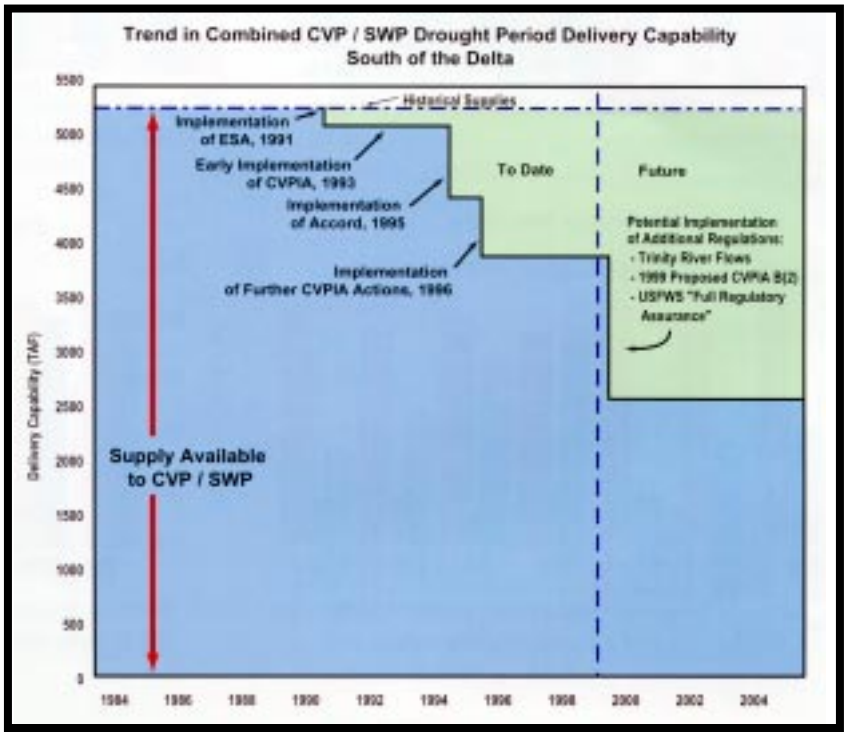
– Governor Gray Davis, August 1999

Bay/Delta Water Quality: It's Getting Worse – Not Better

Californians demand good quality drinking water. Over the past decade, residents have invested well over a billion dollars to improve the safety of their water.

However, CALFED has no credible plan to protect water quality in the near-term nor provide promised future improvements. Instead, federal regulatory agencies are taking actions that seriously threaten both Bay/Delta water quality and water supplies.

Utilities always treat their water to protect the health of the 22 million Californians who rely on Delta water. Degraded source water quality makes this increasingly difficult and expensive. Delta water has high levels of organic carbon, more than six times the national average for bromides, and is significantly saltier.



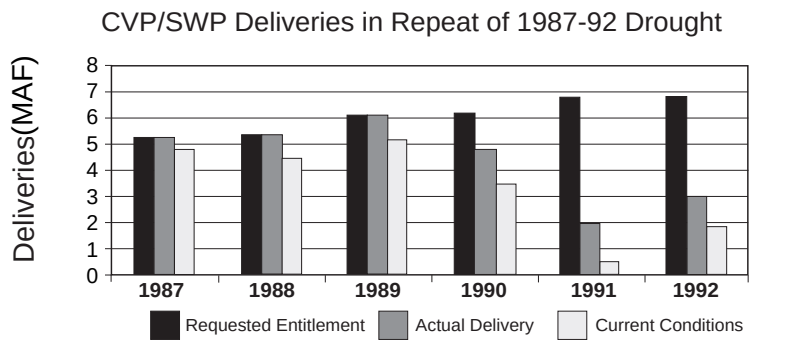
Both the quality of Delta source water and our treatment processes need improvement. Federal regulatory actions are headed in the wrong direction.

- Federal actions will result in drastic drawdowns of San Luis Reservoir, a vital south of the Delta storage facility. These drawdowns — such as the one that occurred in late spring and early summer of 1999 — degrade water quality for the Santa Clara Valley Water District, including Silicon Valley, and could lead to supply interruptions.

- Delta water quality is best in the spring, but federal regulatory actions are shifting water supply operations to the fall, when quality is poorer. In 1999, this pumping shift added thousands of tons of salts in drinking water supplies.

- The Delta cross-channel is a key water quality control structure. When it's open, high quality Sacramento River water flows to areas that rely on the Delta. Federal regulatory actions — such as occurred in December 1999 — could lead to more frequent closures of the cross-channel, degrading water quality.

These federal actions reduce the value of investments made by urban areas to improve their water quality. For the Contra Costa Water District, the water quality benefits of the new $450 million Los Vaqueros Reservoir are jeopardized. Poorer Delta water quality will offset local investments in improved water treatment in the Santa Clara Valley Water District and diminish efforts to stretch supplies by blending and recycling water in Southern California.



This analysis does not include any potential ESA impacts.

Californians have lost more than 1 million acre-feet from the Delta due to additional regulatory restrictions.

$2 Billion Ecosystem Program: Gains and Losses, Too

Ten years ago, the Sacramento-San Joaquin Delta ecosystem was on the verge of collapse. Several fish were placed on the endangered species list, and others were being considered for listing.

Today, the Delta watershed is the focal point of the nation's largest ecosystem restoration program. More than 1.4 million acre-feet of water — equivalent to the annual needs of 7 million people — has been shifted from farms and cities to the environment. Also, $2 billion has been committed to restore and rehabilitate fishery habitat.

This unprecedented commitment is already paying off. Populations of native fish species at risk from water project operations have stabilized or increased.

- The return rate of fall-run Chinook salmon on the Sacramento River is among the highest in 30 years. Winter-run have experienced a nine-fold increase since 1991. Spring-run salmon, which numbered 500 to 1000 in the mid-90's, increased to twenty-four-thousand in 1998.

- The $2 billion committed to ecosystem restoration will develop hundreds of habitat improvement programs. More than 250 such projects are in various stages of implementation and hundreds more are in the planning stages.

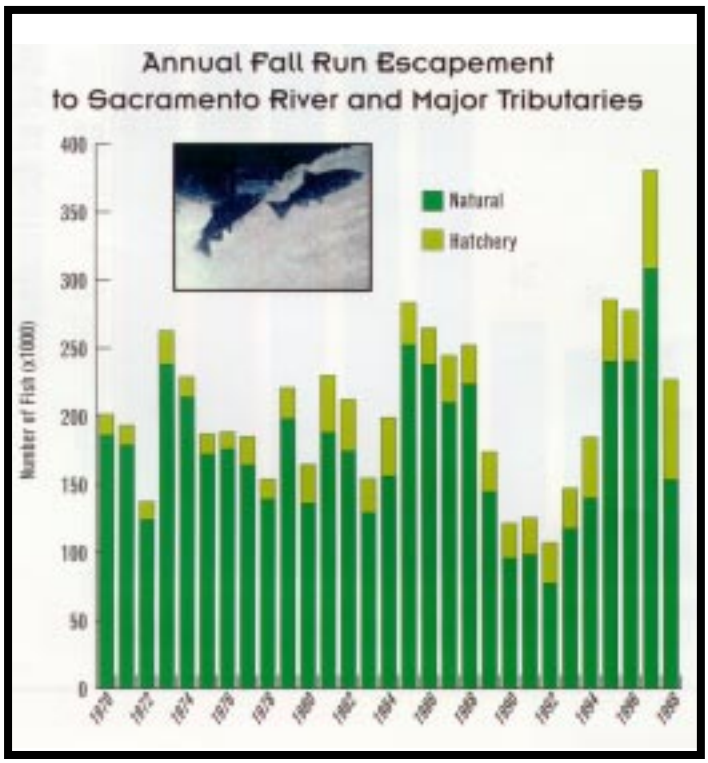
Now it's the people who rely on the Delta for their water who face crisis.

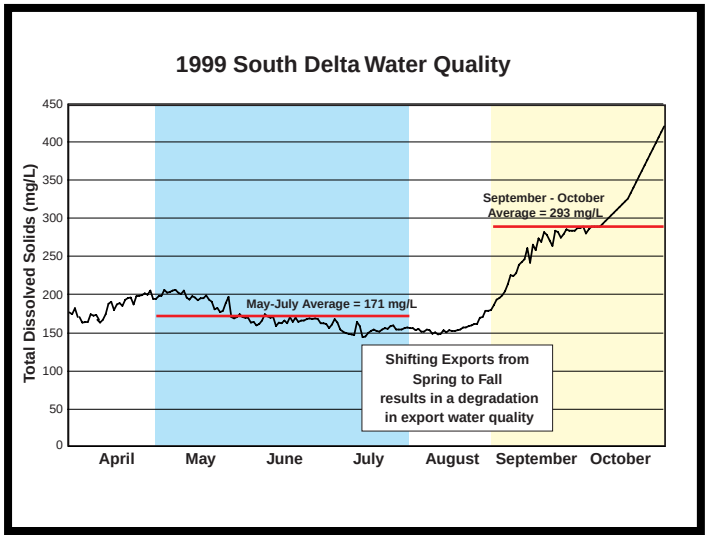
- California water policy has become a zero-sum game due to federal regulatory actions. Water gains for the fish are water losses for the economy. Cities and farms already have lost about one-third of their drought-year supplies. New federal regulations may double those losses.

- The economy is now increasingly vulnerable to water shortages. If the drought of 1987-92 were to recur, under current conditions farmers south of the Delta dependent on federal water supplies could face three straight years without any water deliveries.

- Industries from San Diego to the Silicon Valley could face sizable water shortages. Urban areas dependent on state and federal water supplies could face cuts of 55% from the state and 65% shortfalls from the federal government.

- California's irrigated agriculture will suffer. For example, Kern County, the nation's fourth-largest agricultural economy, could lose 1.5 million acre-feet of its state water supply over the course of a six-year drought due to the new regulatory restrictions.





The Time for Action is Now

The 1987-92 drought was the most severe and sustained water shortage in more than 50 years. It highlighted the state's vulnerability to recurring dry periods. The more recent Delta smelt crisis underscored the water system's vulnerability even in wet periods.

Despite growing evidence of the severity of California's water supply and water quality crisis, recent responses to the problem have not been encouraging.

The CALFED Bay-Delta Program's draft plan does not balance the needs of people and the ecosystem. It fails to pursue realistic solutions aggressively. Federal regulators continue their single-minded pursuit of environmental programs at the expense of Californians' water user needs.

Californians step up to the plate on water issues.

For the second time in less than five years, Californians have shown support for dramatically improving the state's infrastructure. In March voters overwhelmingly approved Proposition 13, the 1.97 billion water bond. This measure is a critical step toward improving our water infrastructure to support California's future growth. It also will restore one million acre-feet of water to cities and farms during a dry year.

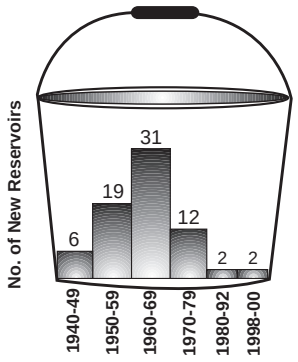
Californians need to persuade state and federal leaders to address these critical water issues. We must:

- Restore balance to the CALFED Bay-Delta plan, so that both economic and environmental water needs are met fairly.

- Aggressively support programs to identify and construct additional water storage facilities, both in aquifers and new off-stream reservoirs. New supplies not only meet the needs of people and fish, but provide needed flexibility to our water system.

- Construct facilities necessary to make our water supplies reliable once again. Reservoirs north of the Delta were full during the Delta smelt crisis but the water could not be delivered to areas of need.

- Move from a water supply system driven by regulations to one that is flexible and provides multiple benefits for the environment and the economy.



Californians traditionally have acted to provide the necessary water supplies for their state. But such actions have declined sharply in recent years. Existing water supplies are insufficient to reliably meet present needs, much less those projected for the future.

Prepared by the
Association of California Water Agencies
MARCH 2000