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Testimony on "Water for Our Future and Job Creation: Examining Regulatory and Bureaucratic Barriers to New Surface Storage Infrastructure"

Tuesday, February 7, 2012

Chairman McClintock and Members of the Subcommittee:

On behalf of the Contra Costa Water District (CCWD), I would like to thank the Committee for this opportunity to discuss what it takes to build new surface storage and submit to you that my testimony can be equally applied to building any large water supply project in today's world.

CCWD serves water to over 500,000 people in eastern and central Contra Costa County. Among CCWD's customers are a number of large industries of national importance, including oil refineries, chemical plants and steel mills. CCWD diverts all of its water supply from the Sacramento-San Joaquin Delta in Northern California and delivers it via the Contra Costa Canal, which is owned by the U.S. Department of the Interior, Bureau of Reclamation (Reclamation) and was the first part of the Central Valley Project (CVP) built by Reclamation in the 1930s. CCWD is one of the largest Municipal and Industrial CVP water supply contractors and operates the Contra Costa Canal under a contract with Reclamation. CCWD has worked closely with Reclamation on both water operations and capital projects for over seventy years.

Because CCWD is located in the Delta, at the hub of California's water supply system, CCWD is intimately involved in state-wide water planning, and has been an active participant in all the major Delta activities of the last thirty-five years, including the 1976-77 and 1987-1992 droughts, the Bay-Delta Accord of 1994, the CALFED effort, and into the present era of the Bay-Delta Conservation Plan and the Delta Stewardship Council's Delta Plan.

The experiences of CCWD over the past 20 years are evidence that new surface storage infrastructure can be built. Almost one billion dollars have been invested in new assets in the ground by CCWD during this timeframe. Most significantly and with regard to the focus of this hearing, in 1997, CCWD completed 100,000 acre-feet of new, off-stream surface storage at Los Vaqueros Reservoir, and is currently constructing the enlargement of that reservoir to 160,000 acre-feet. In addition, CCWD completed several Delta water quality projects on behalf of CALFED, and CCWD is replacing the four mile long, earth lined portion of the Reclamation owned Contra Costa Canal with a large diameter pipeline. That project will improve water quality, help Reclamation meet Delta water quality standards, and reduce the risk of floods in the Delta from a failure of the canal embankment that was not designed to meet current levee standards for flood protection and earthquake safety. Other projects successfully undertaken by

CCWD include constructing significant upgrades and expansions of our water treatment plants, constructing two new Delta intakes with state-of-the art fish screens that improve water quality and reliability for our customers, and, together with Reclamation, constructing fish screens at our oldest water intake to the Contra Costa Canal at the western end of the Delta.

CCWD has undertaken all these projects during an uncertain period when completing water projects in the Delta or its watershed has been extremely difficult. CCWD did not complete all of these projects alone. Our partnership with Reclamation, and with state agencies including the California Department of Water Resources (DWR) and the State Water Resources Control Board (SWRCB), has been instrumental in these accomplishments. CCWD and Reclamation have worked closely to achieve the construction and enlargement of Los Vaqueros Reservoir. CCWD and Reclamation are continuing the feasibility study for a further expansion of Los Vaqueros Reservoir, up to 500,000 acre-feet. A number of Bay Area water agencies have expressed interest in Los Vaqueros for their current and future drought storage needs. By building on these partnerships, CCWD believes that future storage projects can be successful.

The 100,000 acre-foot Los Vaqueros Reservoir was completed in 1997; it is a model for what it takes to build new surface storage.

Following severe drought years and associated periods of very poor Delta water quality in the 1970s and 1980s, the CCWD Board of Directors determined that CCWD could not wait for the state and federal governments to solve CCWD's problems. In 1988, CCWD customers approved a local bond for $450 million to build the Los Vaqueros Reservoir. Throughout development of the reservoir project, CCWD worked with other Bay Area water agencies to explore partnership opportunities, but these agencies were not able to commit to a partnership in the project implementation and CCWD moved forward with securing new water rights and constructing the 100,000 acre-foot reservoir on its own. As it turned out, the need for storage did not diminish and at the time the reservoir was being completed, CCWD, working with others in the CALFED program, found that future expansions of the reservoir could be accommodated.

Water conflicts were just as chaotic at the time the original Los Vaqueros Reservoir was being planned and constructed as they are now. California was in the midst of a severe drought, delta smelt and winter-run salmon were being listed under the Endangered Species Act, and processes were underway to require additional flows for fishery protection in the Delta and San Francisco Bay. The primary purpose of the original Los Vaqueros Project was to provide a consistent level of high quality drinking water and adequate emergency storage in case of earthquakes, Delta levee failures, and other disasters. CCWD was able to turn that purpose into an asset during the permitting process. As an offstream reservoir, the project purposes also included design and operational measures to protect sensitive Delta fish species and the CCWD Board of Directors ensured that a net environmental benefit was provided for the Delta with this project. Since the reservoir has been operational, CCWD customers have enjoyed consistently high quality water and improved emergency readiness, all while CCWD contributes to improved Delta fishery conditions. As evidence of the significance of this point, only one delta smelt (a larva) has been taken at the Los Vaqueros intake in almost 15 years of project operations, and CCWD's intake is in the same vicinity as the unscreened export pumping facilities. A key point here is to recognize that, to be successful, a project must be developed to provide a net environmental benefit to

ensure sustainability, as opposed to maximizing extraction without concern for impacts on the natural system.

The 160,000 acre-foot Los Vaqueros Reservoir Expansion will be completed in 2012; it provides further evidence that the model works.

Studies on the expansion of Los Vaqueros Reservoir were initiated following the completion of the CALFED Record of Decision in May 2000 with funding provided by Reclamation and DWR. In 2001, CCWD entered into the Los Vaqueros Memorandum of Understanding with several local, state, and federal agencies participating in the expansion studies to document the common understanding for open and transparent evaluation of project alternatives. In March 2004, 62 percent of CCWD customers voted in favor of Measure N and authorized the expansion project to move forward.

While the reservoir expansion studies were ongoing, CCWD and Reclamation prepared an Environmental Impact Report/Environmental Impact Statement (EIR/EIS) to evaluate the stand-alone benefits of a new CCWD intake in the Delta to further enhance water quality and operational flexibility of an expanded Los Vaqueros Reservoir. The Middle River Intake Project was approved and construction was completed in 2010 with additional financial support from DWR and the SWRCB in recognition of statewide benefits from the new intake. Like the Los Vaqueros Project, CCWD's operations with this intake provided an additional reduction in CCWD's impacts to Delta fisheries through timing of operations that measurably reduced impacts and the screening of local agricultural intakes. The addition of a new intake also mitigated for impacts on CCWD water quality which would be incurred due to a reservoir outage during a multiple year construction period while the reservoir is enlarged.

Reservoir expansion alternatives up to 275,000 acre-feet were examined in the Final EIS/EIR prepared jointly by CCWD and Reclamation in 2010. The larger reservoir alternatives were determined to improve water quality, provide drought supply, and protect Delta fisheries. However, decisions on local agency partnerships continued to lag behind statewide decisions on Delta conveyance solutions while local and state funding remained limited. The CCWD Board of Directors decided to move forward on an initial phase of expansion up to 160,000 acre-feet and construction began in 2011. Although the initial phase of expansion is being funded by CCWD to improve drought supply and water quality, the project also has the potential to provide benefits to other local water agencies. CCWD is continuing to work with potential local water agency partners in the initial expansion project to explore short term and long term opportunities to improve drought supply. As with the Middle River Intake and the original Los Vaqueros Project, the operations with the expanded reservoir also provide benefits to Delta fisheries.

What it Takes to Build Large Water Projects: listening to and adjusting for the interests of partners and stakeholders, not redirecting impacts, providing net environmental benefits, and having a strong business case.

Over the past two decades CCWD has found that, while there are added regulations and constraints as compared to previous eras of dam construction, successful implementation of large water projects is still possible. The hurdles may seem insurmountable, but it is possible to get

permits and approvals, identify funding, and construct projects on schedule and within budget. Some of the key elements that have been part of CCWD's "recipe for success" are described below.

Broad Stakeholder Involvement. CCWD developed comprehensive public and stakeholder outreach plans at the early stages of project development. The approach goes way beyond web sites, newsletters, and legally required public hearings. For the Los Vaqueros Reservoir Expansion Project, CCWD held over 65 public meetings and hundreds of informal meetings with stakeholders to provide project information and to identify and address concerns. It is not sufficient to simply hold public meetings without addressing the issues raised: the meetings were used to hear concerns and develop solutions that were then incorporated in the project to address those concerns. CCWD formed both a Customer/Stakeholder Feedback Group and an Agency Coordination Work Group to keep key stakeholders and agencies informed well ahead of the release of the Draft EIS/EIR. CCWD spent many hours developing relationships with the media, legislative staff, water agencies, environmental groups, and other stakeholders to resolve issues. The evidence that issues were successfully addressed is that only 60 comment letters were received on the Draft EIS/EIR for the project (a large fraction of which concerned the desire for more bicycle trails in areas unrelated to the project), significant opposition was avoided, and the Final EIS/EIR was completed without legal challenge.

CCWD also focused on building and maintaining strong working relationships with local, state and federal agencies throughout the development of the reservoir and Delta intake projects. These partnerships provided access to state and federal funding when possible but they also enhanced coordination with the CVP and State Water Project customers. As a result of the partnerships, CCWD and Reclamation worked together to develop a coordination agreement that ensures that operation of the expanded reservoir will not injure other CVP contractors and that ensures CCWD's objectives will be met in a way that actually helps the CVP in its operations. This agreement was instrumental in building trust and creating a project that did not just ensure no harm to others, but actually provides benefits to others.

More recently CCWD has worked closely with the East Bay Municipal Utility District (EBMUD) to jointly develop new drought supply solutions involving Los Vaqueros Reservoir that are included in their December 2011 Draft Revised Program EIR for EBMUD's Water Supply Management Program 2040 as an alternative to enlargement of the on-stream Pardee Dam.

Avoidance and Mitigation of Environmental Impacts. CCWD found early on that modern water projects need to go beyond avoidance of impacts and basic mitigation techniques. CCWD develops projects that avoid redirected impacts to others and invites the affected stakeholders to review project analyses well in advance of publication of a Draft EIS/EIR. This transparency and technical collaboration results in the most creative and effective project design. Again, it is not sufficient to simply show the analysis to others: listening to their concerns and addressing them in a way that is satisfactory is essential. The previously mentioned coordination agreement with Reclamation is an example: it started as a way to directly address concerns of potential harm but actually concluded as a way to provide mutual benefits. Where impacts cannot be avoided, such as inundation of habitat due to reservoir inundation, CCWD developed

comprehensive mitigation strategies to enhance regional habitat assets and provide habitat corridors to maximize environmental benefits. CCWD worked closely with the fish and wildlife agencies, independent environmental experts and environmental and land use stakeholder groups to apply practical experience as well as the latest scientific information.

Making a Strong Business Case. Like many projects, there were numerous options for the expansion of Los Vaqueros Reservoir, ranging from 125,000 acre-feet to 500,000 acre-feet. Each size range fit a particular need or set of needs and had its own costs. The sizes that moved forward 1) were affordable for the need; 2) allowed further expansion at reduced cost to a higher level; and 3) avoided unused capacity. These are important factors. There is no doubt that "more is better" but "more" right now is not always best for right now. A 275,000 acre-foot expansion for CCWD alone did not meet the "good business practices" test: a lot of that storage would be unused now, although it would put a financial burden on ratepayers. However, the 160,000 acre-foot reservoir was perfectly sized for "right now": it is affordable, its capacity will be used, it provides flexibility so that CCWD can use some of that capacity to help other Bay Area water agencies on a short or long term basis, and it is easily expandable to 275,000 acre-feet. The simple fact is that opposition to a project is generated when a proponent cannot make a good business case, or a project alternative that does the same job at lower cost with fewer impacts is available but not selected. To be successful, a solid business case must be made, even if it means staging the project to deal with uncertainty.

Future Expansion of Los Vaqueros Reservoir up to 500,000 acre-feet

The Los Vaqueros MOU was recently extended through December 2014 to coincide with the current schedule for preparation of a Federal Feasibility Study for reservoir expansion up to 500,000 acre-feet. Recent studies have identified even greater needs for surface storage as well as additional opportunities for regional cooperation. Future expansion of Los Vaqueros Reservoir is consistent with the co-equal goals of the Delta Plan (it is included in the Draft Delta Plan) and it meets the public benefit requirements of the proposed California Water Bond currently planned for November 2012. CCWD is continuing to work with Reclamation and DWR to complete engineering, operations, environmental, and economic analyses necessary to identify the most cost-effective alternative for future reservoir expansion.

What is Required to Move Forward on Future Reservoir Expansion

Moving forward with the next stage of expansion will require adequate funding for completion of the Federal Feasibility Study, decisions on Delta conveyance, regional cooperation and participation in project development, partnership and cost share agreements, continued outreach and stakeholder coordination, resource agency engagement and support, and strong leadership and advocacy. Patience, endurance, and hard work will continue to be required given the long lead time for major surface storage projects.