



AVALEX INC.

Civil Engineering & Environmental Services

July 30, 2015

Pedro Nava, Chairman
Little Hoover Commission
925 L Street, Suite 805
Sacramento, California 95815

Re: Response to Comments Made at June 25, 2015 Public Hearing on the Salton Sea

Dear Mr. Nava:

The following comments are provided in response to some of the comments made by speakers at the June 25, 2015 Public Hearing on the Salton Sea.

Metropolitan Water District's \$100 Million for Restoration Now: Short-Term Funding Possibilities

Bill Hassencamp, Colorado River Program Manager for the Metropolitan Water District (MWD), testified that \$100 million could be raised for restoration by selling "c(2) water". The "c(2) water" to which he refers is the mitigation water that is presently discharged to the Salton Sea by the Imperial Irrigation District (IID) to lessen the impacts of the QSA water transfers on the sea. The discharge of this mitigation water as has been previously noted is presently scheduled to terminate in 2017 under the terms of the Quantification Settlement Agreement (QSA). Mr. Hassencamp stated that there are about 400,000 acre-feet of water that could be sold which would produce roughly \$100 million.

The financial calculations supporting the \$100 million estimate were not provided during the hearing although given the 400,000 acre-foot quantity of water reported it is presumed that it is based upon selling 110,000 acre-feet of mitigation water scheduled for delivery to the sea in 2015, 130,000 acre-feet of mitigation water scheduled for 2016, and 150,000 acre-feet of mitigation water scheduled for 2017 the sum of which equals 390,000 acre-feet. Given that the first half of 2015 has already passed, the possibility of selling the 110,000 acre-feet scheduled for this year seems remote.

With respect to selling water scheduled for delivery to the sea in the years 2016 and 2017 which amounts to 280,000 acre-feet, the following analysis is offered. If it is assumed that this water is sold to the Department of Water Resources (DWR) pursuant to the terms of the *IID/DWR Water Transfer Agreement*¹ at an inflation adjusted price of roughly \$300 per acre foot, \$84 million would be generated. This water would then be resold to MWD in accordance with the terms of

¹ *Agreement Between the Imperial Irrigation District and the Department of Water Resources for the Transfer of Colorado River Water*, dated October 10, 2003. This agreement is one of the "Related QSA Agreements" approved among the QSA parties.

the *MWD/DWR Water Transfer² Agreement* through which DWR would be compensated. However, there is one significant element that needs to be accounted. In order for the “c(2) water” to be made available for either mitigation or transfer, IID must first acquire this water through the district’s following program at a cost of \$175 per acre-foot. Hence, the true net benefit of this proposal is only about \$35 million.

With respect to generating funds for restoration, it would be more useful for IID to sell their “underruns” or unused apportionments to the San Diego County Water Authority (SDCWA) at the same rate as provided for under the terms of the *IID/SDCWA Water Transfer Agreement³* which is \$624 per acre-foot. IID’s underruns have averaged 80,000 acre-feet per year which if sold at \$624 per acre-foot would provide approximately \$50 million per year. Over a 30 year period, these sales could generate \$1.5 billion which could be used for restoration.

Another point which must be considered with respect to MWD’s proposal is that under the terms of the *IID/DWR Water Transfer Agreement* (Article 5.d.) water may not be transferred “unless the Secretary of the Resources Agency of the State of California has first found that such transfer is consistent with the preferred alternative for the Salton Sea restoration developed pursuant to Fish and Game Code Section 2081.7(e)(2)(C)”. It is questionable whether such a finding could be made. In addition, transferring 280,000 acre feet of mitigation water would reduce the elevation of the Salton Sea by roughly 1.25 feet. This drop in elevation would expose an additional 2,000 acres of playa along the shore of the sea which in turn would need to be mitigated at some unknown cost to prevent air quality problems. Clearly, MWD’s proposal for generating funding for Salton Sea restoration requires much more analysis before it can be seriously considered as a potential partial solution.

One final note with respect to MWD’s proposal is the comment made by Keali’i Bright Deputy Secretary for Legislation, California Natural Resources Agency that “no one wants to put water into the sea”. This comment is not true. There are a number of parties and interests within the Imperial Valley and elsewhere who support maintaining a stable shoreline for the Salton Sea. The State Water Resources Control Board mandated that this be done through 2017 as part of Water Rights Order 2002-0013.

² *Agreement Between the Metropolitan Water District and the Department of Water Resources for the Transfer of Colorado River Water*, dated October 10, 2003. This agreement is also one of the “Related QSA Agreements” approved among the QSA parties.

³ *Agreement for the Transfer of Conserved Water by and between Imperial Irrigation District and San Diego County Water Authority*, dated April 29, 1998 as amended. This agreement is another one of the “Related QSA Agreements” approved among the QSA parties.

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The Rush to Do Something without Knowing What Ultimately Needs To Be Done

A number of speakers expressed their urgency that something be done quickly to prevent what has been described as an impending disaster at the Salton Sea. While this is understandable, it is more important that a comprehensive solution be developed before money is spent on projects that might not meet the needs of the problem at hand. An important factor that has to be considered is that the "restoration" project envisioned under the QSA, while not specifically described therein, has to be acceptable to all of the QSA parties. The QSA is a contractual agreement with numerous terms and commitments. It is simply not possible for the State to unilaterally develop their own restoration program and expect that it will satisfy the obligations that the other parties believe exist under the QSA. This is one reason why IID's proposal that mediation efforts among the QSA parties be pursued to address Salton Sea issues makes perfect sense. These issues have a contractual basis and those contracts cannot be ignored.

In recent years there has been a lot of criticism leveled at the \$9 billion Preferred Alternative plan developed by the Resources Agency in 2007. Almost all of this criticism has dealt with the project's high cost. It is important to remember, however, that this plan was developed through an extensive collaborative effort by various stakeholders and other members of the public. Questions as to the State's ability to fund the restoration proposals considered were not a factor in the development of the plan. Indeed, IID's commitment to fully implement the QSA water transfers during those early years was no doubt influenced by the State's presumed commitment to implement the restoration plan that was being developed at that time. If the cost of the State's obligations under the QSA is a significant concern to the State which it appears to be, then the State should engage the other QSA parties in discussions as to how to resolve those concerns.

Finally, as was noted in my comments to the Commission during the June 25, 2015 hearing, the development and implementation of a restoration plan which is acceptable to all parties will take considerable time. Three options were suggested in regards to actions that could be implemented during the interim: 1) temporarily suspend the QSA transfers; 2) discontinue the ramp-up of the transfer quantities and maintain the status quo; and 3) consider using IID's entitlement underruns as mitigation water. While these options are likely viewed unfavorably by many parties, they represent concrete means of mitigating the real concerns facing the Salton Sea in the near future.

Best regards,

AVALEX INC.



Craig W. Morgan
Principal Engineer

Cc/Attached List

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